2

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

a. If national saving increases, then the supply of loanable funds also increases, since when people save, that money is available to be loaned out. If supply of loanable funds curve shifts to the right, then the real interest rate in the US decreases.

b. (i) The demand for the US dollar on the foreign exchange market decreases, because if real interest rates are down, less foreigners want to financially invest in the US.

(ii) If the demand for US dollar decreases then the demand curve for US dollars shifts to the left, decreasing the international value of the dollar.

c. (i) US imports decrease

(ii) US exports increase