

## The Market for Loanable Funds

Where does the supply of loanable funds come from?

What two things contribute to the demand for loanable funds?

If the real interest rate goes up, what happens to the quantity of net capital outflows? What happens to the quantity of domestic Investment?

## The Market for Dollars on the Foreign-Currency Exchange

In Mankiw's model, where does the supply of dollars come from in the market for foreign-currency exchange?

In Mankiw's model, where does the demand of dollars come from in the market for foreign-currency exchange?

## Putting The Two Markets Together

Follow along to label the graph below and illustrate the effects of a decrease in government saving:



