

Crowding Out

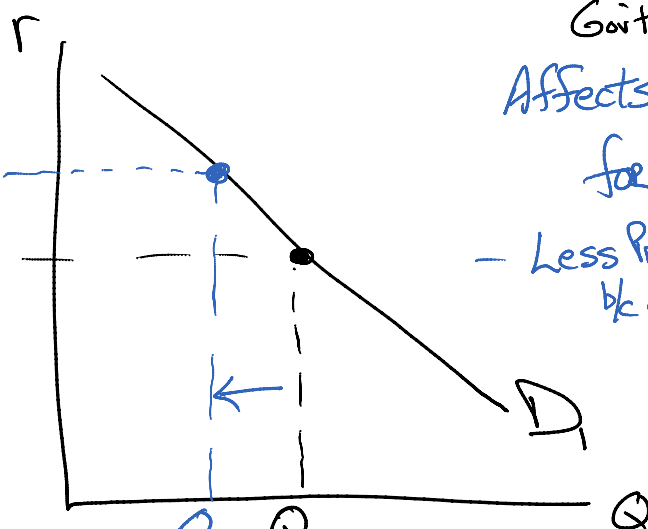
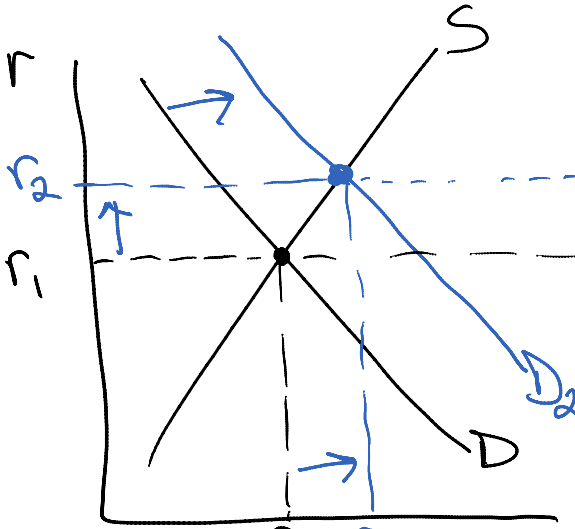
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10:27 AM

If Govt uses Expansionary Fiscal Policy:
 $\uparrow G$ and/or $\downarrow T$ (deficit)

Govt Must borrow

Affects the Demand for \$

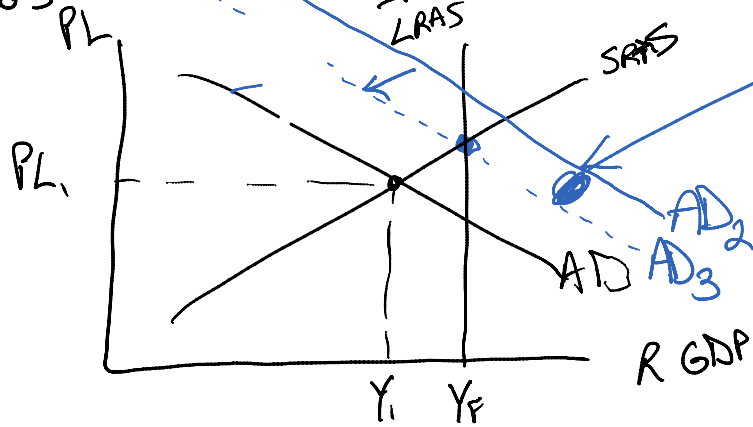
- Less Private Investment b/c of higher int. rates



SSSW

Loanable Funds

Investment



Equal to the level of Private Investment that DOES NOT take place b/c of higher int. rates
 "Crowding Out"