Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Barreto

Macro Topics

ISLM Shifting Curves and Multipliers

Open your Word doc with your answers for Tasks 2A, 2B, and 2C.

Task 2A: Discuss your work in your group and fix your answer, if needed. Each member of your group must explain his or her answer. When finished, write an answer below to this question: Does the Fed prefer investment demand to be elastic or inelastic? Why?

Discuss in your group this question and write an answer below: does investment demand shift left/right or up/down? Why?

Task 2B: Images of wrong IS or LM shifts. Draw rough graphs of the images shown and explain why they are wrong. Take notes on this handout. We’ll do a few of these so don’t draw huge graphs.

Open ISLM.xls and use it to fill out this table. You can do whatever you want, just make sure you fill out the table. Have each group member click Random Parameters and enter values in the table.

|  |  |  |
| --- | --- | --- |
| Multiplier Attenuation | | |
| Multiplier | No Y Feedback | Y Feedback |
| G |  |  |
| T |  |  |
| M |  |  |

Let’s vote. Is your G multiplier > T Multiplier?

Is your G multiplier > M Multiplier?

Return to groups. “Policy multiplier attenuation is due to crowding out.” Explain this. Discuss in your group and write an answer below. Draw graphs to support your answer.

Click the Show Math button.

Questions?

HW: Watch screencasts 3A, 3B, and 3C and complete the tasks by noon Fri in ISLM.xls.