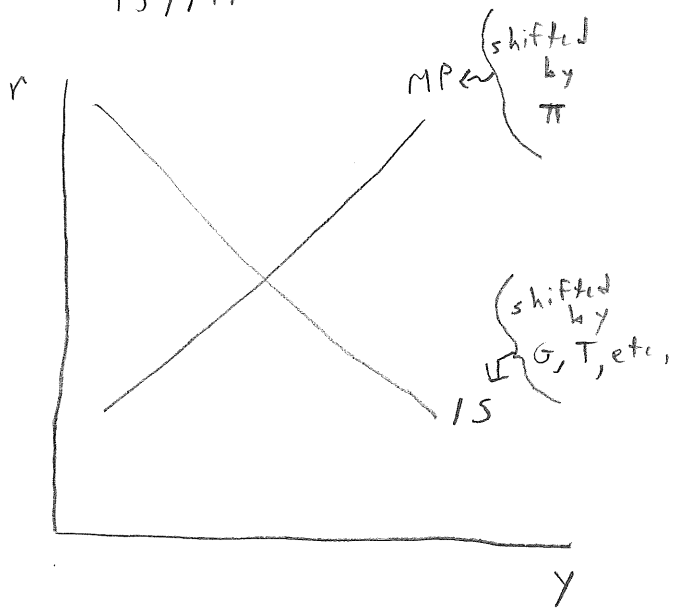


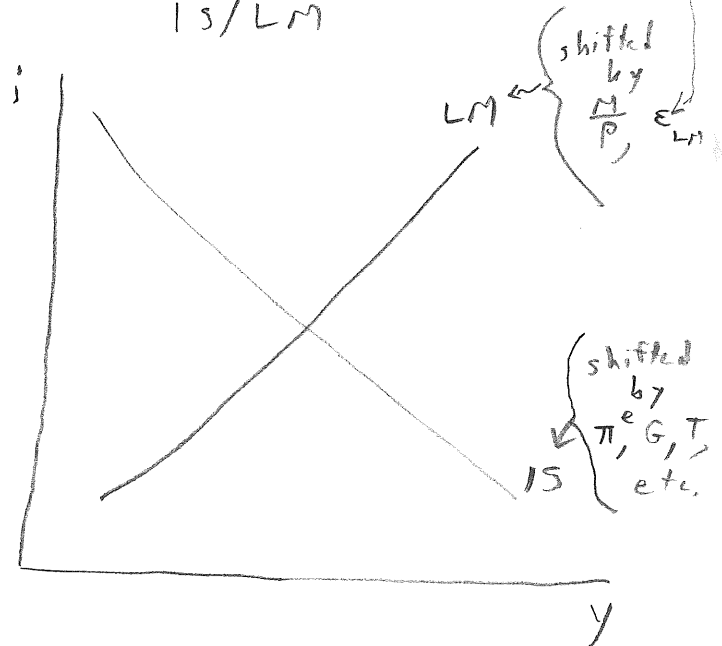
# ANSWER TO IS/LM IS/MP PROBLEMS

money demand sheet

IS/MP

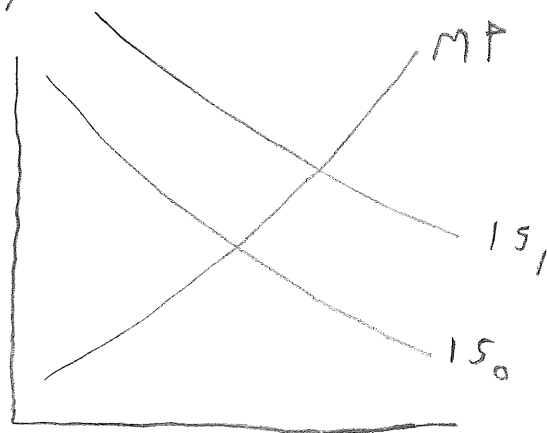


IS/LM



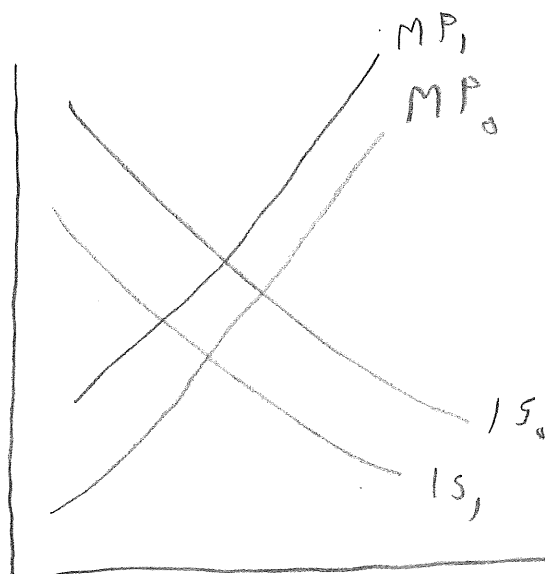
I) In IS/MP,

a)  $T \downarrow$



b)  $G \downarrow$  and

$r(\pi, y)$  shifts up  
at given  $\pi, y$



Answers to ISLM & ISMP Problems (cont.)

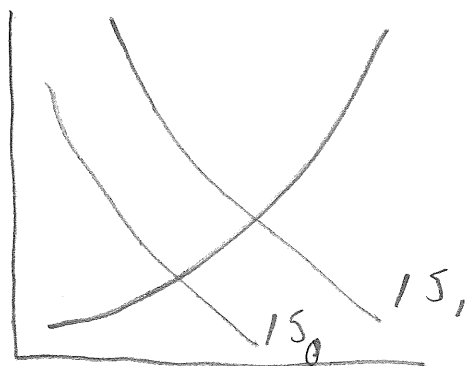
(2)

e) No effect on either curve, Central bank just increases money supply.

d) Changes slope of IS, makes it steeper.

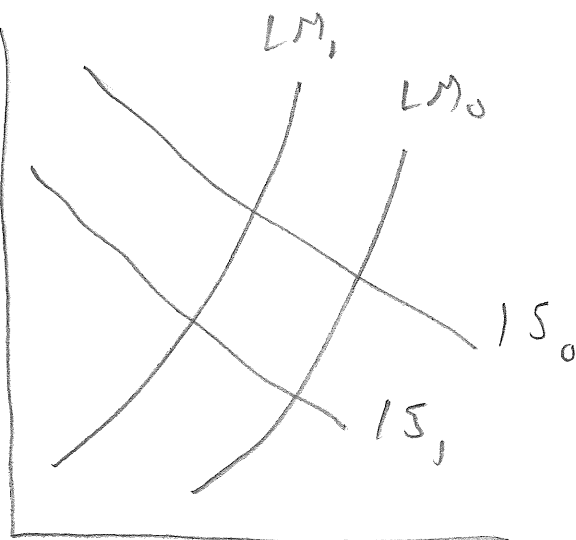
II) In IS/LM

a)  $T \downarrow$



$i \uparrow, Y \uparrow$

b)  $G \downarrow$  &  $M \downarrow$



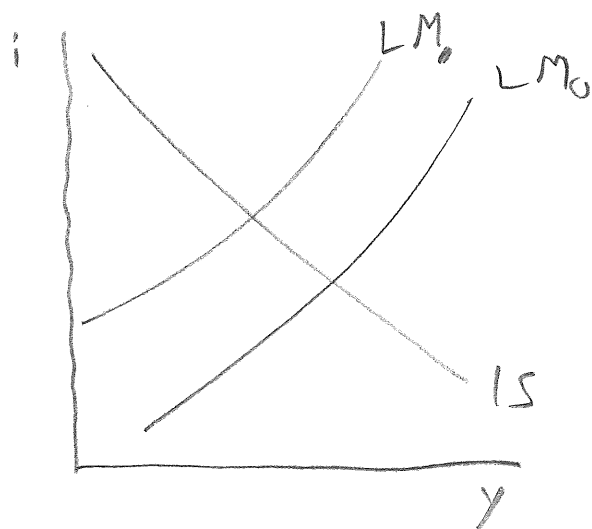
$Y \downarrow$

$i \uparrow$  depends on magnitudes

ANSWER TO:-

II) cont.

c) Money demand increases



d) Makes IS steeper.

III) a) Neither curve moves, but  $i$  falls  
$$i = \pi^e + v(Y, \pi)$$

b) IS curve shifts down/back.  
 $i \downarrow, Y \downarrow$