

## Learning Objectives

### Chapter 26

#### **In this chapter you will**

- Learn about some of the important financial institutions in the economy
- Consider how the financial system is related to key macroeconomic variables
- Develop a model of the supply and demand for loanable funds in financial markets
- Use the loanable funds model to analyse various government policies
- Consider how government budget deficits affect the economy

#### **You should be able to**

- List and describe four important types of financial institutions
- Describe the relationship between national saving, government deficits, and investment
- Explain the slope of the supply and demand for loanable funds
- Shift supply and demand curves in a model of the loanable funds market in response to a change in taxes on interest or investment
- Shift supply and demand curves in a model of the loanable funds market in response to a change in the government's budget deficit