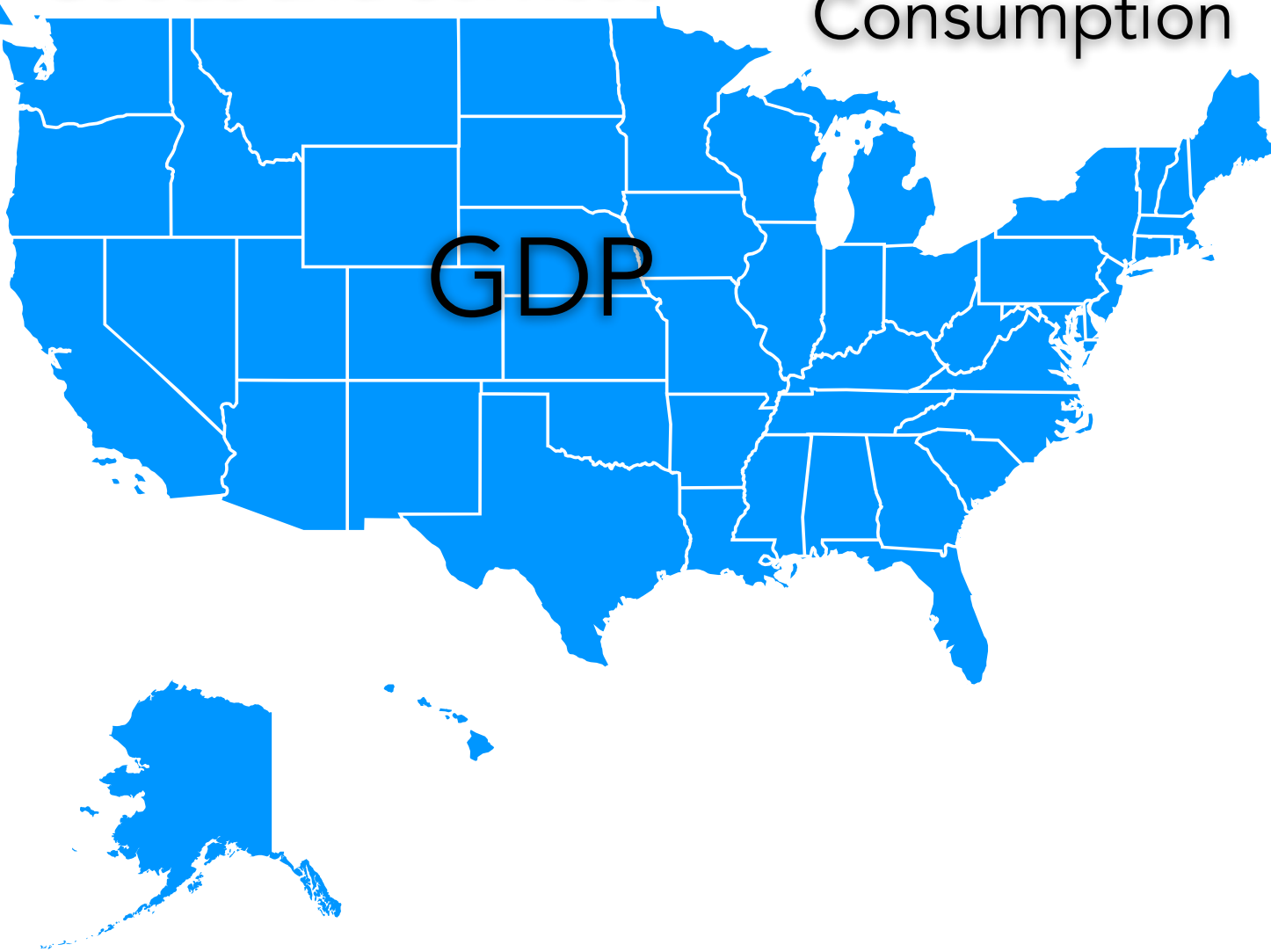


Buy

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

What determines how much income is needed for **transactions**?

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

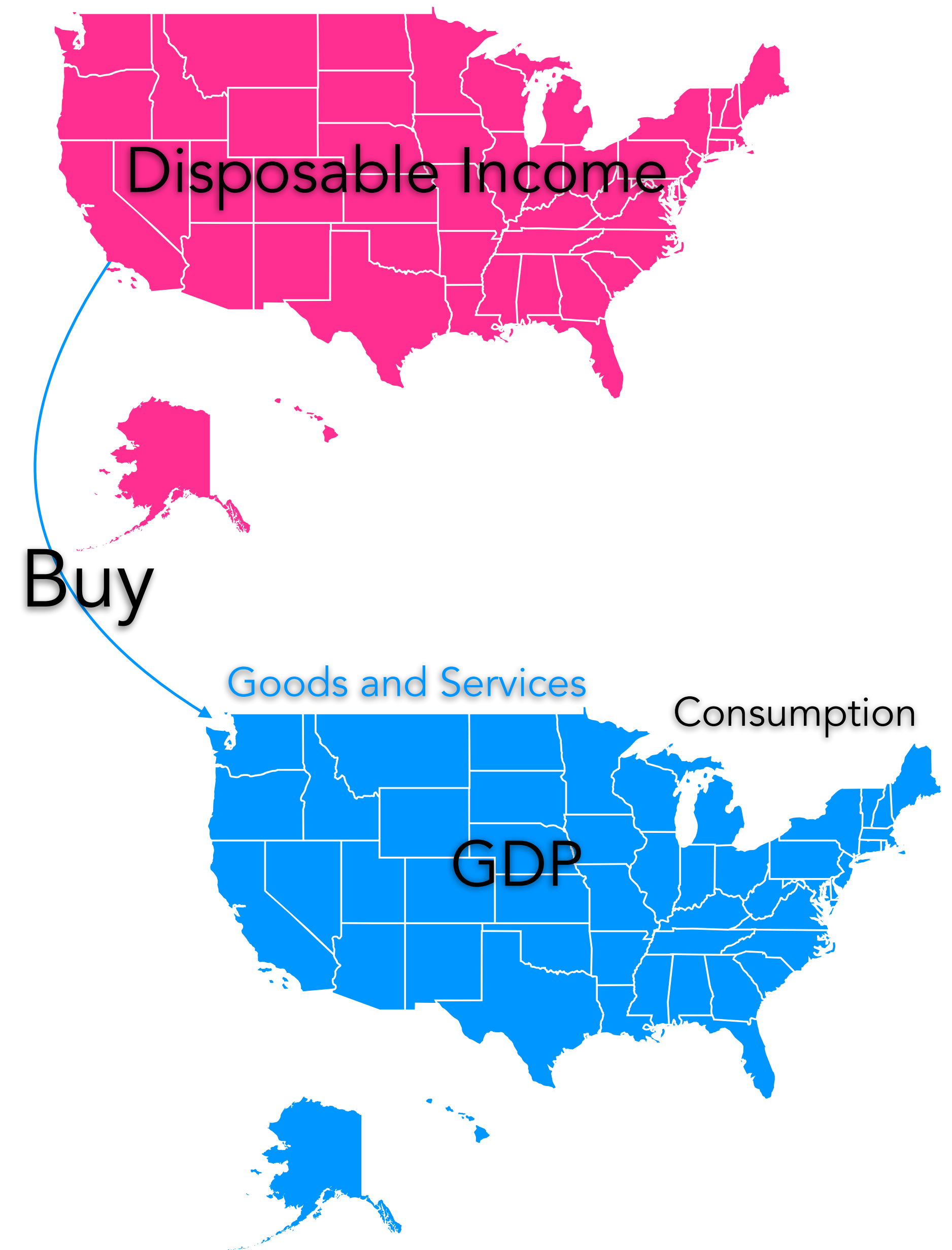
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To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:

- 📌 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



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