

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

ECO 300 Macroeconomic Theory  
11/07/2019 in-class activity- IS-LM Model

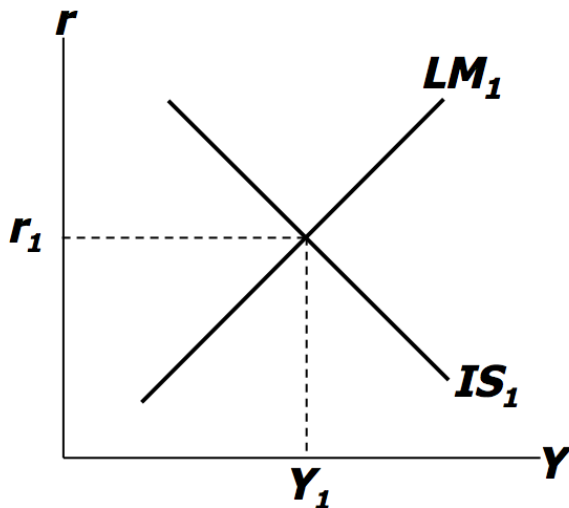
Name \_\_\_\_\_

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

