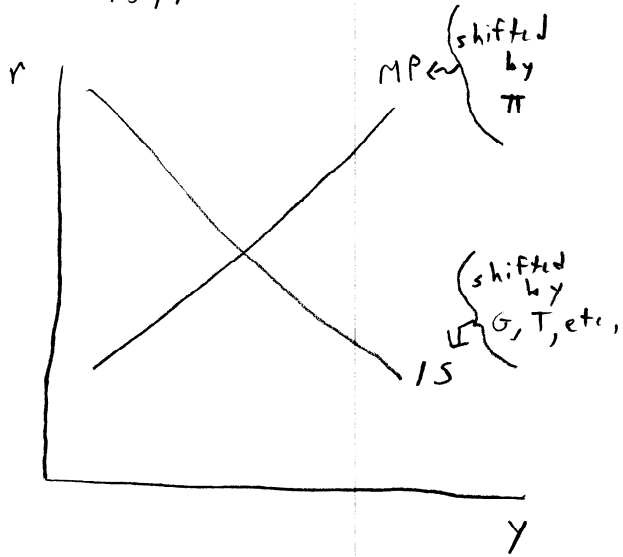


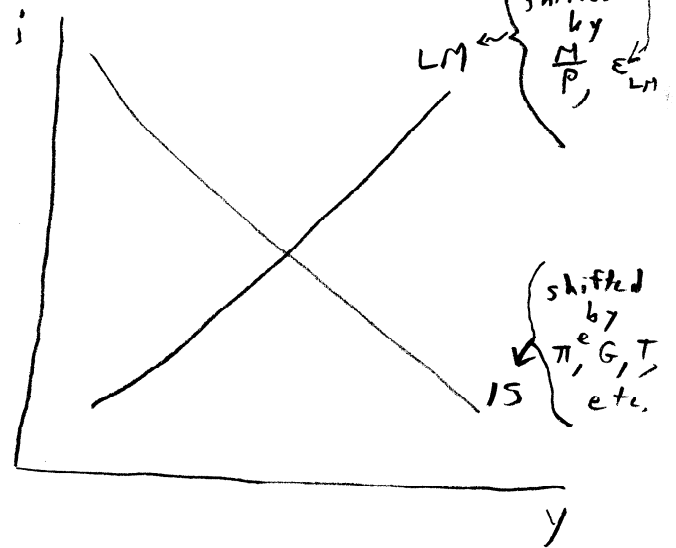
ANSWER TO IS/LM IS/MP PROBLEMS

money demand shock

IS/MP

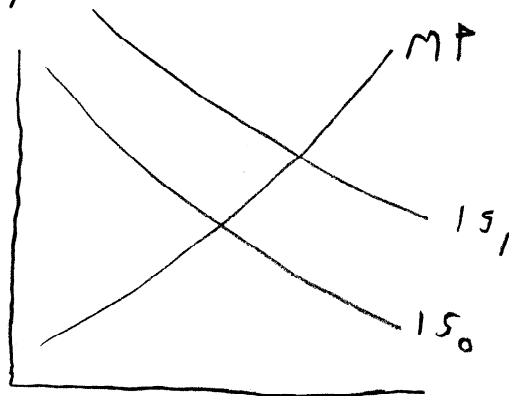


IS/LM



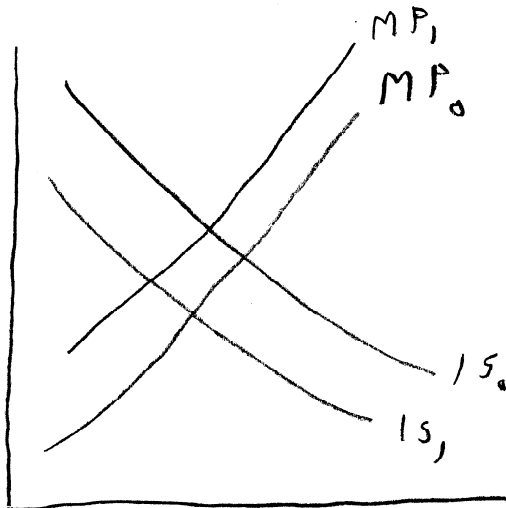
I) In IS/MP,

a) $T \downarrow$



b) $G \downarrow$ and

$r(\pi, y)$ shifts up
at given π, y



Answers to ISLM & ISMP Problems (cont.)

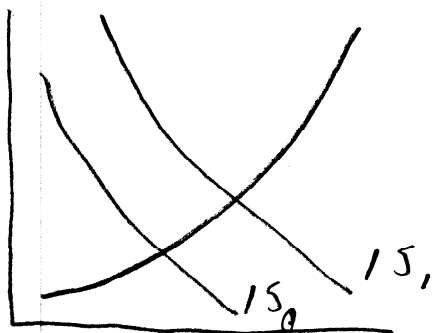
(2)

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

d) Changes slope of IS, makes it steeper.

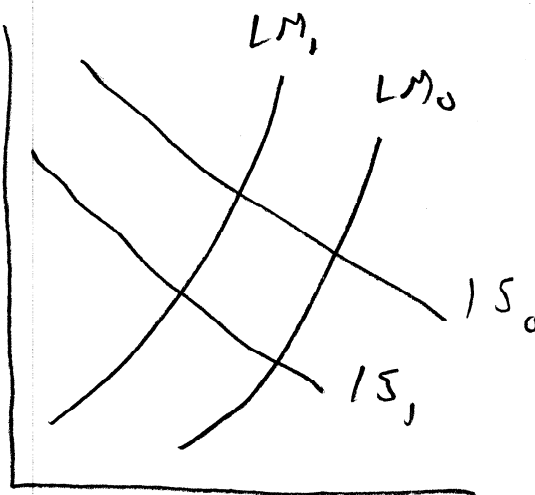
II) In IS/LM

a) $T \downarrow$



$i \uparrow, Y \uparrow$

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

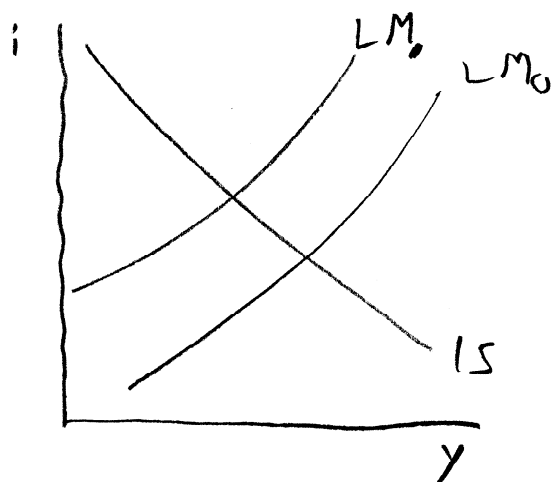


$Y \downarrow$

$i \uparrow$ depends on magnitudes

III) 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.
 $i \downarrow, Y \downarrow$