

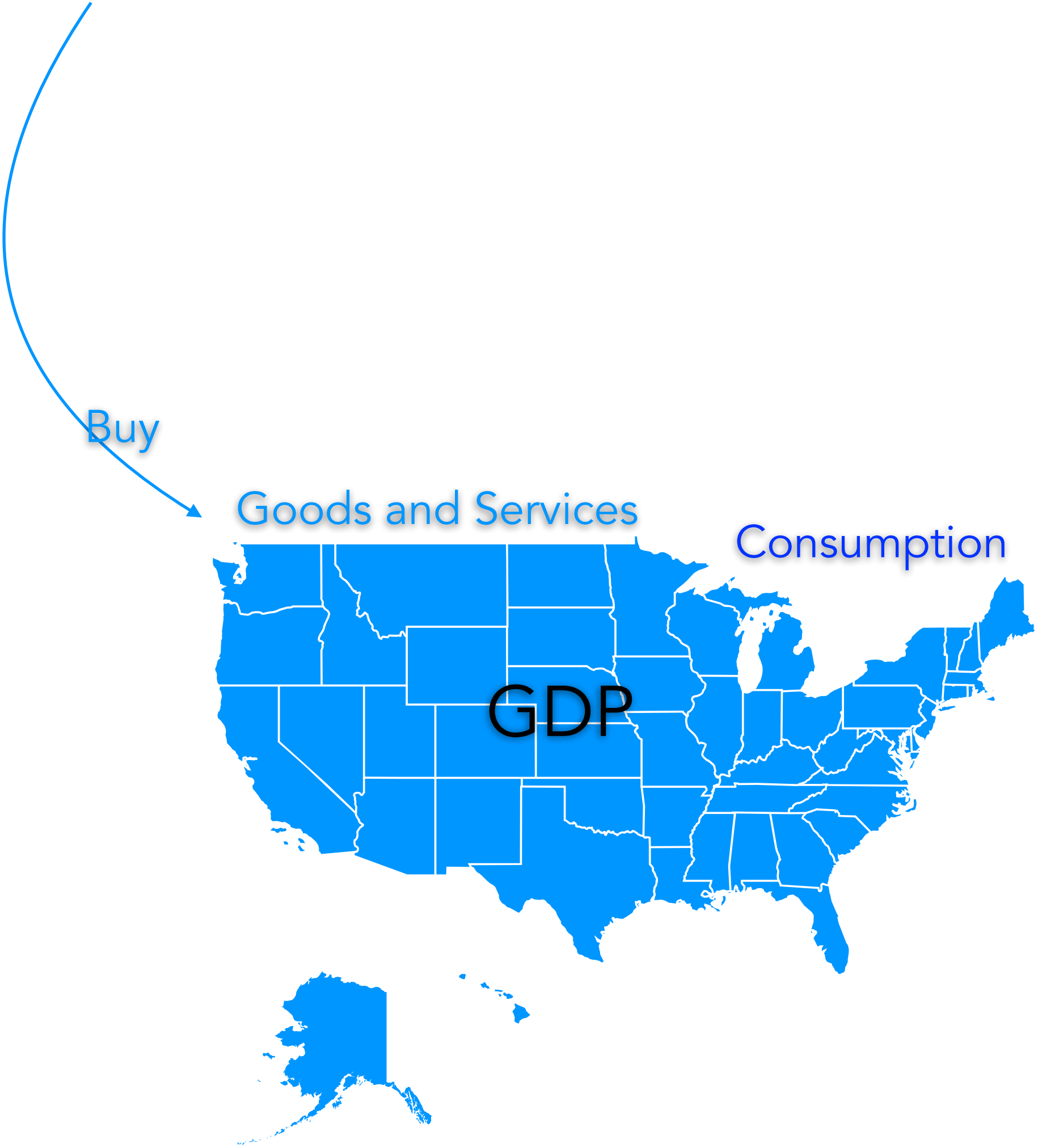


Buy

Stocks, bonds, insurance, etc.



Saving

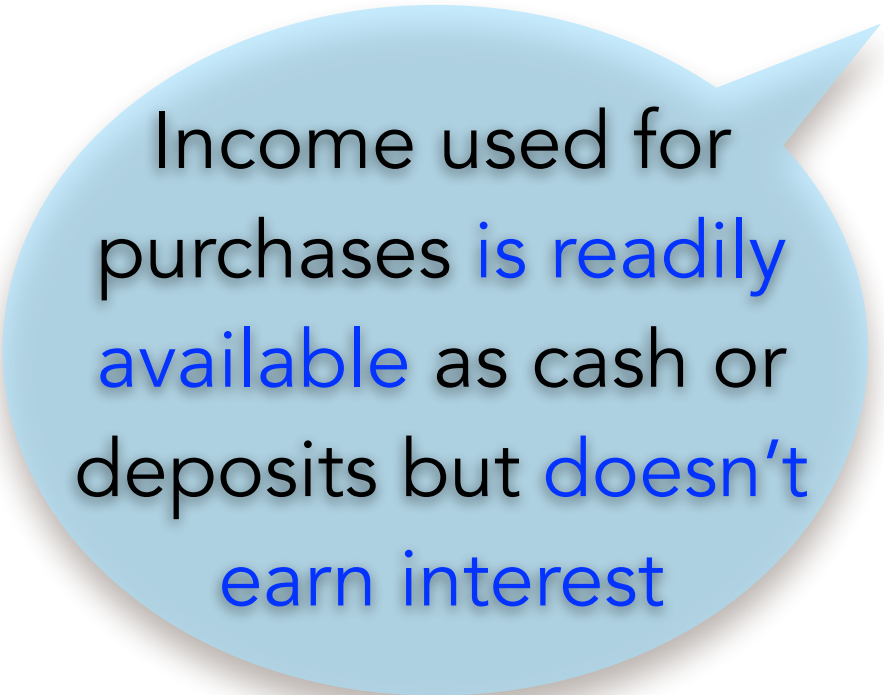


Buy

Goods and Services

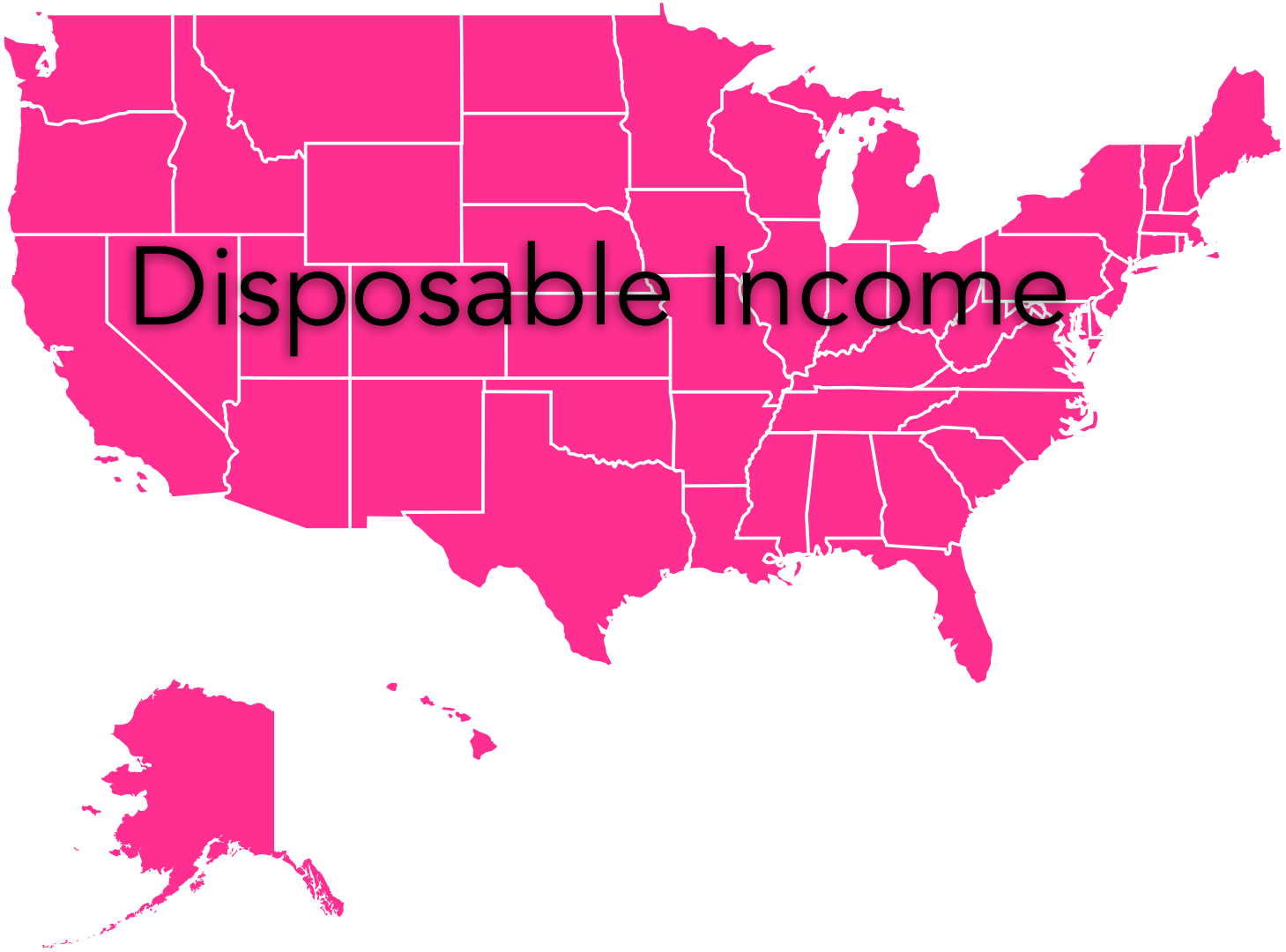
Consumption

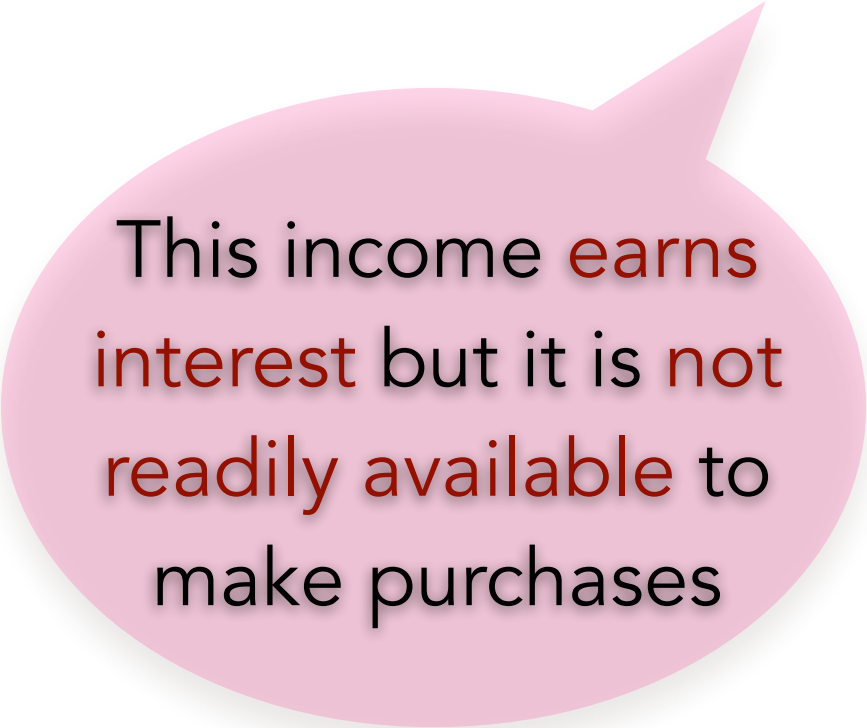
GDP



Income used for  
purchases is readily  
available as cash or  
deposits but doesn't  
earn interest

# Disposable Income



A pink speech bubble with a tail pointing towards the top right corner of the image. The bubble contains text in black and red. The words 'earns', 'interest', 'not', 'readily', and 'available' are highlighted in red, while the other words are in black.

This income earns  
interest but it is not  
readily available to  
make purchases

The decision to save or spend

# Demand for Money ( $M^d$ )

Is the amount of income the public **needs** readily available for transactions





## Demand for Money ( $M^d$ )

Is the amount of income the public **needs** to hold in **cash** and **deposits**

# The Demand for Money $M^d$

Amount of income the public  
**needs** to hold in **liquid form**

A high-speed photograph of a water droplet just before it hits a surface, creating a series of concentric ripples. The droplet is perfectly spherical and reflects light, while the ripples spread outwards in a circular pattern across the blue water surface.

**Cash and Deposits**



# The Demand for Money $M^d$

Amount of income the public  
**needs** to hold in **liquid form**



**Cash and Deposits**

# The Demand for Money