

# Savings and Investment

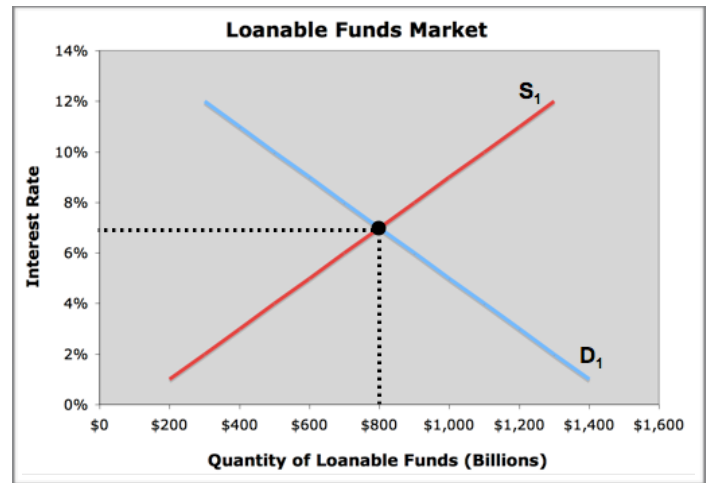
## Homework

### SUPPLY AND DEMAND OF LOANABLE FUNDS

Five fictitious news headlines regarding the loanable funds market are listed below. For each one, first determine how supply and/or demand change. Then, draw the resulting change on the graph. Finally, determine how the change affects the interest rate and the quantity. Remember, supply in the loanable funds market refers to saved money, and demand refers to the money desired by business for investment.

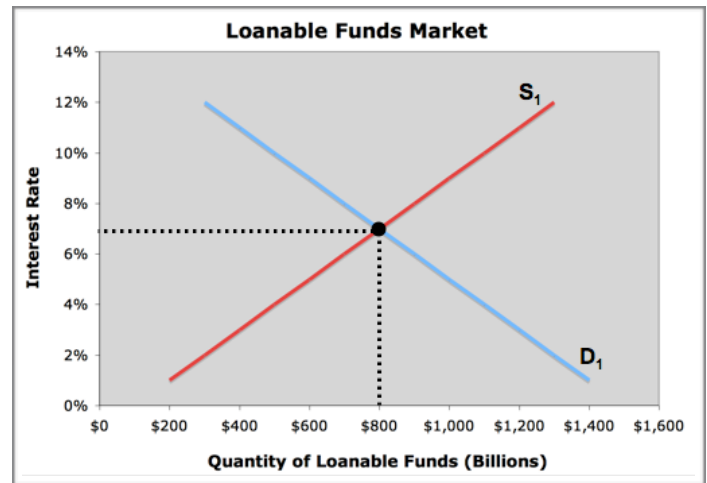
1) "Consumer Incomes Rise, More Money Being Saved"

- A) How is demand affected?  
 INCREASE                  DECREASE                  NO CHANGE
- B) How is supply affected?  
 INCREASE                  DECREASE                  NO CHANGE
- C) Draw it on the graph.
- D) How has the interest rate changed?  
 INCREASE                  DECREASE
- E) How has the quantity changed?  
 INCREASE                  DECREASE



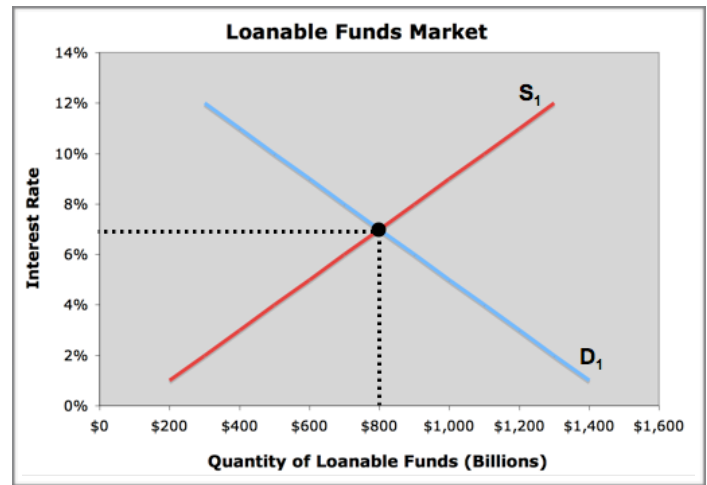
2) "People Opening Own Businesses, Taking Out New Loans"

- A) How is demand affected?  
 INCREASE                  DECREASE                  NO CHANGE
- B) How is supply affected?  
 INCREASE                  DECREASE                  NO CHANGE
- C) Draw it on the graph.
- D) How has the interest rate changed?  
 INCREASE                  DECREASE
- E) How has the quantity changed?  
 INCREASE                  DECREASE



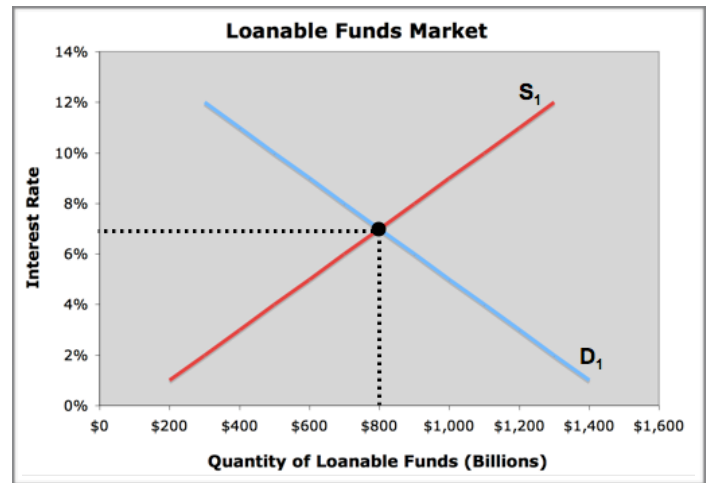
3) "Government Balances Budget; No More Government Borrowing"

- A) How is demand affected?  
 INCREASE                      DECREASE                      NO CHANGE
- B) How is supply affected?  
 INCREASE                      DECREASE                      NO CHANGE
- C) Draw it on the graph.
- D) How has the interest rate changed?  
 INCREASE                      DECREASE
- E) How has the quantity changed?  
 INCREASE                      DECREASE



4) "Government Increases Taxes on Consumers"

- A) How is demand affected?  
 INCREASE                      DECREASE                      NO CHANGE
- B) How is supply affected?  
 INCREASE                      DECREASE                      NO CHANGE
- C) Draw it on the graph.
- D) How has the interest rate changed?  
 INCREASE                      DECREASE
- E) How has the quantity changed?  
 INCREASE                      DECREASE



5) "Recession Causes Business to Reduce Investment Projects"

- A) How is demand affected?  
 INCREASE                      DECREASE                      NO CHANGE
- B) How is supply affected?  
 INCREASE                      DECREASE                      NO CHANGE
- C) Draw it on the graph.
- D) How has the interest rate changed?  
 INCREASE                      DECREASE
- E) How has the quantity changed?  
 INCREASE                      DECREASE

