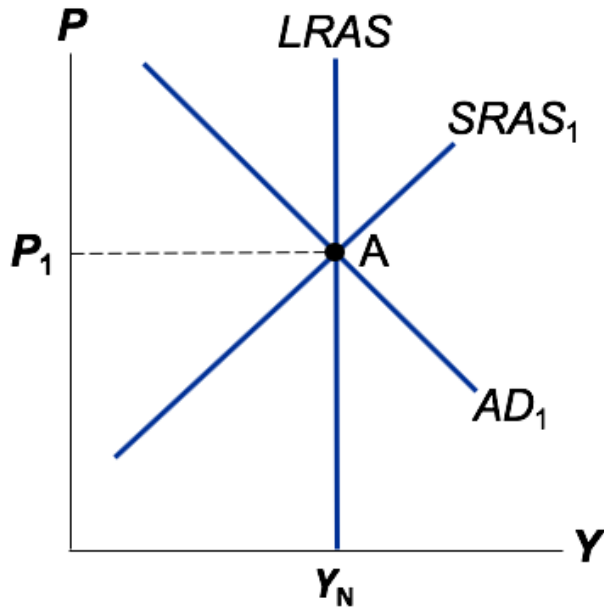
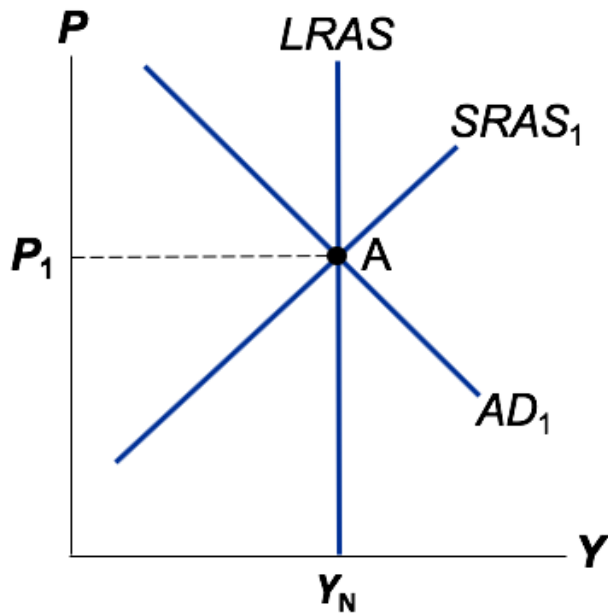


ECO 300 Macroeconomic Theory
2nd exam Review for graphical analysis part

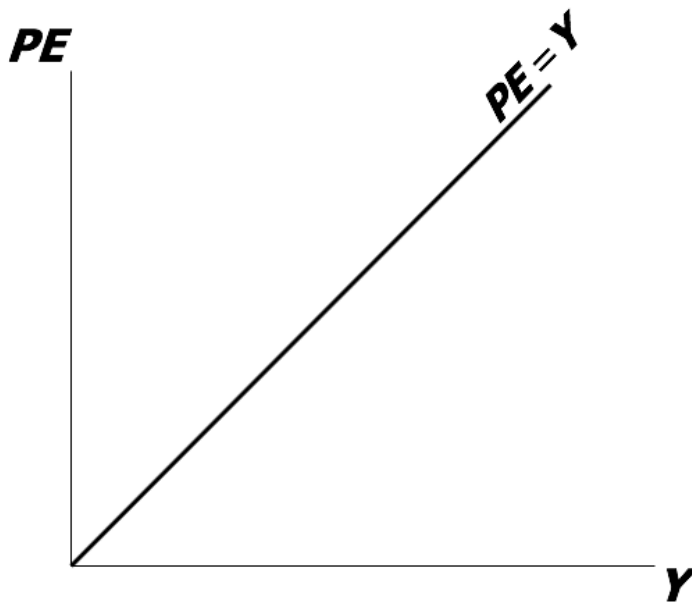
Event: Stock market crash



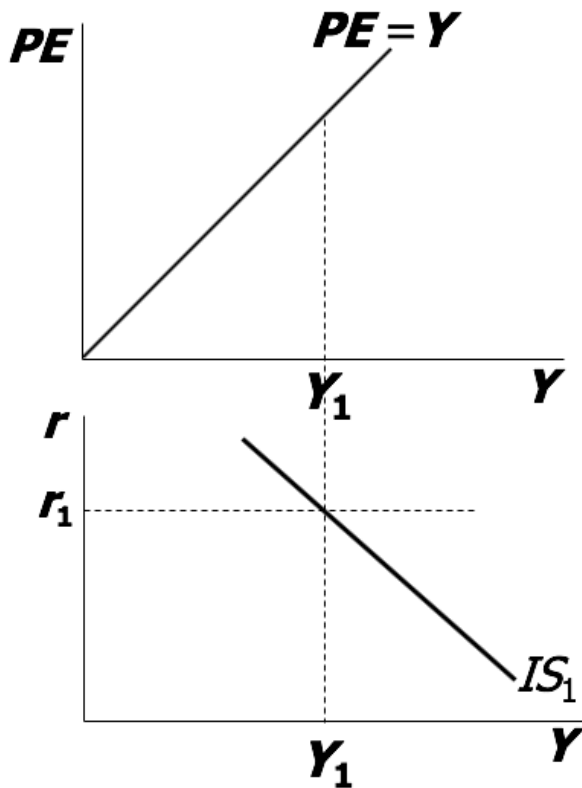
Event: Oil prices rise



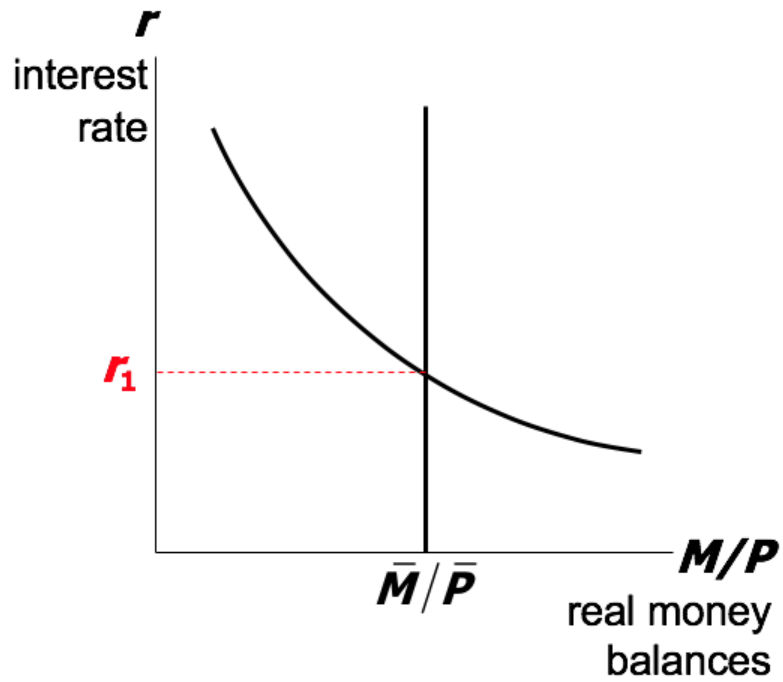
- 1 Use a graph of the Keynesian cross to show the effects of an increase in planned investment on the equilibrium level of income/output.



- 2 Use the diagram of the Keynesian cross or loanable funds model to show how an increase in taxes shifts the IS curve. If you can, determine the size of the shift.

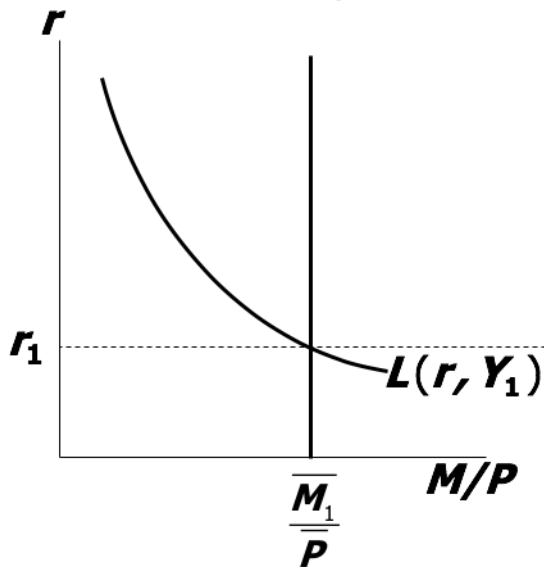


2 How the Fed raises the interest rate

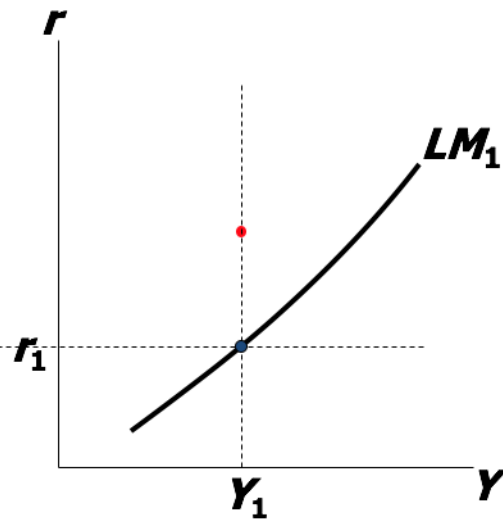


3 Suppose a wave of credit card fraud causes consumers to use cash more frequently in transactions. Use the liquidity preference model to show how these events shift the LM curve.

(a) The market for real money balances



(b) The LM curve

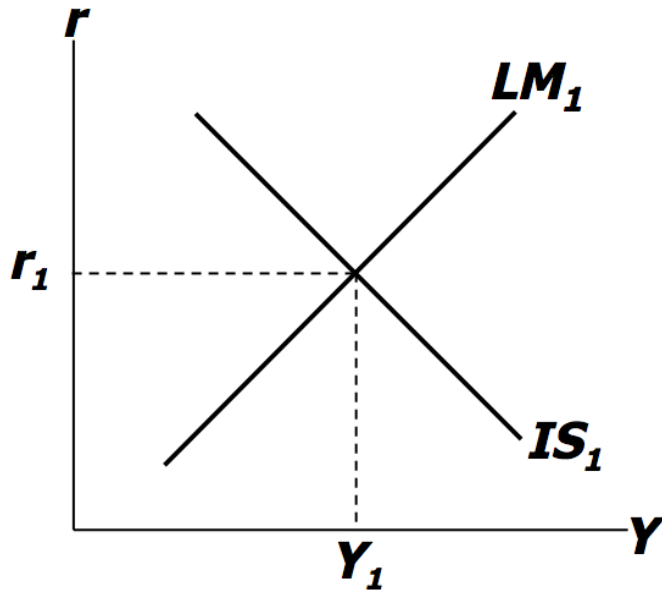


Use the *IS-LM* model to analyze the effects of

1. A housing market crash that reduces consumers' wealth
2. Consumers using cash in transactions more frequently in response to an increase in identity theft

For each shock, use the *IS-LM* diagram to determine the effects on Y and r . Figure out what happens to C , I , and the unemployment rate.

1. Housing market crash



2. Increase in money demand

