







**D = 700**

Currency = 8000b

$r = 10\%$

$R = 0.1 * 700$

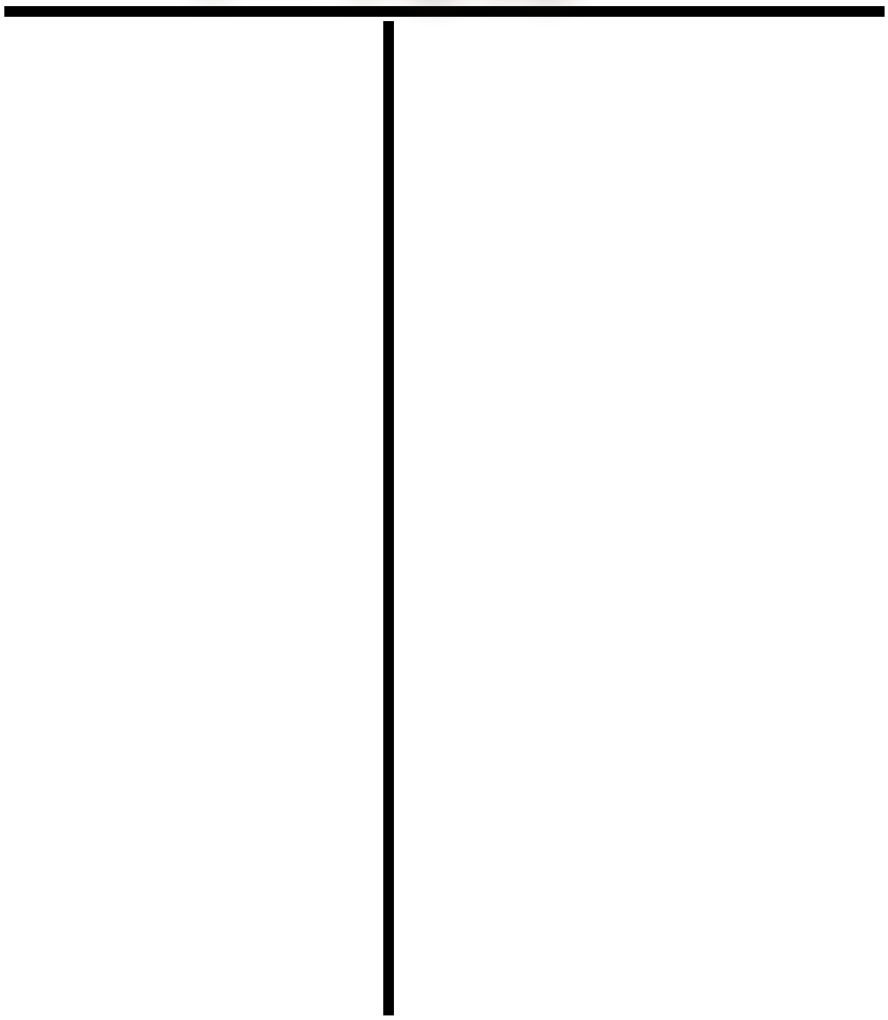
**L = 630**



Suppose that 1b of the 800b held by the public as  
currency outside the banking system is now  
deposited into the banking system

$$\Delta D = \Delta R \times (1/r)$$

$r=10\%$



$$\Delta R \equiv 1$$

$$\Delta L = \Delta D - \Delta R$$

$$M^s = 800 + 700$$

$$M^s = 1,500$$

NewR = 70 + 1

NewD = 700 + 10



NewL = 630 + 9

New Ms = 1,500 + 9

$$\Delta M^s = \Delta \text{Currency} + \Delta D$$

+9

$R = r \times D$

**L = D - R**

$$M^s = \text{Currency} + \text{Deposits}$$





+10

Example: The following values are  
given

Calculate: Required reserves, Loans  
and the Money Supply

**R=70**

**L = 700 - 70**

Calculate: New Reserves, New Loans, New  
Deposits and the New Money Supply

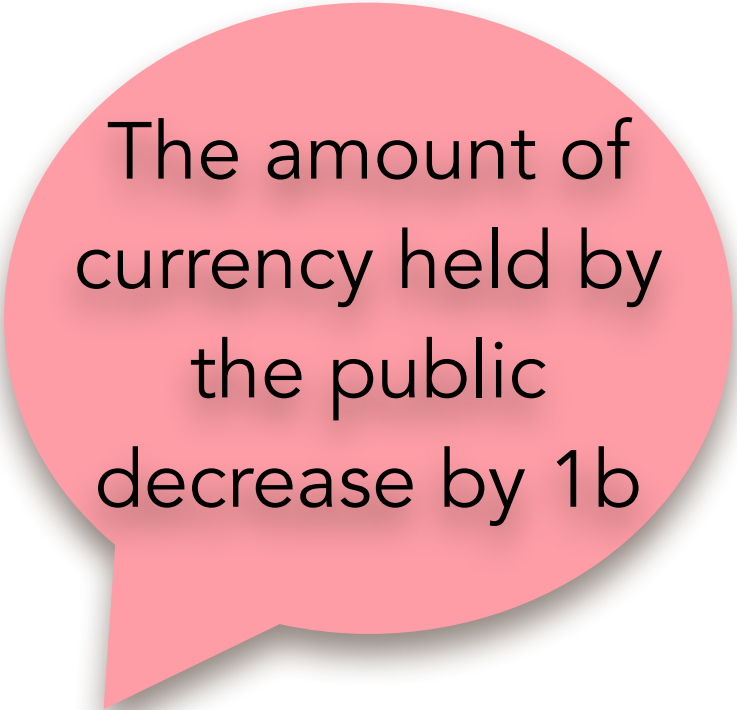


New Money

$$\Delta D = 1 \times (1/0.1) = 10$$



$$\Delta L = 10 - 1 = 9$$

A large, light pink speech bubble with a soft drop shadow, containing black text. The bubble has a tail pointing towards the bottom left.

The amount of  
currency held by  
the public  
decrease by 1b

New R = 71

New L = 639

NewD = 710

New Ms = 1,509

Before  
 $r=10\%$

---

$R=70$	$D = 700$
--------	-----------

$L = 630$
-----------

$$M^s = 800 + 700$$

$$M^s = 1,500$$

After  
 $r=10\%$

---

$R=71$	$D=710$
--------	---------

$L=639$
---------

$$M^s = 799 + 710$$

$$M^s = 1,509$$



Example: The following values are given

Calculate: Required reserves, Loans and the Money Supply

Before  
 $r=10\%$

$R=70$	$D = 700$
$L= 630$	
$M^s = 800 + 700$	
$M^s = 1,500$	

Suppose that 1b of the 800b held by the public as currency **outside the banking system** is now

deposited into the banking system

Calculate: New Reserves, New Loans, New Deposits and the New Money Supply

After  
 $r=10\%$

$R=71$	$D = 710$
$L= 639$	
$M^s = 799 + 710$	
$M^s = 1,509$	

Example: The following values are  
given

