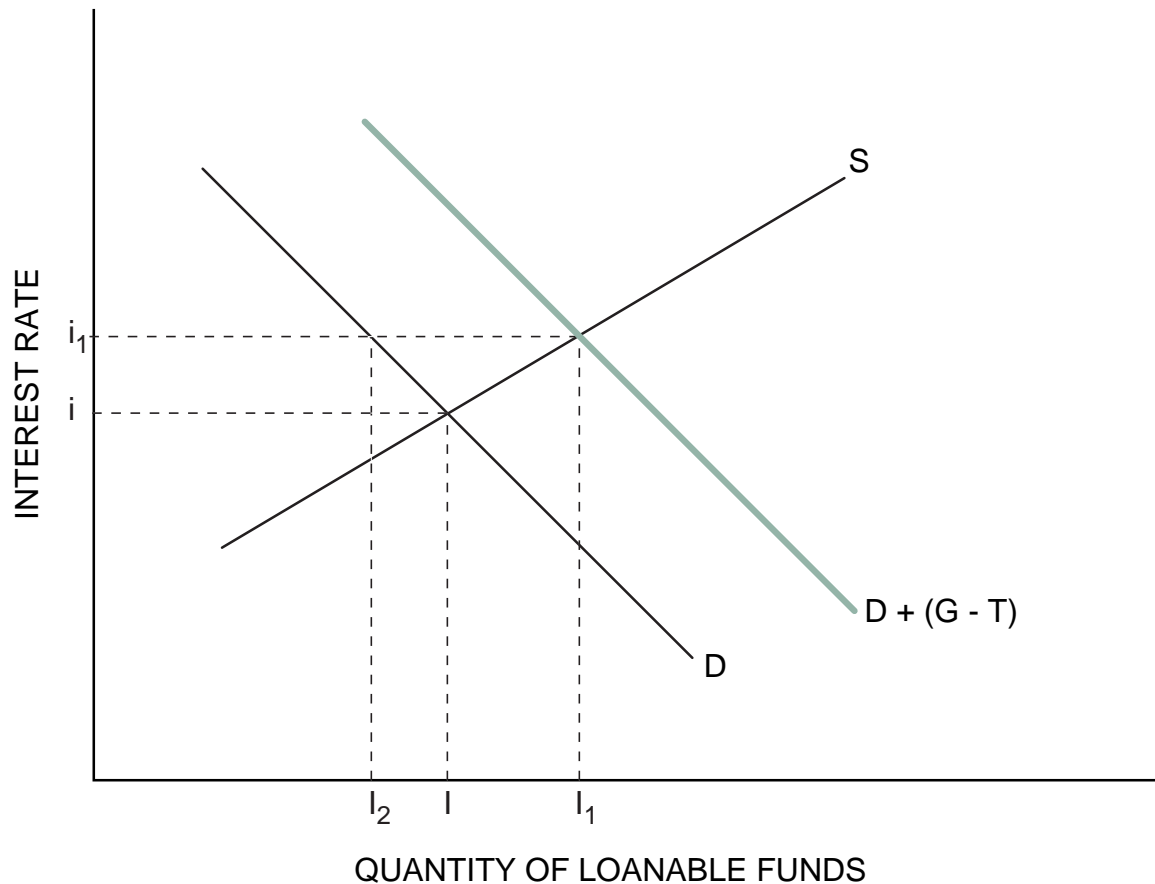


Loanable Funds Market



I and i are the initial equilibrium values.

D = private sector demand for funds (Investment)

$D + (G - T)$ = private + government demand for funds

I_1 and i_1 are the new equilibrium values.

I_2 = new level of private investment

$I_1 - I_2$ = government demand for funds ($G - T$)