

Chapter 17 Test

Key Terms

From the box below, choose the term that matches each definition. Write the letter of the answer in the space provided.

- | | | |
|-----------------|-------------------|--------------|
| a. currency | c. recession | e. bartering |
| b. money supply | d. demand deposit | f. loan |

- ___ 1. money in a checking account
- ___ 2. an amount of money borrowed for a certain time period
- ___ 3. exchanging goods and services for other goods and services
- ___ 4. coins and paper bills used as money in an economy
- ___ 5. a slowdown in economic activity and production
- ___ 6. the total amount of money available for use as a medium of exchange

Main Ideas

Write the letter of the correct answer in the space provided.

- ___ 7. Which is *not* a function of money?
 - a. store of value for future purchases
 - b. medium of exchange between individuals
 - c. durable and not easily destroyed
 - d. standard of value for goods and services
- ___ 8. Which does *not* describe characteristics of our currency?
 - a. acceptable, durable, and convenient
 - b. can be measured and counted accurately
 - c. inexpensive to produce and holds value
 - d. easy to save for future purchases
- ___ 9. What is a major function of banks in our economy?
 - a. controlling the money supply
 - b. making loans
 - c. paying interest
 - d. making investments
- ___ 10. Fractional reserve banking puts the money received from depositors to useful service in the economy because
 - a. it can be withdrawn on demand.
 - b. it can be saved for buying goods and services in the future.
 - c. it is loaned to individuals and businesses.
 - d. it can be exchanged for goods and services.

- ____ 11. The Federal Reserve System is run by the
 - a. legislators in Congress.
 - b. twelve-member board of district supervisors.
 - c. representatives appointed by member banks.
 - d. seven-member Board of Governors.

- ____ 12. The Fed's most powerful job is to
 - a. regulate the amount of money available for spending.
 - b. make loans to banks.
 - c. put into effect laws that protect businesses and individuals.
 - d. keep track of the federal government's debts.

Critical Thinking

Answer each of the following questions on the lines provided. Write your answers in complete sentences.

13. **Identify main ideas** Explain the major functions of the Federal Reserve System.

14. **Identify cause and effect** Explain how the money supply affects the economy.

15. **Contrast** How do banks, savings and loan associations, mutual savings banks, and credit unions differ?
