For the questions below, include the IS/LM/FX diagram to illustrate the effects of the shock. All curves and equilibria points (e.g., point A and B) must be clearly labeled for full credit. You must state the effect of the shock on the following variables (increase, decrease, no change, or ambiguous): Y, i, E, C, I, CA.

Problem 1: Money Supply Increases

This is just a preliminary question, since we'll be moving around the money supply a lot in later questions. Anyway... show what happens when the money supply increases.

Problem 2: Government Spending Increases

(a) The exchange rate is allowed to float and there is no stabilization policy.

(b) The exchange rate is fixed and there is no stabilization policy.

(c) The exchange rate is floating, the central bank uses monetary policy to stabilize Y.

Problem 3: Consumer Confidence Decreases

(a) The exchange rate is allowed to float and there is no stabilization policy.

(b) The exchange rate is fixed and there is no stabilization policy.

(c) The exchange rate is floating, the central bank uses monetary policy to stabilize Y.

Problem 4: Money Demand Increases

(a) The exchange rate is allowed to float and there is no stabilization policy.

(b) The exchange rate is fixed and there is no stabilization policy.

(c) The exchange rate is floating, the central bank uses monetary policy to stabilize Y.

Problem 5: Foreign Output Increases

(a) The exchange rate is allowed to float and there is no stabilization policy.

(b) The exchange rate is fixed and there is no stabilization policy.

(c) The exchange rate is floating, the central bank uses monetary policy to stabilize Y.

Problem 6: Expected Depreciation

(a) The exchange rate is allowed to float and there is no stabilization policy.

(b) The exchange rate is fixed and there is no stabilization policy.

(c) The exchange rate is floating, the central bank uses monetary policy to stabilize Y.