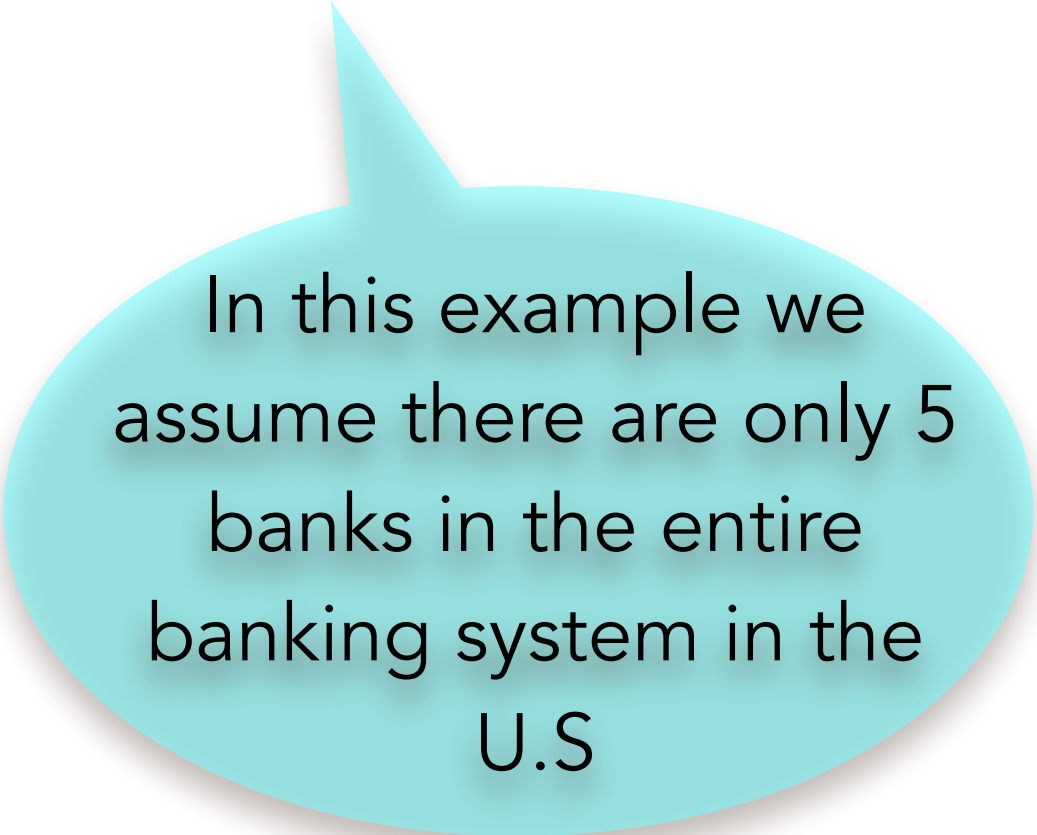


THE FED'S "T" ACCOUNT

Assets

Liabilities

--	--



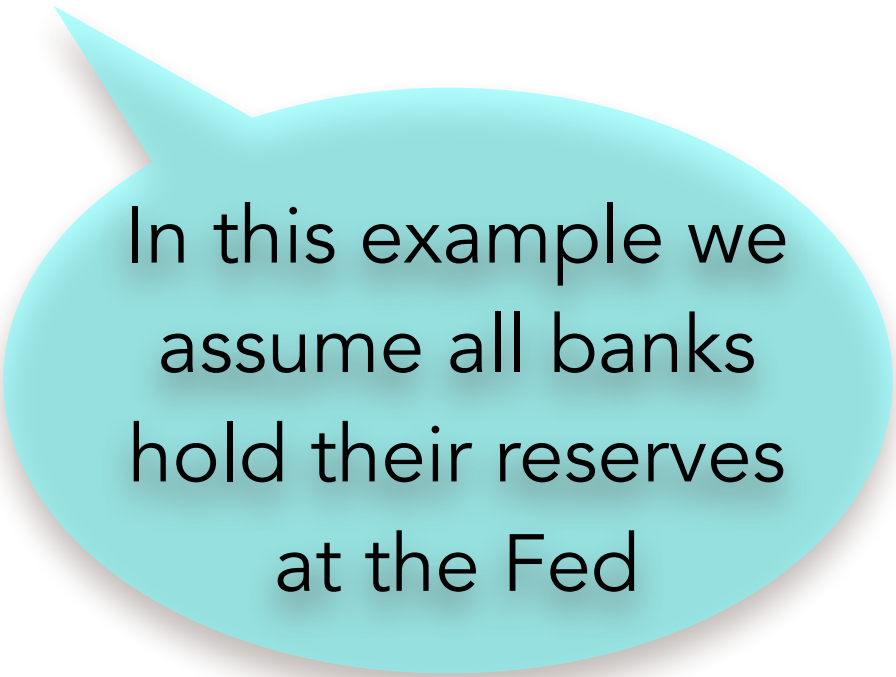
In this example we
assume there are only 5
banks in the entire
banking system in the
U.S



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

a



K

A

h

a

S





P



S





S

2

5



B

a



K

B

h

a

S





P



S





S







B

a

n

K



h

a

S





P



S





S



5



B

a



K



h

a

S





P



S





S

3





B

a



K

E

h

a

S





P



S





S

2





R





0







2

5





2

5

b

R

B



0



















b

R















5







5

b

R





0







3







3

0

b

R

E



0







2







2

0

b

Bank A



The image displays five bank account templates arranged horizontally. Each template consists of a colored triangular header at the top and a large, empty rectangular box below it. The headers are labeled 'Bank A' (orange), 'Bank B' (blue), 'Bank C' (pink), 'Bank D' (purple), and 'Bank E' (yellow). The boxes are intended for users to write details about their accounts.

Bank B

Bank C

Bank D

Bank E

T





a



R

e

S

e





e

S







0

b

Bank A

has

Deposits

250

$R_A = 0.1$

$\times 250 = 25b$

Bank B

has

Deposits

100

$$R_B = 0.1 \times 1000 = 100 \text{ b}$$

Bank C

has

Deposits

150

$R_c = 0.1 \times 150 = 15b$

Bank D

has

Deposits

300

$R_D = 0.1 \times 3000 = 300b$

Bank E

has

Deposits

200

$RE = 0.1 \times 2000 = 200b$

THE FED'S "T" ACCOUNT

Assets



Assume the Fed is
presently holding
100b in Bonds

Liabilities

Bank Reserves

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

$$R_B = 0.1 \times 100 = 10b$$

$$R_C = 0.1 \times 150 = 15b$$

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

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

$$\text{Total Reserves} = 100b$$

Bank A

Bank A
has
Deposits
250

Bank B

Bank B
has
Deposits
100

Bank C

Bank C
has
Deposits
150

Bank D

Bank D
has
Deposits
300

Bank E

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



Assume the Fed is
presently holding
100b in Bonds

Liabilities

Bank Reserves

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

$$R_B = 0.1 \times 100 = 10b$$

$$R_C = 0.1 \times 150 = 15b$$

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

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

$$\text{Total Reserves} = 100b$$

Bank A

Bank A has
Deposits
250

Bank B

Bank B has
Deposits
100

Bank C

Bank C has
Deposits
150

Bank D

Bank D has
Deposits
300

Bank E

Bank E has
Deposits
200