



Interest Rate

Lenders Supply funds in this market: banks,  
consumers, the U.S. Government

Borrowers Demand funds in this market:  
consumers, firms, the U.S. Government



**Price of Money**

Money Market

**M**

a





**K**

















S

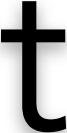
a



**b**



S

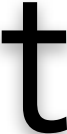






Q

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e



**m**



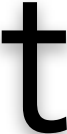


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**S**

a



S

Market Forces are best to determine interest rates

Money Market

**Price of Money**

Interest Rate

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