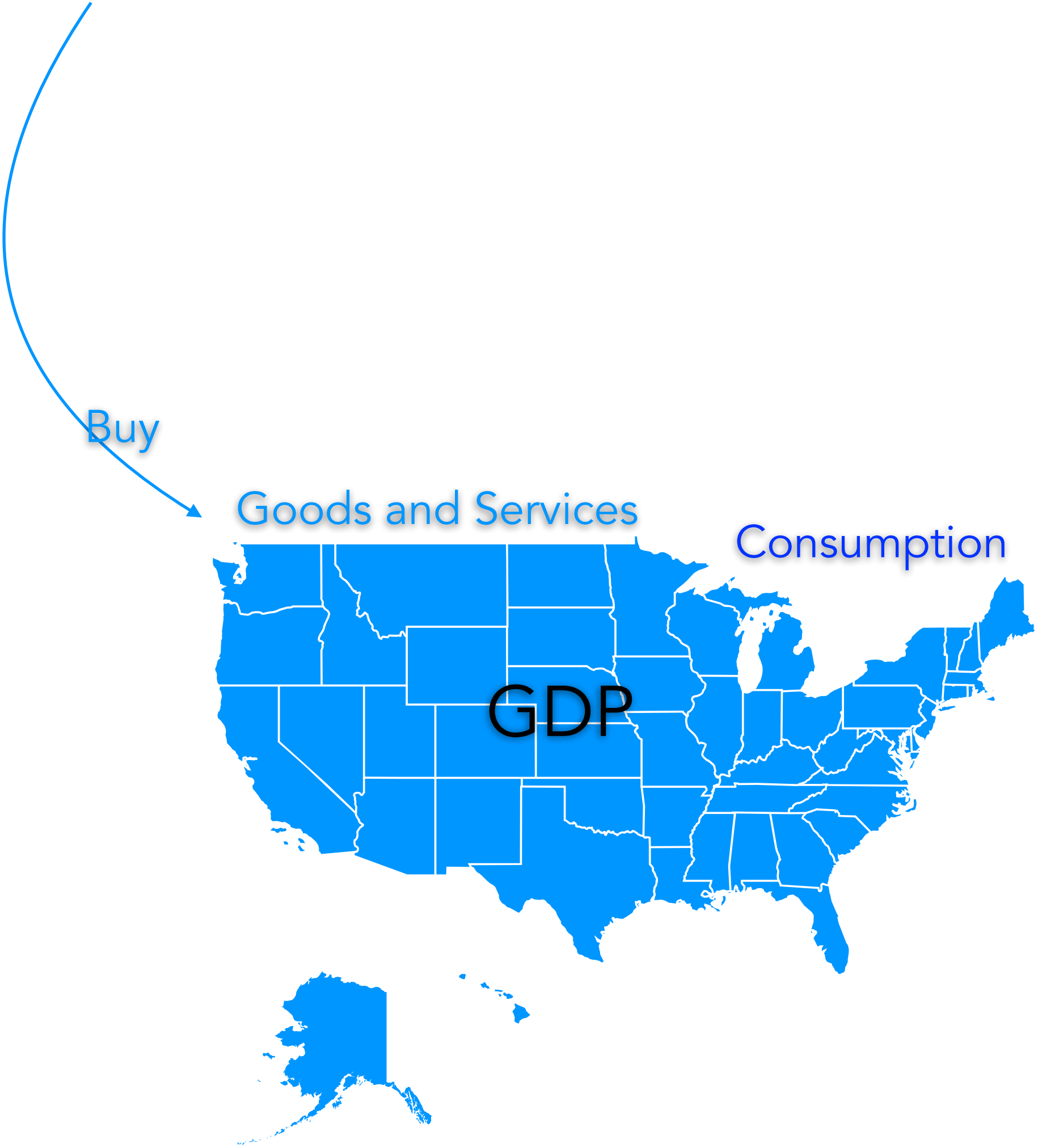


Buy

Stocks, bonds, insurance, etc.



Saving

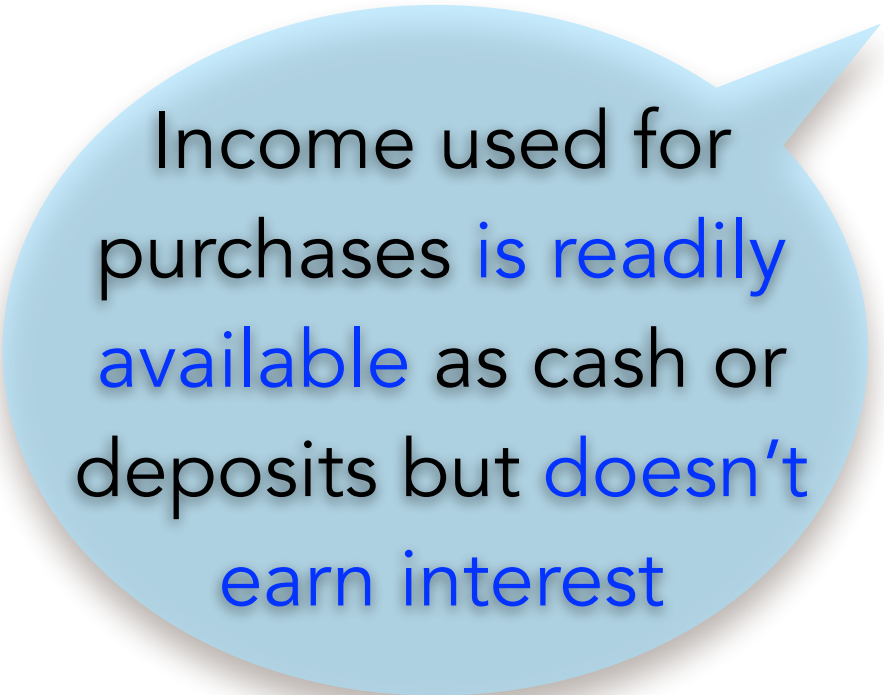


Buy

Goods and Services

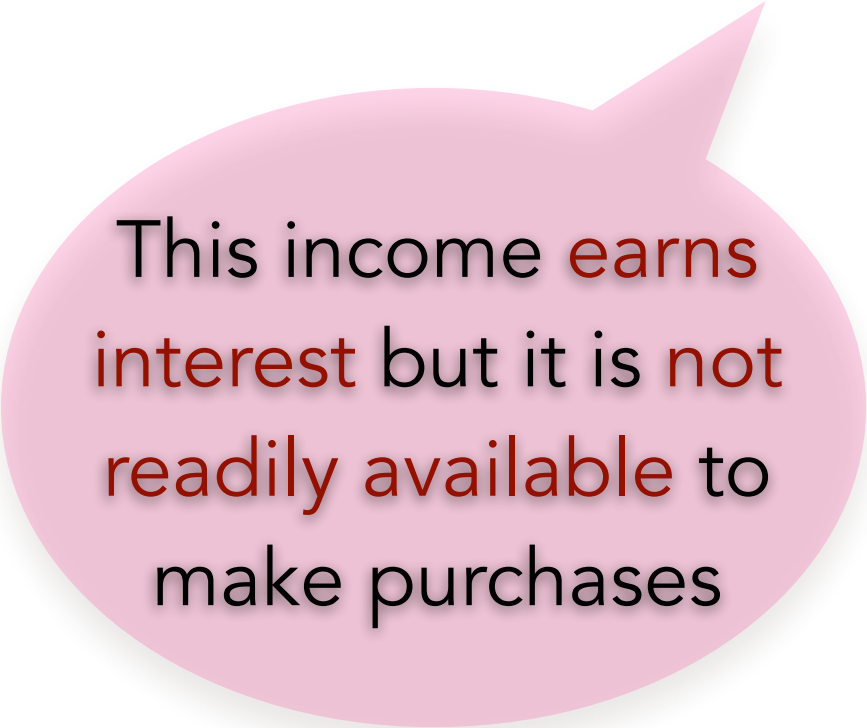
Consumption

GDP



Income used for
purchases is readily
available as cash or
deposits but doesn't
earn interest

Disposable Income

A large, light pink speech bubble with a pointed tail at the top right, containing text. The bubble has a subtle drop shadow.

This income earns
interest but it is not
readily available to
make purchases

The decision to save or spend

Demand for Money (M^d)

Is the amount of income the public **needs** readily available for transactions



Demand for Money (M^d)

Is the amount of income the public **needs** to hold in **cash** and **deposits**

The Demand for Money M^d

Amount of income the public
needs to hold in **liquid form**

A high-speed photograph of a water droplet just before it makes contact with a surface. The droplet is perfectly spherical and transparent, reflecting light. Below it, a series of concentric ripples spread outwards across the water's surface, which has a blueish tint. The background is a soft, out-of-focus blue.

Cash and Deposits

The Demand for Money M^d

Amount of income the public
needs to hold in **liquid form**



Cash and Deposits

The Demand for Money