Toward a Stable Currency *errata*

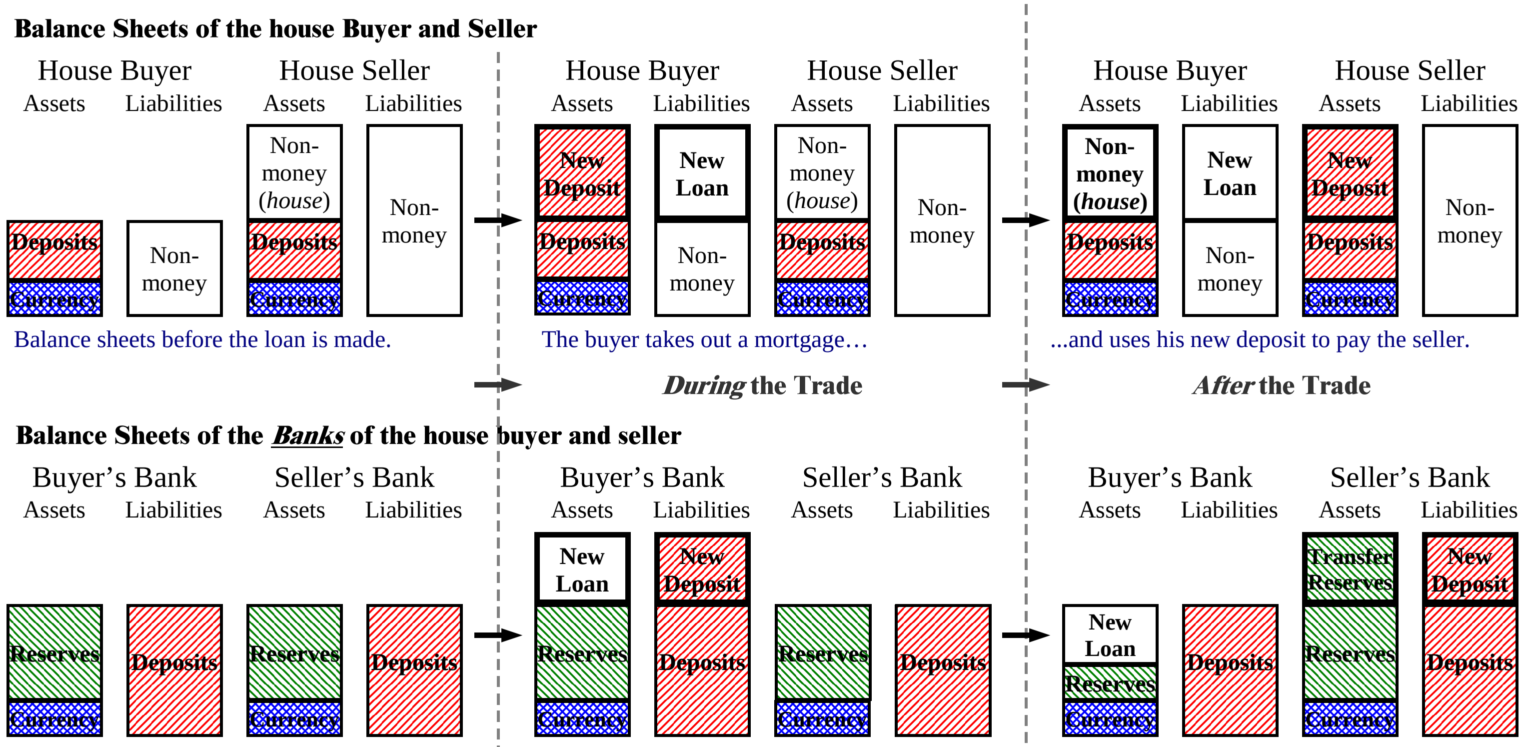
Friday, March 29, 2019

1. p 109 “prices thinly-traded stocks” > “prices of thinly-traded stocks”
2. p112 “find a position” > “find a better position”
3. p 113 “case with when” > “case when”
4. p 116 “delivering exchanging” > “delivering or exchanging”
5. p 118 “sought to saved” > “sought to save”
6. p 120 “then increase” > “then the increase”
7. p 125 “out planet” > “our planet”
8. p 154 “footnote 103” > “footnote 101”
9. p 180 “twenty-five years” > “twenty years”
10. p 211 “footnote 88” > “footnote 86”
11. p 305 “footnote 188” > “footnote 189”
12. p 353 “when no there is no” > “when there is no”

Fold this sheet in half and paste this side into the back of the book.

Full-scale color chart of page 26, chapter 2.

Money creation for an individual bank making an additional loan, using the example of buying a house*



Balance sheets before the loan is made.

The mortgage lender creates new deposits…

...which are transferred to the seller's bank along with reserves, which the buyer's bank uses to settle the transaction.

Debt-based money is *created*.

The new deposit is an asset for the buyer that he can use to purchase the house, balanced by the new loan, which is a liability for him.

The new loan is an asset for the bank, balanced by a new deposit, which is a liability for the bank.

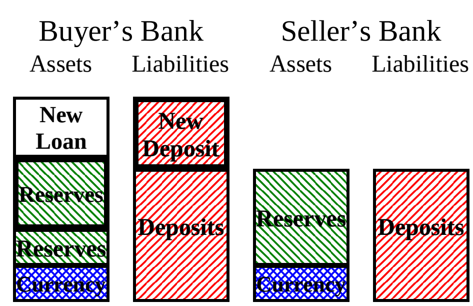
The new deposit is ***new money***, created by the bank for the use of the borrower, balanced on the ledgers of both the buyer and his bank by the new loan.

The *loan* is a debt for the borrower.

The *deposit* is a debt for the bank.

But settling all transactions this way would be unsustainable.

- The buyer's bank would have fewer reserves to meet possible outflows, eg deposit withdrawals
- If it made many new loans, it would eventually run out of reserves.



So the buyer's bank will seek to attract or retain new deposits and reserves—in the example shown here, from the seller's bank—to accompany new loans.

* Balance sheets are highly stylized for exposition: the quantities of each type of money shown do not correspond to the quantities actually held on each balance sheet.

From "Money creation in the modern economy", by Michael McLeay, Amar Radia and Ryland Thomas, Bank of England Quarterly Bulletin, 2014 Q1