The Money Supply
Measuring M1 & M2
Money Supply – Did You Know?

**Used**
- By households and businesses
- To make payments and to be held as short-term investments

**Components**
- **M1** = coin and currency in circulation, plus checking accounts
- **M2** = M1 plus short-term liquid assets

**Context**
- The Fed uses M1 and M2 as a standardized way of defining money in the economy

---

As a share of the total values shown above, M1 dropped from 26% in 1980 to 20% in 2010.¹

---

¹. See PowerPoint file for technical note.

---

Source: Federal Reserve Board

---

**M1 and M2**

($trillions, non-seasonally adjusted)

<table>
<thead>
<tr>
<th>Year</th>
<th>M1</th>
<th>M2-M1</th>
<th>M2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$1.54</td>
<td>$3.22</td>
<td>$4.78</td>
</tr>
<tr>
<td>1990</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$8.61</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

www.frbsf.org/education/teacher-resources/datapost

FRBSF Economic Education
Money Supply – Components

M2
- Savings Deposits
- Time Deposits
- Certain CDs
- Money Market Deposit Accounts
- Money Market Mutual Funds
- Includes M1

M1
- Coin
- Currency
- Demand Deposits
- Travelers Checks

August 2020
($trillions, seasonally adjusted)

Source: Federal Reserve Board

www.frbsf.org/education/teacher-resources/datapost
FRBSF Economic Education
M2 in Detail
August 2020 ($billions, seasonally adjusted)

- Savings Deposits, $11,548
- Small-Denomination Time Deposits, $363
- Retail Money Market Funds, $1,106
- Currency and Coins, $1,913
- Demand Deposits, $2,286
- Other Checkable Deposits, $1,197

Source: Federal Reserve Board 9/10/20 data release
Note: Components may not add to totals due to rounding
Trends — M1 and M2
Jan. 1980 to Aug. 2020 ($trillions, seasonally adjusted)

Source: Federal Reserve Board 9/10/20 data release
What Do You Think?

1. How much cash (coin + currency) do you currently have in your pocket, wallet, or purse? Is this cash part of M1 or M2?

2. Do you have a checking account? Is the balance in your checking account part of M1?

3. Do you have a savings account? Is your savings account balance part of M1?

4. How would you describe the trends of M1 and M2 since 1980? (See slide 5)