

MEASURES OF CURRENCY & MONEY MULTIPLIER (MORT)

Currency + Demand Deposit of Banks

M_1

Currency + (Time + Demand) deposit of Banks

M_3

Currency + time + demand deposit of Banks and Post office

M_4

Currency + Time deposit in Bank + Saving deposit of Post offices = M_2

$M = M_1 = C + D = \text{Total Supply of Money}$

$H = \text{High powered Money} = \text{Cash with Public} + \text{Net Cash with Banks} (C + R)$

M_4 includes the cash supply + credit money and thus Total supply of Money.

$H = \text{High powered money}$

$M = \text{Total Money Supply}$

$$\text{Money Multiplier (m)} = \frac{M}{H}$$

$$\text{Demand of High power Money} = C + R$$

$$= KD + rD = D(K + r)$$

$$\text{Supply of Money} = C + D$$

$$= KD + D = D(1 + K)$$

$$\text{Hence } \frac{M}{H} = m = \frac{1 + K}{r + K}$$