Have a graph of the loanable funds market and another graph of investment demand. Challenge the student to deduce if investment demand increases or decreases when say households decide to save more or the federal deficit increases. Then the student shifts the appropriate curve in the loanable funds market and simultaneously the corresponding point on the investment demand function moves up or down the curve as appropriate.

In the example below, households decide to save more. That shifts the supply of loanable funds to the right which lowers the real interest rate. The drop in the real interest rate raises investment by sliding down the investment demand curve in the graph on the left.

The application should check if the student shifted the correct curve in the correct direction in the graph on the left. And then the application should demarcate the interest rate drop on the graph on the right and show the increase in Investment $ on the horizontal axis.

