

12.12: Introduction to Lending and Money Creation

What you'll learn to do: describe how money is created by lending



In this section, you will see how banks can actually create money through loans. Money that is deposited in a bank is lent out, then a portion of that may be re-deposited elsewhere, then that money will be lent out, and that money re-deposited elsewhere, and so on. This process results in an increase of the money supply.

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