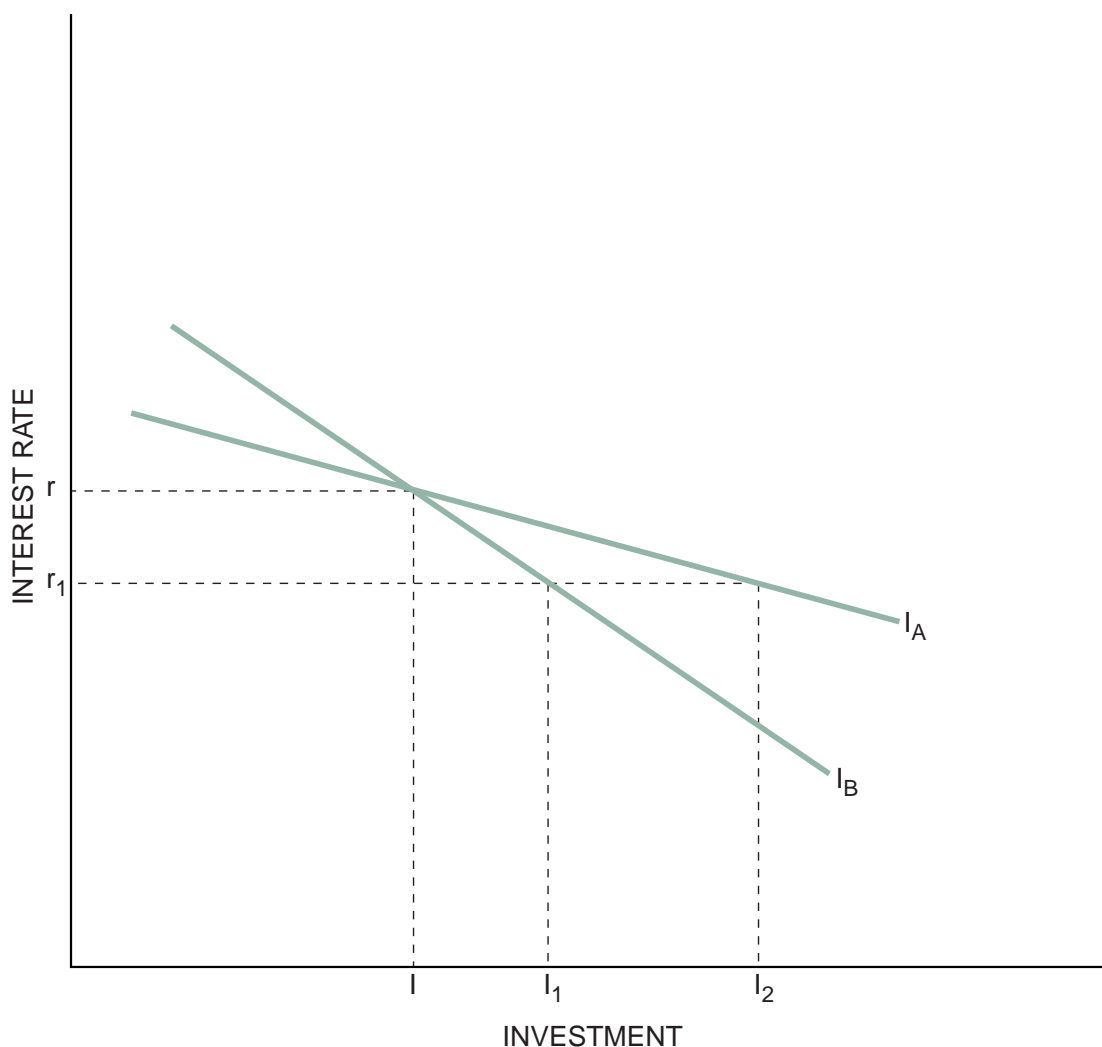


## Different Elasticities of Investment Demand



Decrease of interest rates from  $r$  to  $r_1$ .

With  $I_A$ , investment increases from  $I$  to  $I_2$ .

With  $I_B$ , investment increases from  $I$  to  $I_1$ .

$I_A$  is more elastic than  $I_B$ .