

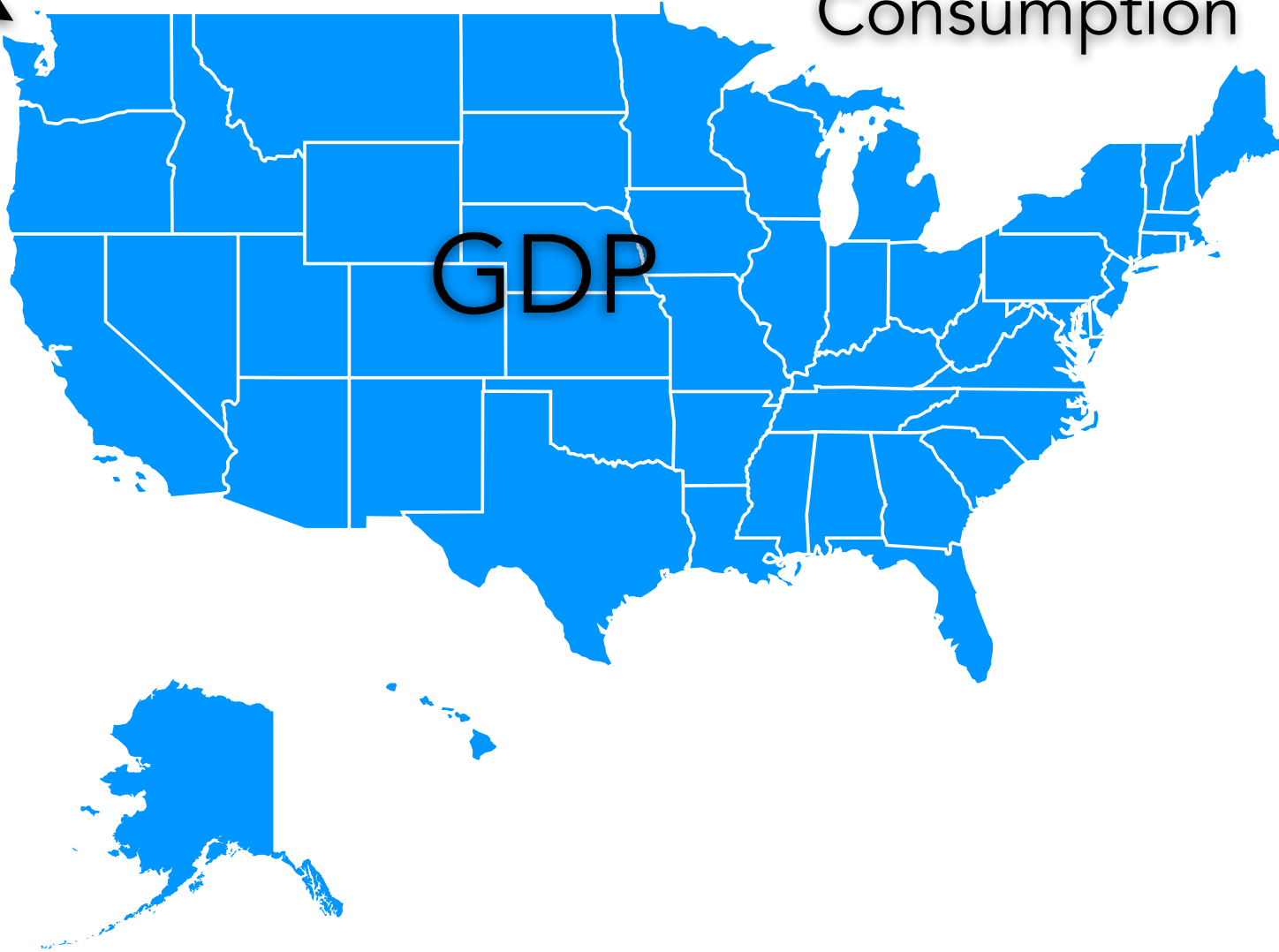


Buy

Goods and Services

Consumption

GDP



# Disposable Income

A map of the United States with state boundaries outlined in black. The text "Disposable Income" is centered over the map.

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:

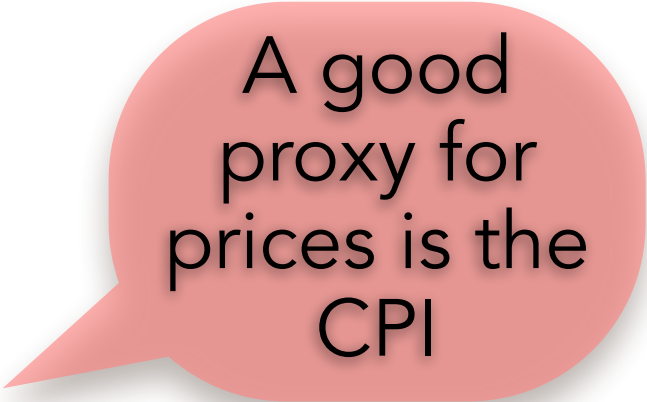


The **prices** of all goods and services  
purchased and





The total number of units purchased

A red speech bubble with a white drop shadow, pointing towards the bottom-left. Inside the bubble, the text "A good proxy for prices is the CPI" is written in a black, sans-serif font, centered and arranged in four lines.

A good  
proxy for  
prices is the  
CPI



A good proxy  
for quantities is  
real GDP

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

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

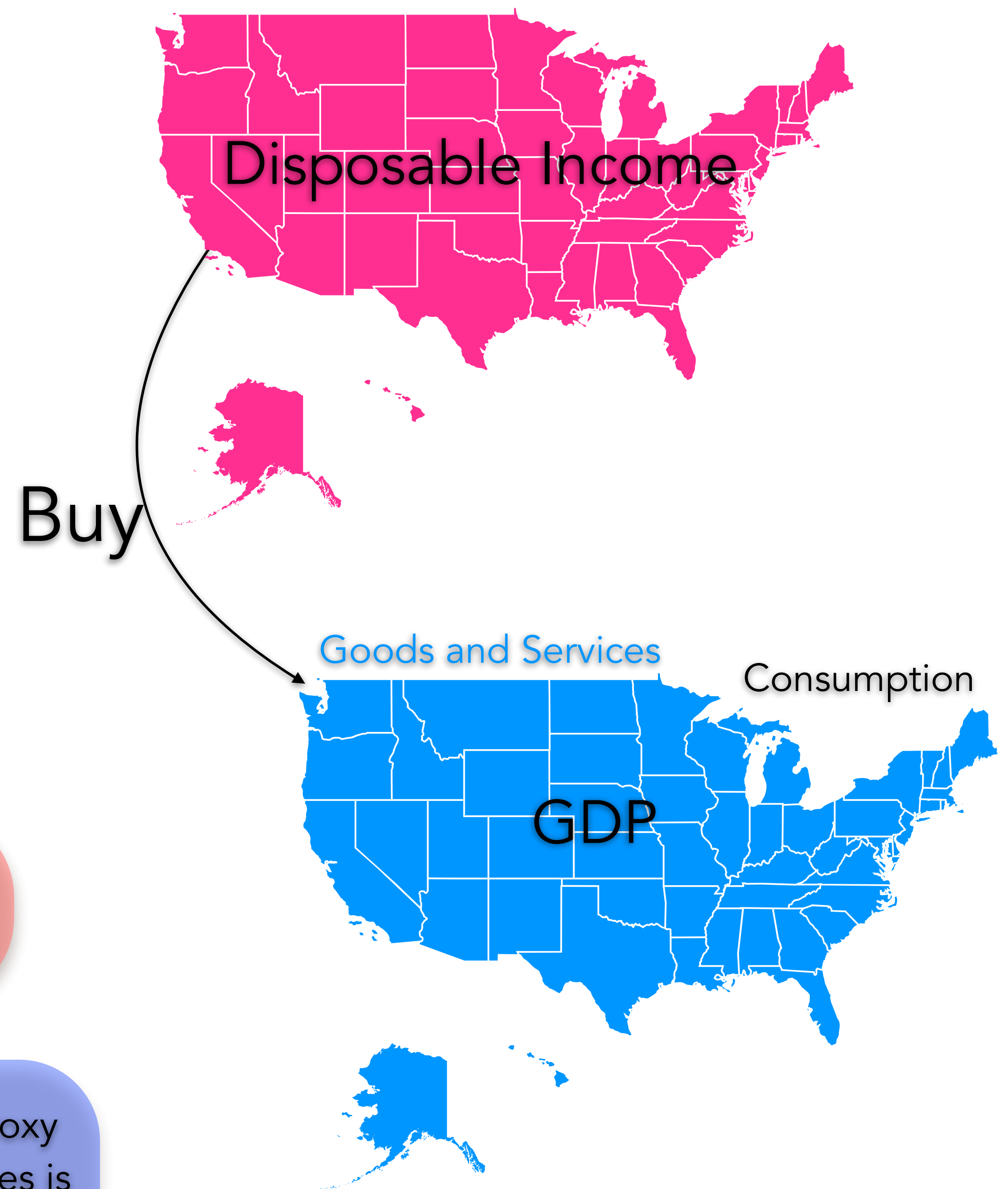
- 📍 The **price**
- 📍 The **number of units** purchased

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

A good proxy for prices is the CPI

A good proxy for quantities is 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

A good proxy for prices is the CPI

A good proxy for quantities is real GDP