

Our Money Supply

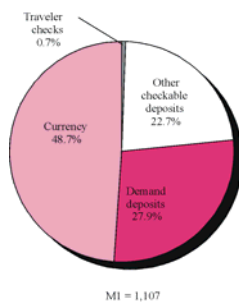
- Money consist of coins, paper money, demand (or checking) deposits, and checklike deposits (commonly called NOW – or negotiable order of withdrawal – accounts) held by the *nonbank* public
 - Coins and paper money together are considered currency
 - Six of every ten dollars in our money supply are demand deposits and other checkable deposits
 - Virtually all the rest is currency
 - Checks are not money but checking deposits are

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Our Money Supply

Federal Reserve Statistical Release, April 5, 2001



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Our Money Supply: M1

Currency

- + Demand deposits
- + Other checkable deposits
- + Traveler's checks

M1(traditionally our basic money supply)

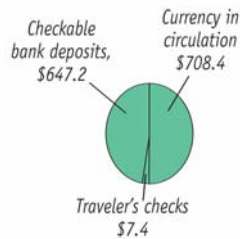
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**M1 = \$1,368.4 (billions of dollars),
June 2005**

The Federal Reserve uses three definitions of the money supply: *M1*, *M2*, and *M3*.

M1 is equally split between currency in circulation and checkable bank deposits



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Our Money Supply: M2

Currency

- + Demand deposits
 - + Other checkable deposits
 - + Traveler's checks
-
- + Savings deposits
 - + Small-denomination time deposits (less than \$100,00)
 - + Money market mutual funds held by individuals

M2

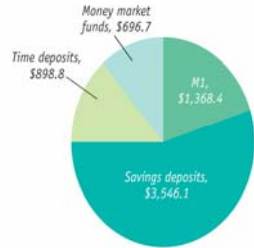
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M2 = \$6,510.0 (billions of dollars), June 2005

- The Federal Reserve uses three definitions of the money supply: *M1*, *M2*, and *M3*.

M2 has a much broader definition: it includes *M1*, plus a range of other deposits and deposit-like assets, making it about three times as large.



Our Money Supply: M1, M2, M3

Currency

- + Demand deposits
- + Other checkable deposits
- + Traveler's checks

M1

- + Savings deposits
- + Small-denomination time deposits (less than \$100,00)
- + Money market mutual funds held by individuals

M2

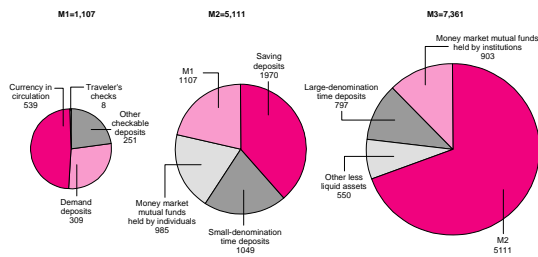
- + Large denomination time deposits (more than \$100,00)
- + Money market mutual funds held by institutions
- + Other less liquid assets

M3

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Our Money Supply M1, M2, and M3, January 2001

Federal Reserve Bulletin

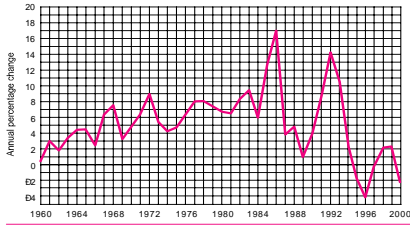


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Our Growing Money Supply

Annual Percentage Change in the Money Supply, M1, 1960-2000



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Credit Cards

- Is the Credit Card in your wallet Money?
 - It is accepted everywhere (Medium of exchange)
 - You get a bill (Unit of Account)
