How $1 billion of debt-financed government spending with Quantitative Easing moves through balance sheets

A. Government fiscal spending ($1B to Private Sector)

Treasury

Assets		Liabilities	
RB deposits	-$1B		$0
Change in Net Worth	-$1B		

Reserve Bank

Assets		Liabilities	
	$0	Treasury deposits	-$1B
		Settlement account	+$1B
Change in Net Worth	$0		

Banks

Assets		Liabilities	
Settlement account	+$1B	Private sector deposits	+$1B
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
Bank deposits	+$1B		$0
Change in Net Worth	+$1B		

B. Government raises debt ($1B from Commercial Banks)

Treasury

Assets		Liabilities	
RB deposits	+$1B	Government debt	+$1B
Change in Net Worth	$0		

Reserve Bank

Assets		Liabilities	
	$0	Treasury deposits	+$1B
		Settlement account	-$1B
		`	
Change in Net Worth	$0		

Banks

Assets		Liabilities	
Settlement account	-$1B		$0
Government debt	+$1B		
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
	$0		$0
Change in Net Worth	$0		

C. Combine A. and B.

Treasury

Assets		Liabilities	
	$0	Government debt	+$1B
Change in Net Worth	-$1B		

Reserve Bank

Assets		Liabilities	
	$0		$0
Change in Net Worth	$0		

Banks

Assets		Liabilities	
Government debt	+$1B	Private sector deposits	+$1B
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
Bank deposits	+$1B		$0
Change in Net Worth	+$1B		

D. Quantitative Easing (RB creates $1B base money)

Treasury

Assets		Liabilities	
	$0		$0
Change in Net Worth	$0		

Reserve Bank

Assets		Liabilities	
Government debt	+$1B	Settlement account	+$1B
Change in Net Worth	$0		

Banks

Assets		Liabilities	
Government debt	-$1B		$0
Settlement account	+$1B		
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
Bank deposits	$0		$0
Change in Net Worth	$0		

E. Combine C. and D. (RB financed $1B to Private Sector)

Treasury

Assets		Liabilities	
	$0	Government debt	+$1B
Change in Net Worth	-$1B		

Reserve Bank

Assets		Liabilities	
Government debt	+$1B	Settlement account	+$1B
Change in Net Worth	$0		

Banks

Assets		Liabilities	
Settlement account	+$1B	Private sector deposits	+$1B
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
Bank deposits	+$1B		$0
Change in Net Worth	+$1B		

F. Consolidated E. (hypothetical) Public Balance Sheet

Treasury/Reserve Bank

Assets		Liabilities	
	$0	**Settlement account ***	**+$1B**
Change in Net Worth	-$1B		

Banks

Assets		Liabilities	
Settlement account	+$1B	Private sector deposits	+$1B
Change in Net Worth	$0		

Private Sector

Assets		Liabilities	
Bank deposits *	**+$1B**		$0
Change in Net Worth	+$1B		

*** $1B has made its way into the private sector via electronically created settlement account money**