

Money Multiplier Steps

		1	2	3	4
		Convert the reserve requirement from a percent to decimal: divide by 100, and remove the "%" sign.	Multiply the deposit by the reserve requirement expressed as a decimal. This will give you the dollar amount of the deposit that the bank must keep.	Subtract the dollar amount of the reserve requirement from the deposit to get the excess reserve amount. This is what the bank can lend out.	Multiply the dollar amount of the excess reserve by the money multiplier: $ExR \times 1/rr$. Reminder to use the rr expressed as a decimal. This is the amount of money the lending process will create altogether.
Δ Dep \$1,000	$rr=20\%$	$20\% / 100 = .2$	$\$1,000 \times .2 = \200	$\$1,000 - \$200 = \$800$	$\$800 \times 1/.2 =$ $\$800 \times 5 = \$4,000$
Δ Dep \$5,000	$rr=10\%$				
Δ Dep \$400	$rr=5\%$				
Δ Dep \$6,000	$rr=25\%$				
Δ Dep \$3,000	$rr=20\%$				
Δ Dep \$200	$rr=5\%$				
Δ Dep \$10,000	$rr=10\%$				
Δ Dep \$4,000	$rr=25\%$				
Δ Dep \$2,000	$rr=20\%$				
Δ Dep 1000	$rr=5\%$				