$$\Delta D = \Delta R \times \frac{1}{r}$$

If banks hold more Reserves than they are required to hold

## $\Delta M^{s}$ is smaller than

## $\Delta$ Deposits is smaller than

$$\Delta D = \Delta R \times \frac{1}{r}$$

## Banks give fewer loans

 $\Delta M^s = \Delta Currency + \Delta Deposits$ 

If banks hold more Reserves than they are required to hold

Banks give fewer loans

$$\Delta$$
Deposits is smaller than  $\Delta D = \Delta R \times \frac{1}{r}$ 

$$\Delta M^{s}$$
 is smaller than  $\Delta D = \Delta R \times \frac{1}{r}$ 

$$\Delta M^s = \Delta Currency + \Delta Deposits$$

The deposit expansion depends on: