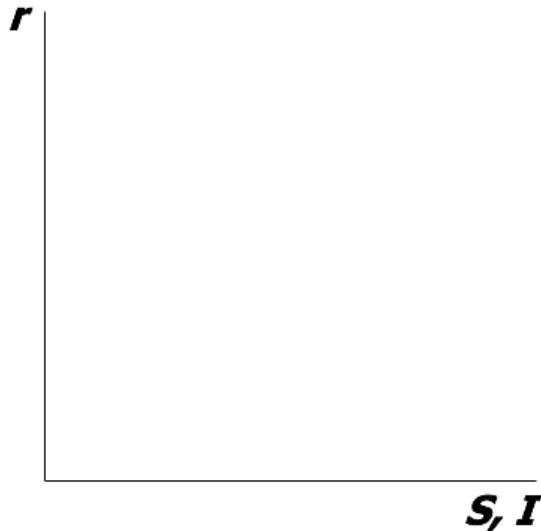


"The main purpose in studying economics is to avoid being fooled by economists." -Joan Robinson

9/13/2018 in class activity – Mastering loanable funds market

1. The effects of saving incentives (assume that saving is fixed)
 - Draw the diagram for the loanable funds model.
 - Suppose the tax laws are altered to provide more incentives for private saving. (Assume that total tax revenue T does not change)
 - What happens to the interest rate and investment?



2. Why might saving depend on r ? (saving is not fixed)
New technological innovation comes out to the economy. To take advantage some innovations, firms must buy new investment goods. Draw the diagram for the loanable funds model under the assumption saving is not fixed any more.

