

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 3,000

$= 300b$

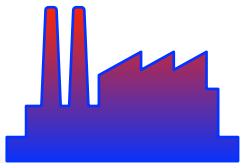


Reserves



New
Money:
3,000b

Loans to
the public



Firms



Households

The logo for Bank B is a blue icon resembling a house or a vault. It features a triangular roof and a rectangular body, both outlined in blue. The text "Bank B" is centered within the triangular roof section.

Bank B

$R = 10\%$ of 2,700

$= 270b$

$L = 90\%$ of 2,700

$= 2,430b$



Reserves



Loans to
the public



Deposit
loans into
their bank



Deposit
loans into
their bank

Bank C

$$R = 0.1 \times 2,430 \\ = 243b$$



Reserves

$$L = 0.9 \times 2,430 \\ = 2,187b$$

Loans to
the public



Deposit
loans into
their bank

Bank D

$$R = 0.1 \times 2,187 \\ = 219b$$



Reserves

Loans to
the public

$$L = 0.9 \times 2,187 \\ = 1,968b$$



Deposit
loans into
their bank

Bank E

$$R = 0.1 \times 1,968 \\ = 197b$$



Reserves

Loans to
the public

$$L = 0.9 \times 1,968 \\ = 1,771b$$



Deposit
loans into
their bank

Bank F

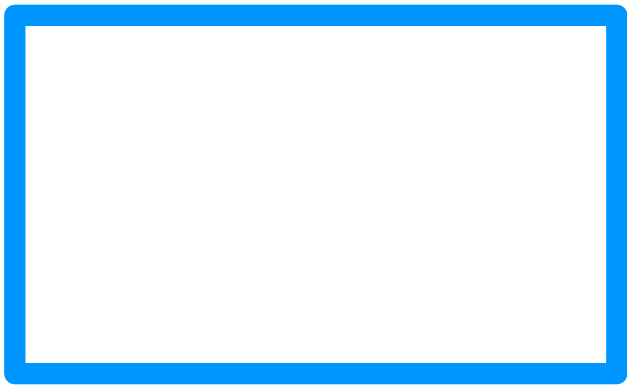
$$R = 0.1 \times 1,771 \\ = 177b$$

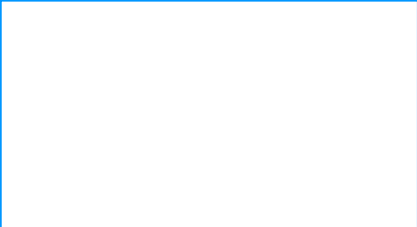


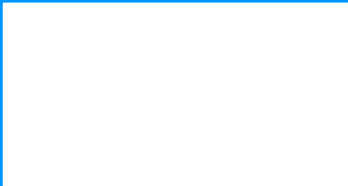
Reserves

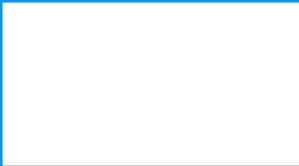
$$L = 0.9 \times 1,771 \\ = 1,594b$$

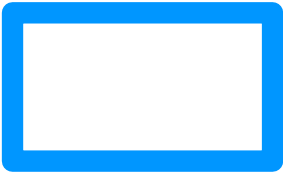
Loans to
the public

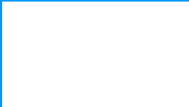












$$L = 90\% \text{ of } 3,000b$$
$$= 2,700$$

W

e

W







u

S

e

e

Q

u

a







n

S



C

a



C

u



a



e





Total Loans made
by all banks



Total Deposits in all
checking accounts

Total

Reserves in all
banks

The Money Supply

=

Currency + Deposits

Total Increase
in the Money
Supply

We will use equations to calculate:

