





Currency + Deposits

Feeds **is** Bonds:

M^s shifts left



M_0^S





M_1^S

Money Supply $M^s =$ Deposits + Currency

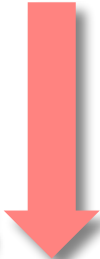
Reserves



Loans



Deposits



M^S




Interest Rate
to the
Public

The Money Market

M^s = 9000

$M^s = 700$

i



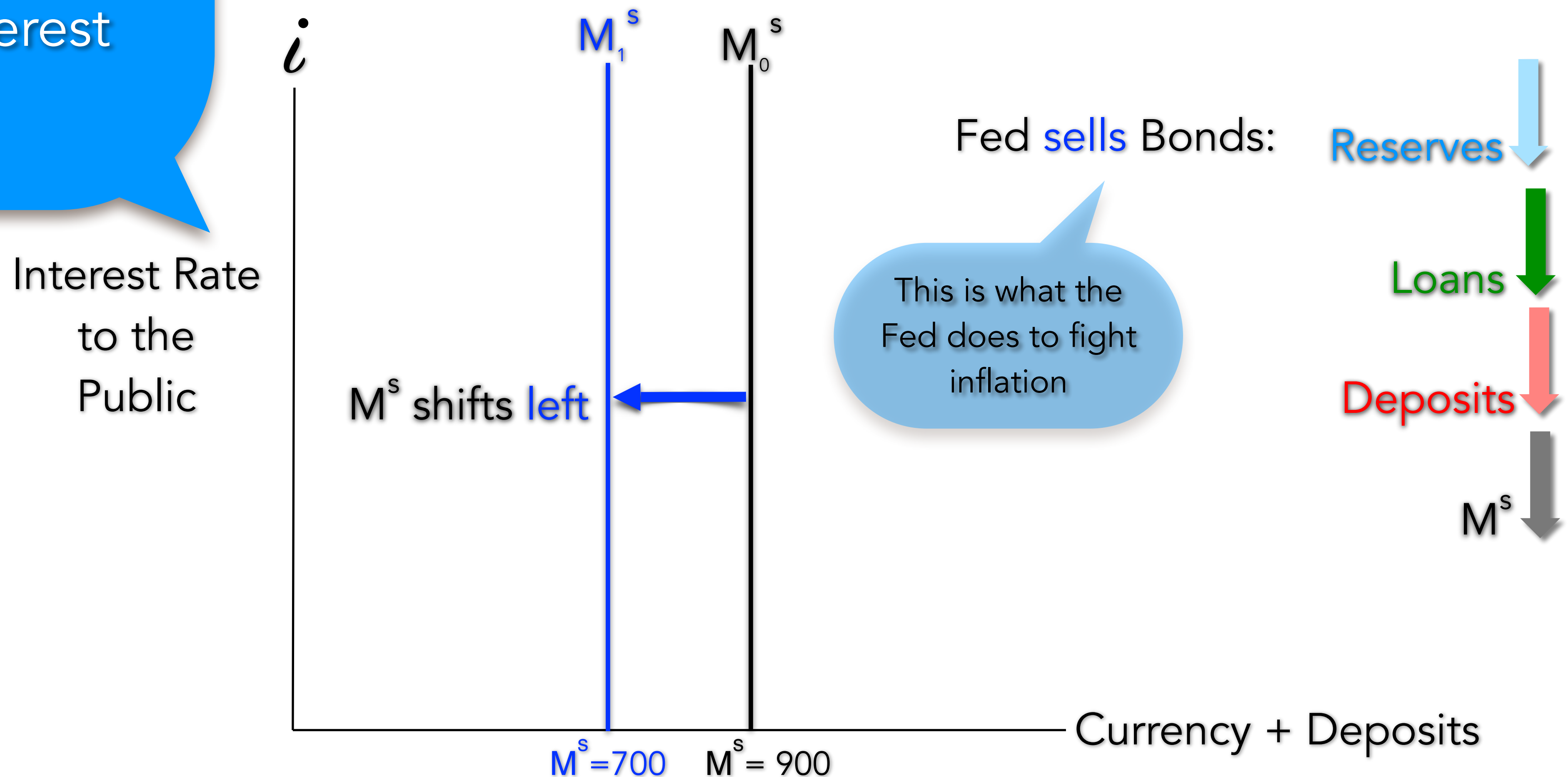
This is what the
Fed does to fight
inflation

The Fed Controls
the Money
Supply...how does
it affect interest
rates?

The Money Market

The Fed Controls the Money Supply...how does it affect interest rates?

Money Supply $M^s = \text{Deposits} + \text{Currency}$



The decision to save or spend