

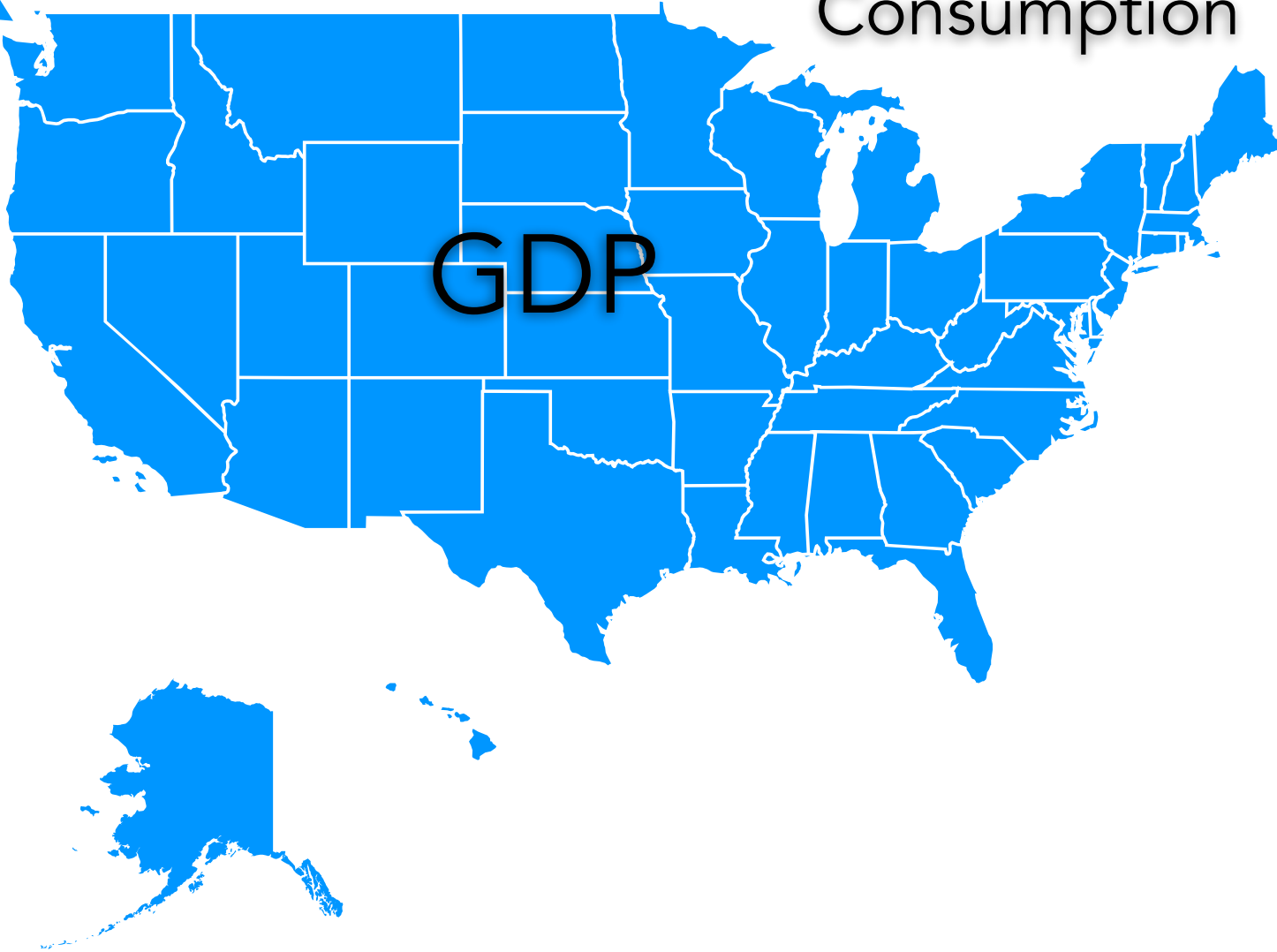


Buy

Goods and Services

Consumption

GDP



# Disposable Income



What determines how much income  
is needed for transactions?

How much money is needed to purchase goods and services depends on

- 📌 The **price**
- 📌 The **number of units** purchased

If I buy lunch every  
day and the price is  
\$15/lunch, then I  
need to have  
 $7 \times 15 = \$105$  in cash  
or check

To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:




The **prices** of all goods and services  
purchased and






The total number of units purchased



For prices  
we will use  
the CPI



For quantity  
we will use  
real GDP

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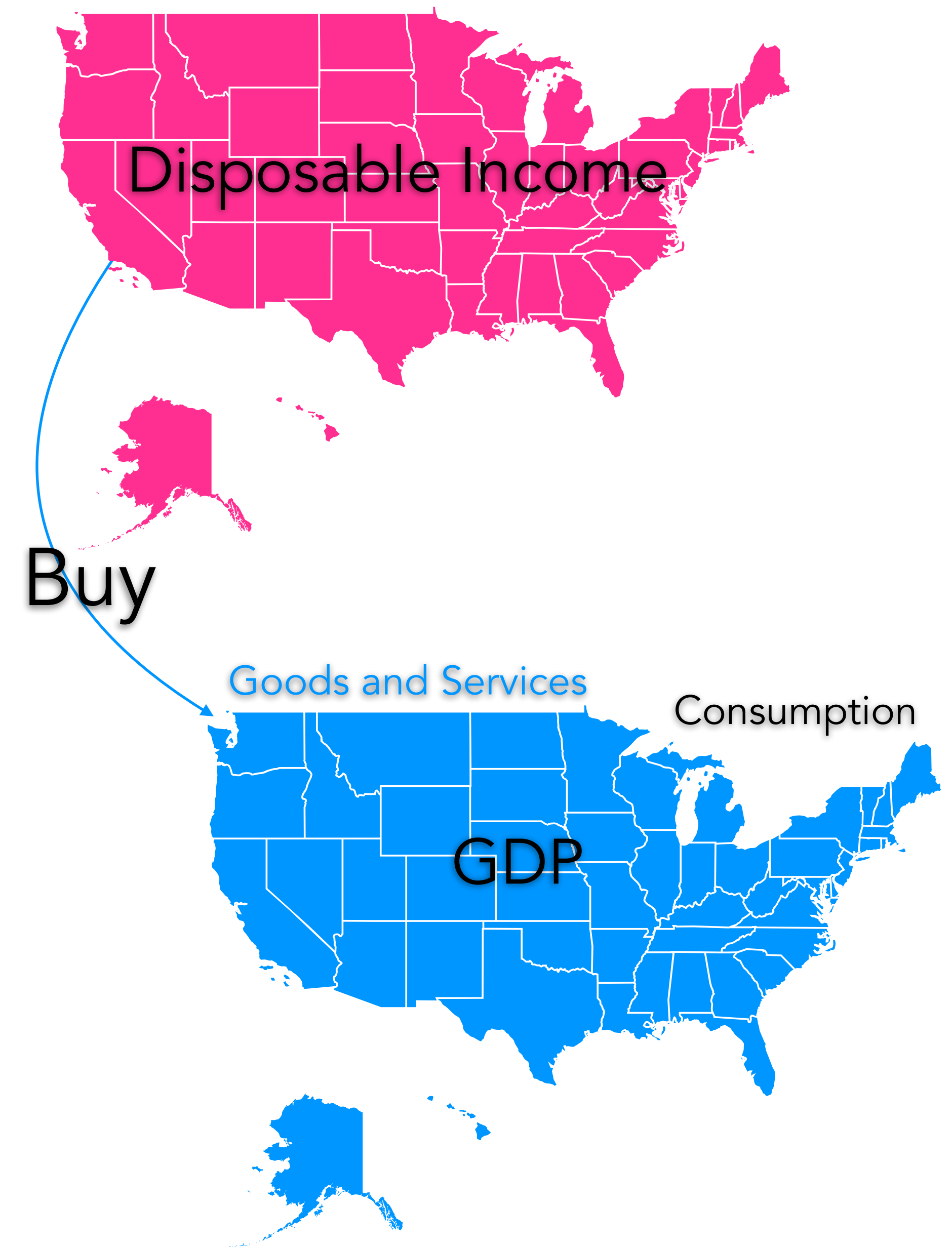
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- 📌 The total **number of units** purchased

For prices we will use the CPI

For quantity we will use real GDP



# How much money is needed for transactions?

To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:

- 🔊 The **prices** of all that is purchased and
- 🔊 The total **number of units** purchased

For prices  
we will use  
the CPI

For quantity  
we will use  
real GDP