

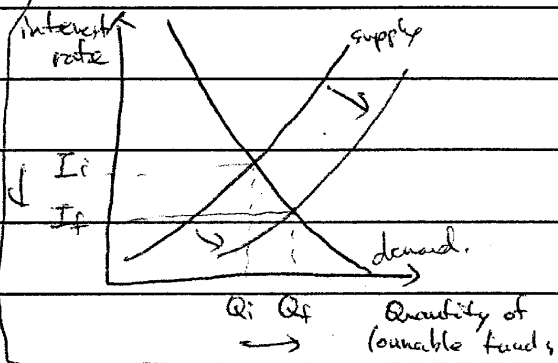
Write in the box the number of the question you are answering on this page as it is designated in the examination.

2. a) By replacing income tax with national sales tax, the government is transferring the weight of taxes from ~~investment~~ ^{savings} to consumption.

i) There will be less consumption.

ii) There will be more ~~investment~~ National saving (investment).

b) (loanable funds market)



i) Increases in savings ~~lowers~~ ~~the~~ increases the supply of loanable funds which decrease interest rates.

ii) Investment increases.

c) As investment ~~ise~~ increases, more capital accumulates resulting in a larger long-run economic growth.