

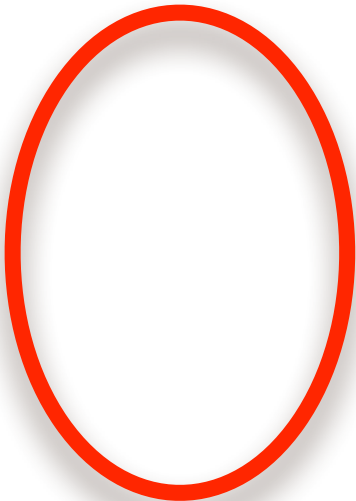


Banks Create Money by Issuing Loans

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

AR





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



becomes  
Reserves

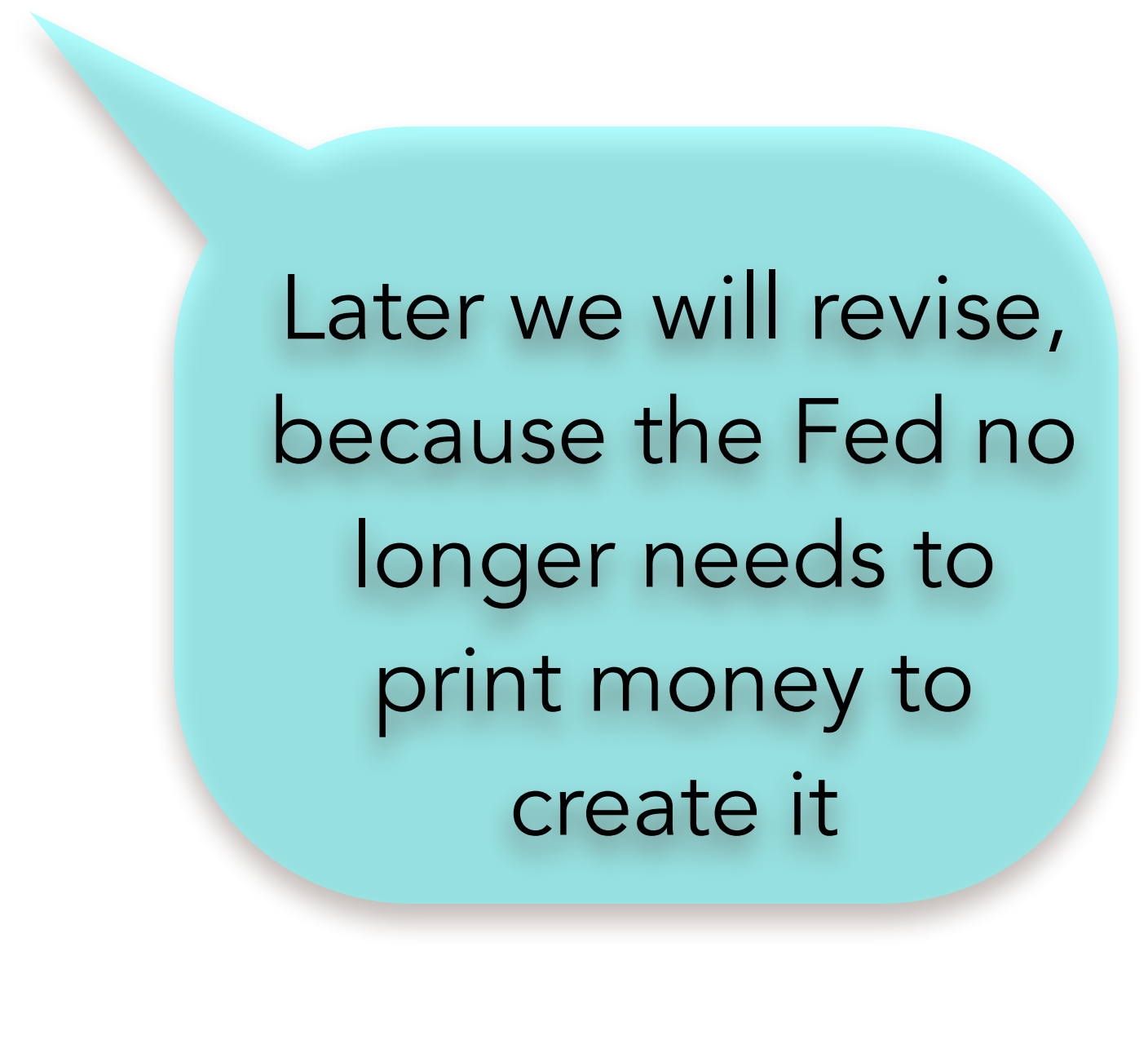




Create new  
checking account  
deposits

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

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