THE FED'S "T" ACCOUNT

Assets	Liabilities

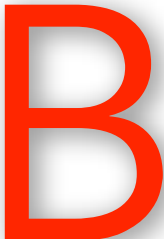
In this example we assume there are only 5 banks in the entire banking system in the U.S

Assume the Fed is presently holding 100b in Bonds

Bank Reserves


100b

In this example we assume all banks hold their reserves at the Fed


B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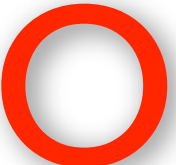

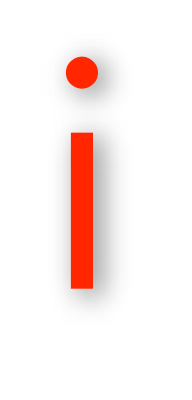


S


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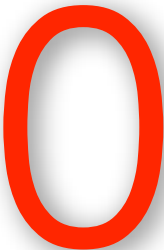

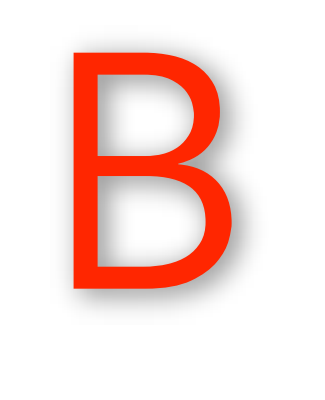
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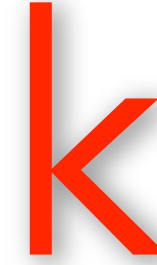

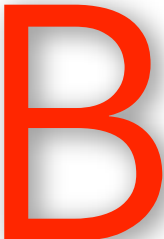
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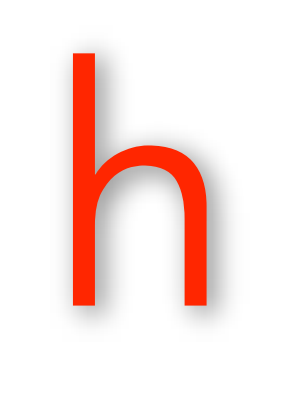


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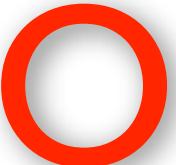


S


S


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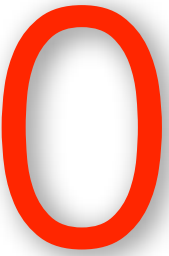

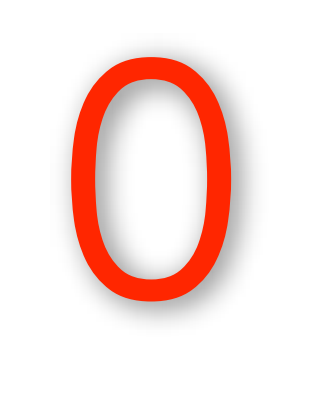

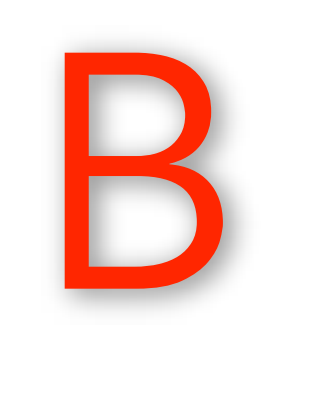
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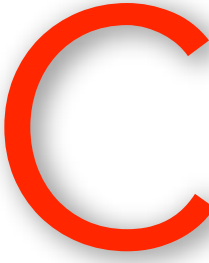


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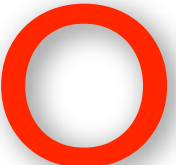


S


S


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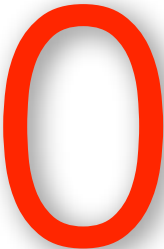

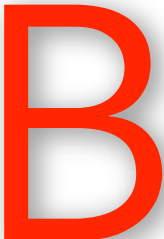
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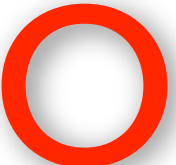


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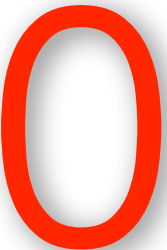

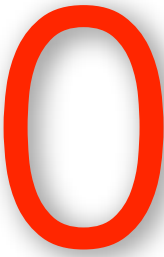

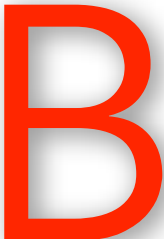
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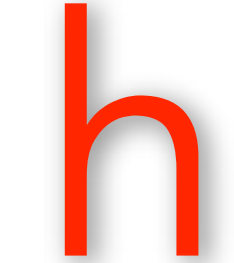


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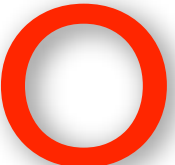


S


S


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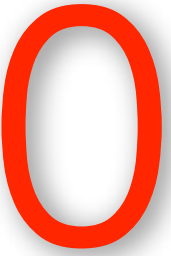

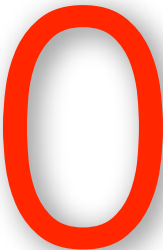


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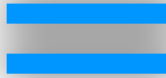

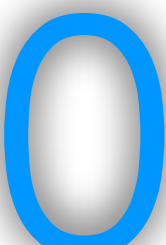


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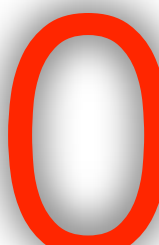

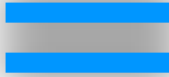


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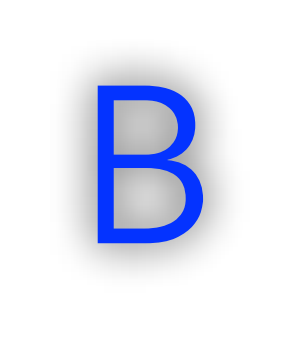
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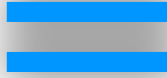

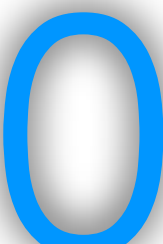


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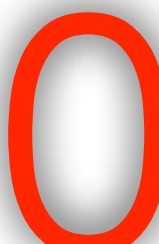

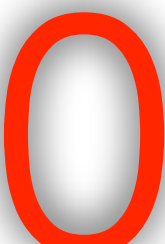

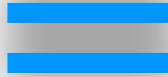

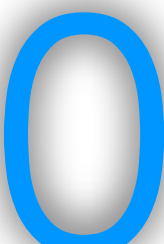


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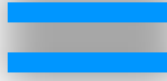

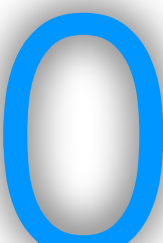


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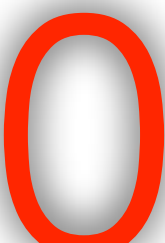

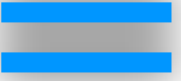


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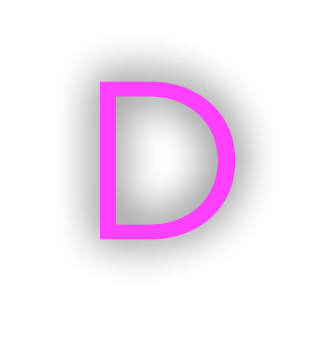
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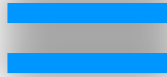

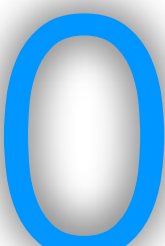

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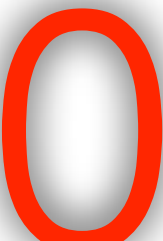

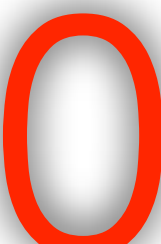

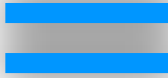


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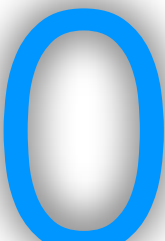


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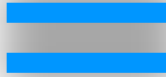

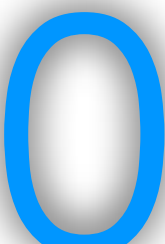


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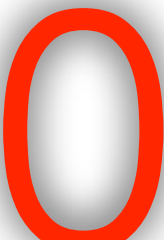

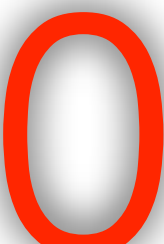

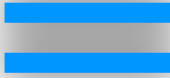


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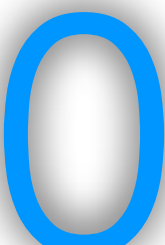
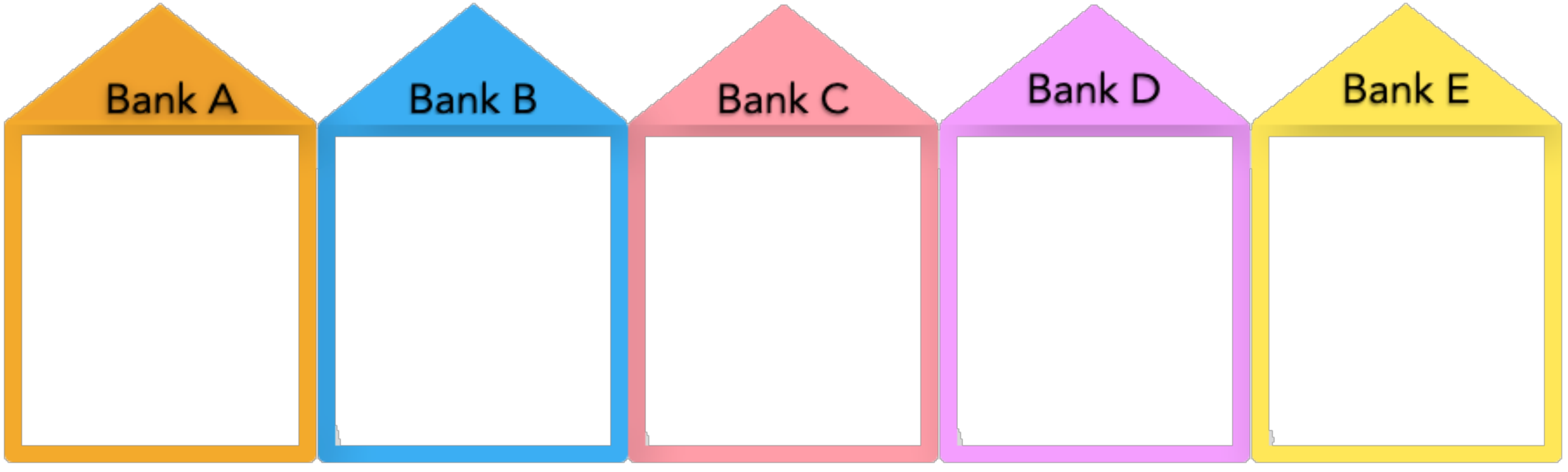
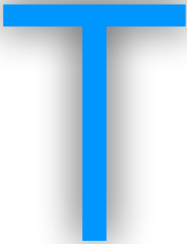
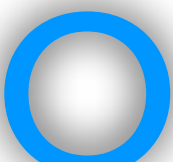
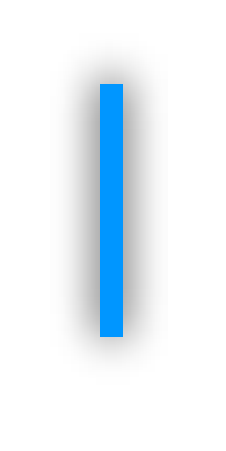



Bank A
Bank B
Bank C
Bank D
Bank E



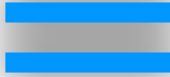


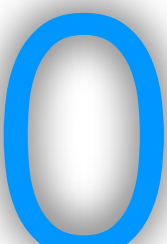

a

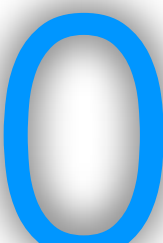



R


V







Bank A has Deposits 250

$$R_A = 0.1 \times 250 = 25b$$

Bank B

has

Deposits

100

$$R_B = 0.1 \times 100 = 10\text{b}$$

Bank C has Deposits 150

$R_C = 0.1 \times 150 = 15b$

Bank D

has

Deposits

300

$$R_D = 0.1 \times 300 = 30b$$

Bank E

has

Deposits

200

$$R_E = 0.1 \times 200 = 20b$$

THE FED'S "T" ACCOUNT

Assets	Liabilities
 Assume the Fed is presently holding 100b in Bonds	Bank Reserves R_A=0.1 x 250 = 25b R_B=0.1 x 100 = 10b R_C=0.1 x 150 = 15b R_D=0.1 x 300 = 30b R_E=0.1 x 200 = 20b Total Reserves = 100b

Bank A	Bank B	Bank C	Bank D	Bank E
Bank A has Deposits 250	Bank B has Deposits 100	Bank C has Deposits 150	Bank D has Deposits 300	Bank E has Deposits 200

In this example we assume all banks hold their reserves at the Fed

In this example we assume there are only 5 banks in the entire banking system in the U.S

Assets	Liabilities
 Assume the Fed is presently holding 100b in Bonds	**Bank Reserves** R_A=0.1 x 250 = 25b R_B=0.1 x 100 = 10b R_C=0.1 x 150 = 15b R_D=0.1 x 300 = 30b R_E=0.1 x 200 = 20b Total Reserves = 100b

Bank A	Bank B	Bank C	Bank D	Bank E
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