

"The main purpose in studying economics is to avoid being fooled by economists." -Joan Robinson

ECO 300 Macroeconomic Theory
11/14/2019 in-class activity- Applying IS-LM Model

Name _____

Analyze SR & LR effects of an increase in Money supply

- Draw the IS-LM and AD-AS diagrams as shown here.
- Suppose Fed increases M . Show the short-run effects on your graphs.
- Show what happens in the transition from the short run to the long run.
- How do the new long-run equilibrium values of the endogenous variables compare to their initial values?

