Ch. 15 federal reserve system

creditsubject to laws of supply and demandloose money policywant economy to speed uptight money policywant economy to slow downdiscount rateinterest rate charged by the Fed to other banksprime rateinterest rate charged by banks to its best business customerscheck clearingmethod by which a check that has been deposited in one depository institution is transferred to the depository institution on which it was writtenFederal Open Market Committeemeets 8 times a year, decides how the Fed should control the money supply, made up of Board of Governors and Pres. or V. P. of 5 Fed. Reserve BanksBoard of Governorsdirects operations of Federal Reserve System, supervises the 12 district Federal Reserve Banks, has 7 full-time members appointed by the Pres. approved by the Senateto increase money supplyreduce reserve requirements, reduce discount rates for borrowing reserves, buy government securities on the open marketto decrease money supplyincrease reserve requirements, raise discount rate for borrowing reserves, sell government securities in the open marketmember bankscommercial banks that are members of, and hold stock in the Fed. bank holding companiescorporations that own one or more bankscurrencypaper component of the money supplycoinsmetallic forms of moneymonetary policyexpansion or contraction of the money supply in order to influence the cost and the availability of creditfractional reserve systemrequires banks and other depository institutions to keep a fraction of their deposits in the form of legal reserveslegal reservesconsist of coins and currency that depository institutions hold in their vaults, plus deposits with Federal Reserve district banksreserve requirementrule stating that a percentage of every deposit be set aside as legal reservesexcess reserveslegal reserves in excess of the reserve requirementliabilitiesdebts and obligations to othersassetsproperties, possessions, and claims on othersbalance sheetcondensed statement showing all assets and liabilities at a given timenet worthexcess of assets over liabilities, which is a measure of the value of a businesstime depositsinterest-bearing deposits that cannot be withdrawn by checkmember bank reservedeposit a member bank keeps at the Fed to satisfy reserve requirementseasy money policyFed allows the money supply to grow and interest rates to fall, which normally stimulates the economytight money policyFed restricts the growth of the money supply, which drives interest rates upopen market operationsbuying and selling of government securities in financial marketsmargin requirementsminimum deposits left with a stockbroker to be used as down payments to buy other securitiesmonetize the debtcreate enough extra money to offset the expansion of the money supply, making inflation worsereal rate of interestthe market rate of interest minus the rate of inflationselective credit controlscredit rules pertaining to loans for specific commodities or purposesregulation zprovision extending truth-in-lending disclosures to consumersderegulationrelaxation or removal of government regulations on business activitiesaggregate supplytotal value of goods and services that all firms would produce in a specific period of time at various price levelssupply-side economicseconomic policies designed to increase aggregate supply or shift the aggregate supply curve to the rightkeynesian economicsgovernment spending and taxation policies suggested by John Maynard Keynes to stimulate the economystagflationcombination of stagnant economic growth and inflationliquiditypotential for being readily convertible into cash or other financial assetscreditorperson or institution to whom money is owedM1money supply components conforming to money's role as medium of exchange; such as coins and currencyM2money supply components conforming to money’s role as a store of value; M1, savings deposits, time depositsmonetarismschool of thought stressing the importance of stable monetary growth to control inflation and stimulate long-term economic growthcouncil of economic advisersthree member group that devises strategies and advises the president of the united states on economic mattersmisery indexunofficial statistic that is the sum of monthly inflation and the unemployment rate