The Behavior of Interest Rates

BFI Lecture 3.1.

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Outline

The Demand-Side of the Asset Market

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SUMMARY **Table 1 Response of the Quantity of an Asset Demanded to Changes in Wealth, Expected Returns, Risk, and Liquidity**

Variable	Change in Variable	Change in Quantity Demanded
Wealth	↑	↑
Expected return relative to other assets	↑	↑
Risk relative to other assets	↑	↓
Liquidity relative to other assets	↑	↑

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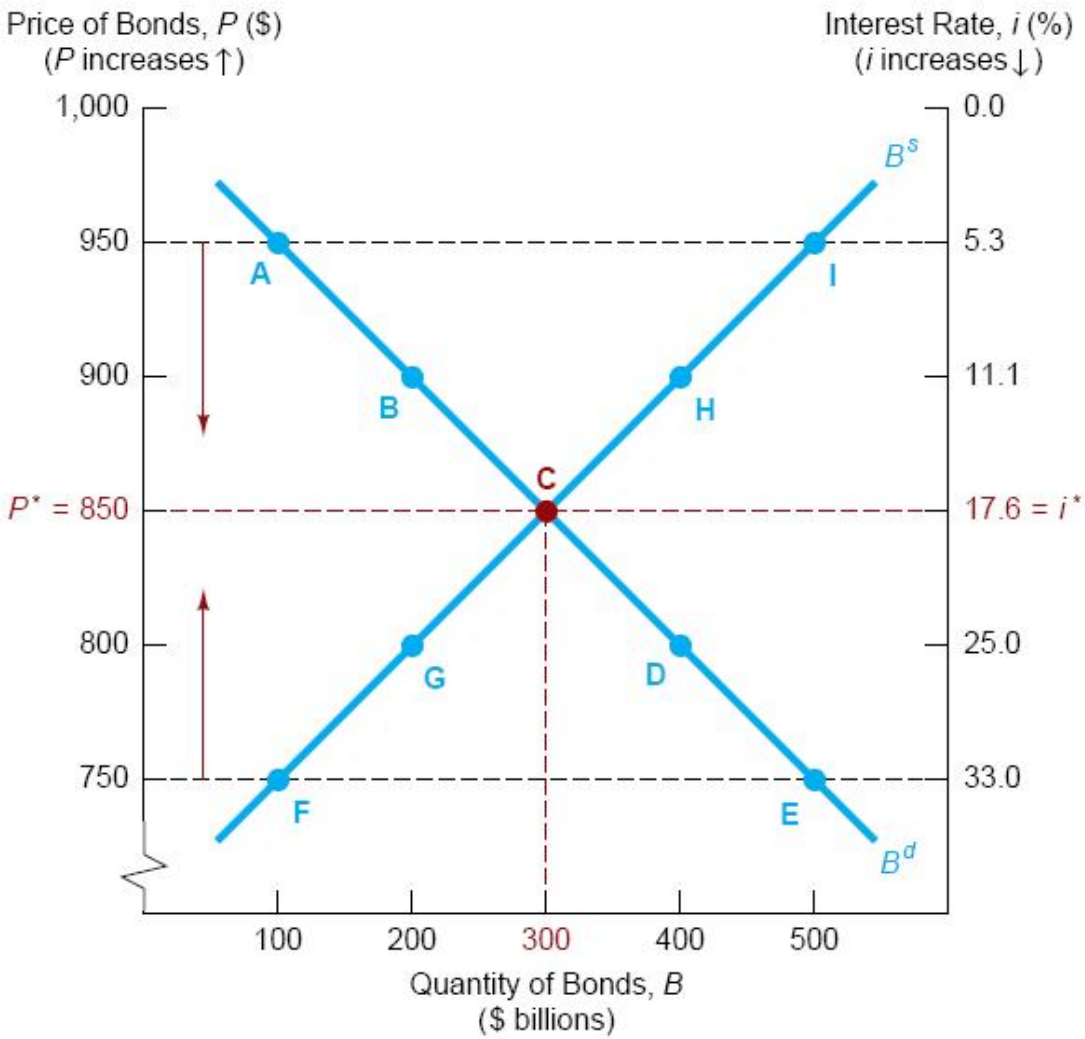

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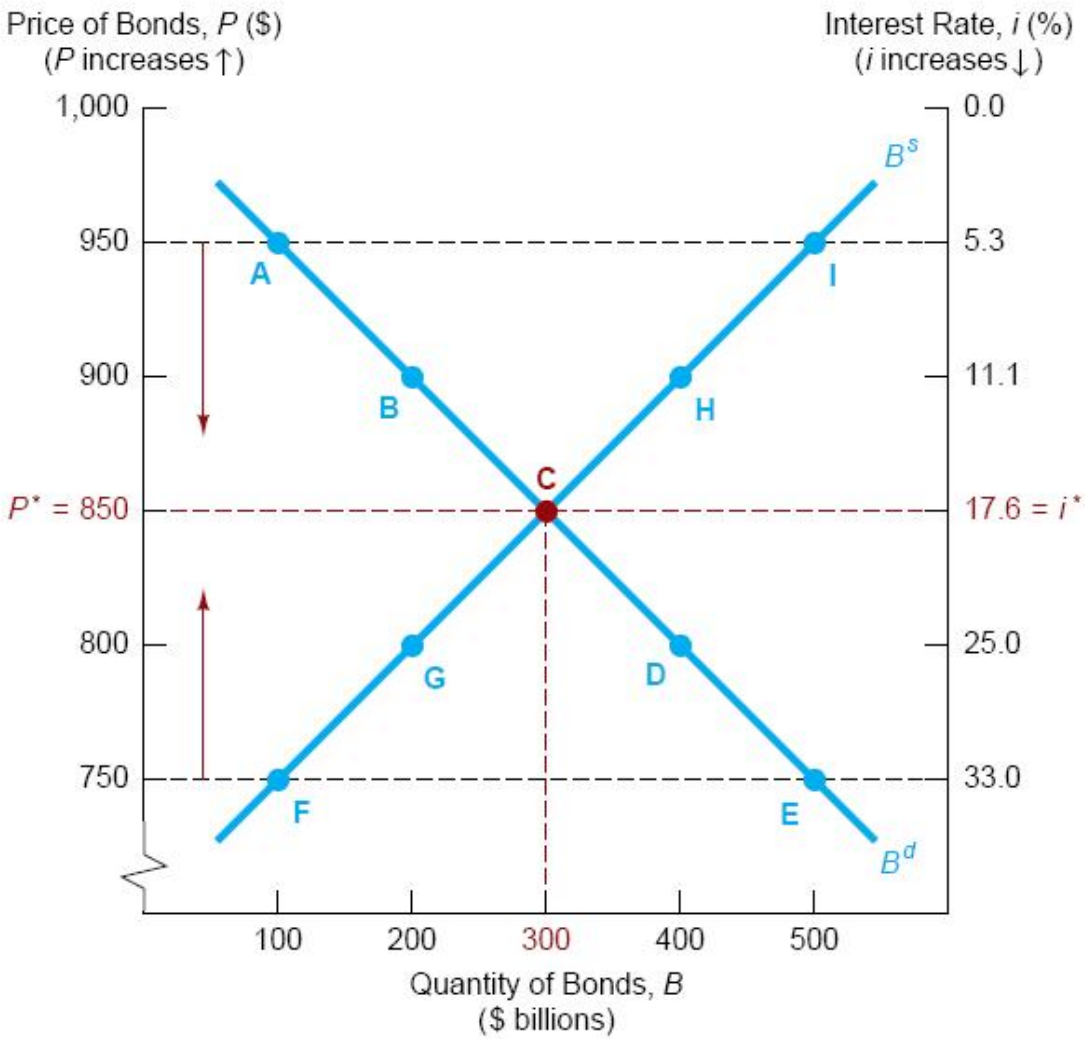
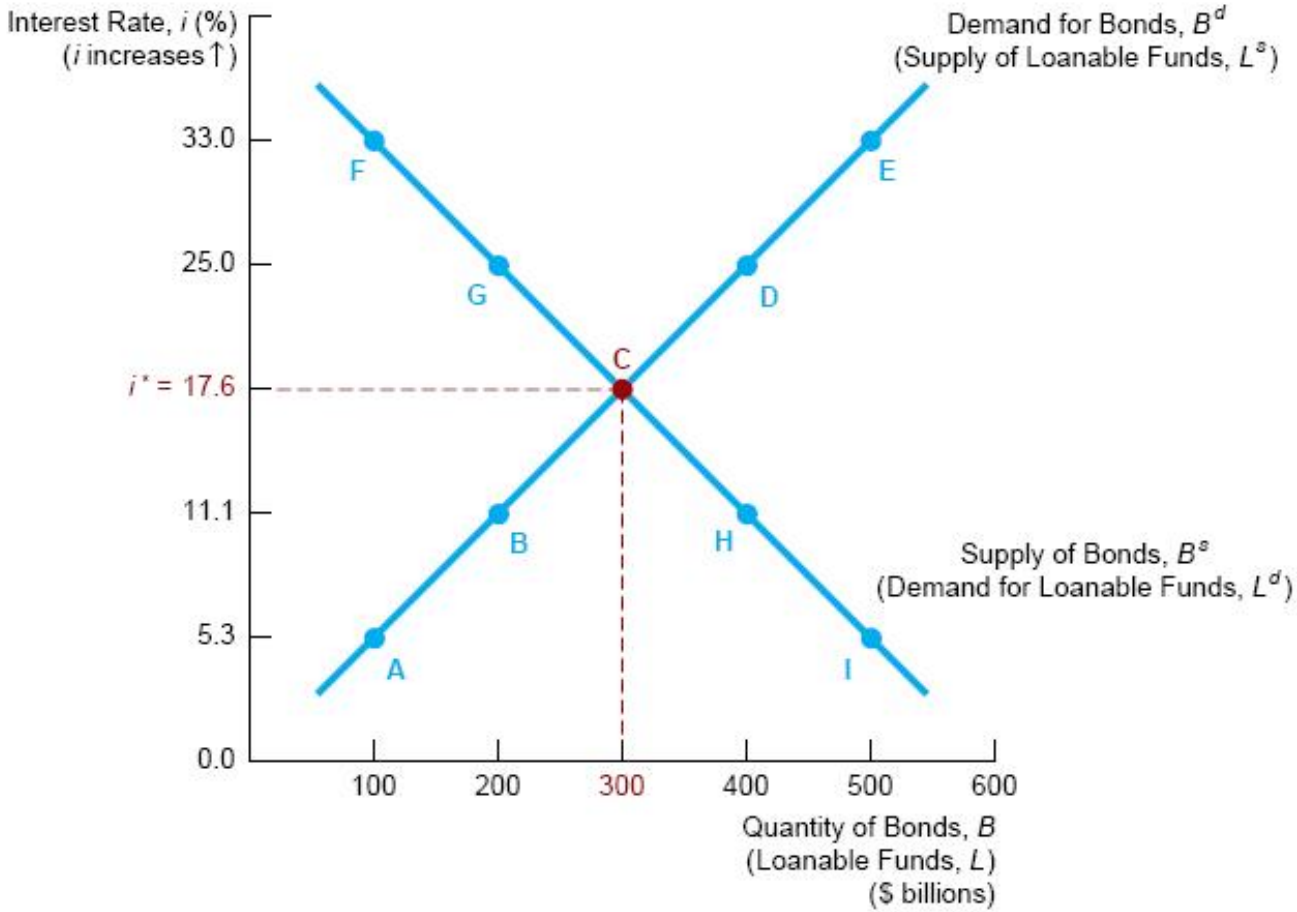


Let's reverse the graph...

The Loanable Funds Framework for Analyzing Equilibrium



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