

Assets

Liabilities

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Assume the Fed is
presently holding
100b in Bonds

Bank Reserves

100b

$R_A = 0.1$

$\times 250 = 25b$

$$R_B = 0.1 \times 1000 = 100b$$

$R_c = 0.1 \times 150 = 15b$

$R_D = 0.1 \times 3000 = 300\text{b}$

RE=0.1

x2000=201b

Bank A

Bank A has
Deposits
250

Bank B

Bank B has
Deposits
100

Bank C

Bank C has
Deposits
150

Bank D

Bank D has
Deposits
300

Bank E

Bank E has
Deposits
200

Total Reserves = 1000b



Public **pays** with checks drawn on their bank accounts



T



















6



S









S















b

V



e





e

2

S





g

b

6

K



S



e

S





V

e

S



V







6





U

























- 6b

-2b

-2b

-4b

- 6b

-2016

The Fed Sells Bonds in the Open Market (Quantitative Tightening QT)

The Fed
disappeared
money from the
system by
decreasing bank
reserves

19b

8b

13b

26b

14b

Total Reserves = 800b

W













F





S







A large, stylized blue letter 'S' with a pixelated, blocky appearance, centered on a white background. The letter is composed of many small blue squares, giving it a digital or retro aesthetic. It is a simple, bold 'S' without any additional decorative elements.





























F











6







6



A large, pixelated blue letter 'S' is centered on a white background. The letter is composed of a grid of blue pixels, giving it a blocky, digital appearance. The 'S' is formed by a continuous path of pixels that curves from the top left, around the top, down the right side, around the bottom, and back up the left side to complete the shape. The overall style is reminiscent of early computer graphics or digital art.

2











9





R



S





V







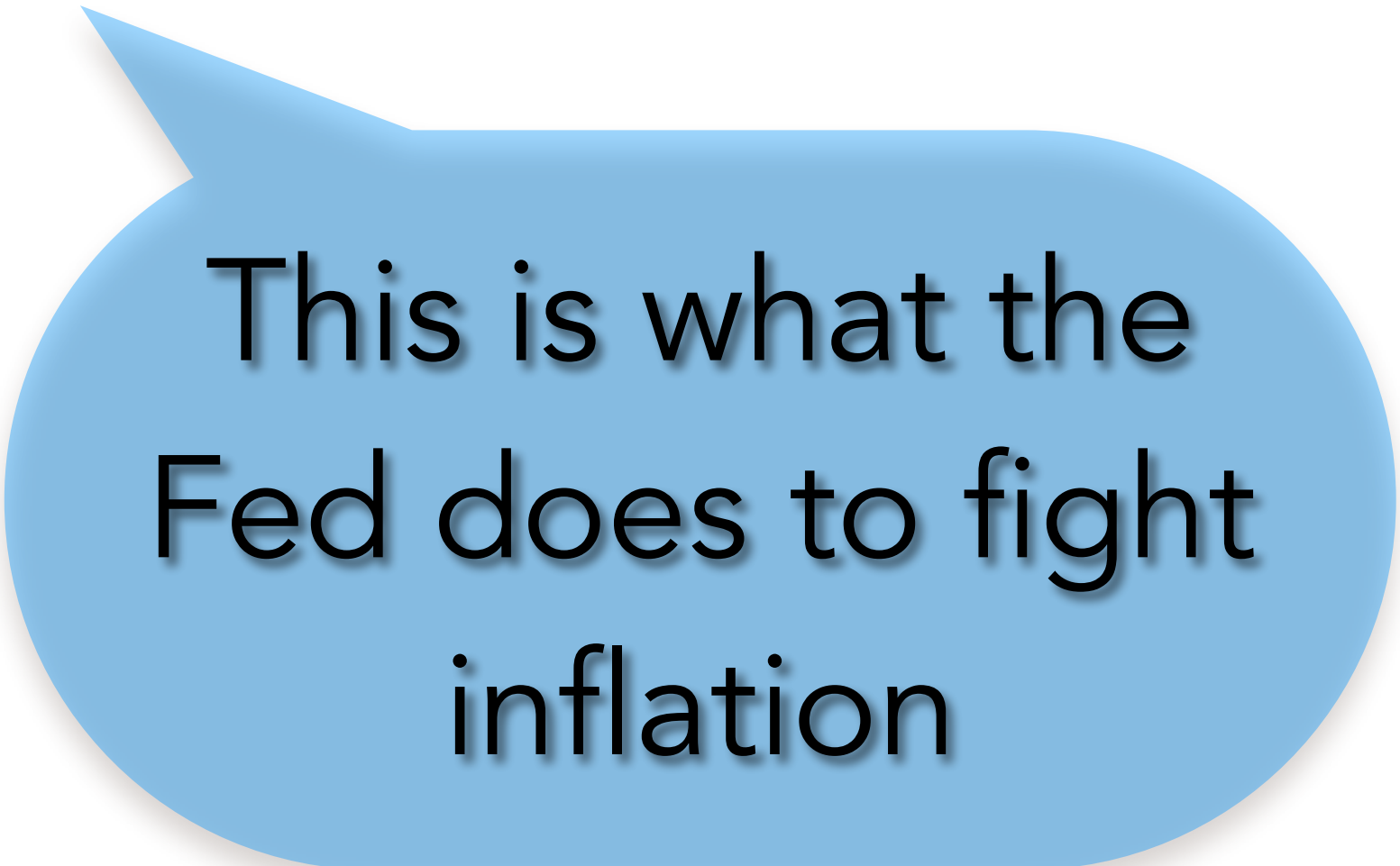
The Fed now
holds 80b in
Bonds

Fed **sells 20b** in bonds to the public





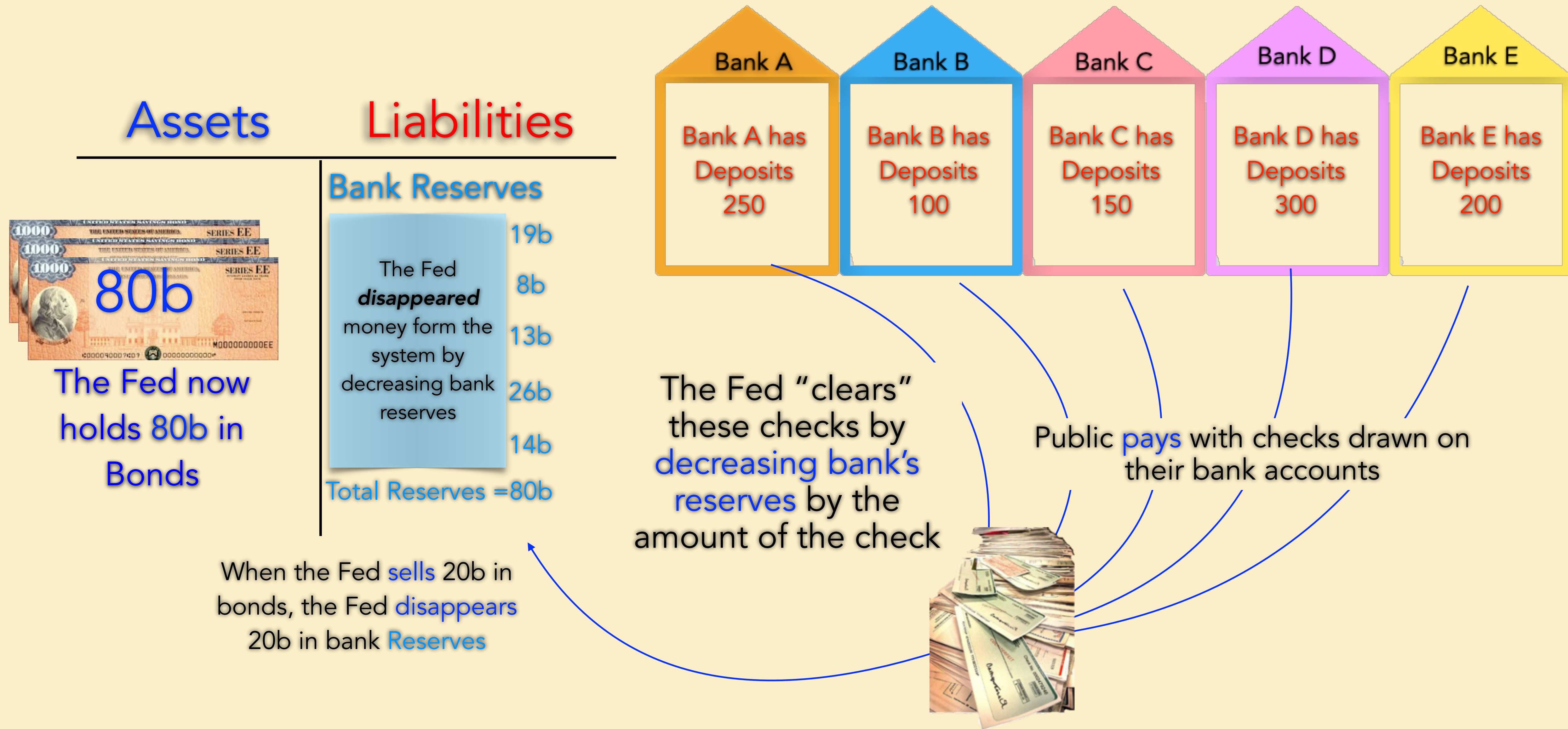
20b



This is what the
Fed does to fight
inflation

The Fed "clears"
these checks by
decreasing bank's
reserves by the
amount of the check

The Fed **Sells** Bonds in the Open Market (Quantitative **Tightening** QT)



To understand what happens next, we must take
a closer look at the loan process

Bank A
 $r=10\%$

