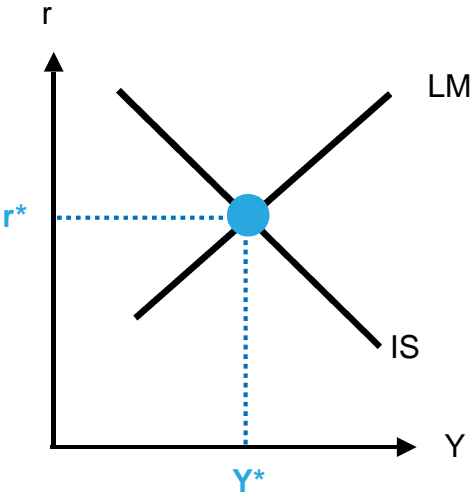
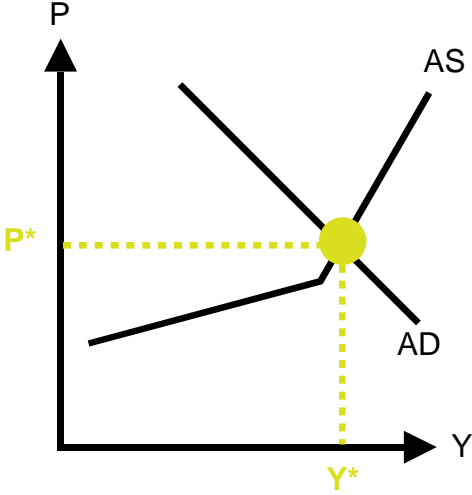


IS-LM Model vs AD-AS Model

IS-LM model	AD-AS model
<p>It determines simultaneously Y and r. Prices are held constant.</p>	<p>It determines simultaneously Y and P.</p>
<p>Graphically:</p>  <p>The graph shows the IS-LM model. The vertical axis is labeled 'r' (interest rate) and the horizontal axis is labeled 'Y' (output). A downward-sloping line is labeled 'IS' and an upward-sloping line is labeled 'LM'. They intersect at a blue dot. Dashed lines from this intersection point lead to 'r*' on the vertical axis and 'Y*' on the horizontal axis.</p>	<p>Graphically:</p>  <p>The graph shows the AD-AS model. The vertical axis is labeled 'P' (price level) and the horizontal axis is labeled 'Y' (output). A downward-sloping line is labeled 'AD' and an upward-sloping line is labeled 'AS'. They intersect at a yellow dot. Dashed lines from this intersection point lead to 'P*' on the vertical axis and 'Y*' on the horizontal axis.</p>
<p>Abbreviations: Y = Output r = Interest rate IS = Equilibria on the goods market LM = Equilibria on the money market</p>	<p>Abbreviations: Y = Output P = Price level AD = Aggregate demand ($\rightarrow C+I+G+X-M$) where C = Consumption I = Investment G = Government spending X = Exports M = Imports AS = Aggregate supply</p>