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The more money the
public wants to hold in
cash and deposits

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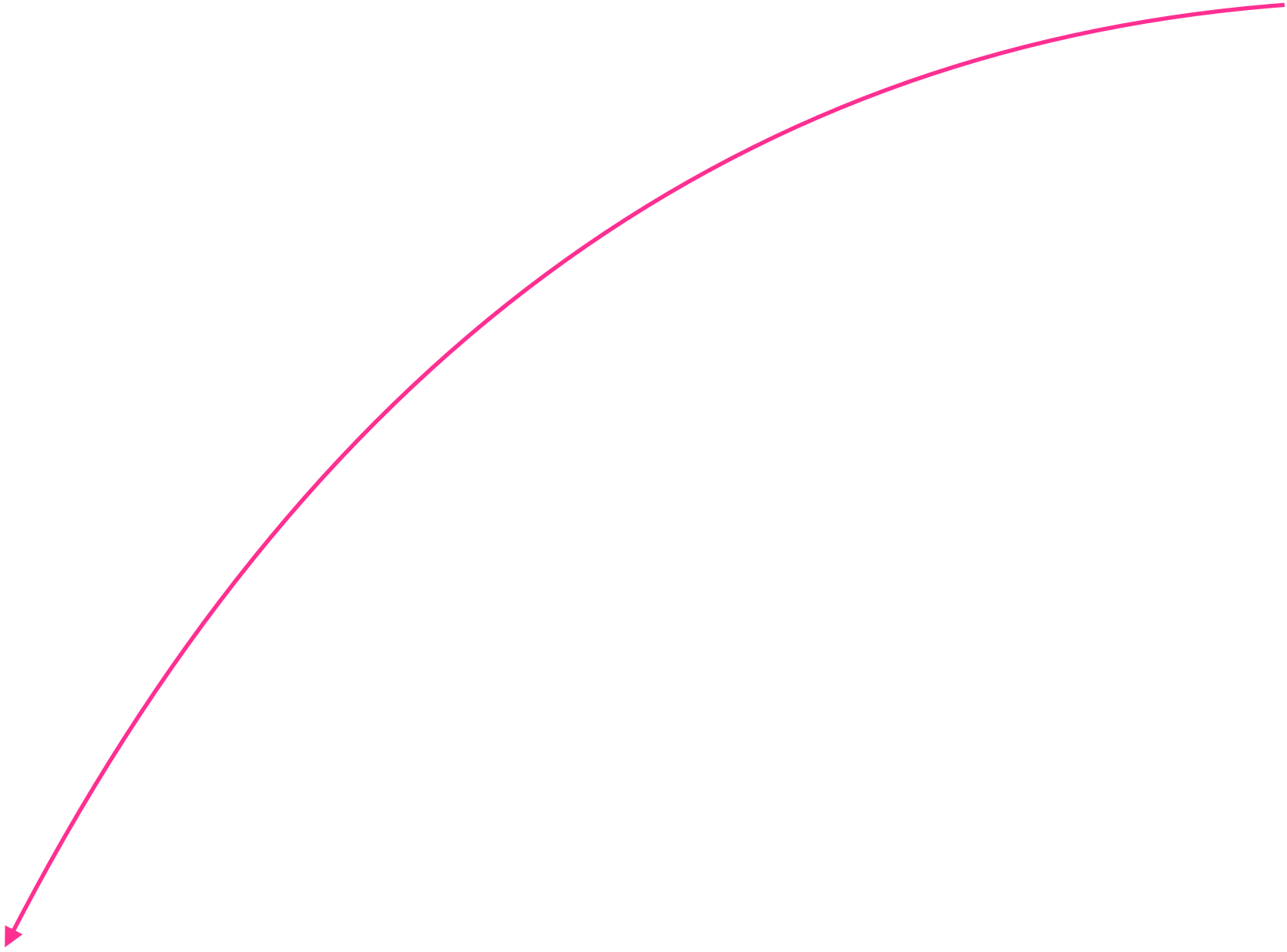


Stocks, bonds, insurance, etc.



Saving

Disposable Income





The larger the
proportion of income
saved











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The larger the
proportion of income
reserved for transactions

The higher the
demand for money

M^d

The **less** money the
public wants to hold
in **cash and deposits**

The lower the
demand for money

M^d

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The Demand for Money

What determines the proportion of income
saved and the proportion of income reserved
for **transactions**?

The higher the
Interest paid on
savings

The lower the
Interest paid on
savings

Remember: The
Demand for Money is
not how much money
you wished you had

The Demand for Money

What determines the proportion of income **saved** and the proportion of income reserved for **transactions**?

Disposable Income

The **higher** the **Interest** paid on savings

The **lower** the **Interest** paid on savings

The **larger** the proportion of income **saved**

The **larger** the proportion of income reserved for **transactions**

Stocks, bonds, insurance, etc.



Saving

The **less** money the public wants to hold in **cash and deposits**

The **more** money the public wants to hold in **cash and deposits**

The **lower** the demand for money

M^d

The **higher** the demand for money

M^d

The Demand for Money is how much of your income you need to leave available for **transactions**

Remember: The Demand for Money is **not** how much money you wished you had

The Demand for Money