

The logo for Bank A is a stylized orange building icon. It features a triangular roof and a rectangular body, both outlined in orange. The text "Bank A" is centered within the triangular roof section.

Bank A



New
Money:
3,000b

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



$L = 0.9 * 3,000$



$D = 0.9 * 3,000$



Bank C

A pink house-shaped icon with a triangular roof and a rectangular body. The text "Bank D" is centered in the roof.

Bank D

The logo for Bank E is a yellow house-like shape. It features a yellow triangular roof and a yellow rectangular base. The text "Bank E" is centered within the yellow triangular roof.

Bank E

The logo for Bank F is a red outline of a house. The roof is a solid red triangle with the text "Bank F" centered inside it. The base of the house is a large, empty white rectangle with a thick red border.


Bank F

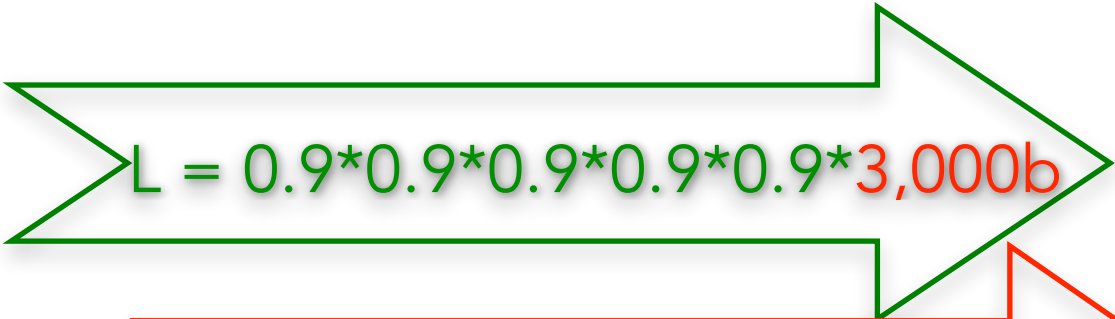
D = 3,000,000



$$L = 0.9 * 0.9 * 3,000$$


$$D = 0.9 * 0.9 * 3,000$$


$$L = 0.9 * 0.9 * 0.9 * 3,000$$


$$D = 0.9 * 0.9 * 0.9 * 3,000$$


$$L = 0.9 * 0.9 * 0.9 * 0.9 * 0.9 * 3,000b$$


$$D = 0.9 * 0.9 * 0.9 * 0.9 * 0.9 * 3,000b$$


$$L = 0.9 * 0.9 * 0.9 * 0.9 * 3,000b$$


$$D = 0.9 * 0.9 * 0.9 * 0.9 * 3,000b$$

A 3,000b injection of new money into
the banking system, increase total
Loans by 27,000b



e





S

C

a



C

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a



e

n



W







a







a

n

S

g

e

n

e

r

a



e

d

b

y



h

e

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e

W

m



n

e

y







Loans are
equal to
Deposits

Loans are
equal to
Deposits

Loans are
equal to
Deposits

Loans are
equal to
Deposits

Loans are
equal to
Deposits

$$\Delta L = \text{New Deposits} - \text{New Money}$$

Total new Loans
issued by all banks


ALL

=

AND

-

ARR



After the initial
deposit of
new money...

ΔR

becomes
reserves



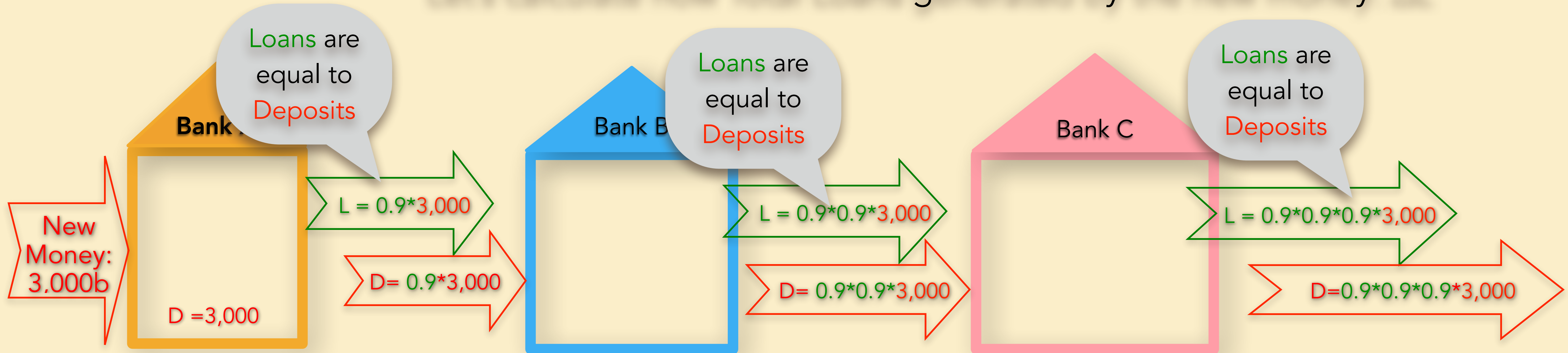
$$\Delta L = 30,000 - 3,000$$

$\Delta L = 27,0000$

NewMoney

Let's calculate now Total **Loans** generated by the new money: ΔL

Let's calculate now Total **Loans** generated by the new money: ΔL



Total new Loans issued by all banks

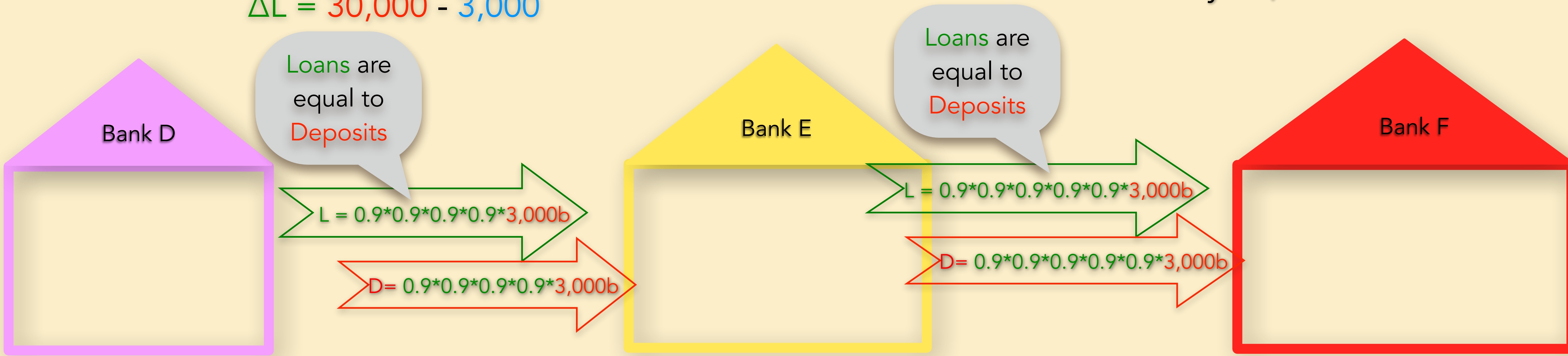
$$\Delta L = \text{New Deposits} - \text{New Money}$$

$$\Delta L = \Delta D - \Delta R$$

$$\Delta L = 30,000 - 3,000$$

$$\Delta L = 27,000$$

A 3,000b injection of new money into the banking system, increase total Loans by 27,000b



Equations to calculate the effect of an injection of **new money**: