

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




If any portion of any
loan **"leaks"** into
currency

Δ Currency is not zero

Δ Deposits and ΔM^s are smaller than

Banks have less money to multiply via loans

$$\Delta M^s = \Delta \text{Currency} + \Delta \text{Deposits}$$



If banks hold
more Reserves
than they are
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Banks give fewer loans

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$\Delta \text{Deposits}$ and ΔM^s are **smaller** than $\Delta D = \Delta R \times \frac{1}{r}$

The **deposit** expansion depends on: