

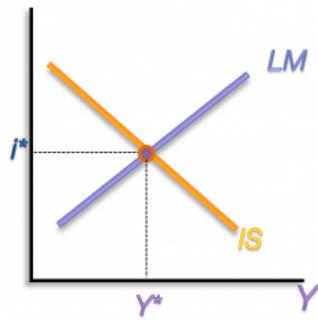
Answer on Question #47718 – Economics, Macroeconomics

Describe the equilibrium levels of income and the interest rate.

Answer:

The equilibrium interest rate and level of income are extended down to derive the IS curve. The higher interest rate results in a higher equilibrium income.

Simultaneous Equilibrium



The intersection of the IS and LM curves denotes the equilibrium level of interest and income that will have both markets in simultaneous equilibrium.