




Deposits



Loans



Banks are required
to hold **10%** of
depositor's money
in Reserves



Required Reserves Ratio

$r = 10\%$



$R = r \times D$

L

=

D

-

R



Banks are
allowed to lend
90% of
Depositor's
money!

In the U.S. on any given day only 10% of total deposits is needed to pay for withdrawals

Reserves

In the U.S. on any given day only 10% of total deposits is needed to pay for withdrawals

D
Deposits

Banks are allowed to lend **90%** of Depositor's money!

Banks are required to hold **10%** of depositor's money in Reserves

L
Loans

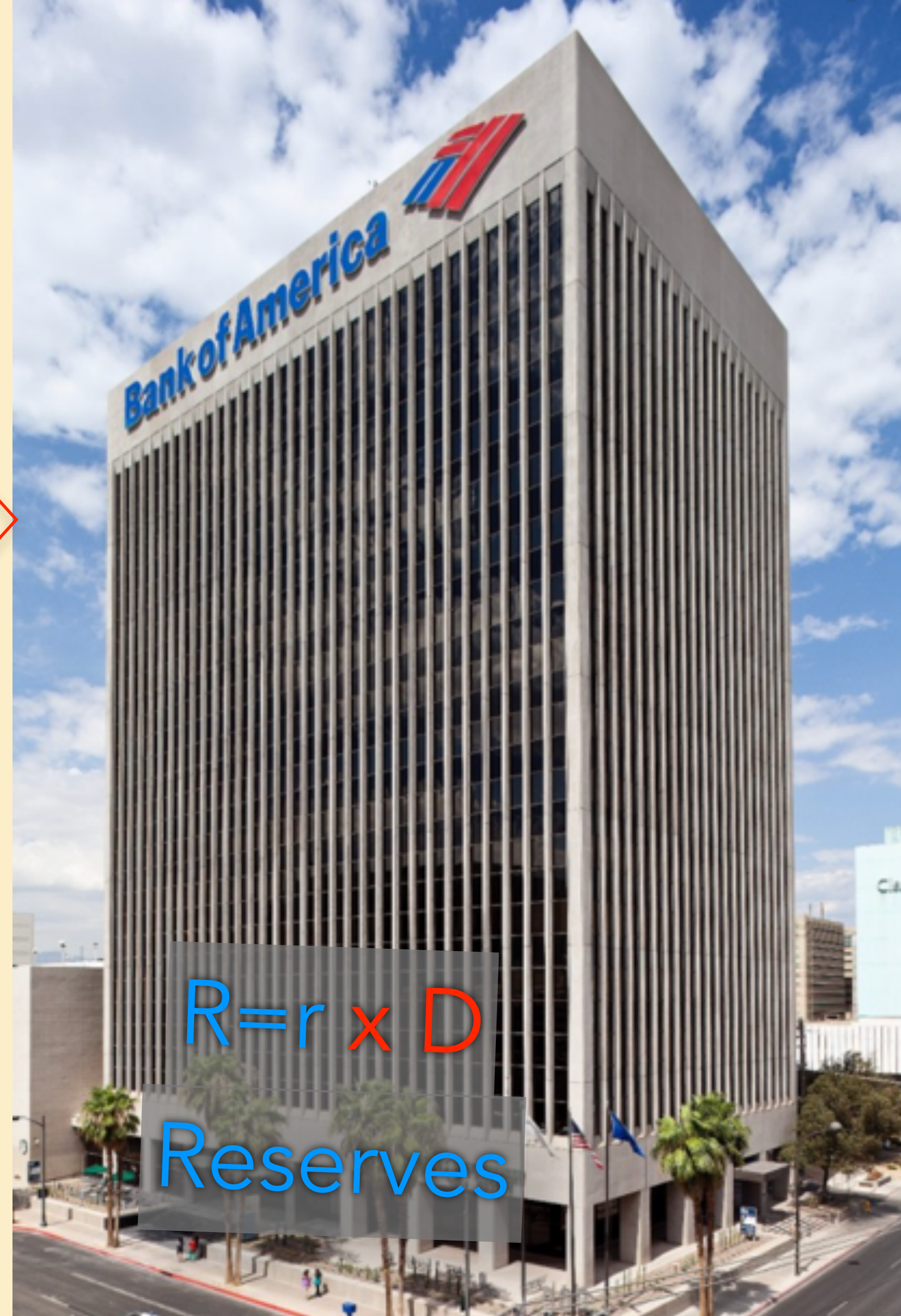
$$L = D - R$$

$$R = r \times D$$

Reserves

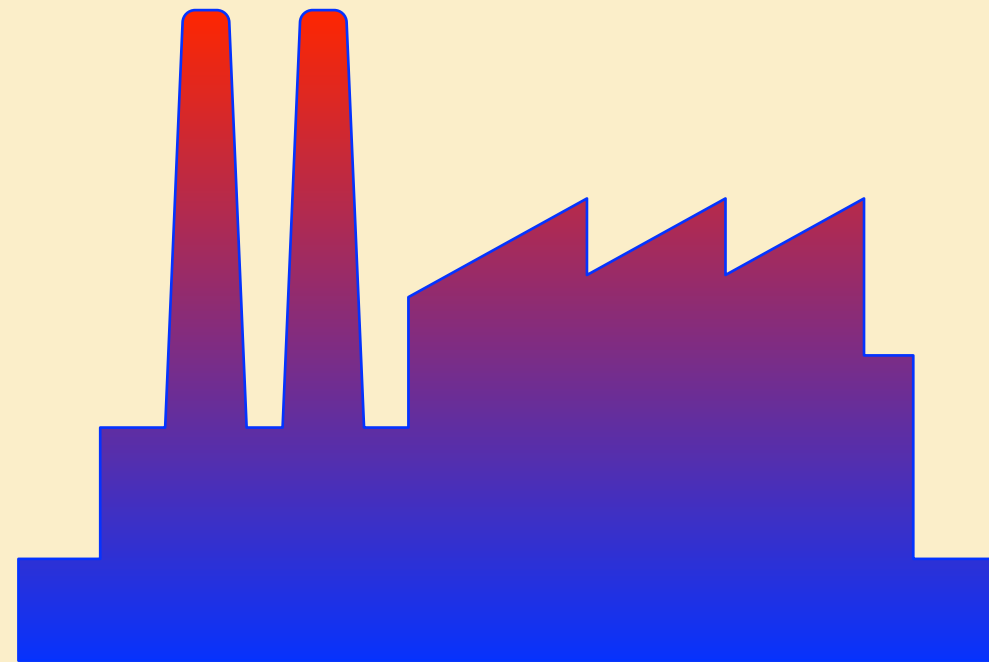
$$r = 10\%$$

Required Reserves Ratio

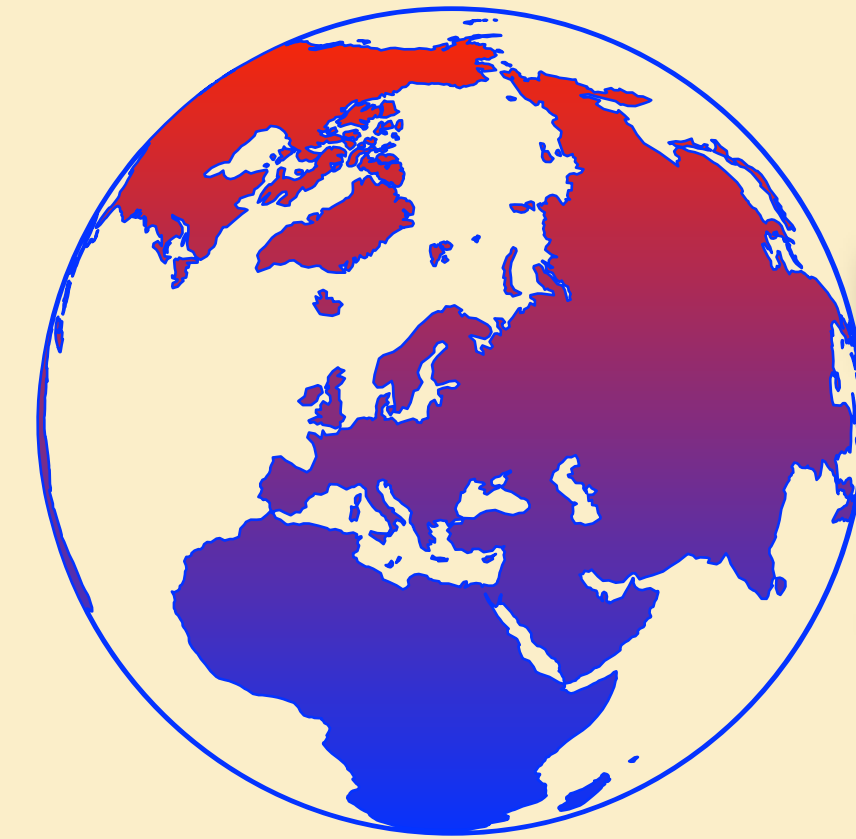




Government



Firms



Rest of
the
World

Households

