1. In a closed economy, what is the relationship between saving and investment?
   A) Saving is greater than investment.  
   B) Investment is greater than saving.  
   C) Investment is equal to saving.  
   D) Investment may be greater or smaller than saving.  

2. If government purchases are $400 million, taxes are $700 million, and transfers are $200 million, which of the following is true?
   A) Public saving is $500 million.  
   B) The budget deficit is $100 million.  
   C) The budget deficit is $500 million.  
   D) Public saving is $100 million.  

3. When the government runs a deficit, which of the following is true?
   A) $T > TR - G$  
   B) $G > T + TR$  
   C) $G > TR - T$  
   D) $T < G + TR$  

4. Borrowers are _______ of loanable funds, and lenders are _______ of loanable funds.  
   A) demanders; suppliers  
   B) suppliers; demanders  
   C) suppliers; suppliers  
   D) demanders; demanders  

5. The demand for loanable funds has a _______ slope because the lower the interest rate, the _______ number of investment projects are profitable, and the _______ the quantity of loanable funds demanded.  
   A) negative; greater; greater  
   B) negative; greater; lesser  
   C) negative; lesser; greater  
   D) positive; lesser; lesser
6. The supply of loanable funds has a ________ slope because the greater the interest rate, the ________ the reward to saving, and the ________ the quantity of loanable funds supplied.
A) positive; lesser; lesser
B) positive; greater; lesser
C) negative; lesser; greater
D) positive; greater; greater

7. A decrease in the real interest rate will
A) increase consumption and reduce investment.
B) increase saving and investment.
C) decrease investment and government spending.
D) increase consumption and investment.

8. Because ________ in the government budget deficit increase the real interest rate, budget deficits can ________ firm investment.
A) increases; increase
B) decreases; increase
C) decreases; decrease
D) increases; decrease

9. Which of the following will increase the real interest rate?
A) an increase in the supply of loanable funds
B) an increase in household saving
C) an increase in the demand for loanable funds
D) an increase in the budget surplus

10. The response of investment spending to an increase in the government budget deficit is called
A) expansionary investment.
B) private dissaving.
C) crowding out.
D) income minus net taxes.

11. If technological change increases the profitability of new investment for firms, then the ________ curve for loanable funds will shift to the ________ and the equilibrium real interest rate will ________.
A) supply; right; fall
B) supply; left; rise
C) demand; right; rise
D) demand; left; fall
12. An increase in the real interest rate does which of the following?
A) reduces the demand for loanable funds
B) reduces saving
C) reduces consumption spending
D) increases the demand for loanable funds

13. An increase in public saving has what impact on the market for loanable funds?
A) The supply of loanable funds increases.
B) The demand for loanable funds increases.
C) The supply of loanable funds decreases.
D) The demand for loanable funds decreases.

14. If consumers decide to be more frugal and save more out of their income, then this will cause
A) a shift in the supply curve for loanable funds to the right.
B) a shift in the supply curve for loanable funds to the left.
C) a movement to the right along the supply curve for loanable funds.
D) a movement to the left along the supply curve for loanable funds.

15. Using the market for loanable funds, which of the following has the potential to raise the real interest rate?
A) an increase in the demand for loanable funds
B) an increase in the quantity of loanable funds demanded
C) an increase in the supply of loanable funds
D) an increase in the quantity of loanable funds supplied

Key
1. C
2. D
3. D
4. A
5. A
6. D
7. D
8. D
9. C
10. C
11. C
12. C
13. A
14. A
15. A