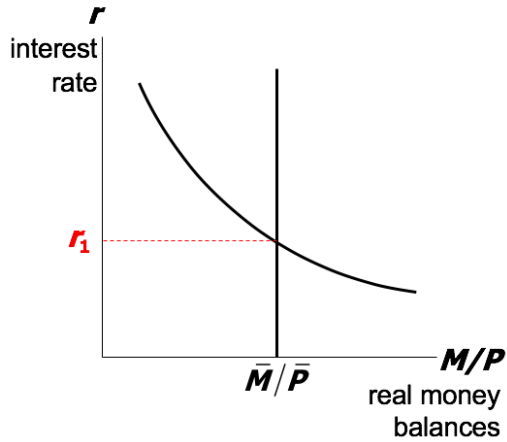


"The main purpose in studying economics is to avoid being fooled by economists." -Joan Robinson

Eco300 Macroeconomic Theory
11/07/2019 in-class activity- IS-LM Model

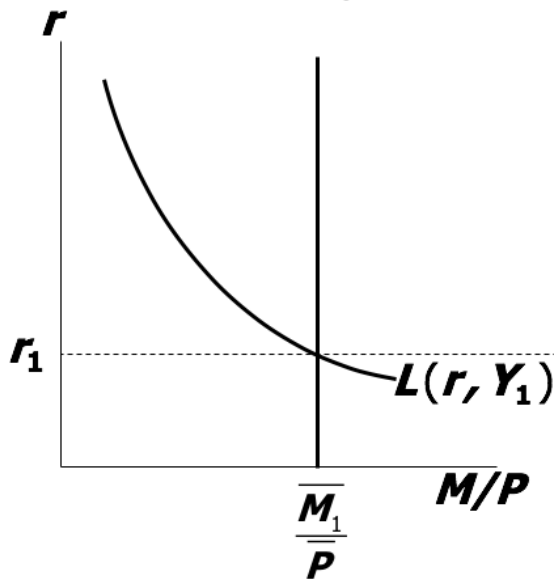
Name _____

1. How the Fed raises the interest rate



2. 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

