Cambridge Approach
Neo - classical

Various Theories of "Demand for Money" IMP

	Name	Cash transaction Approach	Cash balance Approach	Liquidity preference Approach	Inventory theoretic Approach	General Theory of "Demand for Capital assets".
1.	Other Names	- classical theory of demand for money - Quantity theory of money. - Equation of exchange	Cambridge Theory Neo-classical theory.	Keynes's theory of Demand for money. (no changed) Demand for money = Liquidity preference	—	- Restatement theory of Quantity theory of money. - Monetarist theory of "demand for money".
2.	Economists.	Irving Fisher	- Marshall - Pigou - Robertson - Keynes	John Maynard Keynes.	James Tobin William Baumol.	Milton Friedman
3.	Reason for Demand for money.	Transactions purpose	- Transaction purpose - Precautionary purpose	- Transactions purpose - Precautionary purpose (income elastic & not sensitive to interest) - speculative purpose	Transaction purpose.	Transactions, Precaution, speculation
4.	Function performed by money.	Medium of Exchange	- Medium of exchange - store of value Temporary Abode	- Medium of exchange - store of value Inverse relation	- Medium of exchange - store of value	- Medium of exchange - store of value
5.	Determinant of Demand for money.	Nominal Income As per him, Money demand is irrespective of Interest rate.	- Nominal Income - Government policy - Individual's personality	- Nominal Income - Interest rate r↑ Sdm↓ r↑ DB↓ r↓ Sdm↑ r↓ DB↑	- Nominal Income IMP - Interest rate (opp. cost of holding cash.) - ~~Int~~ Transactions cost - Price	- Wealth (Permanent income) - Interest rates - Prices - Inflation
6.	Equation	Equation of exchange Transaction approach $MV = PT$	$M = KPY$ $M = KPR$	$L_T = K \cdot Y$ $L_P = f(Y, r)$	$C = \sqrt{\frac{2bY}{r}}$ formula $M_d = \sqrt{\frac{2 \times T \times C}{r}}$	$D_m = f(P_Y, r, P, \pi)$ Direct Inverse direct Inverse
		short run $M\bar{V} = P\bar{T}$ direct & proportional relationship b/w Qty of money & Price level $MV + M'V' = PT$ New expanded form	K - cambridge k.	$L_T = K \cdot Y$ ratio ↳ Transaction ~~Infect~~ earning	~ the charges & inconvenience of converting other assets into cash/liquid. T_c↑ Dm↑ T_c↓ Dm↓ b = brokerage C = Average cash withdrawal	

π = Inflation
r = Interest
T = transaction
MV = supply for money
PT = Demand for money.
V = velocity of money
M = Quantity of money
K = Proportion of Nominal income
P_Y = Income (Permanent income)
Y = Income (Nominal)
P = General price
R = real income
C = Transaction cost

$$\text{Total Wealth} = \frac{\text{Perm. Income}}{\text{Disc. rate}}$$