- Appendix -

Terms and Concepts
**Adaptive Expectations:** Expectations about the future value of some variable are “adaptive” when extrapolated from (formed as) a weighted average of recent values of that variable. The theory that expectations are adaptive frequently focuses on forecasts of inflation (price level changes) or prices for such assets as stocks or bonds. Adaptive expectations may entail adjustments for both past trends and previous forecasting errors.

**Adjusted for Inflation:** Corrected for price changes to yield an equivalent in terms of goods and services.

**Administered Price:** A price for a good or service that is set and maintained by the government.

**Aggregate Demand:** The total demand for a country's output, including demands for consumption, investment, government purchases, and net exports.

**Aggregate Supply:** The total supply of a country's output, usually assumed to be an increasing function of its price level in the short run but independent of the price level in the long run.

**Asian Crisis:** A major financial crisis that began in Thailand in July 1997 and quickly spread to other East Asian countries.

**Asian Development Bank:** A multilateral institution based in Manila, Philippines, that provides financing for development needs in countries of the Asia-Pacific region.

**Autonomous Transaction:** In the balance of payments, a transaction that is not itself a result of actions taken officially to manage international payments.

**Autonomous:** Refers to an economic variable, magnitude, or entity that is caused independently of other variables that it may in turn influence; exogenous.

**Balance of Payments Accounts:** A record of all transactions involving a country's exports and imports of goods and services, borrowing and lending.

**Balance of Payments Adjustment Mechanism:** Any process, especially any automatic one, by which a country with a payments imbalance moves toward balance of payments equilibrium.

**Balance of Payments Deficit:** A negative of balance of payments surplus.
**Balance of Payments Surplus**: A number summarizing the state of a country's international transactions, usually equal to the balance on current account plus the balance on financial account, but excluding official reserve transactions, or omitting also other volatile short-term financial-account transactions.

**Balance of Trade**: A record of a country's exports and imports of goods and services.

**Bank Rate**: The interest rate charged by a central bank to commercial banks for very short term loans.

**Bank Regulation**: The formulation and issuance of specific rules and regulations for the structure and conduction of banking by authorized agencies under governing laws.

**Bank Supervision**: Concern of the financial regulators with the safety and soundness of individual banks to ensure that the banks are operated prudently, and in accordance with applicable laws and regulations.

**Barter Economy**: An economic model of international trade in which goods are exchanged for goods without the existence of money.

**Barter**: Barter is the process of trading goods or resources for other goods or resources, while not using money as a medium of exchange, and tends to be extremely inefficient because of the costs of surmounting the problem that trade requires a double coincidence of wants.

**Base Money**: See Monetary Base.

**Base Year**: The year used as the basis for comparison by a price index such as the CPI. The value of index is normalized, usually to 100, in this year.

**Bond**: A debt instrument, issued by a borrower, promising a specified stream of payments to the purchaser, usually regular interest payments plus a final repayment of principal.

**Bretton Woods**: An international monetary system operating from 1946-1973. The value of the dollar was fixed in terms of gold, and every other country held its currency at a fixed exchange rate against the dollar.

**Broad Money (M2)**: A sum total of narrow money and time deposits owned by individuals in financial institutions.
Budget Deficit: Excess of expenditure over income in the government budget.

Budget Surplus: Excess of tax revenue over expenditure (including transfer and interest payments) in the government budget.

Capital Account: That part of the balance of payments accounts, which records a country's lending and borrowing transactions.

Capital Adequacy Ratio: The ratio of a bank's capital to its risk-weighted credit exposure intended to permit banks to absorb losses without becoming insolvent, in order to protect depositors.

Capital Flight: Large financial capital outflows from a country prompted especially by fear of default or devaluation.

Capital Market: Refers to a market in which long term (more than one year) financial assets (stocks and bonds) is traded.

Cartel: A group of firms or countries that seeks to raise the price of a good by restricting its supply.

Causation: The relationship whereby one variable (the independent variable) is not only highly correlated with another variable (the dependent variable), but actually causes changes in the independent variable.

Central Bank Intervention: Purchase and sale of domestic or foreign currency by the central bank to influence the exchange rates in the foreign exchange market when the exchange rates are not fixed by law.

Central Bank: An agency empowered by a government to manage a country's monetary and financial institutions, issue and maintain the domestic currency, and handle the official reserves of foreign exchange.

Closed Economy: An economy that does not permit economic transactions with the outside world.

Coefficient: In a regression analysis, the estimated numerical association between one variable and another, usually taken to represent the sign and size of the causal effect of one on the other.
**Commercial Bank:** An institution that accepts and manages deposits from households, firms and governments and uses a portion of those deposits to earn interest by making loans and holding securities.

**Consumer Price Index (CPI):** A measure of the average price paid for a market basket of goods and services by a typical consumer in comparison to the average paid for the same basket in an earlier base year. It is commonly used to measure inflation.

**Contractionary Policies:** Policies that are intended to decompress demand-pull inflationary pressure by decreasing the amount of money in circulation, by increasing taxes, or by decreasing government spending.

**Core Inflation:** Core inflation (or built-in inflation) is a measure of inflation intended to identify a ‘base line’ rate of aggregate price change that excludes food and energy price changes because their volatility may not reflect longer term trends caused by built-in expectations of inflation or macroeconomic policies.

**Cost-Push Inflation:** A term that applies when increases in the price level are caused by increases in cost.

**Credit Rationing:** It occurs when financial institutions will not provide loans even if applicants turned down for loans are willing to pay interest rates equal to or greater than interest rates charged to successful borrowers who present similar risks of default. It tends to increase during economic downturns as a result of interest rate ceilings.

**Creeping Inflation:** Inflation is categorized as creeping when the average level of monetary prices rises at only moderate positive rates, usually less than ‘double digits’ (less than 10 percent) annually.

**Cross Rate:** The exchange rate between two currencies as implied by their values with respect to a third currency.

**Crowding In:** Increase of private investment through the income-raising effect of government spending financed by deficits.

**Crowding Out:** The possible tendency for government spending on goods and services to put upward pressure on interest rates, thereby discouraging private investment spending.

**Currency Appreciation:** Under a flexible (floating) exchange rate system, an increase in the exchange rate of a currency relative to foreign currencies.
Currency Basket: A group of two or more currencies that may be used as a unit of account, or to which another currency may be pegged. It is also referred to as basket of currencies.

Currency Depreciation: Under a flexible (floating) exchange rate system, a decrease in the exchange rate of a currency relative to foreign currencies.

Current Account Balance: The difference between the total exports of goods, services and transfers and total imports of the same. However, it excludes transactions in financial assets and liabilities.

Current Prices: Refers to prices in the present, rather than in some base year.

Deficit Financing: Method used by a government to cover the difference between its tax receipts and its expenditures or budget deficit.

Deficit Spending: Refers to the situation wherein the government spends more than it receives in taxes.

Deficit: (1) In the balance of payments, or in any category of international transactions within it, the deficit is the sum of debits minus the sum of credits; and (2) in the government budget, the deficit is the excess of government expenditures over receipts from taxes.

Deflation: A fall in the general level of prices.

Demand Deposit: A deposit held by a depository institution and payable on demand. It is also known as checking accounts in the commercial banks.

Demand-Pull Inflation: When an increase in aggregate demand occurs which cannot be offset by a corresponding increase in real supply causing an increase in the price level (inflation).

Dependent Variable: The value of a dependent variable is contingent upon the value of other variables, which are called independent variables.

Deregulation: Removal of government regulations concerning price and leaving the price to be determined by the market forces.

Determinant: A variable that influences or affects another variable.
Devaluation of a Currency: A currency experiences devaluation when exchange rates are either ‘pegged’ or fixed, and the government decides to reduce the exchange rate of one currency for another.

Developed Country: A country whose per capita income is high by world standards.

Developing Country: A country whose per capita income is low by world standards.

Development Bank: A financial institution that provides financing for development needs.

Dirty Float: A managed float or a ‘dirty float’ is a policy wherein the governments intervene in a ‘floating’ foreign exchange market in an attempt to stabilize the exchange rates.

Discount Rate: The interest rate at which eligible depository institutions may borrow short-term funds from the central bank.

Discount Window: A central bank facility for extending credit directly to eligible depository institutions.

Disinflation: A slowdown in the rate of inflation.

Disintermediation: Waves of withdrawals of funds from banks and thrift institutions as depositors could earn higher interest rates elsewhere.

Domestic Credit: Credit extended by a country's central bank to domestic borrowers, including the government and commercial banks.

Dual Exchange Rate: In a dual exchange rate system, there is a fixed official exchange rate and an illegal market-determined exchange rate.

Economic Development: A sustained increase in the economic standard of living of a country's population, usually accomplished by increasing its stocks of physical and human capital and improving its technology.

Economic Growth: A sustained increase in total output or output per person for an economy over a long period of time.

Elasticities Approach: Method of analyzing the determination of the balance of trade, especially due to devaluation, that focuses on the price elasticity of exports and imports.
**Elasticity of Demand:** The percentage change in the quantity demanded divided by the percentage change in price. Also referred to as *price elasticity*.

**Elasticity:** A measure of responsiveness of one economic variable to another.

**Endogenous Variable:** A variable that is an effect of changes in other variables in a system, and is not an initial cause of changes in the system. The value of an endogenous variable is determined internally, and cannot be changed prior to a change in the value of at least one other variable in the system.

**Equation of Exchange:** $MV = PQ$, where $M$ is the quantity of money in an economy, $V$ is the velocity of money, $P$ is the price level, and $Q$ is the real output of the economy.

**Equity:** Share in the ownership of a corporation; more commonly called a stock.

**Euro:** The common currency of a subset of the countries of the EU, adopted on January 1, 1999, with paper notes and coins put into circulation on January 1, 2002.

**European Union:** A group of European countries that have chosen to integrate many of their economic activities, including forming a customs union and harmonizing many of their rules and regulations.

**Excess Reserves:** The difference between the amount of cash a bank wishes or is required to hold in relation to its deposit liabilities and the amount it actually holds.

**Exchange Rate Regime:** The rules under which a country's exchange rate is determined, especially the way the monetary or other government authorities do or do not intervene in the exchange market. Regimes include floating exchange rate, pegged exchange rate, managed float, crawling peg, currency board, and exchange controls.

**Exchange Rate Stability:** Lack of movement over time in the exchange rate of a country.

**Exogenous Variable:** A variable treated as fixed in an economic model, and can often be chosen by the modeler depending on how the model is to be used.

**Expansionary Policies:** Policies that are aimed causing aggregate output ($GDP$) and/or the price level to rise.

**Federal Open Market Committee (FOMC):** A 12 member committee in the United States of America that sets objectives for growth of money and credit, and those objectives
are implemented through purchases and sales of the US government securities in the open market.

**Federal Reserve System**: The central bank of the United States of America created by the Congress. It consists of a 7 member Board of Governors in Washington D.C., 12 regional Reserve Banks, and depository institutions that are subject to reserve requirements.

**Fiat Money**: A type of money which has negligible intrinsic value in itself, but which is decreed to be money by the government and is generally accepted in exchange. Modern paper currencies are all fiat money, as are most coins in active circulation.

**Financial Assets**: Documents establishing either direct or indirect ownership of economic capital, or establishing rights to future payments from external parties.

**Financial Institutions**: They perform important economic roles by channeling funds from savers to investors, providing secure places for savers to keep their deposit, and facilitating flows and payments of funds.

**Financial Instrument**: A document, real or virtual, having legal force and embodying or conveying monetary value.

**Financial Intermediary**: An institution that provides indirect means for funds from those who wish to save or lend to be channeled to those who wish to invest or borrow.

**Financial Intermediation**: The process by which household saving is made available through financial institutions to those desiring to spend in excess of their income (especially investors).

**Financial Market**: A market for a financial instrument, in which buyers and sellers find each other and create or exchange financial assets.

**Fiscal Policy**: Any macroeconomic policy involving the levels of government purchases, transfers, or taxes, usually implicitly focused on domestic goods, residents, or firms. It may either stimulate or contract economic activity, and is intended to dampen or offset cyclical fluctuations in economic activity.

**Fixed Exchange Rate System**: A system wherein the central bank holds the value of the currency constant against some foreign currency or currencies. The exchange rate is not allowed to respond to changes in the relative supply and demand for the currencies.
**Floating Exchange Rate System**: A system wherein the central bank allows the relative market supply and demand to determine currency exchange rates.

**Foreign Currency Reserve**: The foreign currencies that a central bank keeps on hand for intervention.

**Foreign Exchange Rate**: Refers to the number of units of one currency needed to buy one unit of another currency.

**Foreign Exchange Transaction**: Purchase and sale of the currency of one country with that of another.

**Globalization**: The increasing worldwide integration of markets for goods, services and capital.

**Government Expenditure**: The total outlays by the government on goods and services during some accounting period, usually a year.

**Gross Domestic Product (GDP) Deflator**: A general way of referring to the price index that measures the average level of the prices of all goods and services. It is an index composed primarily of components from the consumer price index and the producer price index, and is used to adjust nominal GDP for changes in the price level.

**Gross Domestic Product (GDP)**: The value of all the goods and services produced in an economy during some accounting period, usually a year.

**Gross National Product (GNP)**: The total value of new goods and services produced in a given year by a country's domestically owned factors of production.

**High-powered Money** (*H*): The monetary base, or the total of currency in circulation, plus the commercial bank deposits with the central bank.

**Hyperinflation**: Rapid, out-of-control inflation, at double digit rates per month and more, usually occurring only during wars and periods of severe political instability.

**Idle Cash Balances**: Refers to money that is hoarded and tends to reduce aggregate demand and the income velocity of money.

**Illiquid**: An asset is illiquid if significant transaction costs are incurred in trading in the asset, so that a large proportion of value may be absorbed when converting the asset into...
Income Elasticity of Demand: The percentage change in quantity demanded divided by the percentage change in income.

Income Velocity of Money: The ratio of national income to the quantity of money in circulation.

Inelastic Demand: A term used when the percentage change in quantity demanded is smaller than the percentage change in price.

Inflation Targeting: A strategy by central bankers of aiming monetary tools to directly control changes in the price level instead of aiming at intermediate targets such as the rate of growth of money supply.

Inflation: A general rise in the average level of all prices.

Inflationary Bias: Economic conditions, the structures of private institutions, or government policies that make inflation more likely to occur.

Inflationary Expectations: Refers to the expectations of economic agents about the speed and direction of changes in the price level.

Informal Sector: Most commonly applied to unrecorded (and untaxed) activities in less developed countries. Also referred to as underground economy.

Instrument: (1) In financial markets, an instrument is a unit of financial capital, normally a document that specifies the responsibilities of the issuer and the rights of the owner of the instrument. (2) In policymaking, an instrument is a tool (for instance, the reserve requirement ratio) that can be changed to steer the economy towards a specific target (for example, growth of the money supply) or goal (for example, reasonable price level stability).

Interest Rate: The percentage rate that must be paid for the use of funds.

Interest-bearing Account: An account in a bank or other financial institution that pays interest to the depositor.

International Monetary Fund (IMF): An international organization with 146 members and its main functions are to lend funds to member countries to finance temporary balance
of payments problems, to facilitate the expansion and balanced growth of international trade, and to promote international monetary cooperation among countries.

**International Reserves**: The assets denominated in foreign currency, plus gold, held by a central bank.

**Least Developed Country (LDC)**: A country designated by the UN as least developed based on criteria of low per capita GDP, weak human resources (life expectancy, calorie intake, etc.), and a low level of economic diversification (share of manufacturing and other measures).

**Lender of Last Resort**: The function whereby the central bank stands ready to make cash advances to commercial banks in the event they misjudge their cash reserve requirements.

**Liberalization**: The process of making policies less constraining of economic activity by reducing tariffs and/or removing of non-tariff barriers.

**Liquid Assets**: The assets in a portfolio that possess liquidity, or those assets that can be converted into cash easily and quickly without incurring significant transaction cost.

**Liquidity Preference**: (1) The total demand for money in a Keynesian model; and (2) the Theory of Liquidity Preference is the idea that the demand for money is sensitive to the interest rate.

**Liquidity**: (1) A measure of how close an asset is to cash; (2) the capacity to turn assets into cash.

**Long run**: An analytical period of sufficient duration to make all feasible resource adjustments to any event.

**Macroeconomic Policy**: Any policy that is intended to influence the behavior of important macroeconomic variables, especially unemployment and inflation.

**Managed Floating Exchange Rate System**: An exchange rate regime in which the rate is allowed to be determined in the exchange market without an announced par value as the goal of intervention, but the authorities may intervene at their discretion to influence the rate.

**Marginal Propensity to Consume**: The percentage of new or added income that is consumed.
Marginal Propensity to Save: The percentage of new or added income that is saved.

Micro-credit: Involves granting tiny loans to impoverished people who would otherwise lack access to credit. These loans are intended to empower impoverished people to lift themselves out of poverty by operating their own firms.

Monetary Base: The total quantity of currency in circulation outside of banks plus the currency held by banks or deposited with the central bank. Also referred to as high-powered money.

Monetary Policy: The use of the central bank's power to control the domestic money supply to influence the supply of credit, interest rates and ultimately the level of real economic activity.

Monetary Transmission Mechanism: The monetary transmission mechanism (monetarist) is the idea that changes in the growth rate of the nominal money supply affect private spending directly. An increase in the money supply is assumed to yield a direct and rapid proportional rise in nominal GDP.

Money Multipliers: The potential money multiplier \( m_p \) is the reciprocal of the reserve requirement ratio \( m_p = 1/rr \) – the number which, when multiplied by a change in total reserves, yields the potential change in the money supply. The actual money multiplier \( m_a \) is smaller because of currency holdings of the public, excess reserves in banks, and other leakages: \( m_a = MS/MB \).

Money Supply: Legal currency and various transaction account balances held at financial institutions \( (M1) \) plus small savings and time deposit accounts of individuals \( (M2) \).

Money: The accepted common medium of exchange for goods and services in the marketplace that also functions as the unit of account, a means of deferred payment and a store of value.

Moral Suasion: A social pressure, sometimes exerted through the government, to persuade people or institutions to act in some particular manner.

Multiplier: The number of times new investment will be spent to produce a certain amount of new income.
NAIRU: The acronym of non-accelerating-inflation rate of unemployment, which is, according to natural rate theory, the lowest rate of unemployed workers a country can maintain in the long run.

Narrow Money ($M_1$): The total quantity of coins and paper currency classified as legal tender by the government mandate that circulates in the hands of public, plus the demand deposits that public maintains in financial institutions.

National Income: A general term used to refer to the total value of a country's output of goods and services in some accounting period without specifying the formal accounting concept such as Gross Domestic Product.

Natural Rate of Unemployment: The rate of unemployment that would exist when the economy is operating at full capacity.

Near-Monies: Assets that are not directly exchangeable for goods and services, but which may be readily converted into money.

Net Foreign Asset (NFA) Position: The value of the assets that a country owns abroad, minus the value of the domestic assets owned by foreigners.

Nominal GDP: The value of output measured in terms of the prices prevailing in the accounting period in question.

Non-governmental Organization (NGO): A not-for-profit organization that pursues an issue or issues of interest to its members by lobbying, persuasion, and/or direct action.

Official Reserves: The reserves of foreign-currency-denominated assets (and also gold and SDRs) that a central bank holds, sometimes as backing for its own currency, but usually only for the purpose of possible future exchange market intervention.

Open Economy: An economy that permits transactions with the outside world, at least including trade of some goods.

Open Market Operations (OMO): Purchases and sales of government and certain other securities by the central bank in the open market to influence the volume of money and credit in the economy. It determines the size of the money supply by altering the amounts of monetary base, and consequently, the amounts of reserves in the banking system. It is the most important, most flexible and widely used monetary policy tool.
Pegged Exchange Rate System: A system in which the government or central bank announces an official (par) value of its currency and then maintains the actual market rate within a narrow band above and below by means of exchange market intervention.

Pegging: A policy whereby a country sets a fixed value for its currency relative to the currency of another country.

Per-capita Income: Total income divided by the size of the population.

Poverty Line: The level of annual income below which a household is defined to be living in poverty.

Precautionary Demand for Money: The amount of money that economic agents desire to hold to cover unexpected expenses; and it is positively related to income or wealth.

Price Elasticity of Demand: A measure of the responsiveness of the quantity demanded of a good to changes in that goods price.

Price Level: The overall level of prices in a country, usually measured empirically by a price index.

Price-level Stability: A normative goal often advocated for economic policy. If the average price level (for instance, CPI) is excessively volatile, people may be uncertain about how much their wages will buy or whether to consume now or invest in hopes of future returns.

Primary Market: A market in which new issues of financial instruments are sold.

Privatization: The conversion of a government-owned enterprise to private ownership.

Purchasing Power Parity (PPP): A theory that the exchange rate between any two currencies adjusts to reflect relative changes in the price levels of the respective countries. (1) *Absolute PPP* — the equality of the prices of a bundle of goods (usually the CPI) in two countries when valued at the prevailing exchange rate; (2) *Relative PPP* — the equality of the rates of change over time in the prices of a bundle of goods in two countries when valued at the prevailing exchange rate.

Quantity Theory of Money: The idea that there is a direct link between the quantity of money in the economy and the price level.
**Random Walk**: A variable follows a ‘random walk’ when the direction or magnitude of change cannot be predicted from past patterns.

**Rational Expectations**: Market participants intuitively anticipate systemic policy actions and their consequences for the economy; thus, on average, private market forecasts are accurate, and the planned policy is ineffectual.

**Real Balance Effect**: The influence a change the quantity of real money has on the quantity of real national income demanded.

**Real GDP**: The value of output measured in terms of the prices prevailing in some base period. The value of the deflator in the base period is always 100.

**Real Money Balances**: The real value of the amount of money held by a person, household, or firm, or the amount in circulation in the economy.

**Real National Income**: National Income adjusted for inflation.

**Real Rate of Interest**: The nominal interest rate adjusted for inflation.

**Recession**: A considerable decline in general economic activity extending over a period of time.

**Regression Analysis**: The statistical technique of finding a straight line that approximates the information in a group of data points.

**Reserve Ratio**: The ratio of a commercial bank's reserves to its deposits.

**Reserve Requirement Ratio (rr)**: A fraction of a bank’s deposit liabilities that it legally must hold in reserves as per legal requirement.

**Reserve Requirements**: Reserves that must be held by the commercial banks and other depository institutions against their demand deposit liabilities as per the governing laws.

**Reserves**: The amounts of money held in a bank’s vault or on deposit at the central bank to meet withdrawals of deposits or to comply with regulations.

**Revaluation**: In a system of fixed exchange rates, revaluation is an upward adjustment of an exchange rate for one currency, which logically necessitates a downward adjustment (*devaluation*) in the exchange rate of at least one other currency.
**Risk:** (1) Uncertainty associated with a transaction or an asset; (2) the probability of loss.

**Sacrifice Ratio:** A measure of the GDP lost as a consequence of policies that suppress inflationary pressure. It equals the percentage loss in production divided by the percentage reduction in the rate of inflation.

**Seigniorage:** The profit made by the governments when they mint coin or print fiat money. The production cost of currency is much less than the value of currency in exchange.

**Short run:** Referring to a short time horizon, usually one in which some aspects of behavior of an economic variable would not vary.

**Simple Money Multiplier:** The amount by which a change in the monetary base is multiplied to bring about the eventual change in the total money supply.

**Small Open Economy:** An economy that is small compared to the world markets in which it participates and its policies do not alter world prices or incomes.

**Special Drawing Rights (SDR):** A type of international money created for and allocated to its members by the IMF. A member country, having a balance of payments deficit, can use it to settle debts.

**Speculative Demand for Money:** It is based on the ‘store of value’ function of money. It is inversely related to interest rate and refers to the amount of money that economic agents desire to hold at alternative interest rates. Also referred to as asset demand for money.

**Stabilization Policy:** The use of monetary and fiscal policies to stabilize GDP and price level, and achieve full employment.

**Structural Adjustment Programs (SAP):** The list of budgetary and policy changes required by the IMF and the World Bank for a developing country to comply with before qualifying for a loan. This ‘conditionality’ typically includes reducing barriers to trade and capital flows, tax increases, and cuts in government spending.

**Supply-Side Economics:** Focus on the effects of national output potential or supply through reduction of taxes and government regulation for businesses designed to increase productivity and economic growth.
Sustainable Development: Economic development that is achieved without undermining the incomes, resources, or environment of future generations.

Target: (1) Any objective of economic policy; and (2) the value of an economic variable that policymakers regard as ideal and use as the basis for setting policy.

Tight Money Policies: Contractionary monetary policies; if a central bank follows policies that raise nominal interest rates and significant reduce the availability of credit.

Time Deposits: Accounts in depository institutions that draw interest but which, by law, may not be accessible immediately to the depositor.

Time-series Data: It is the ordered values of an economic variable across numerous periods.

Transaction Demand for Money: The amount of money that economic agents desire to hold to execute expected transactions. Transaction demands for money are positively related to income and wealth.

Vault Cash: The currency banks keep on hand for daily transactions of its customers. It is usually kept a vault (the bank’s safe), ATM machines, or in the drawers of bank tellers. Also referred to as cash in vault.

Velocity: The rate at which money balances turn over a period for expenditures on goods and services, and measured as the ratio of GNP (GDP) to the money stock.

Volatility: The extent to which an economic variable, such as a price or an exchange rate, moves up and down over time

Wholesale Price Index (WPI): A measure of changes in the prices of goods at the wholesale level, particularly those goods sold between businesses.

World Bank (WB): An international organization funded in part by donations from the governments of various developed countries. It provides loans, advice, and an array of customized resources to developing countries and other troubled nations.

World Price: The price of a good outside of any country's borders and therefore exclusive of any trade taxes or subsidies that might apply crossing a border into a country, but inclusive of any that might apply crossing out of a country.