

open market operations

To begin, this is the balance sheet for our bank.

(1)	assets	liabilities
	reserves	deposits
	T bonds	
	loans	
	total	
	net worth	

Why does is the bank holding Treasury bonds? \_\_\_\_\_

Now, the Fed buys \_\_\_\_\_ worth of Treasury bonds from this bank. How does the bank’s balance sheet change?

(2)	assets	liabilities
	reserves	deposits
	T bonds	
	loans	
	total	
	net worth	

How much will the bank lend? \_\_\_\_\_

Using the money multiplier formula, how much will this bank, eventually, have in deposits? \_\_\_\_\_

How much will it have in loans? \_\_\_\_\_

(3)	assets	liabilities
	reserves	deposits
	T bonds	
	loans	
	total	
	net worth	