

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

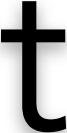
a



b



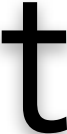
S





o

e



e



m

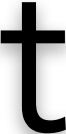


n





n



e



e

S

a

e

S

Market Forces are best to determine interest rates

Money Market

Price of Money

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