



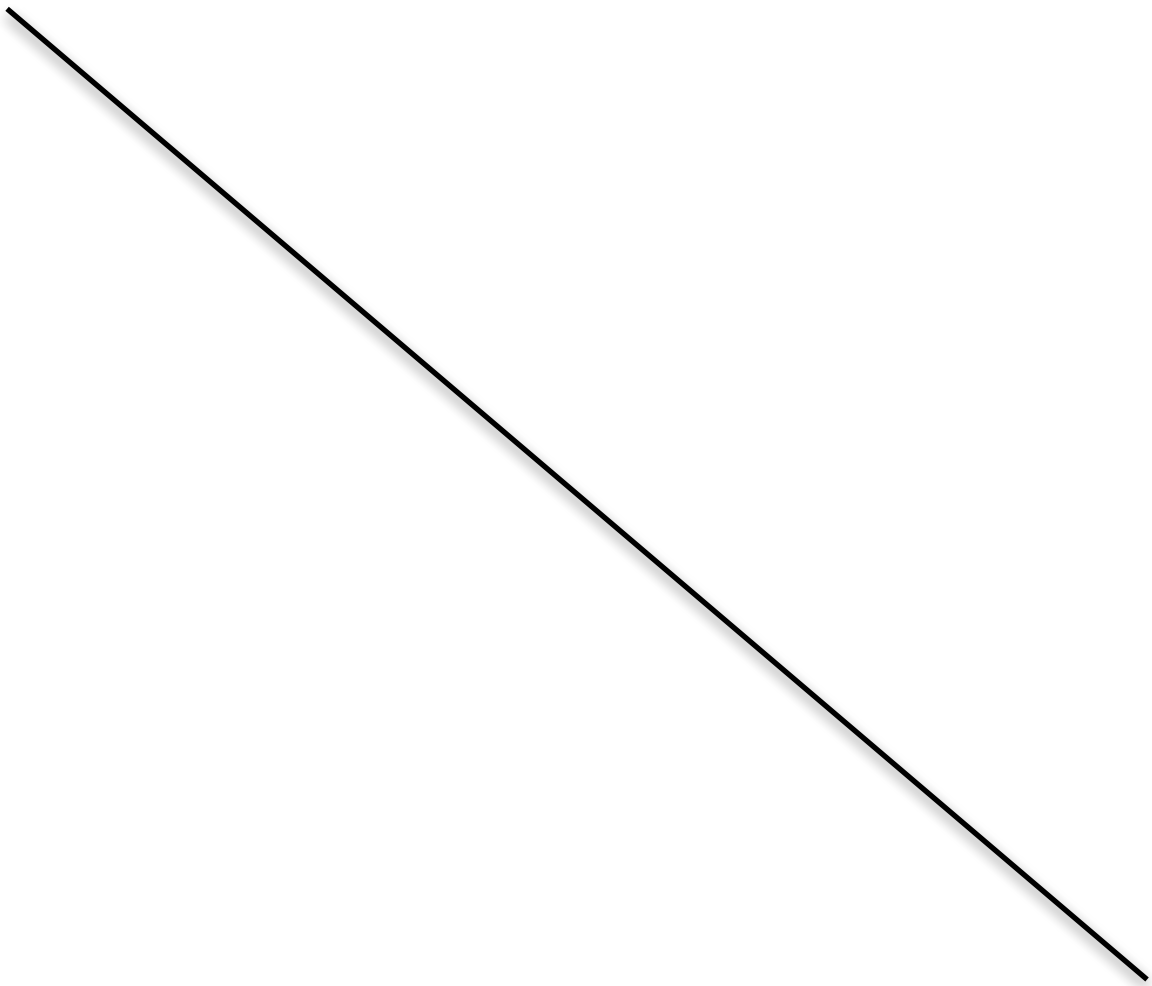
Currency

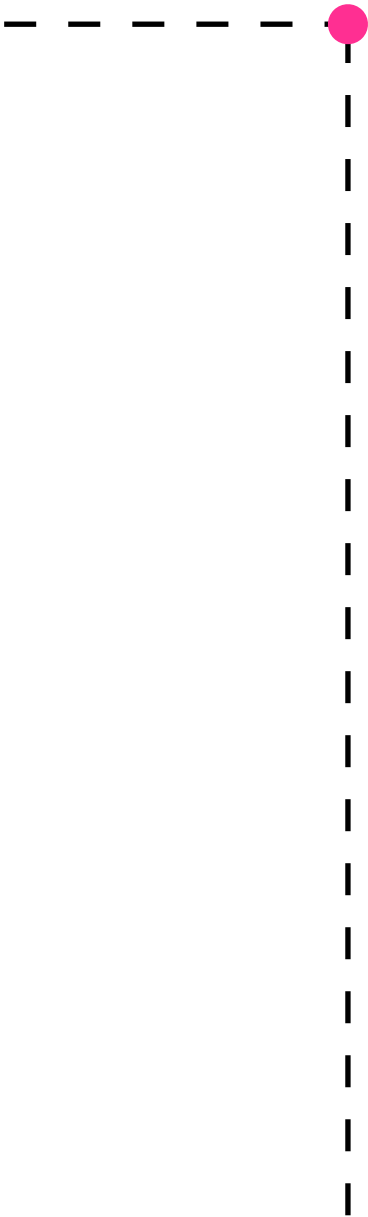
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+ Deposits

*i*







$$M^d = 500$$

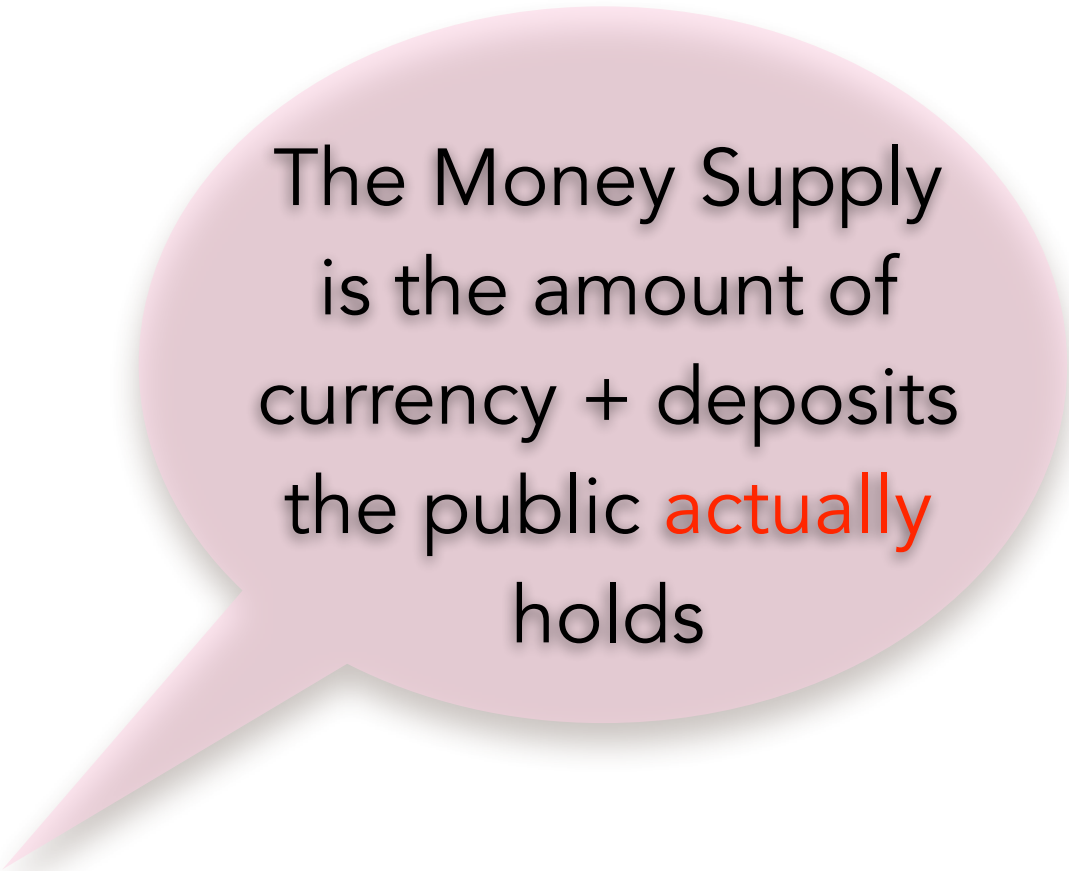


$$M^d(P_0, GDP, P_0)$$

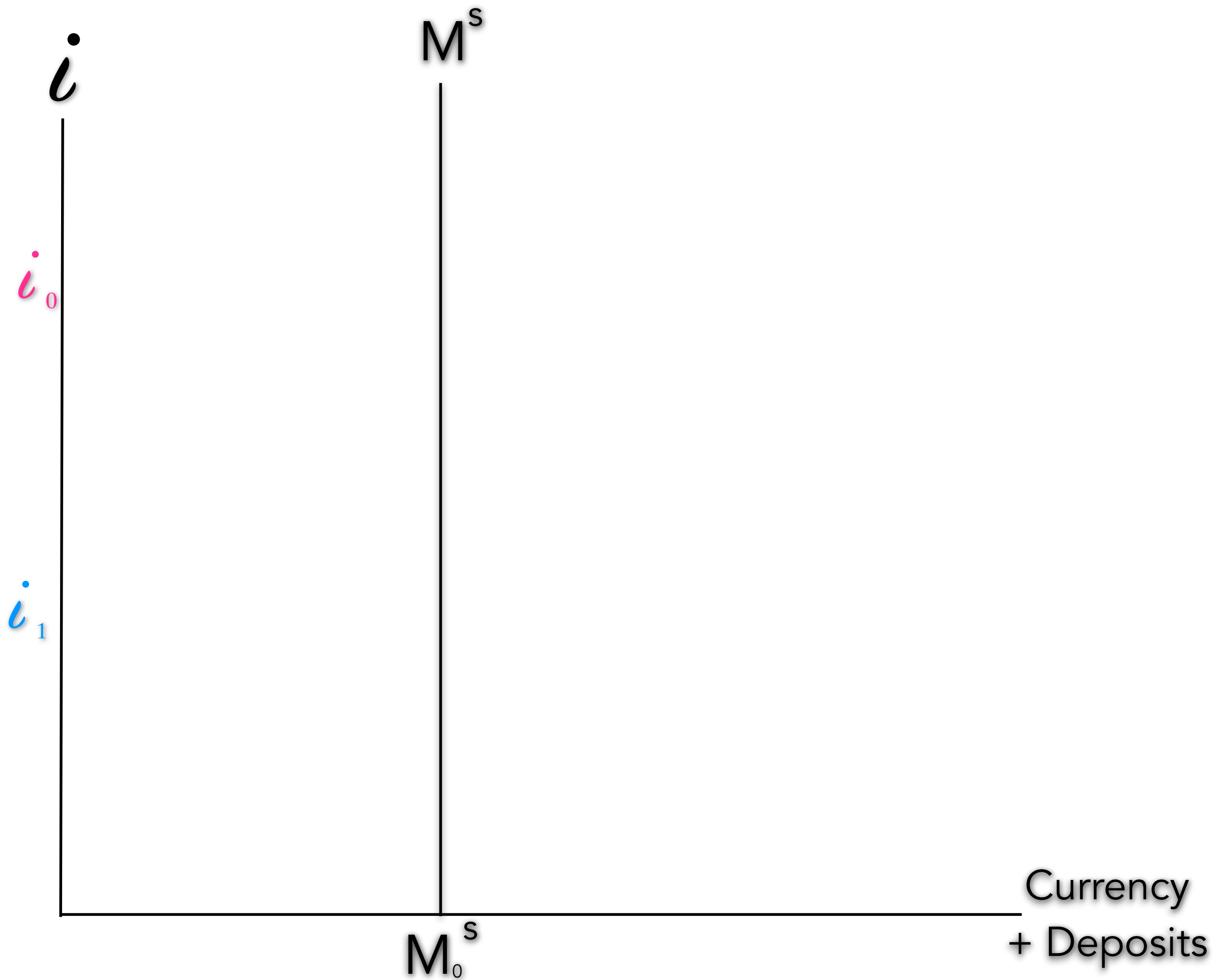
$i_0$




$i_1$

A pink speech bubble with a tail pointing towards the bottom-left corner. Inside the bubble is text defining the money supply.

The Money Supply  
is the amount of  
currency + deposits  
the public **actually**  
holds





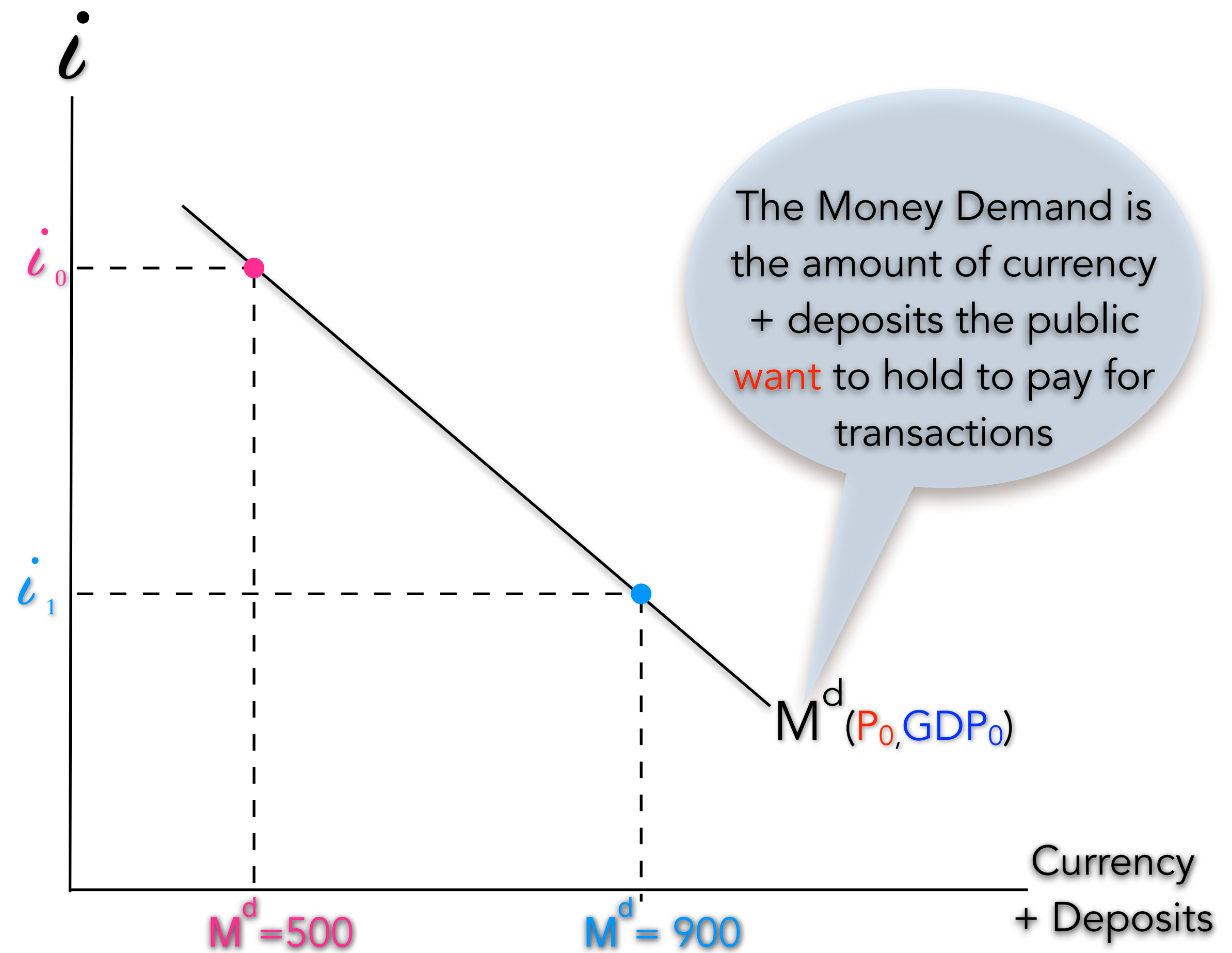
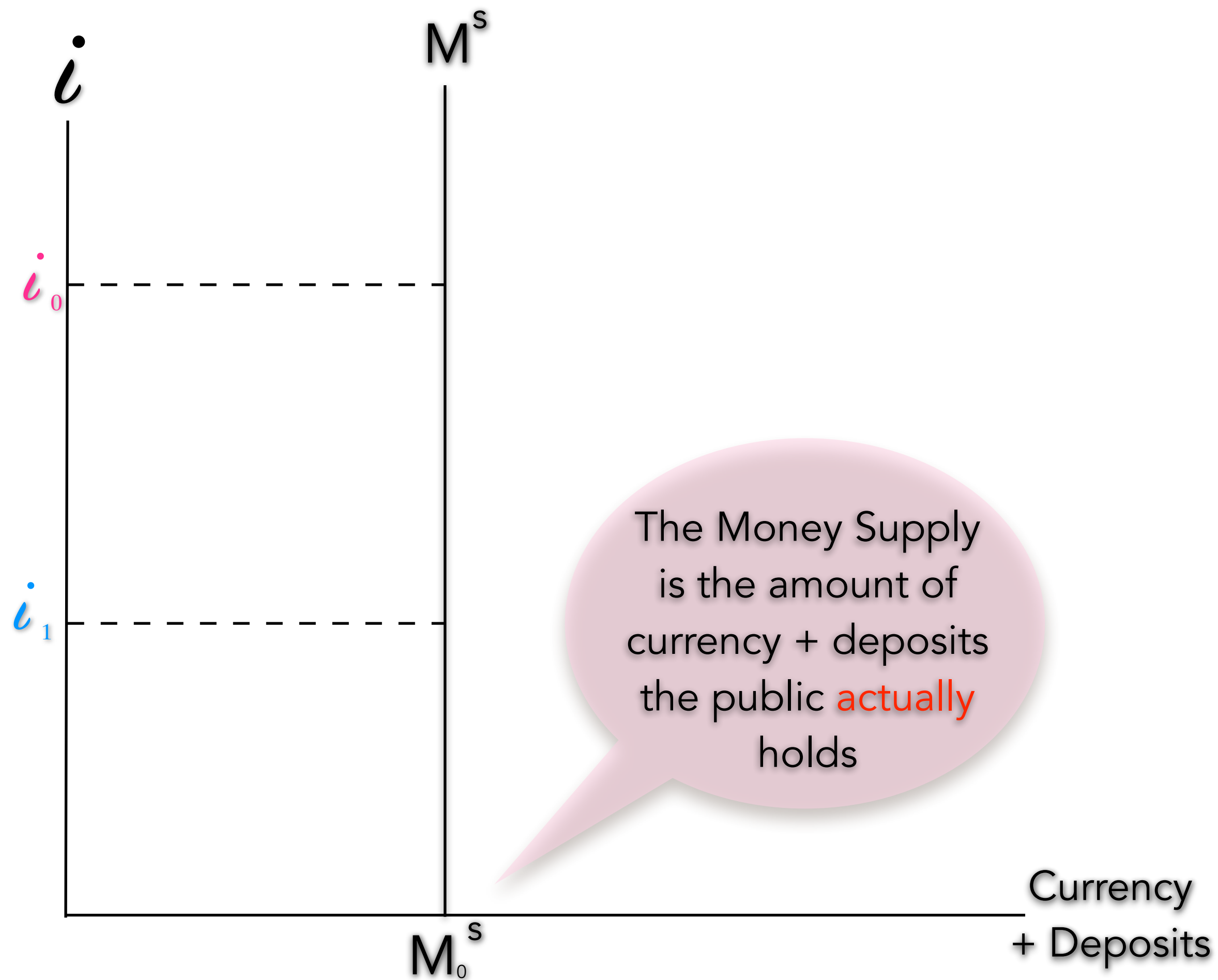
The Money Demand is  
the amount of currency  
+ deposits the public  
**want** to hold to pay for  
transactions

# Understanding the Supply and Demand for Money





# Understanding the Supply and Demand for Money





# An example