



a. people become wealthier by having more income, consumption and investment lead IS to shift up.

$$Md \uparrow \rightarrow r \uparrow \rightarrow C \uparrow, I \downarrow \rightarrow AE \uparrow \rightarrow y \uparrow$$

b. C increase because people become wealthier, real income increase. People have more money to spend.

I decrease because interest rate rise, people will save money instead of investing it.

The unemployment rate fall, firm hire more worker to produce more output that people demanded as  $y \uparrow$  and  $C \uparrow$ . Additionally,  $y$  increase  $P$  also increase, real wage  $(\frac{w}{P})$  decrease, firm hire more workers!