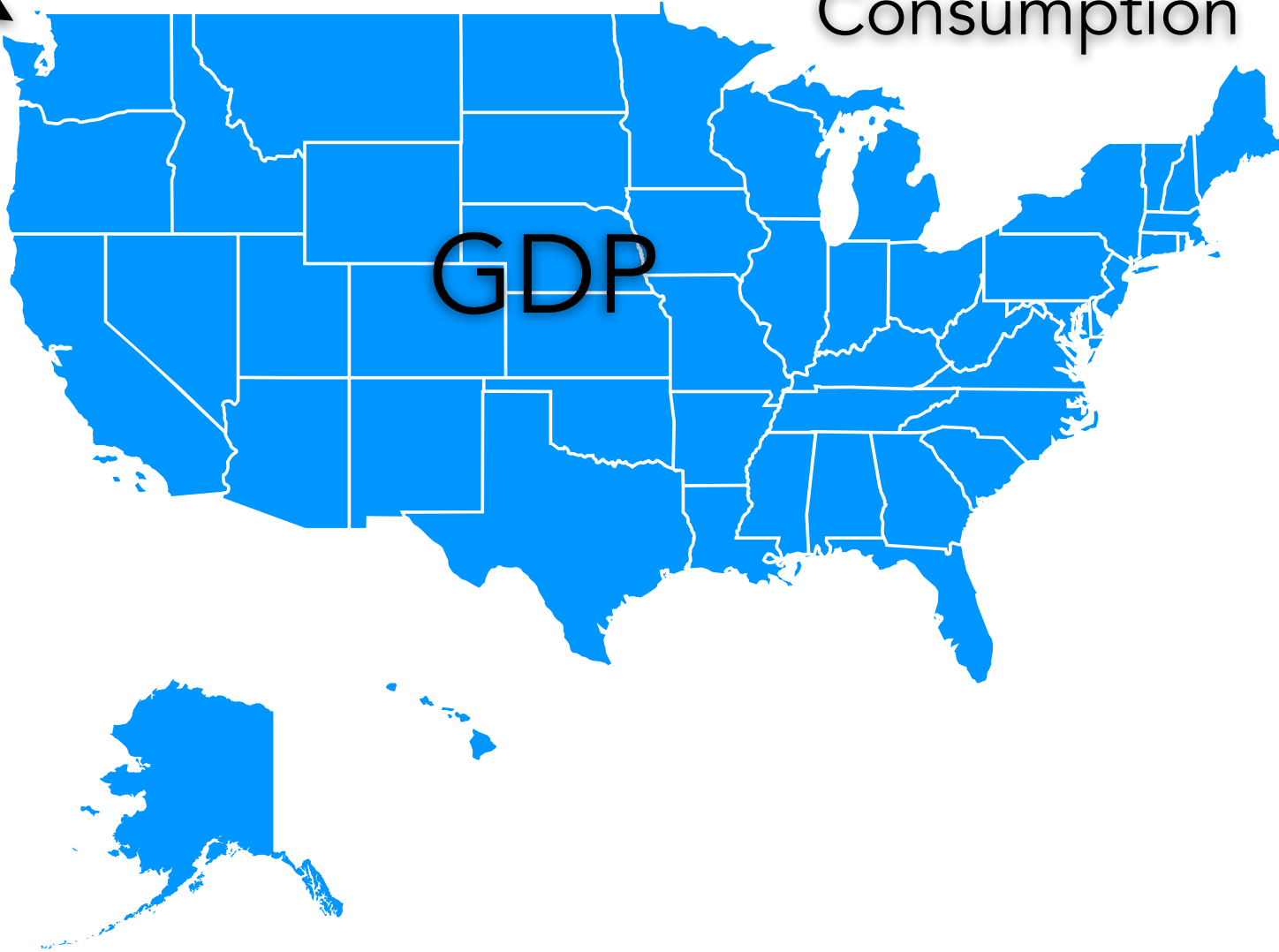


Buy

Goods and Services

Consumption

GDP



Disposable Income



What determines how much income
is needed for transactions?

How much money is needed to purchase goods and services depends on

- 📌 The **price**
- 📌 The **number of units** purchased

If I buy lunch every
day and the price is
\$15/lunch, then I
need to have
 $7 \times 15 = \$105$ in cash
or check

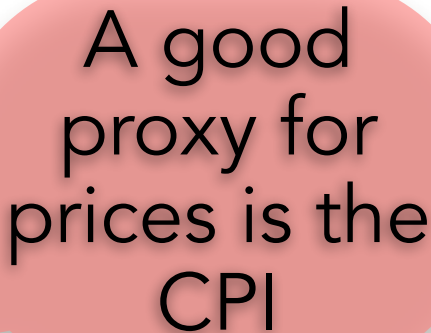
To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:



The **prices** of all goods and services
purchased and



The total number of units purchased

A red speech bubble with a white drop shadow, pointing towards the bottom-left. Inside the bubble, the text "A good proxy for prices is the CPI" is written in a black, sans-serif font, centered and arranged in four lines.

A good
proxy for
prices is the
CPI



A good proxy
for quantities is
real GDP

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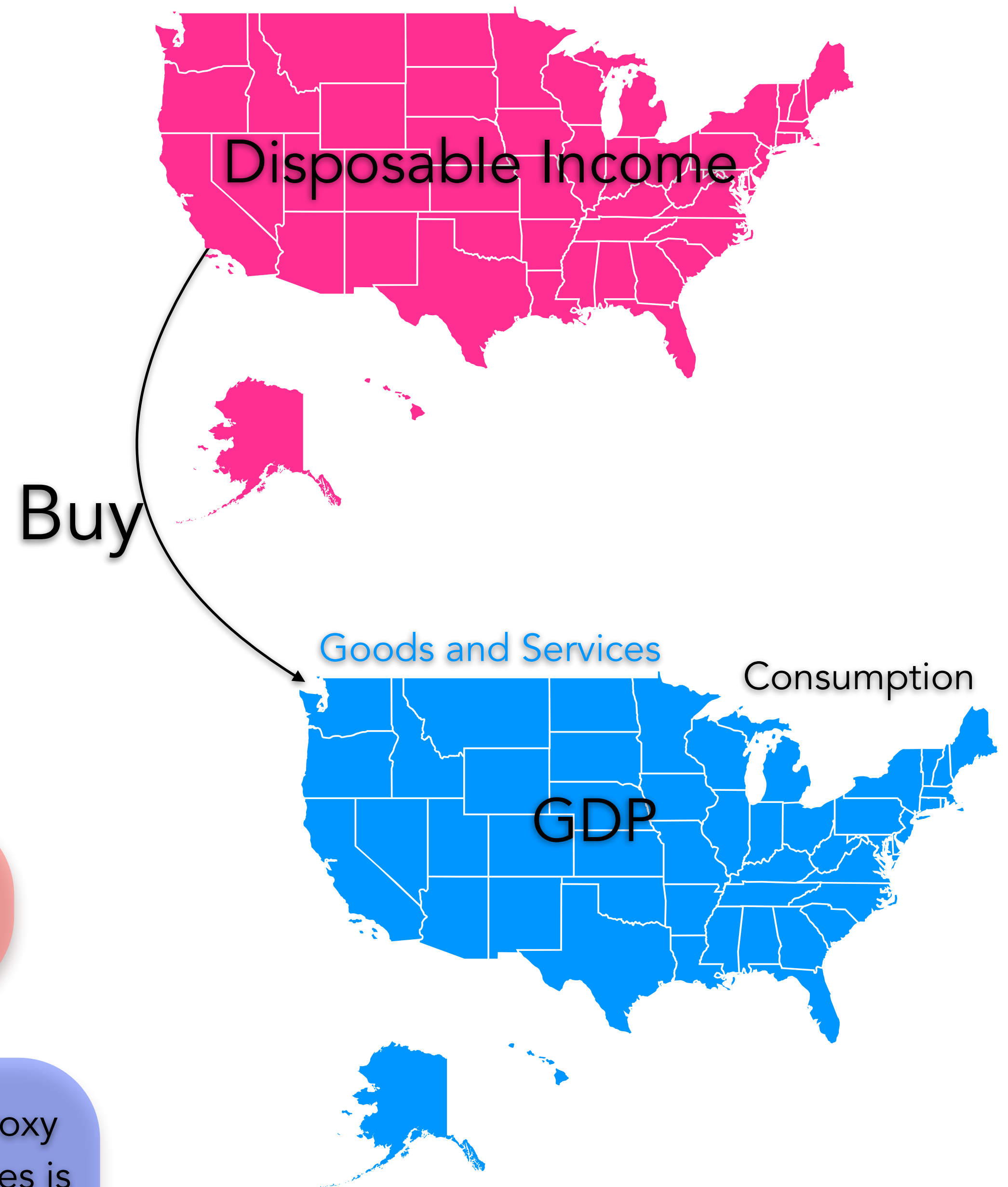
- 📍 The **price**
- 📍 The **number of units** purchased

To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:

- 📍 The **prices** of all goods and services purchased and
- 📍 The total **number of units** purchased

A good proxy for prices is the CPI

A good proxy for quantities is real GDP



How much money is needed for transactions?

To calculate the amount of liquid balances (cash and deposits) needed for the entire U.S. economy, we need to know:

- 🔊 The **prices** of all that is purchased and
- 🔊 The total **number of units** purchased

A good proxy for prices is the CPI

A good proxy for quantities is real GDP