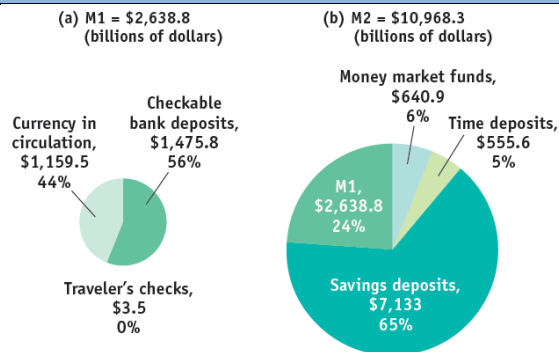


CONCEPT: DEFINITIONS OF THE MONEY SUPPLY – M1 AND M2

- We have to draw a line on what will be considered “money” based on our previous definitions
 - **Money Supply** – the amount of money available for spending on goods and services
 - **M1** is the _____ definition of the money supply
 - > **Currency in circulation** – cash held by the public
 - > **Checking account deposits** – readily available checking account balances held at banks
 - > *Minimal Contribution from traveler’s checks*
 - **M2** is the _____ definition of the money supply
 - > $M2 = M1 + \underline{\hspace{2cm}}$
 - Savings Accounts and Money-Market Accounts
 - Certificate of Deposit accounts (CDs) under \$100,000
 - Money-Market Mutual Fund deposits
 - Other small categories
 - > M2 is approximately _____ times larger than M1

December 2013



July 2015

