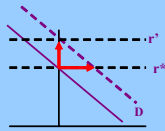


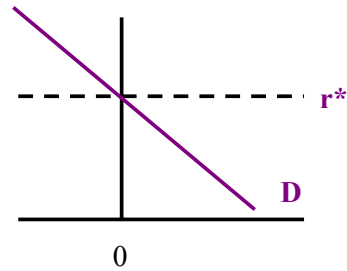
## Illustrating The Demand for Loans



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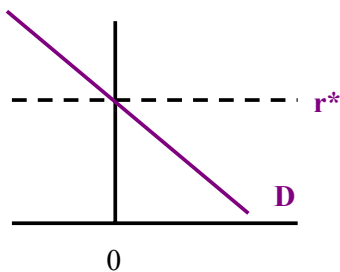
## Some Illustrations



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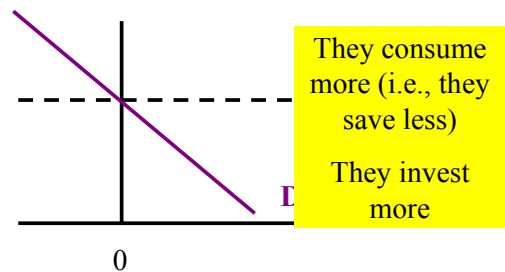
## People Become More Optimistic About the Future



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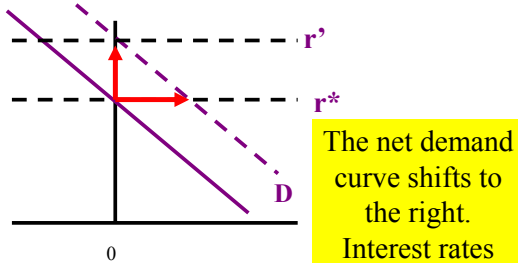
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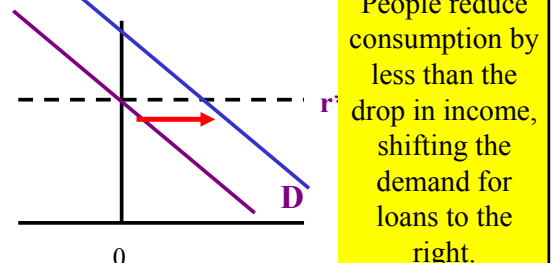
## People Become More Optimistic About the Future



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Illustrating the Demand for Loans

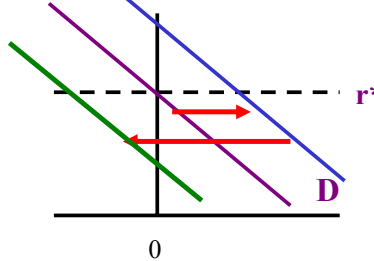
## A Temporary Reduction in Income



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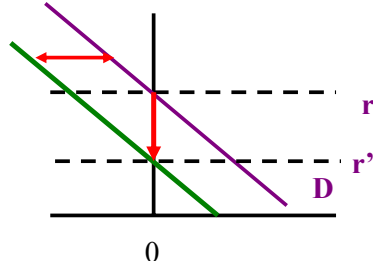
Illustrating the Demand for Loans

## A Temporary Reduction in Income



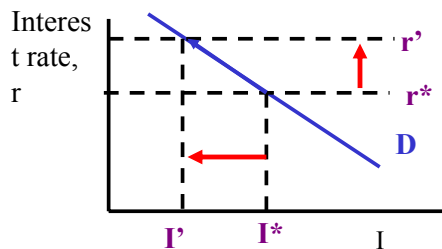
There may be a reduction in investment, shifting the demand to the left.

## A Temporary Reduction in Income



If the net effect is a left shift, interest rates will fall

## Why Do We Care?



## Two Extensions

- Government Demands
  - The government almost never spends exactly what it takes in. Its transactions affect the supply and demand for loans.

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- Government Demands
  - The government almost never spends exactly what it takes in. Its transactions affect the supply and demand for loans.
- The World Market
  - International lending is around \$300 billion per year; international borrowing runs about \$500 billion per year. We cannot neglect the international sector.

End

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