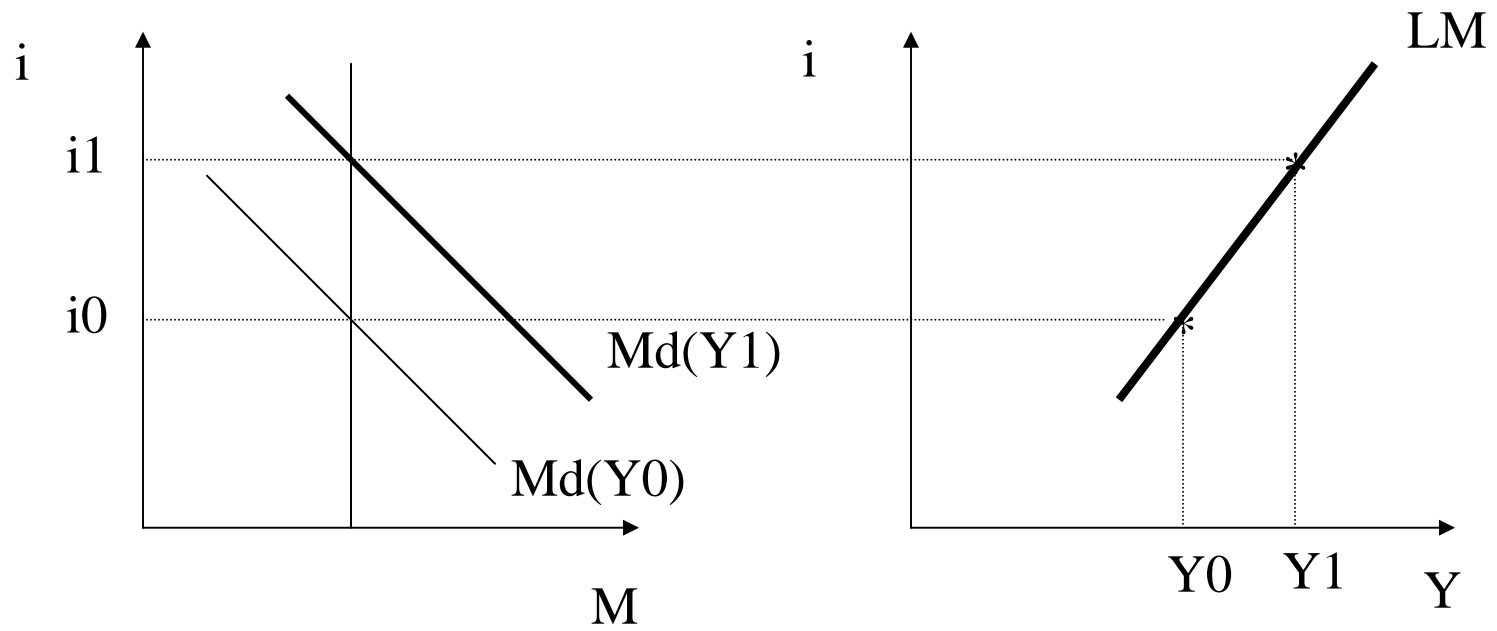


Lecture 5: IS-LM

- Find equilibrium (Y, i)
- LM
- IS
- IS-LM

LM



A) Expansionary Monetary Policy; B) Y_2k

IS

$$\text{OLD: } Y = C(Y-T) + I + G$$

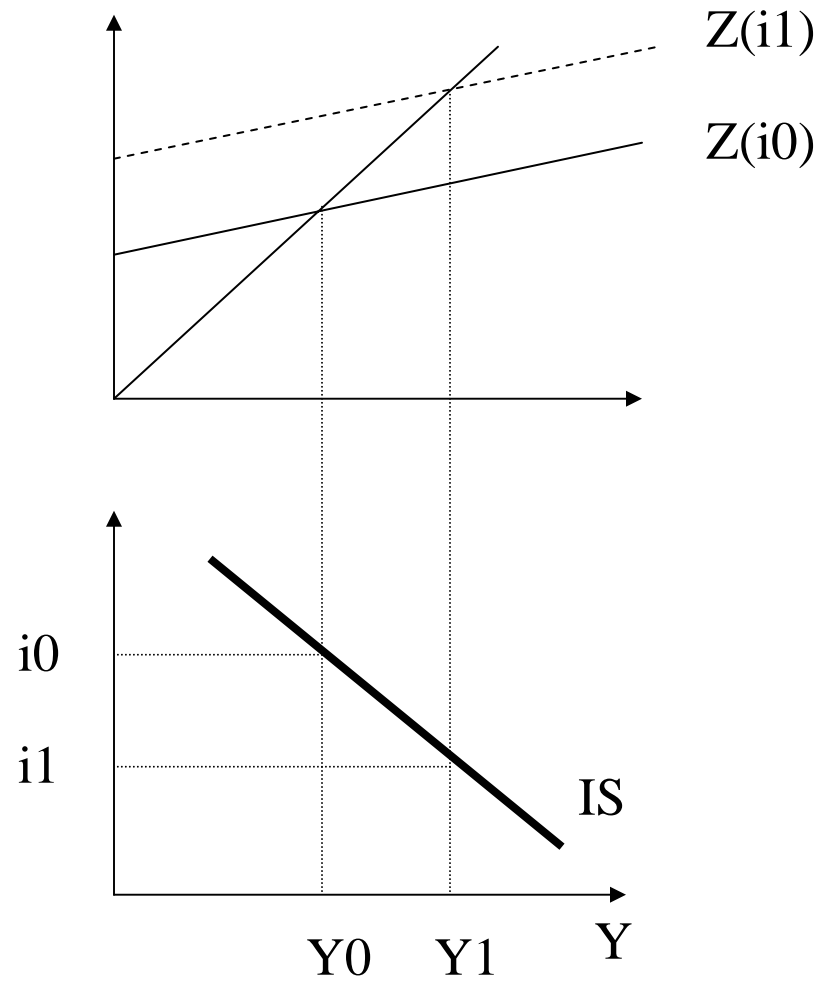
$$I = I(Y,i)$$

+ -

$$\text{IS: } Y = C(Y-T) + I(Y,i) + G$$

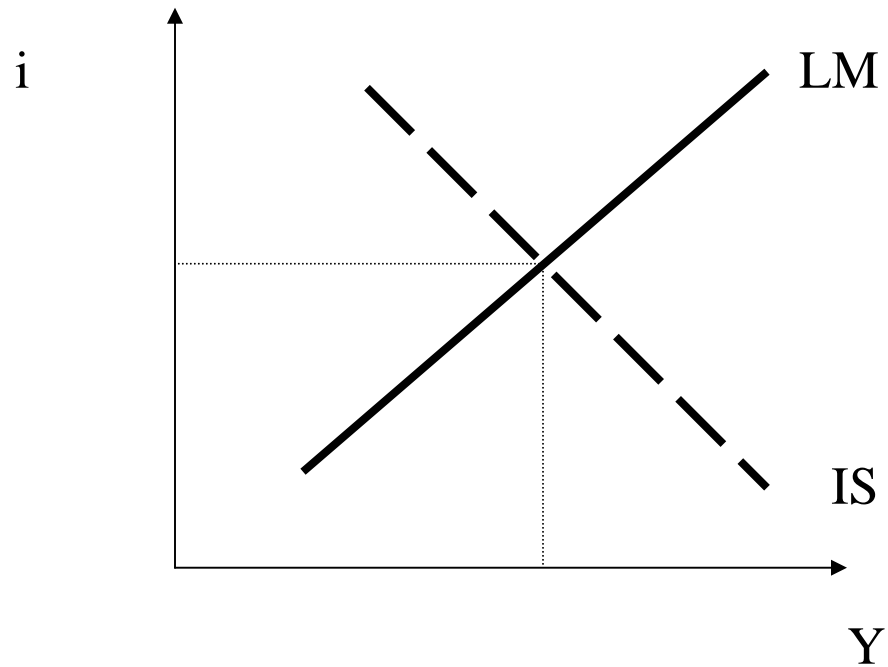
Why IS?

IS



- A) Fiscal Policy;
- B) "Optimism"

IS-LM Model



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

Parameters (slopes): L' ; I_i ; c_1