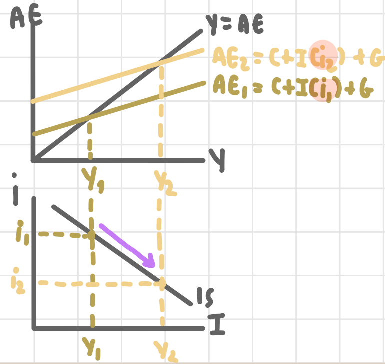
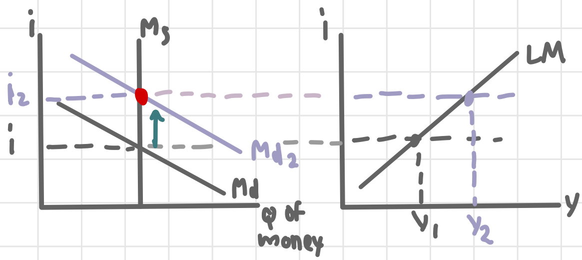
1




How is curve is derived
(derived from commodity market)
suppose that $i_1$ fall to $i_2$,
it will encourage investor. therefore, AE increase. As a results, output will increase

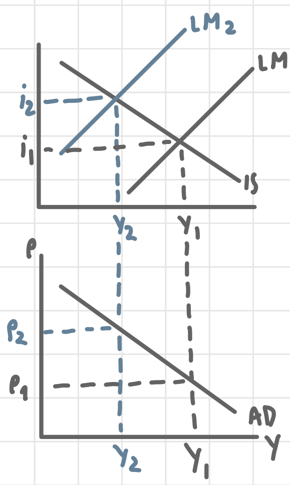
$Y\uparrow \rightarrow Md\uparrow$
$i\uparrow \rightarrow Md\downarrow$ } $Md = Ms$

2



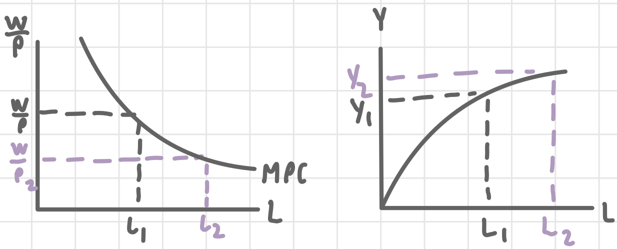

How LM curve is derived
(derived from MM)
Suppose that i increase,
Md will decrease. So we have to increase income in order to shift Md to the right.

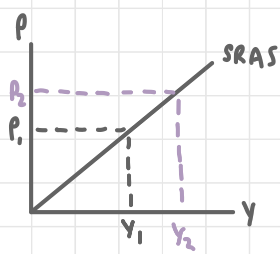
3




higher price level P shifts the LM curve upward. Interest rate will increase, so it will discourage investors. leads to drop in AE and Y

4




when Price goes up, real wage goes down. therefore, labor demand increase, so they will hire more labor. As a result, output will increase

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