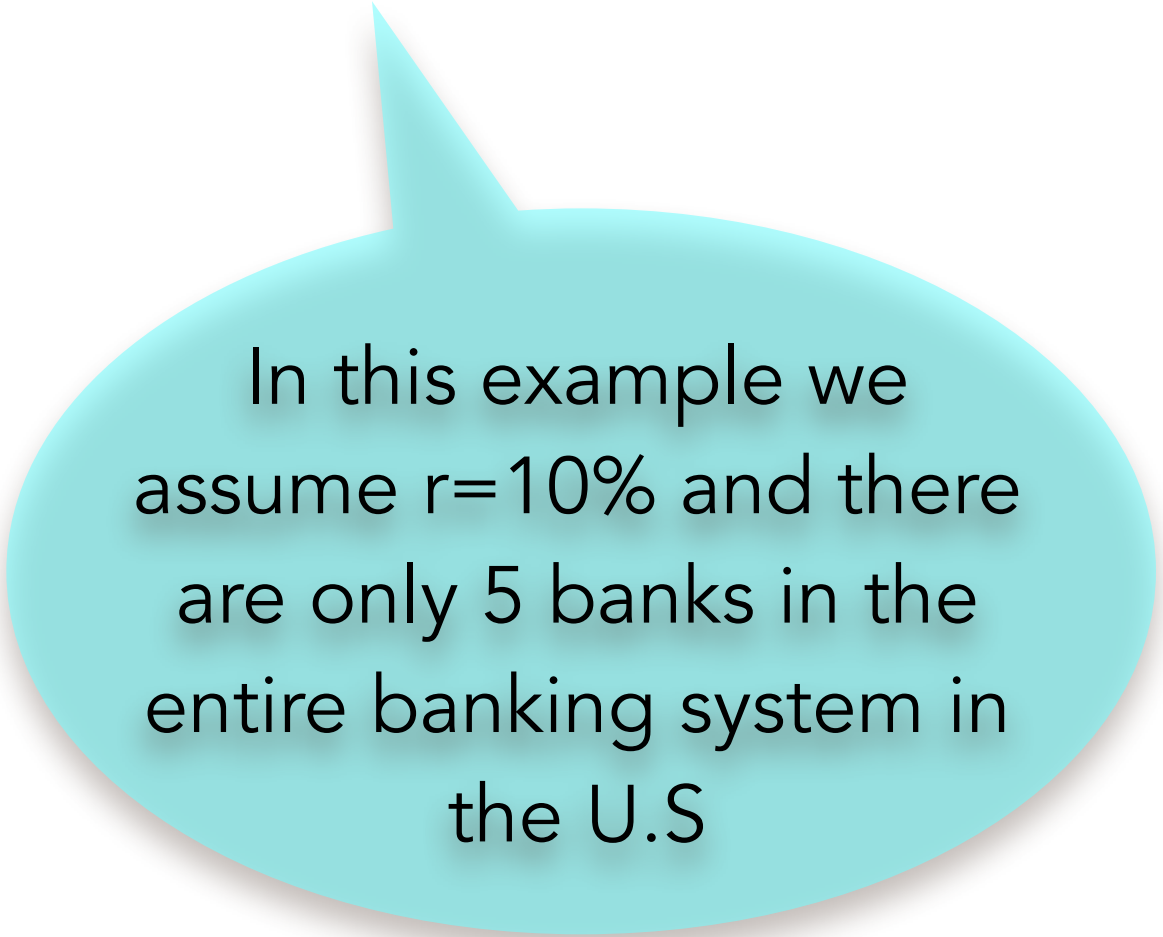


THE FED'S "T" ACCOUNT

Assets

Liabilities

--	--



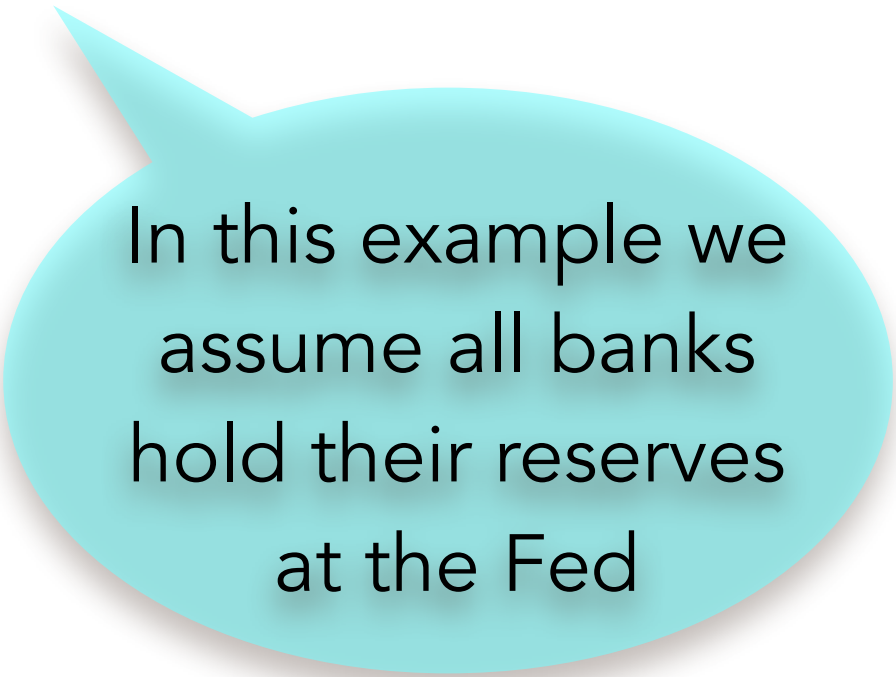
In this example we
assume $r=10\%$ and there
are only 5 banks in the
entire banking system in
the U.S



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

S





P



S





S







b

B

a

n

K



h

a

S





P



S





S





5



b

B

a

n

K



h

a

S





P



S





S

1. **Introduction**

2. **Methodology**

3





b

B

a



K

E

h

a

S





P



S





S



2





b

R





0







2

5





2

5

b

R

B























b

R





0









5







5

b

R





0







3







3

0

b

R

E



0







2







2

0

b

Bank A



Bank B

Bank C

Bank D

Bank E

T





a



R

e

S

e





e

S







0

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
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In this example we
assume $r=10\%$ and there
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entire banking system in
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Monetary Policy Tools

1. Open Market Operations