Lecture 9: Review

• IS-LM

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• IS-LM
A) Expansionary Monetary Policy; B) Y2k
IS

OLD: \[ Y = C(Y-T) + I + G \]

\[ I = I(Y,i) \]

IS: \[ Y = C(Y-T) + I(Y,i) + G \]

Why IS?
A) Fiscal Policy;
B) “Optimism”
IS-LM Model

A) Fiscal policy; B) Monetary policy; C) Mix

Parameters (slopes): L’ ; I_i; c1
Small $dI/di$

A) Fiscal Policy;
B) “Optimism”
A) Fiscal policy; Monetary policy;
B) What about small $d(C+I)/dY$?
A) Expansionary Monetary Policy
Small $dMd/dY$

A) Fiscal policy; Monetary policy;

B) What about small $dL(i)/di$?