







Currency + Deposits

Feeds **is** Bonds:

$M^s$  shifts left



$M_0^S$







$M_1^S$

Money Supply  $M^s =$  Deposits + Currency

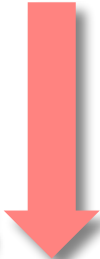
Reserves



Loans



Deposits



$M^S$






Interest Rate  
to the  
Public

# The Money Market

**M<sup>s</sup> = 9000**

$M^s = 700$

*i*



This is what the  
Fed does to fight  
inflation

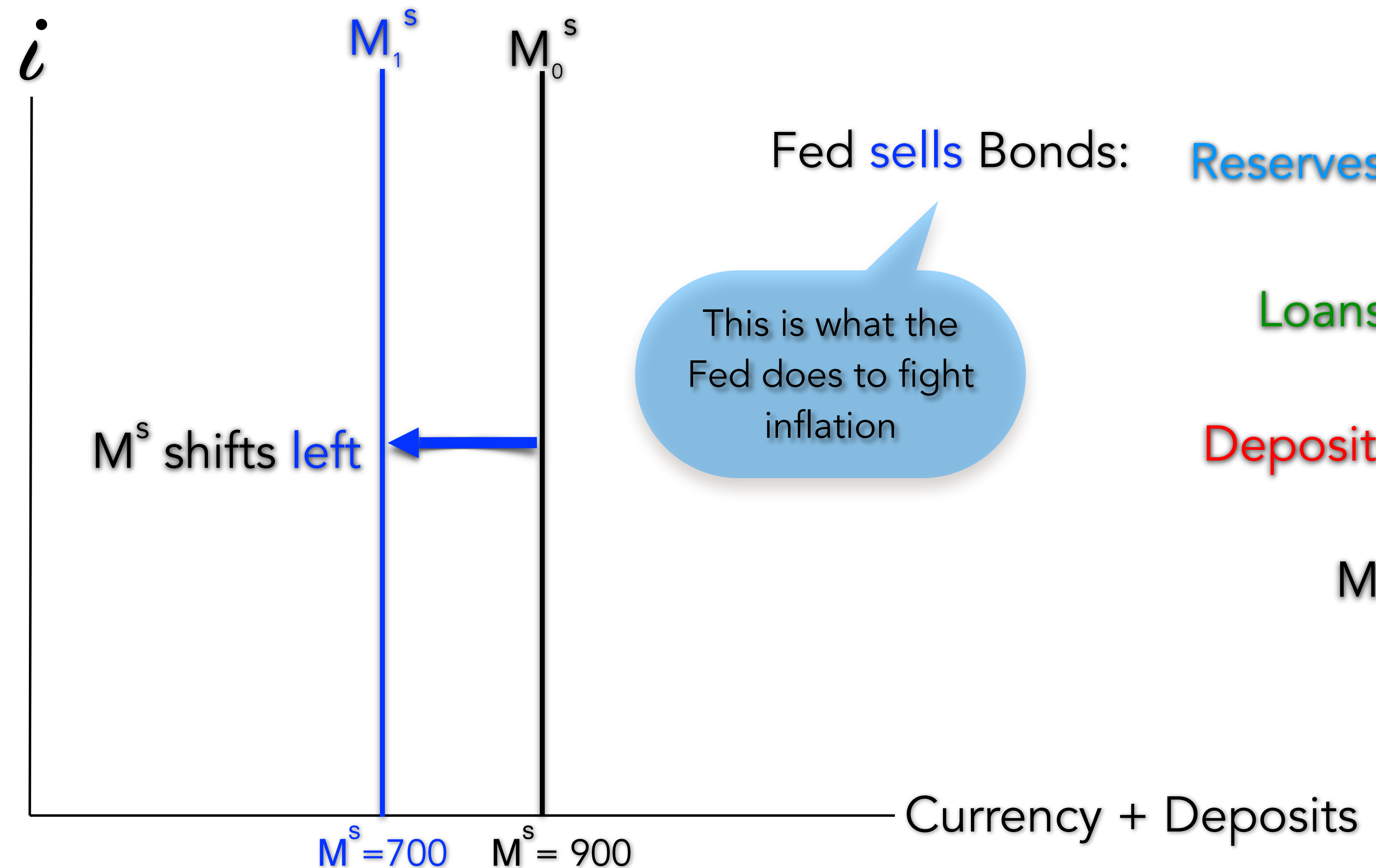
The Fed Controls  
the Money  
Supply...how does  
it affect interest  
rates?

# The Money Market

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

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

Interest Rate to the Public





The decision to save or spend