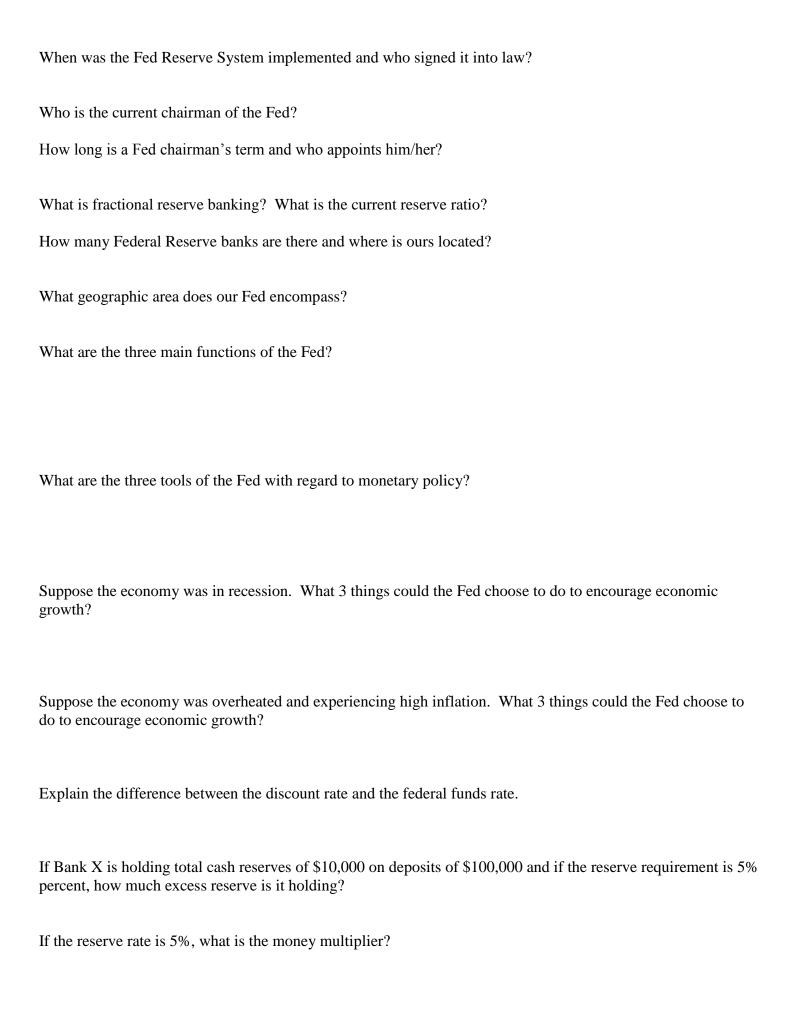
Test Review Unit 4

what is the main diffi	iculty in a barter s	ystem?		
What are the function 1.	s of money? Nan	ne and explain each.		
2.				
3.				
What are liquid assets	;?			
What are the 3 types of 1.	of money and defi	inition of each?		
2.				
3.				
What are M1 and M2	?			
What is included in M	12 but not M1?			
Is using a credit card a	an M1 transaction	n? Why or why not?		
Assume that an initial Loan for each of the 5		occurs and the reserve ratio is ansactions.	10%. Calculate the I	Deposit, Reserve and
	Deposit	Reserve	Loan	
Loan 1	500			_
Loan 2				_
Loan 3				_
Loan 4				4
Loan 5		TD: 4.1 A 4.T	•	4
		Total Amount Loaned	l	

Use the money multiplier to determine the maximum amount of money that could be generated from the initial deposit, using the numbers from the problem above.____



What is a bubble?				
What was the general trend in housing prices from 1950 to 2007?				
What is a subprime loan?				
Why did subprime loans become popular in the past 5 years?				
What is the relationship between interest rates and the number of people applying for mortgage	es?			
Why weren't banks worried about making risky mortgages?				
How did speculation lead to an increased supply of houses?				
What is a mortgage backed security?				
What is a NINJA loan?				
Explain how the following people/groups contributed to the recession of 2007-2009.				
a. People who bought homes				
b. Banks				
c. The Fed				
d. Financial markets for mortgage backed securities				
e. The federal government				
f. Securities ratings companies				