Solutions

Each answer shows the steps, then the **result**.

2.1

- savers supply funds; borrowers (firms and government) demand them

2.2

- the equilibrium real interest rate

2.3

- it rises

3.1 B

3.2 B

3.3

(a)

- it increases (shifts right)

(b)

- it rises

(c)

- crowding out of private investment