

The logo for Bank A is a stylized orange house shape. It features a triangular roof and a rectangular body, both outlined in a thick orange border. The interior of the rectangle is white. The text "Bank A" is centered within the orange roof area.

Bank A

$R = 10\%$ of the
New Money

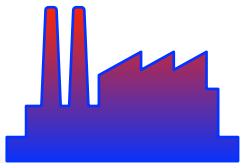


Reserves



New
Money

Loans to
the public



Firms



Households

The logo for Bank B is a blue house-like shape with a triangular roof and a rectangular body. The text "Bank B" is centered in the roof. The body is a large white rectangle with a blue border.

Bank B

$R = 10\%$ of
Deposits

$L = 90\%$ of Deposits



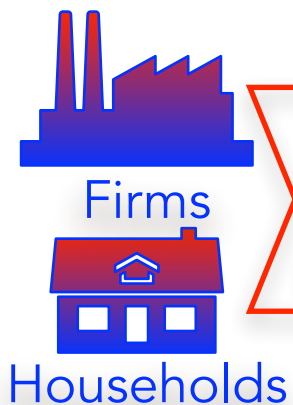
Reserves



Loans to
the public



Deposit
loans into
their bank



Deposit
loans into
their bank

Bank C

$R = 10\%$
of D



Reserves

$L = 90\%$ of D
Loans to
the public



Deposit
loans into
their bank

Bank D

$R = 10\%$
of D



Reserves

$L = 90\%$ of D
Loans to
the public



Deposit
loans into
their bank

Bank E

$R = 10\%$
of D



Reserves

$L = 90\%$ of D

Loans to
the public



Deposit
loans into
their bank

Bank F

$R = 10\%$
of D



Reserves

$L = 90\%$ of D

Loans to
the public

T

h

r

e

e



h



n

g

S







m

e

m

b

e







Loans become Deposits



Loans become Deposits



Loans become Deposits



Loans become Deposits















h

e

n



W

m



n

e

y



S





a

n

e

d

S







r

a







e

S

$L = 90\%$ of New
Money





h



S

p

r



C

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S

S

C



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... this process eventually stops because the **loans** are a **fraction** of the deposits

90%



Banks must keep
10% of Deposits
in Reserves

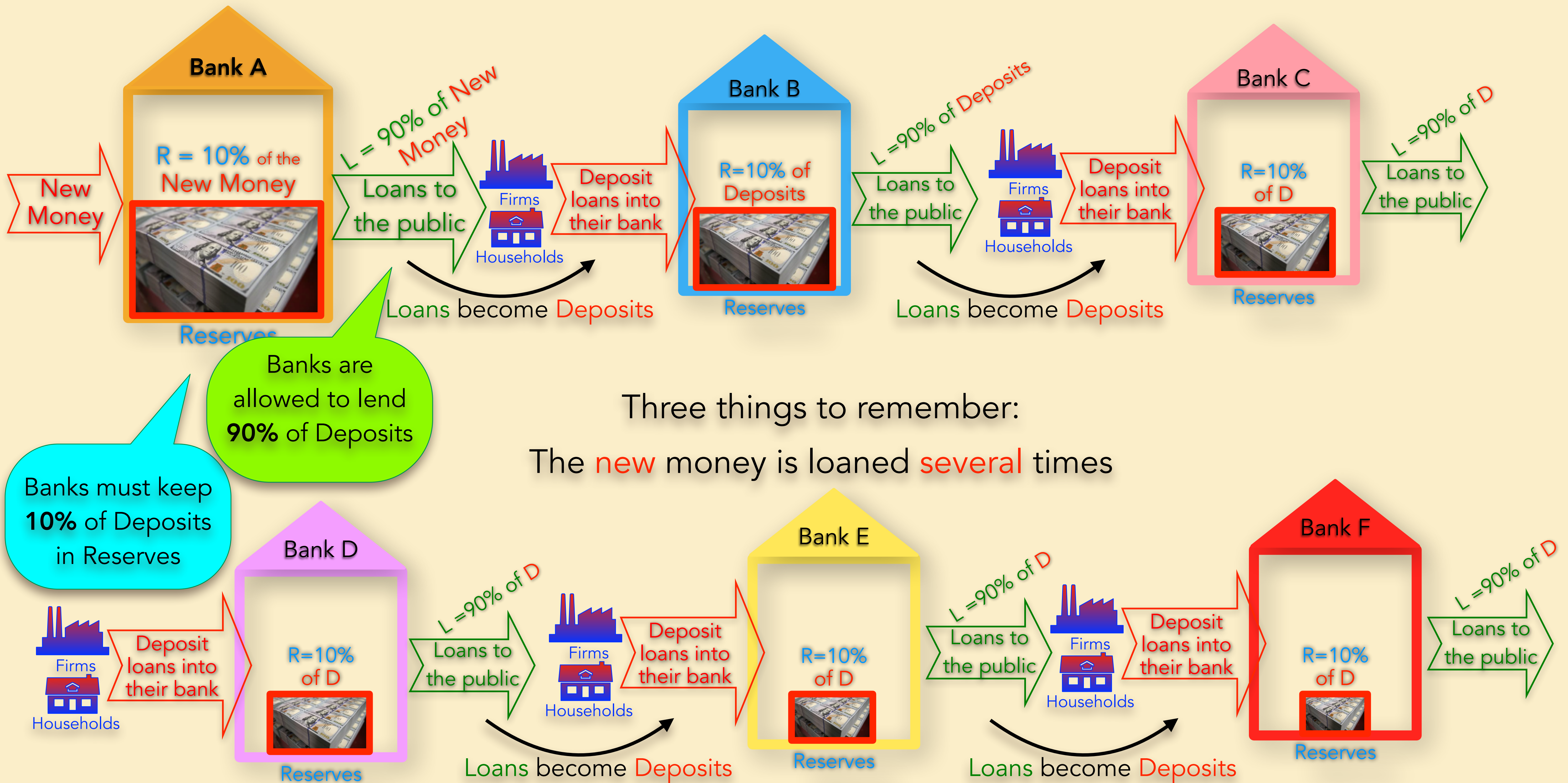


Banks are
allowed to lend
90% of Deposits

... this process continues for several rounds

Three things to remember:

The new money is loaned several times



... this process eventually stops because the **loans** are a **fraction** of the deposits