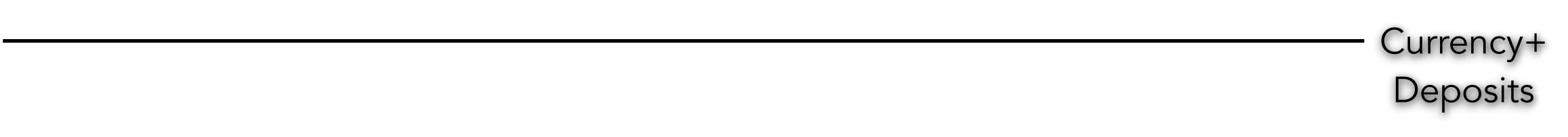


The Money Supply

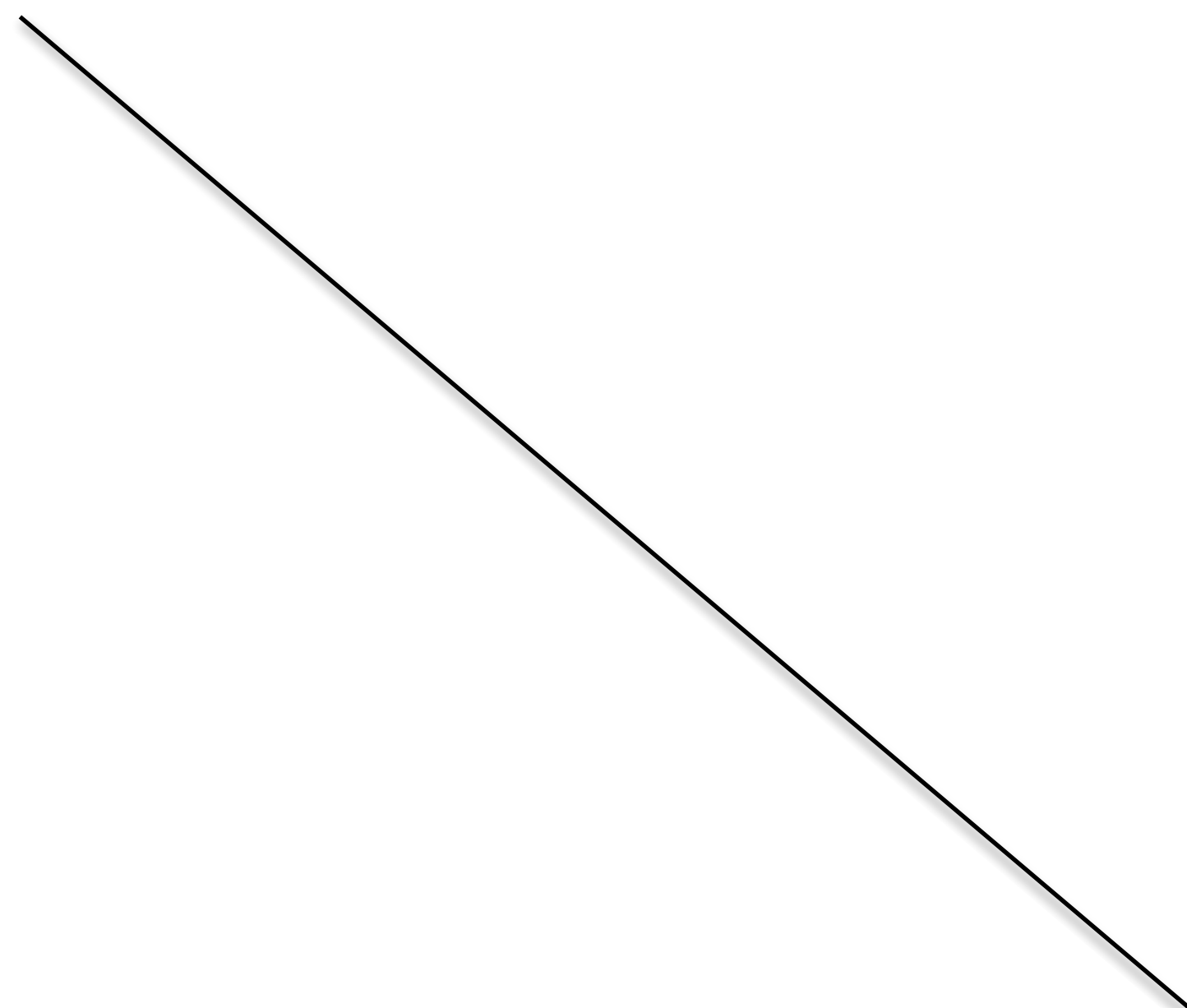
$M^s$  is the amount of  
currency + deposits  
the public **actually**  
holds = 900b

The Money  
Supply is  
determined by  
the Fed



*i*





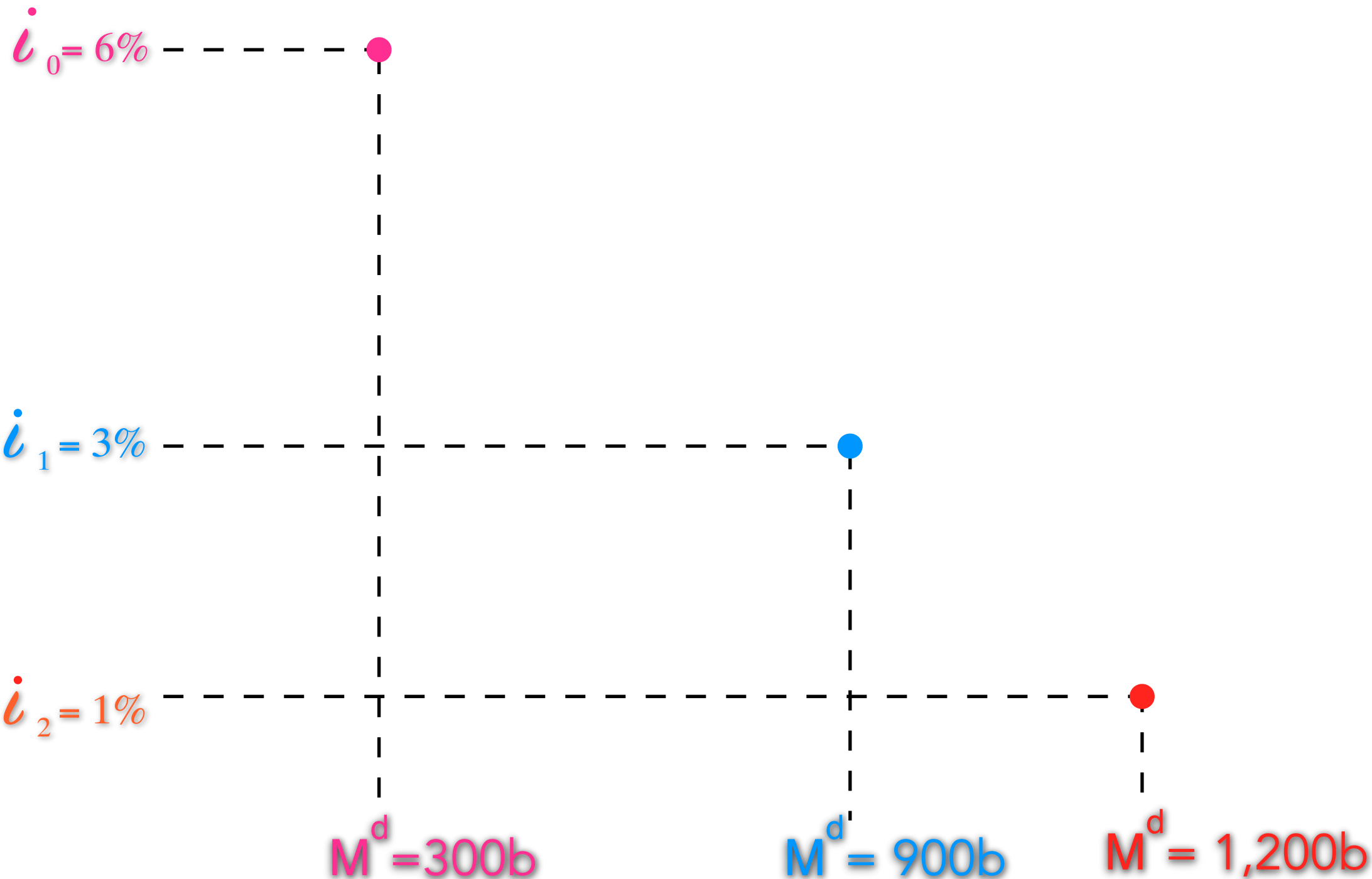
$$M^d(P_0, GDP_0)$$



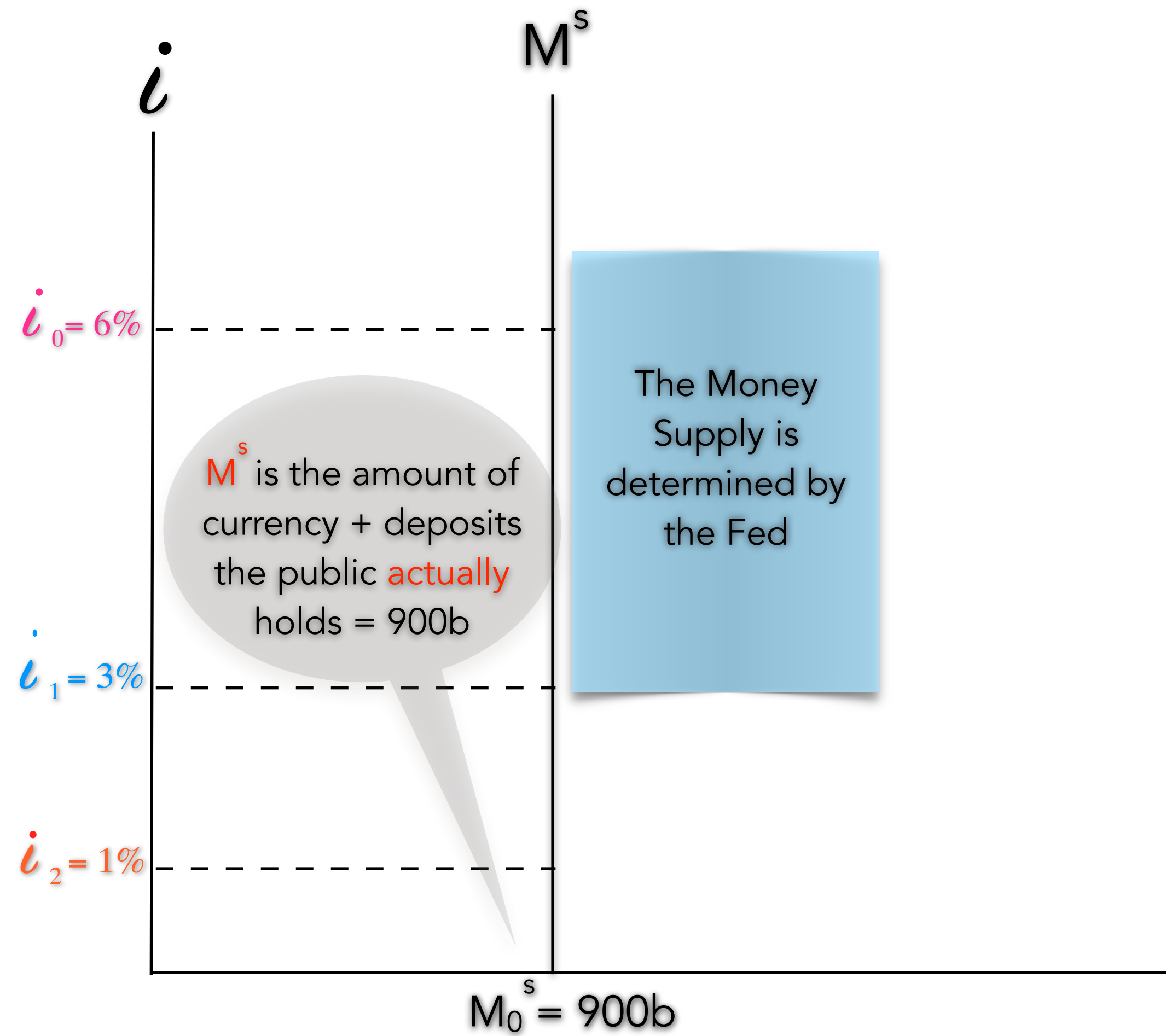
The Money Demand

The Money  
Demand is  
determined by the  
public and  
depends on:

Interest rate ( $i$ )  
Price Level ( $P$ ) and  
GDP



# The Money Supply



# The Money Demand

