

Demand of Money

In the words of **Crowther**, “The value of money is what it will buy.” As much goods and services are received in exchange of one unit of money, it is its value. As per **Robertson**, “By the value of money we mean the amount of things in general which will be given in exchange for a unit of money.”

मुद्रा की क्रय शक्ति को ही मुद्रा का मूल्य कहा जाता है।

Value of various goods and services is expressed in the form of money, but money’s own value cannot be expressed in the form of money. If value of money is expressed in the form of goods and services there will be lakhs of values of money because lakhs of goods and services are found in this world. To overcome this difficulty we calculate a group value of money. For this we select few such representative goods and services, which we use daily. Their average price is calculated and it is called general price level. There is an inverse relation between the value of money and general price level of commodities and services. When general price level decreases, value of money increases.

मुद्रा के मूल्य तथा वस्तुओं और सेवाओं के सामान्य कीमत स्तर में विपरीत संबंध होता है। जब सामान्य

कीमत स्तर घटता है तब मुद्रा का मूल्य बढ़ता है।

$$\text{Value of Money} = \frac{1}{\text{Price Level}}$$

$$\text{मुद्रा का मूल्य} = \frac{1}{\text{मूल्य स्तर}}$$

In the words of **Irving Fisher**, “The purchasing power of money is the reciprocal of the level of prices, so that the study of purchasing power of money is identical with the study of price level.”

इरवग फिशर के शब्दों में, मुद्रा की क्रय शक्ति कीमत स्तरों के ठीक विपरीत होती है, अतः इसका अध्ययन कीमत स्तर के अध्ययन के समान ही होता है।

Theories of Value of Money:

Quantity Theory of Money:

Two Equations of Quantity Theory of Money

Two main equations related to the theory of quantity of money are:

1. Transactions Approach or Fisher's Equation.
2. Cash Balance or Cambridge equation.