What is money?

Lecture Review

Money is something that fulfills 3 key roles:

- medium of exchange
- store of value
- unit of account

Characteristics of money:

- Standardizability/Uniformity; Divisibility; Portability; Durability; Acceptability; Scarcity

Monetary Aggregates: Glossary

Lecture Review

- **Currency:** notes and coins held by the private non-bank sector (i.e. physical money).
- **AFI:** All Financial Intermediaries (banks, credit unions, pension funds, stock exchanges, brokers, financial advisers).
- **ADI:** Authorised Deposit-taking Institutions (banks, credit unions, building societies). Supervised by the Australian Prudential Regulation Authority (APRA).
- **CUBS:** Credit Unions and Building Societies

Monetary Aggregates

Lecture Review

- **Money Base:** currency (in circulation and at banks) + bank reserves (kept at RBA) + RBA liabilities to the private non-bank sector.

- **M1:** currency (C) + current deposits (D).

- **M3:** M1 + other deposits of private non-ADI sector at banks & CUBS.

- **Broad Money:** M3 + deposit-like borrowings of AFIs from the non-AFI private sector (eg. short term debt securities).