



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

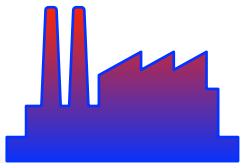


Reserves



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



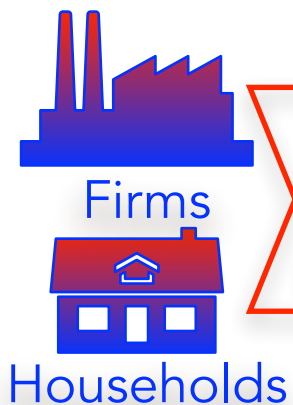
# Reserves



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



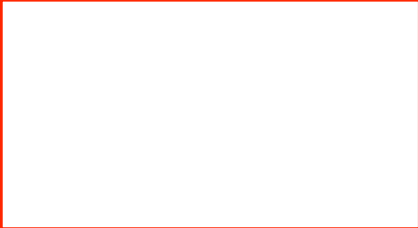
Loans become Deposits





Loans become Deposits













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W

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S





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e

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S







**r**

a









e

S

$L = 90\%$  of New  
Money







h



**S**

p

**r**



C

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**S**

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C



n





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u

e







**S**

e

**V**



e



a



**r**



u

n



d


**S**

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

90%



Banks must keep  
**10%** of Deposits  
in Reserves



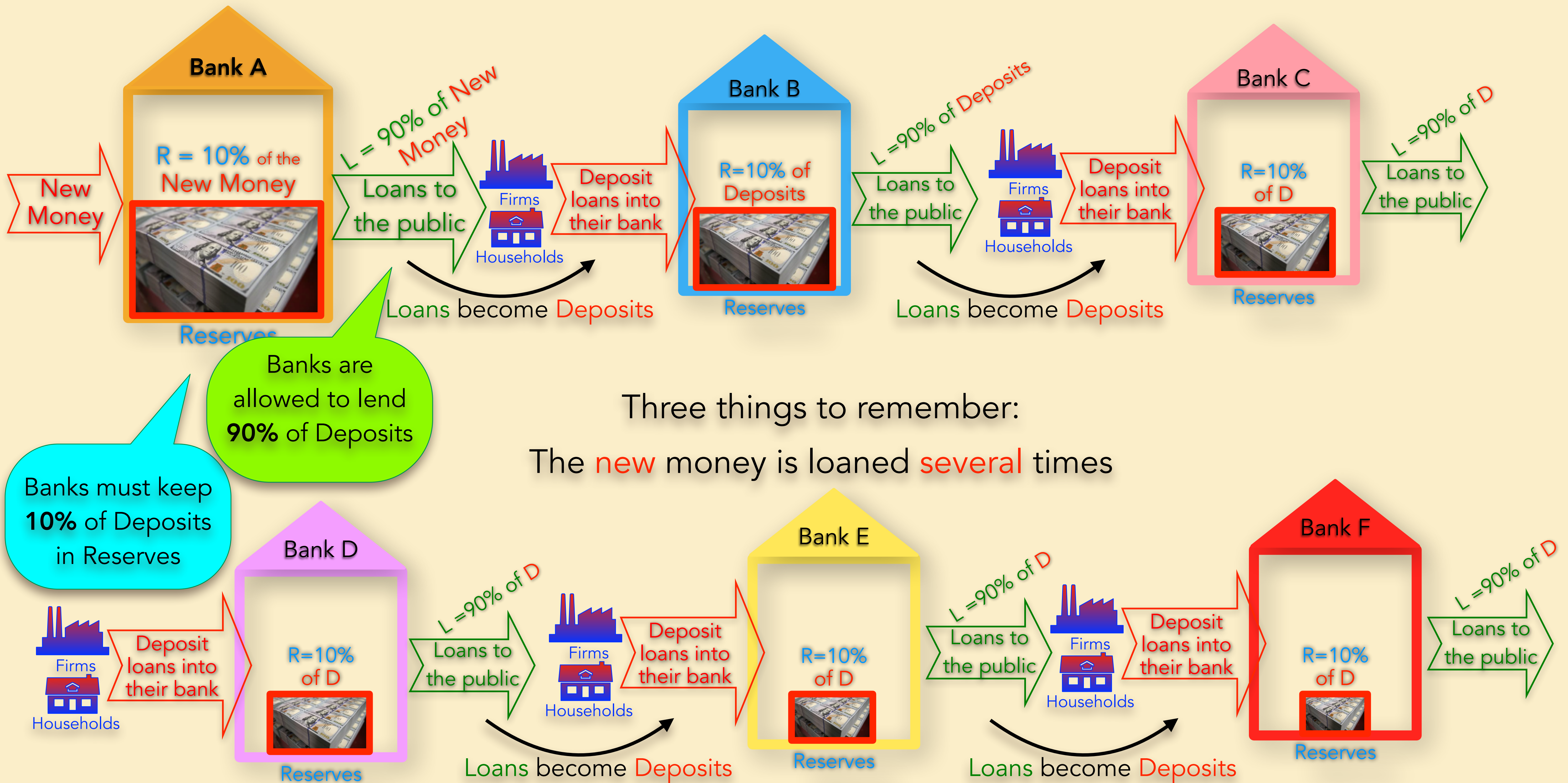
Banks are  
allowed to lend  
**90%** of Deposits

... this process continues for several rounds

Three things to remember:



The new money is loaned several times



Three things to remember:  
The **new** money is loaned **several** times

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