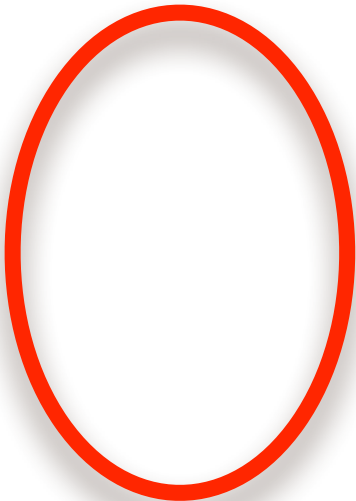


Banks Create Money by Issuing Loans

$$\Delta D = \text{New Money} \times \frac{1}{r}$$

AR






*Multiple by which
deposits increase
for each dollar
deposited in a bank*



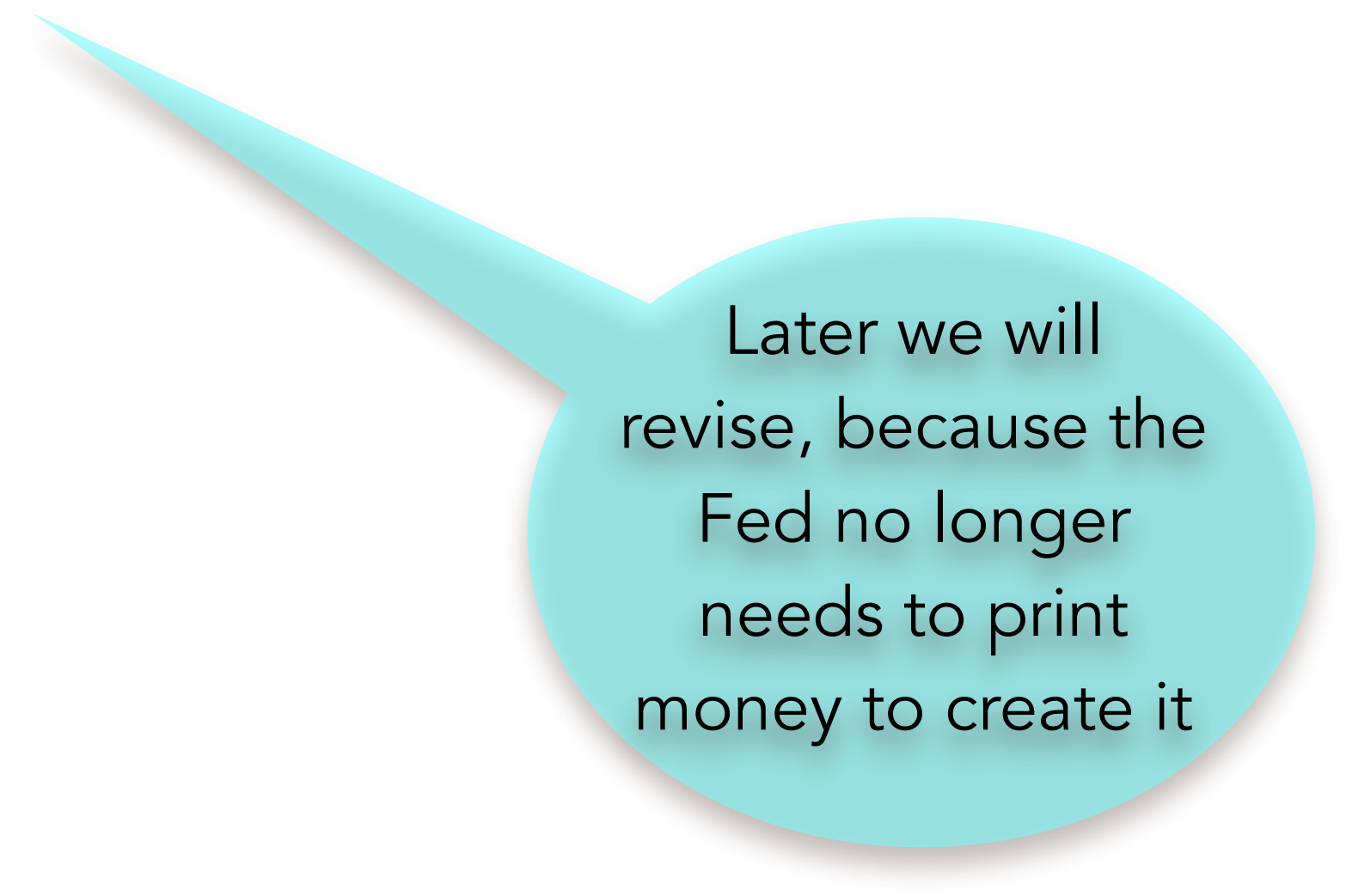
becomes
Reserves



Create new
checking account
deposits

$$\Delta D = \quad \times \frac{1}{r}$$

The Fed **Creates** Money by "printing" new money



Later we will
revise, because the
Fed no longer
needs to print
money to create it

The Fed **Creates** Money by “printing” new money

Banks **Create** Money by Issuing **Loans**

$$\Delta D = \text{New Money} \times \frac{1}{r}$$

becomes
Reserves

$$\Delta D = \Delta R \times \left(\frac{1}{r} \right)$$

Money
Multiplier

Multiple by which
deposits increase
for each dollar
deposited in a bank