



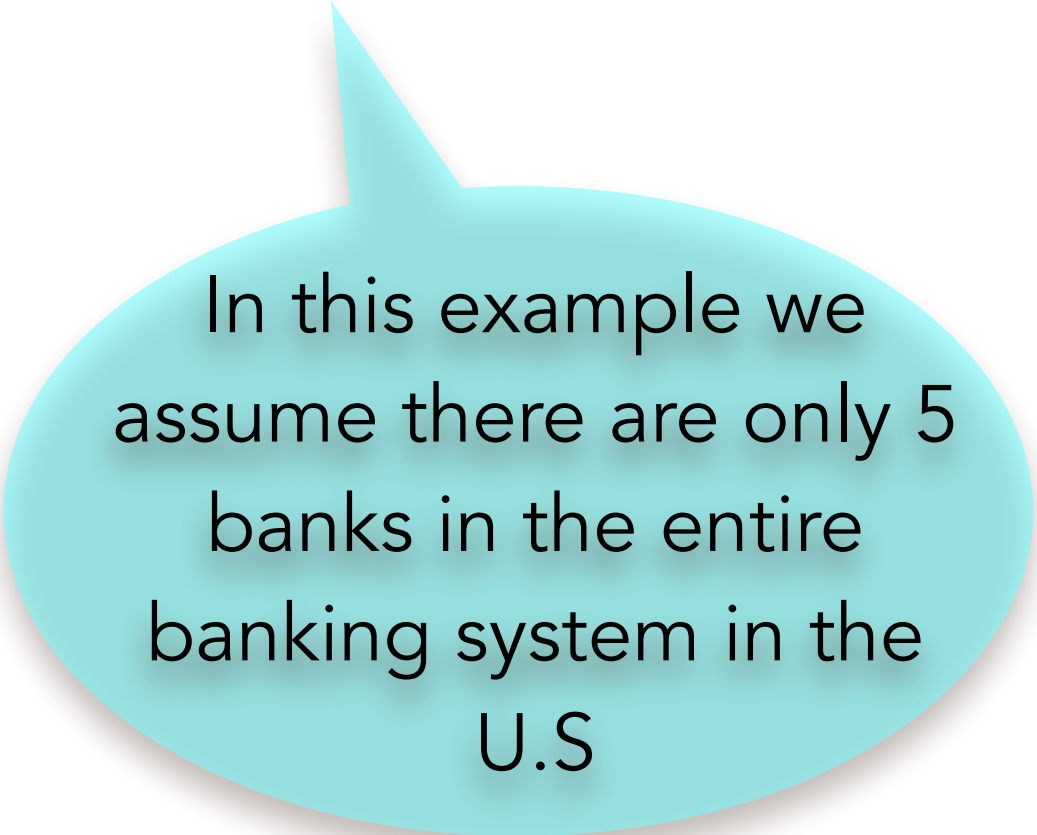
THE FED'S "T" ACCOUNT



# Assets

# Liabilities

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

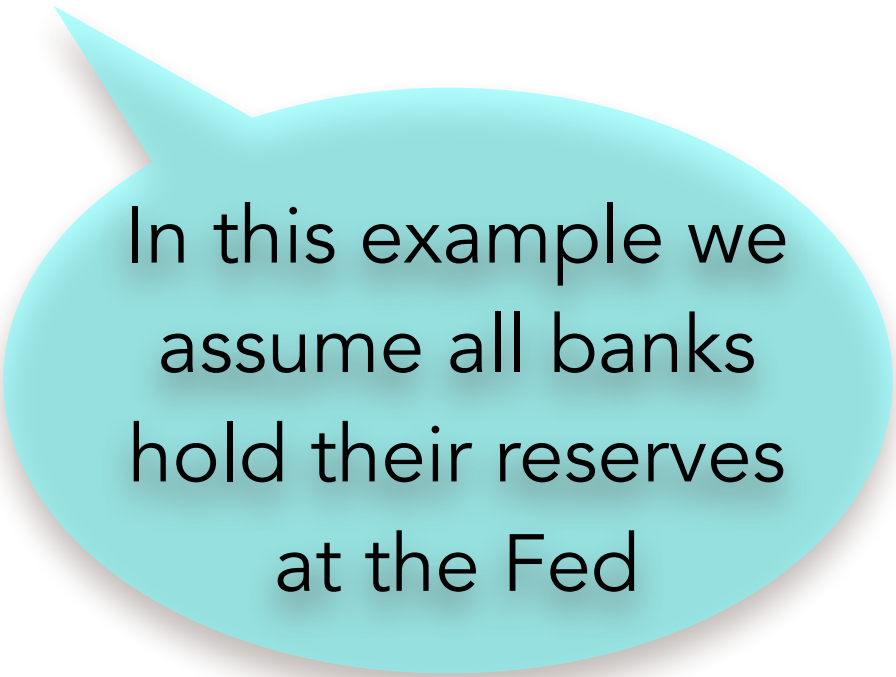


Assume the Fed is  
presently holding  
100b in Bonds

# 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

1. **Introduction**

2. **Methodology**

2

5



**b**

B



a



**K**

B

h

a

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P



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**b**

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**b**

**B**

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S







S

1. **Introduction**

2. **Methodology**

3





**b**

**B**

a





K

**E**

h

a

S







**P**



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S



2







**b**

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

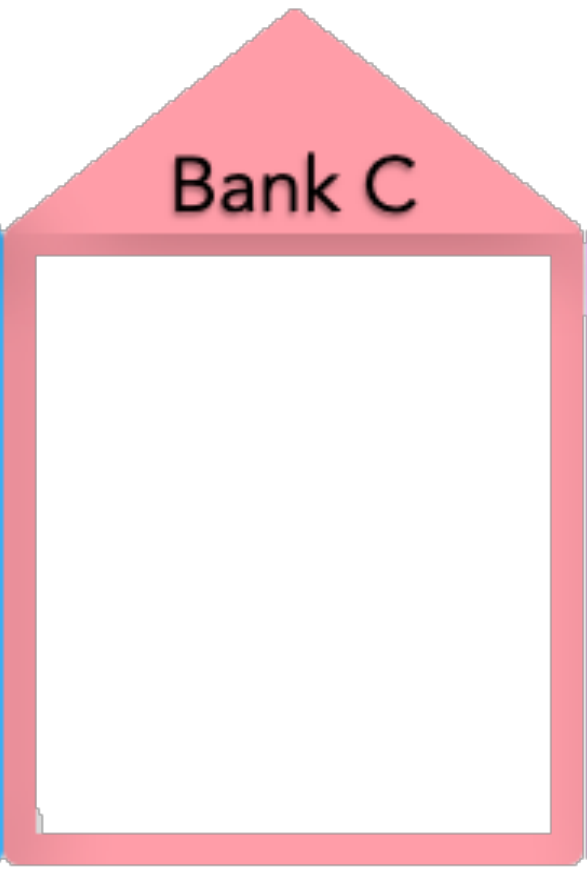
Bank A

A diagram of a bank building with an orange roof and orange frame. The interior is a large white rectangle.

Bank B

A diagram of a bank building with a blue roof and blue frame. The interior is a large white rectangle.

Bank C

A diagram of a bank building with a pink roof and pink frame. The interior is a large white rectangle.

Bank D

A diagram of a bank building with a purple roof and purple frame. The interior is a large white rectangle.

Bank E

A diagram of a bank building with a yellow roof and yellow frame. The interior is a large white rectangle.

T





a





R

e

S

e





e

S











b

Bank A

has

Deposits

= 250b

$R_A = 0.1$

$\times 250 = 25b$

Bank B

has

Deposits

= 100b



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

Bank C

has

Deposits

= 150b

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

Bank D

has

Deposits

= 300b

$R_D = 0.1 \times 3000 = 300b$

Bank E

has

Deposits

= 200b

$RE = 0.1 \times 2000 = 200b$

# 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  
= 250b

Bank B

Bank B has  
Deposits  
= 100b

Bank C

Bank C has  
Deposits  
= 150b

Bank D

Bank D has  
Deposits  
= 300b

Bank E

Bank E has  
Deposits  
= 200b

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

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

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

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

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

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

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