

T

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h







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P

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

W

h

a



d

e



e

r

m



n

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S



h

e

p

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p



r







n







n

C



m

e

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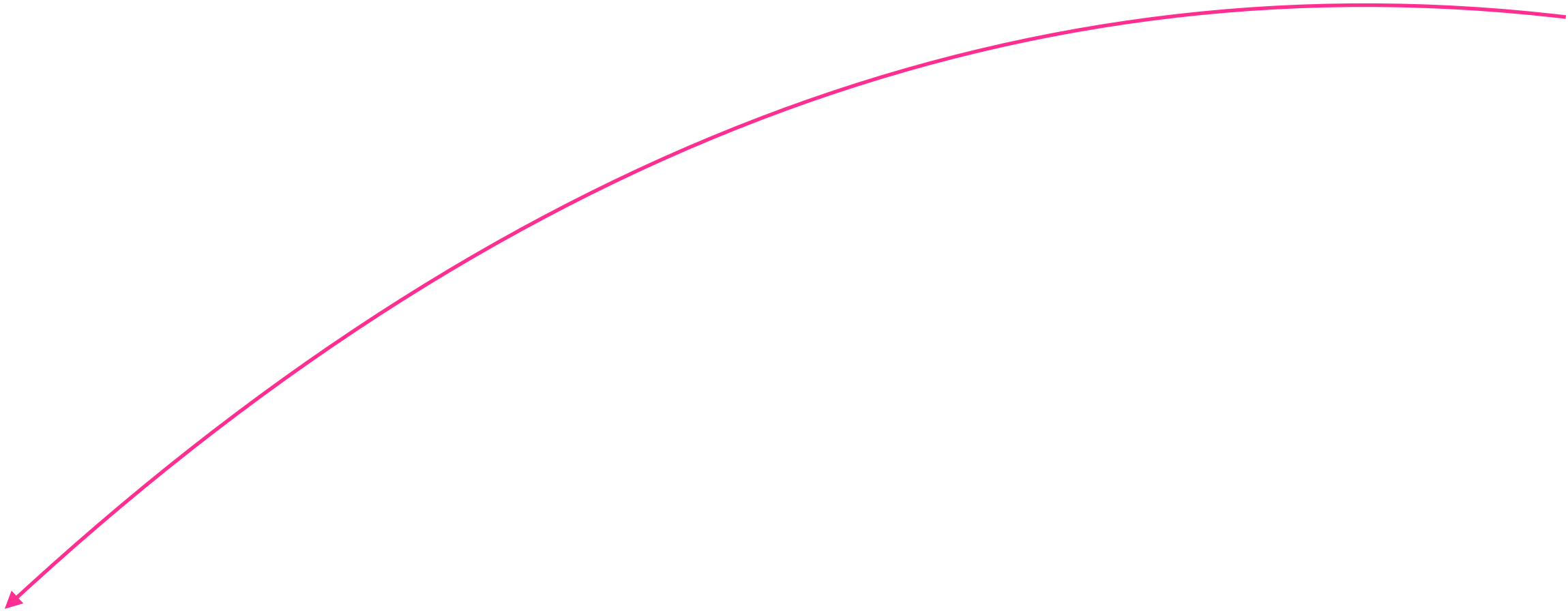


Stocks, bonds, insurance, etc.



Saving

Disposable Income





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

T

h

e





W







h

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n



e



e

S



p

a







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S

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n

g

S

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

The higher the
quantity demanded
of money M^d

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

The lower the
quantity demanded
of money M^d

R

e

m

e

m

b

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T

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M



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The Demand for Money

0.02%

4.65%

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**?

0.02%

Stocks, bonds, insurance, etc.



Saving **4.65%**

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

The **higher** the **Interest** paid on savings
The **larger** the proportion of income **saved**

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

The **lower** the quantity demanded of money M^d

Disposable Income

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

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

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

The **higher** the quantity demanded of money M^d

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

The Demand for Money