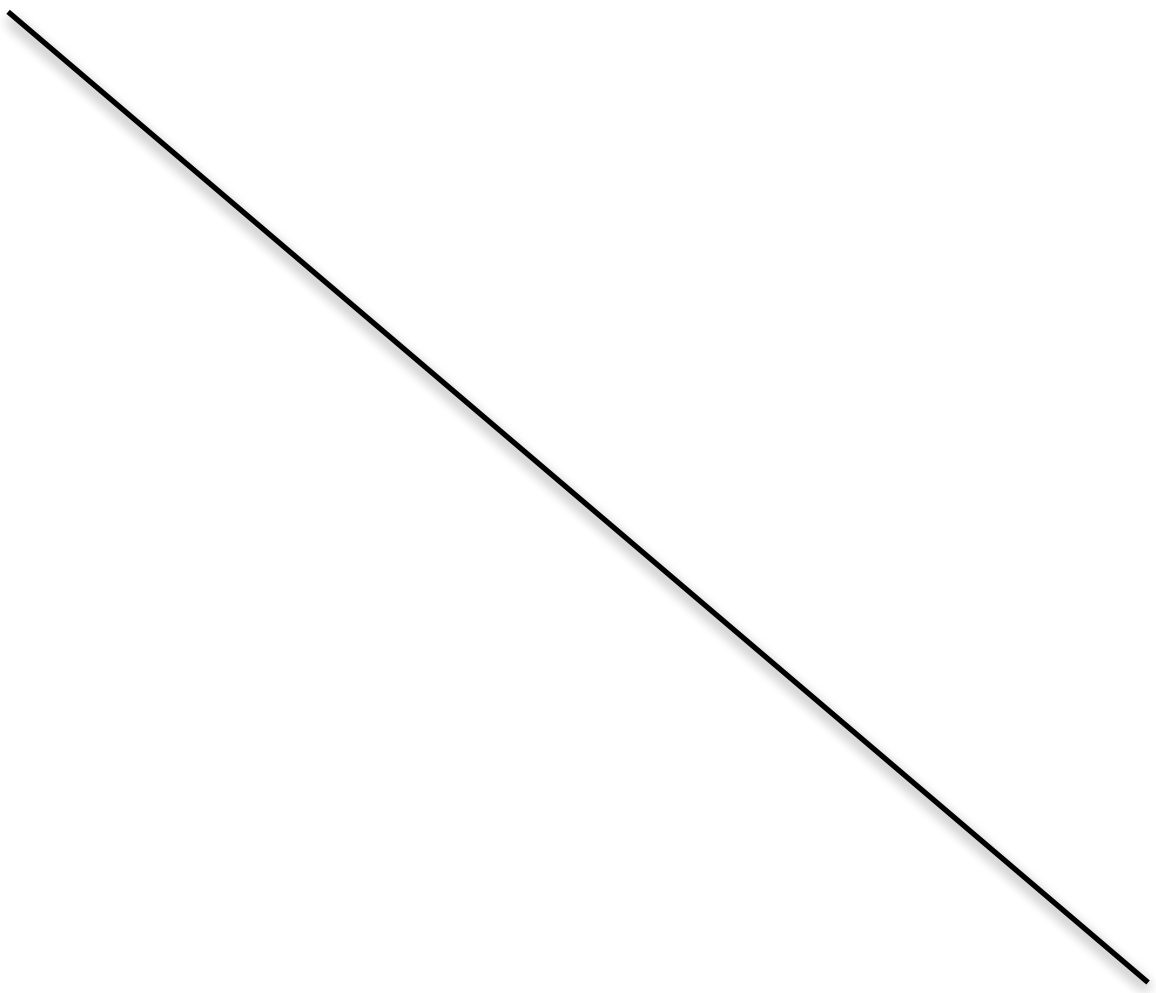


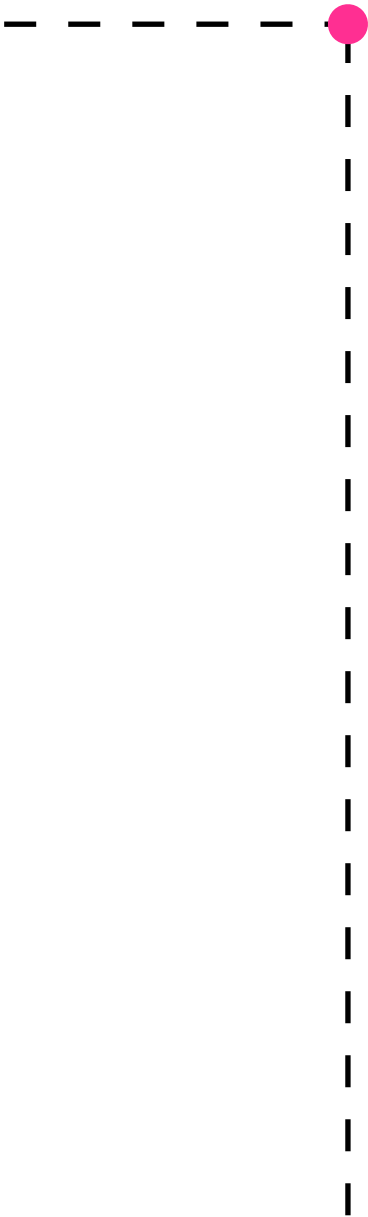
Currency

+ Deposits

i







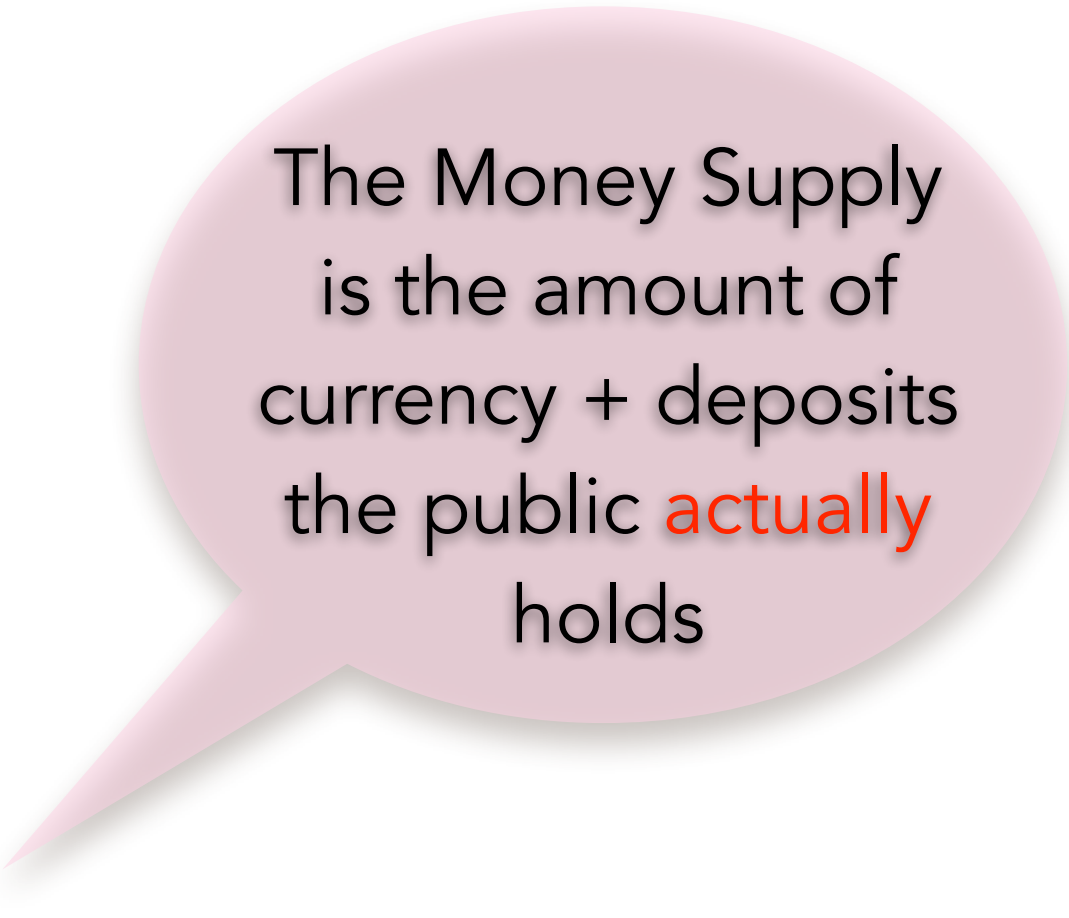
$$M^d = 500$$



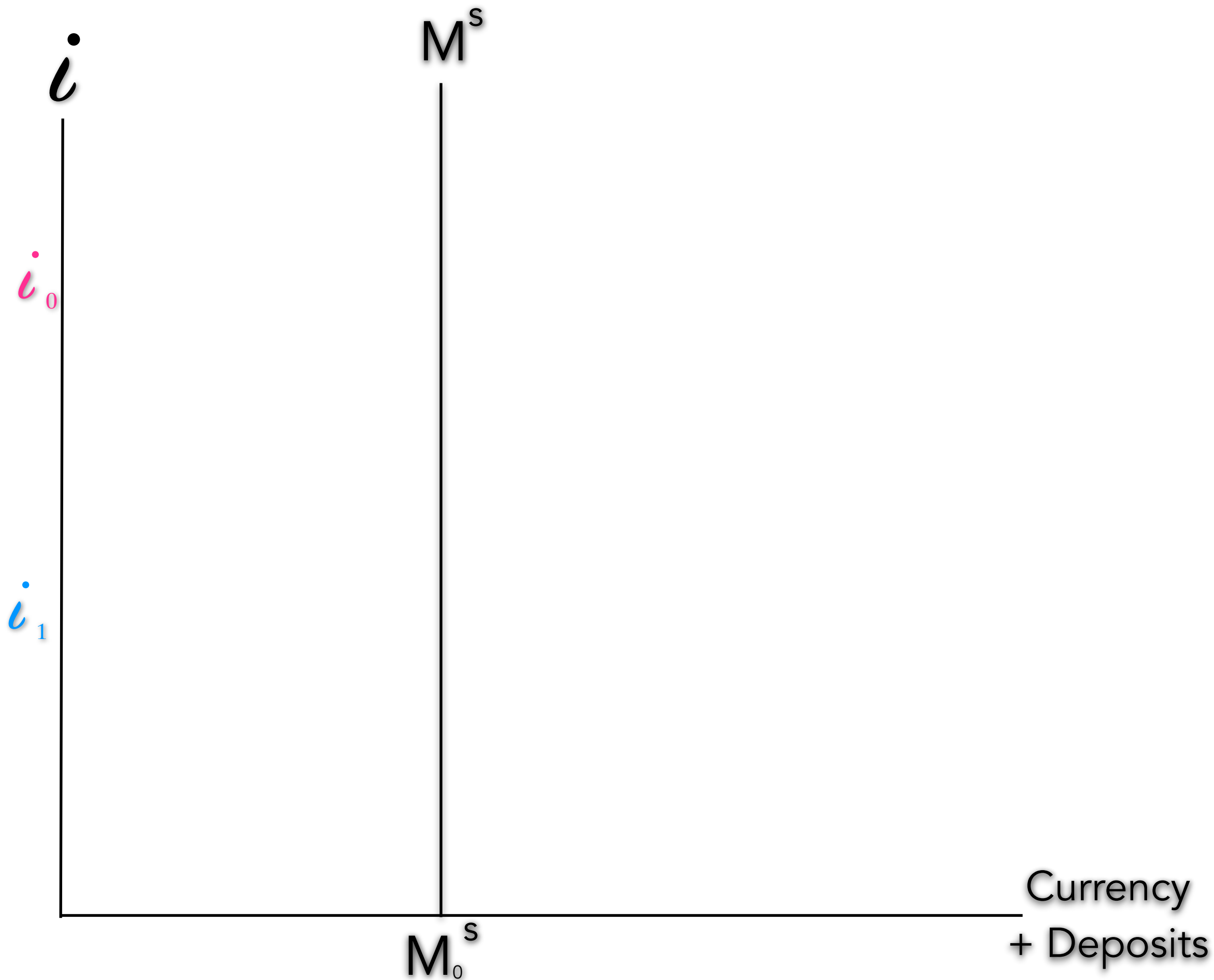
$$M^d(P_0, GDP_0)$$


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





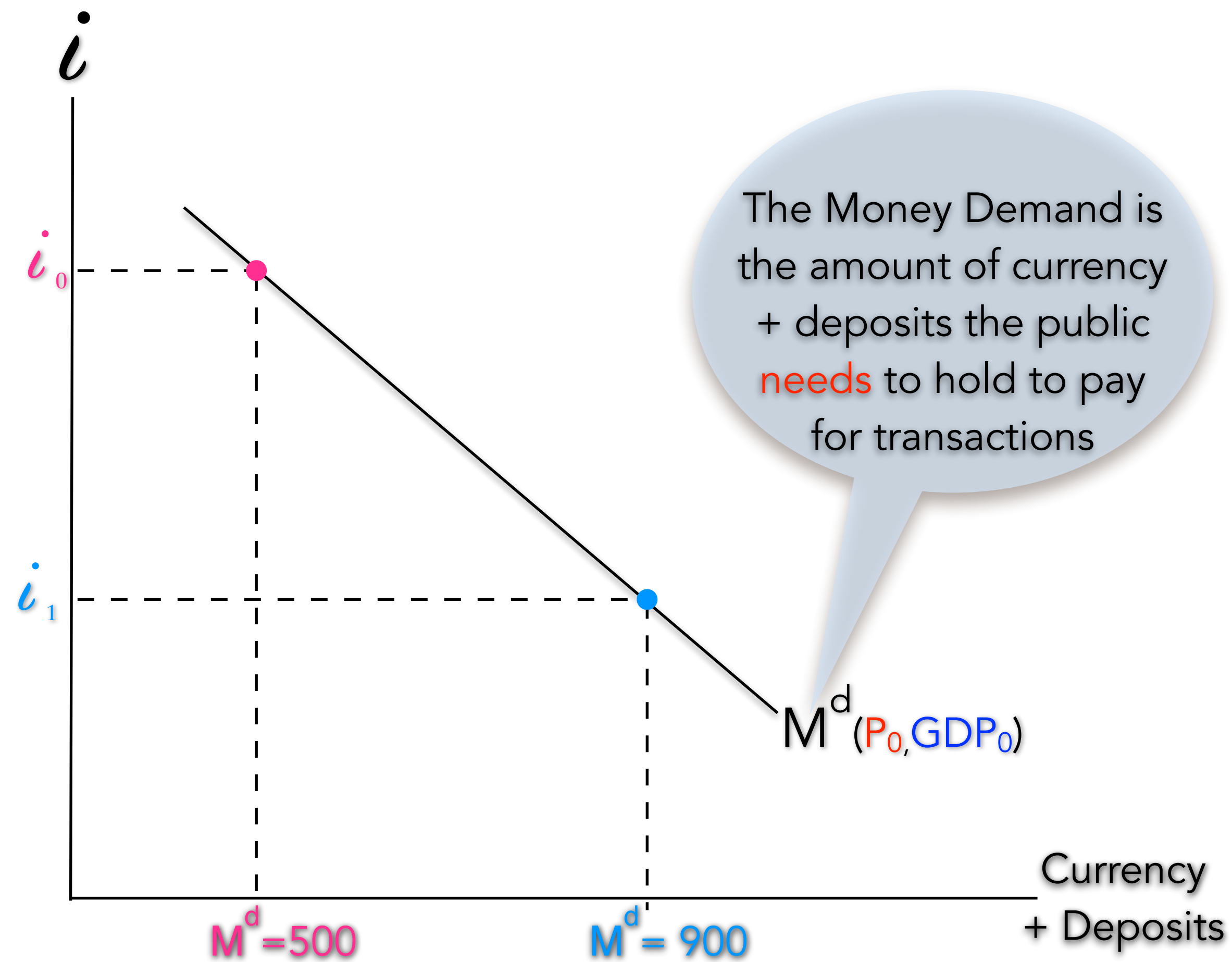
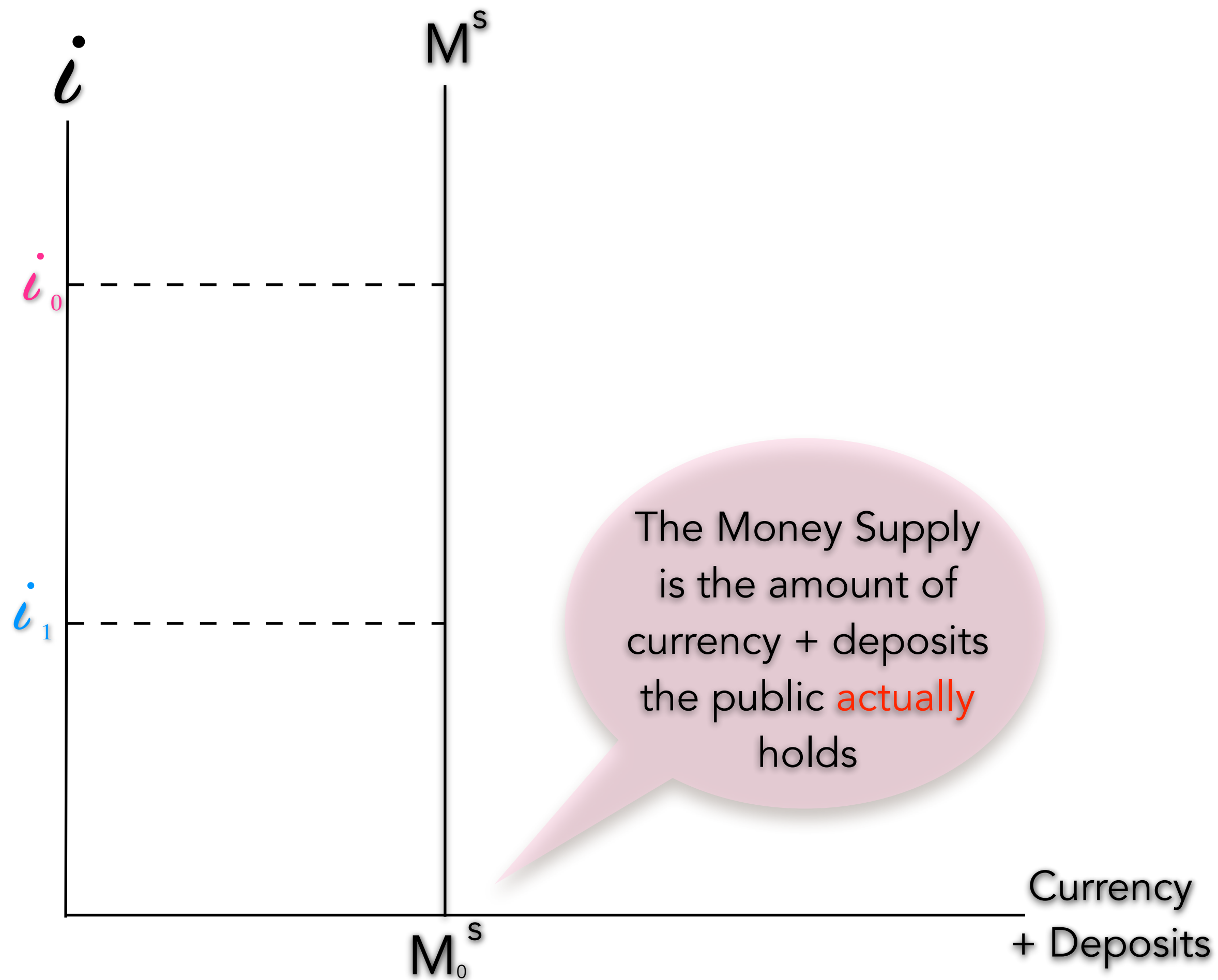
The Money Demand is
the amount of currency
+ deposits the public
needs to hold to pay
for transactions

Understanding the Supply and Demand for Money





Understanding the Supply and Demand for Money



An example