



The logo for Bank A is a stylized orange house shape. It features a triangular roof and a rectangular body, both outlined in orange. 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

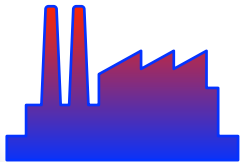


# Reserves



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



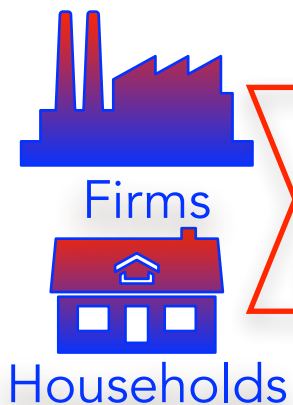
Reserves



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

e



**S**

S

C



n





n



u

e





**r**

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



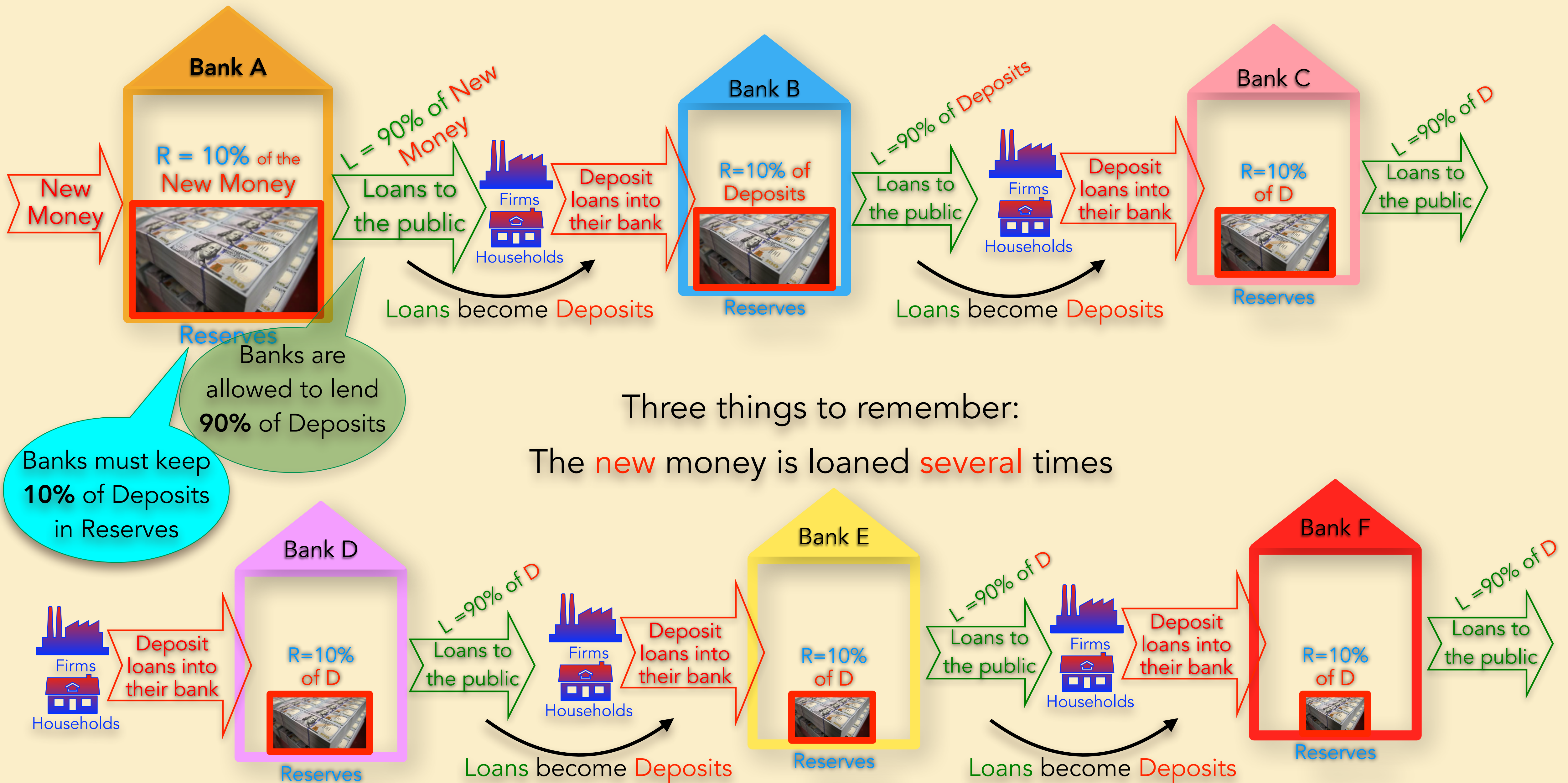
Banks must keep  
**10%** of Deposits  
in Reserves

... 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