





**T**







h





g

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e























S



**p**



a



d





**S**

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V







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The more money the  
public wants to hold in  
cash and deposits

W

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a



t



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e

**r**

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S

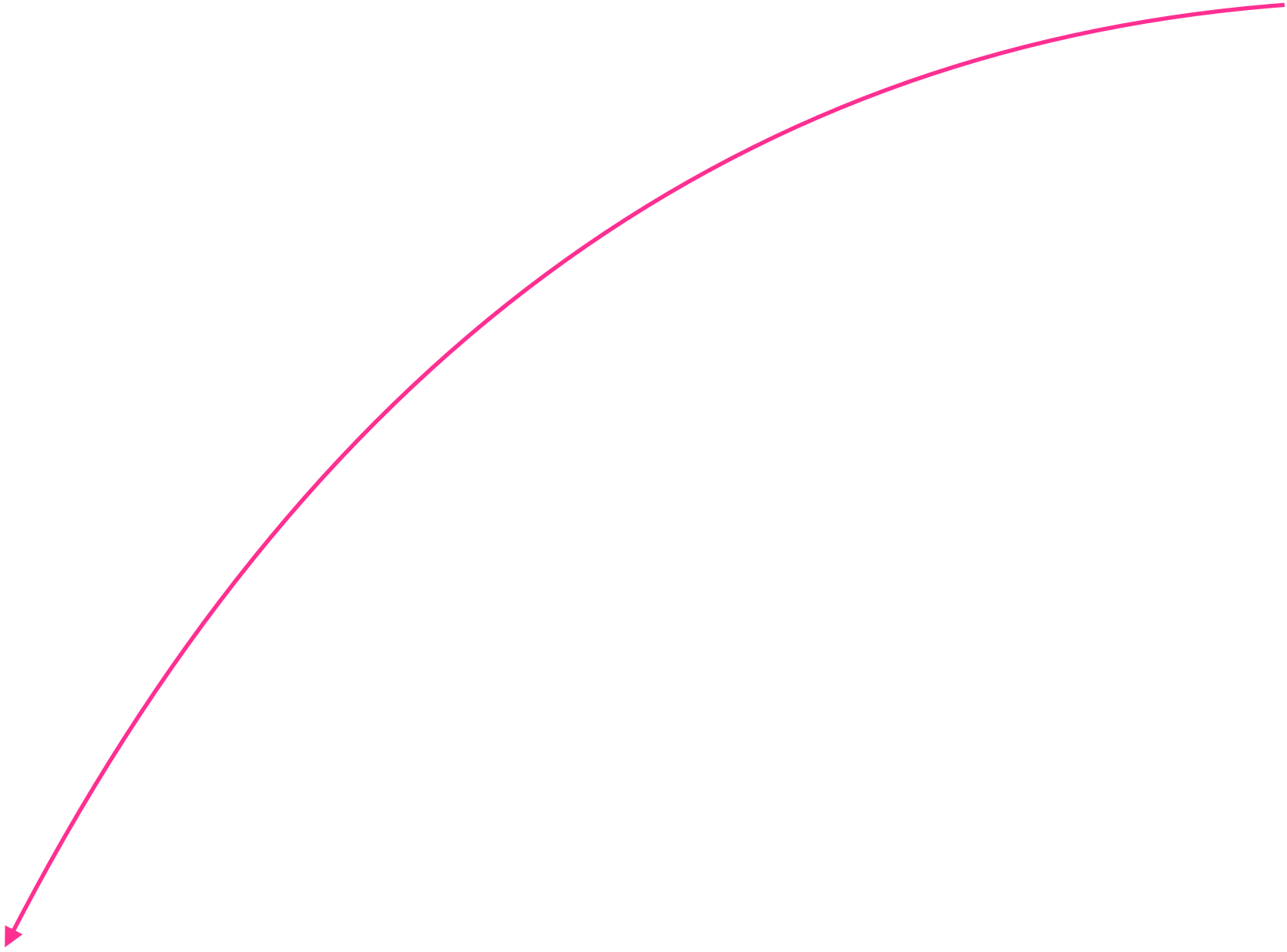


Stocks, bonds, insurance, etc.



Saving

Disposable Income





The larger the  
proportion of income  
saved

**T**





e





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S





a



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S

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9

**S**

The larger the  
proportion of income  
reserved for transactions



The higher the  
demand for money

$M^d$

The **less** money the  
public wants to hold  
in **cash and deposits**

The lower the  
demand for money

$M^d$

**R**



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# The Demand for Money

What determines the proportion of income  
**saved** and the proportion of income reserved  
for **transactions**?

The higher the  
Interest paid on  
savings



The lower the  
Interest paid on  
savings

Remember: The  
Demand for Money is  
**not** how much money  
you wished you had

# The Demand for Money

What determines the proportion of income **saved** and the proportion of income reserved for **transactions**?

Disposable Income

The **higher** the **Interest** paid on savings

The **lower** the **Interest** paid on savings

The **larger** the proportion of income **saved**

The **larger** the proportion of income reserved for **transactions**

Stocks, bonds, insurance, etc.



**Saving**

The **less** money the public wants to hold in **cash and deposits**

The **more** money the public wants to hold in **cash and deposits**

The **lower** the demand for money

$M^d$

The **higher** the demand for money

$M^d$

The Demand for Money is how much of your income you need to leave available to pay for **transactions**

Remember: The Demand for Money is **not** how much money you wished you had

# The Demand for Money