Example.

- Suppose there is 2000 million baht in the hand of the public.

  1. People want to hold only cash. They do not want to deposit money in a bank. What is the money supply of the economy?
  2. Suppose people decide to deposit 600 million Baht in to the banking system. Required reserve ratio = 0.1. Assuming that the banking system has the potential to create deposits to the maximum. Calculate the total deposits in the banking system, deposit multiplier, and the deposits created by banks. What is the money supply of the economy?
  3. (From Q.2) Suppose that people decide to deposit 100 million Baht more money into the banking system. Required reserve ratio = 0.1. Assuming that the banking system has the potential to create deposits to the maximum. Calculate the total deposits in the banking system, deposit multiplier, and the deposits created by banks. What is the money supply of the economy?
  4. (From Q.2) Suppose that the central bank buys 100 million Baht bonds from the public.Required reserve ratio = 0.1. Assuming that the banking system has the potential to create deposits to the maximum. Calculate the total deposits in the banking system, deposit multiplier, and the deposits created by banks. What is the money supply of the economy?
  5. (From Q.2) Suppose that the central bank sells 100 million Baht bonds from the public. People withdraw the money to buy the bonds. Required reserve ratio = 0.1. Assuming that the banking system has the potential to create deposits to the maximum. Calculate the total deposits in the banking system, deposit multiplier, and the deposits created by banks. What is the money supply of the economy?
  6. (From Q.2) Suppose that people decide to withdraw 100 million Baht from the banking system. Required reserve ratio = 0.1. Assuming that the banking system has the potential to create deposits to the maximum. Calculate the total deposits in the banking system, deposit multiplier, and the deposits created by banks. What is the money supply of the economy?