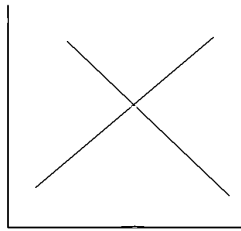


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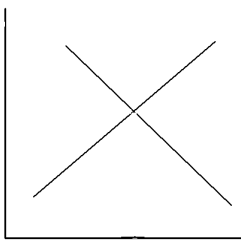
**AP Macroeconomics
The Loanable Funds Market**

For each of the following draw a correctly labeled graph of the loanable funds market in equilibrium. Based on the scenario determine whether a change in the supply or a change in the demand for loanable funds occurred. Show the effects of the change on the real interest rate and quantity of loanable funds.

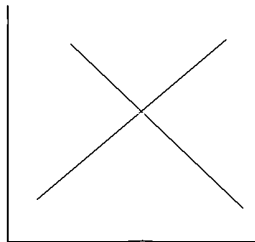
1. Show how an increase in domestic saving would affect the real interest rate and quantity of loanable funds.



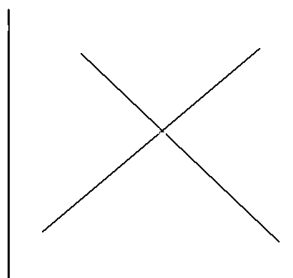
2. How would an increase in private sector borrowing affect the real interest rate and quantity of loanable funds?



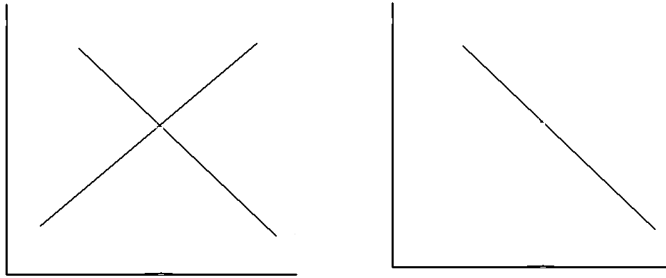
3. Show the impact of a decision by the private, public and foreign sector to borrow less.



4. If households were to collectively save less money, then how would the market for loanable funds be affected?



5. Using a correctly labeled loanable funds graph linked to an investment demand curve graph, illustrate the impact of government borrowing on the real interest rate, the quantity of loanable funds and the level of gross private investment in the economy.



6. Using a correctly labeled loanable funds graph linked to an investment demand curve graph, illustrate the impact of an increase in foreign savings in the United States, on the quantity of loanable funds and the level of gross private investment in the economy.

