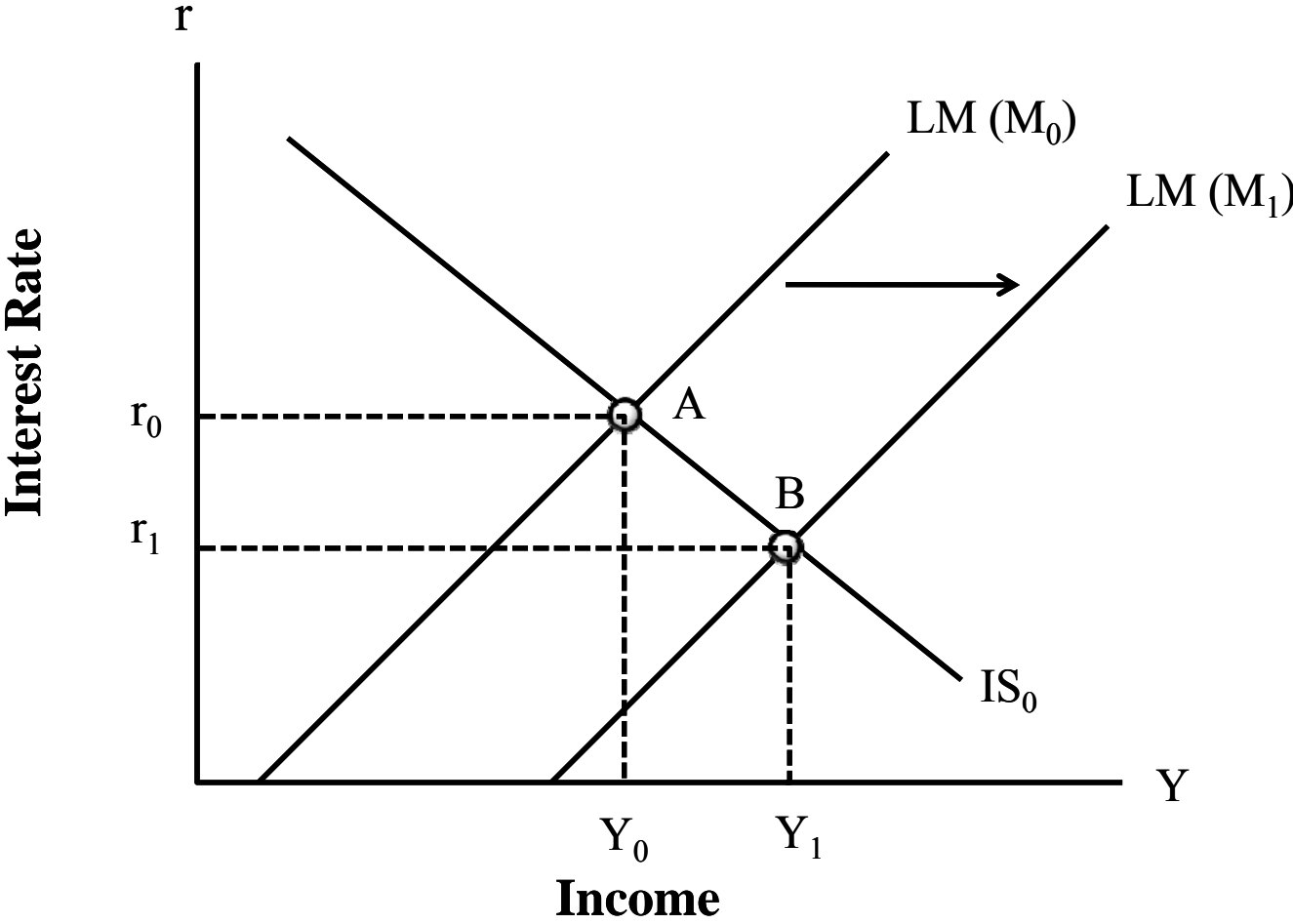


EE 312: Macroeconomics Theory (1/2012)

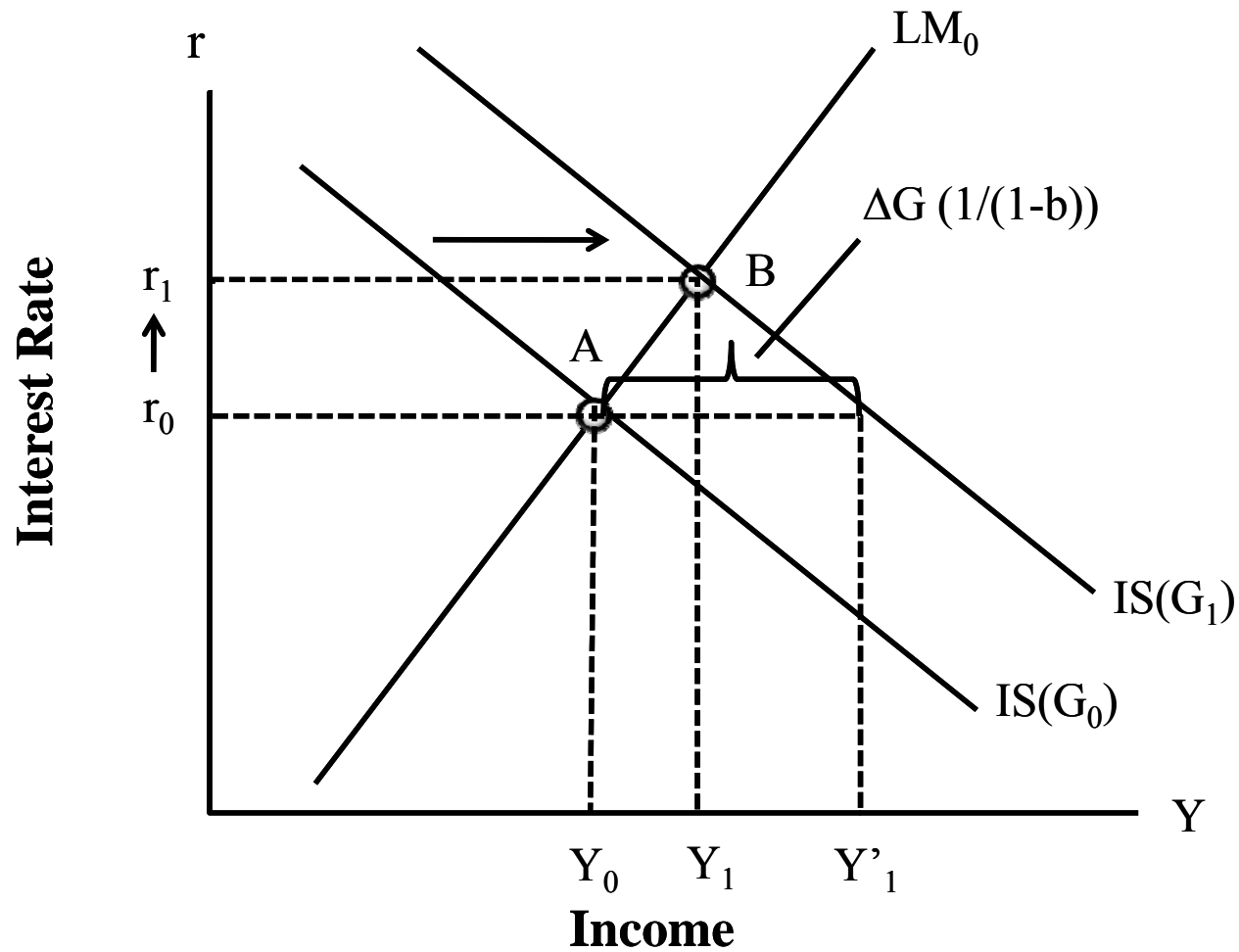
Relative Effectiveness in the Monetary and Fiscal Policy

Dr. Pranee Tinakorn
Faculty of Economics
Thammasat university

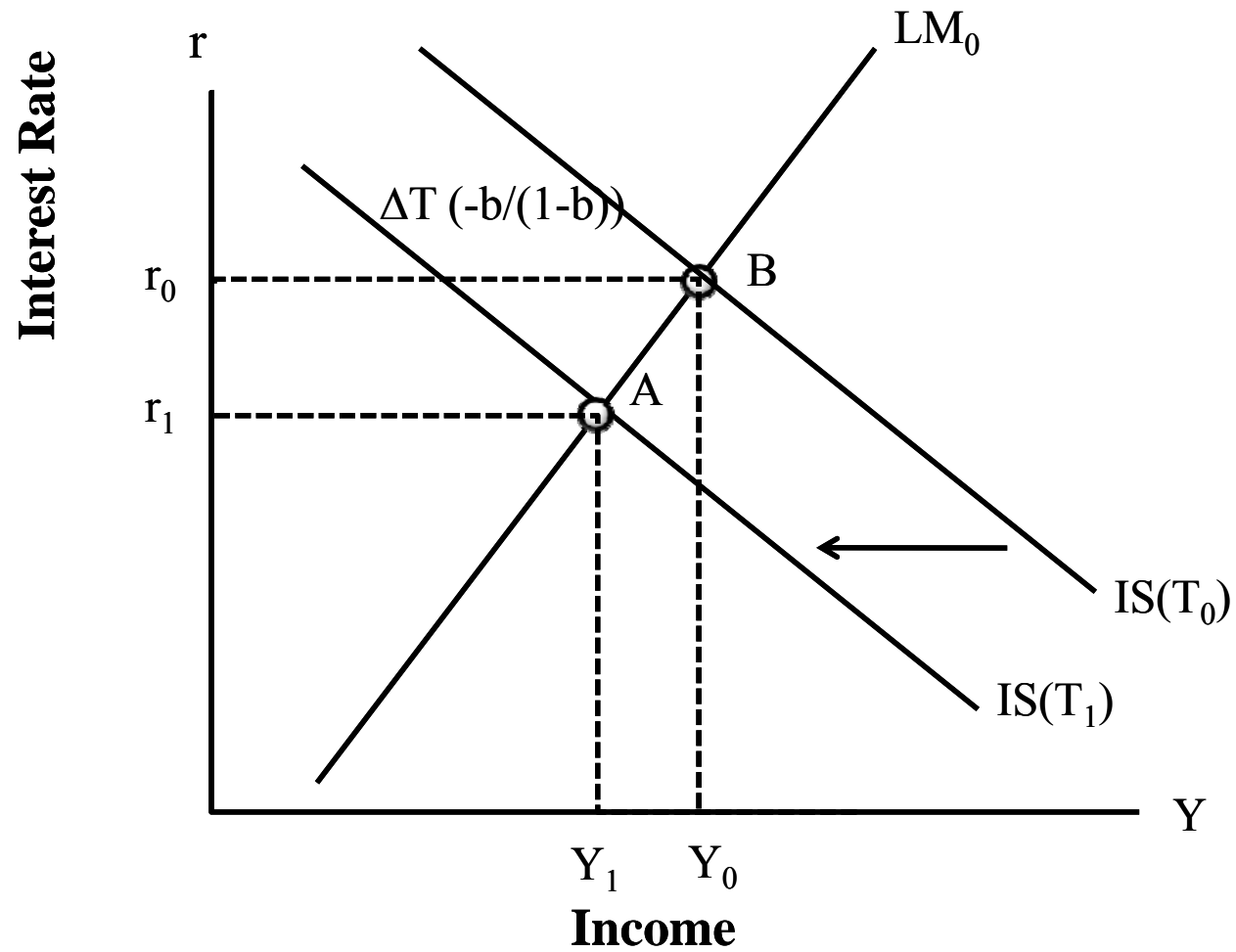
Effects of an Increase in the Quantity of Money



Effects of an Increase in Government Spending

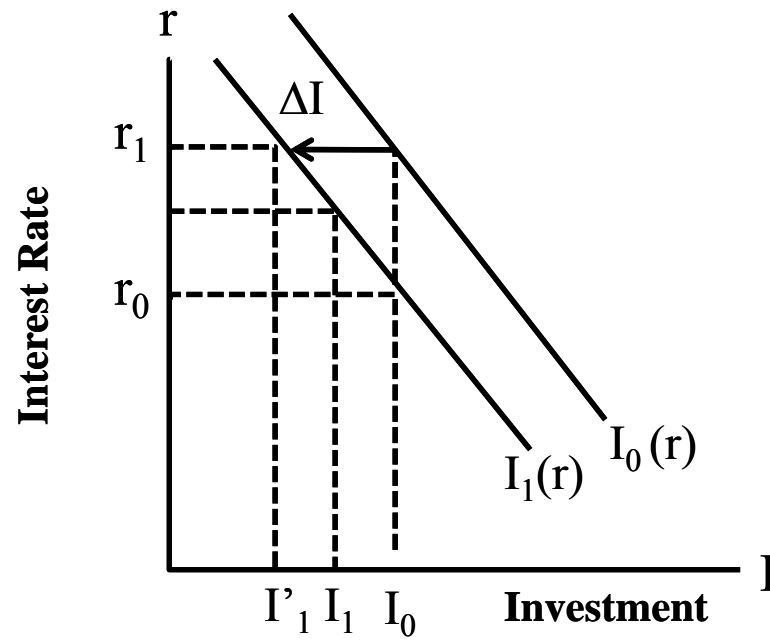


Effects of an Increase in Taxes

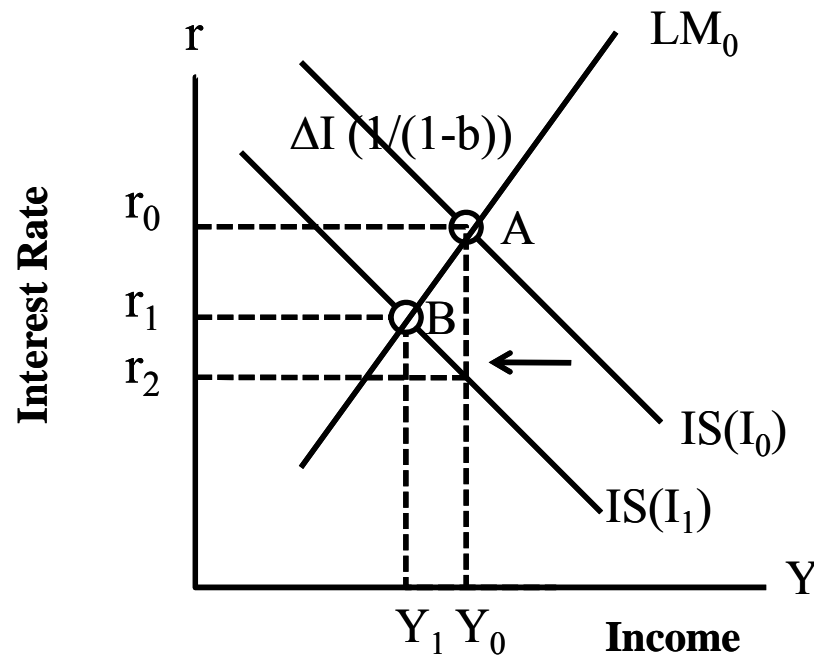


Effects of an Autonomous Decline in Investment

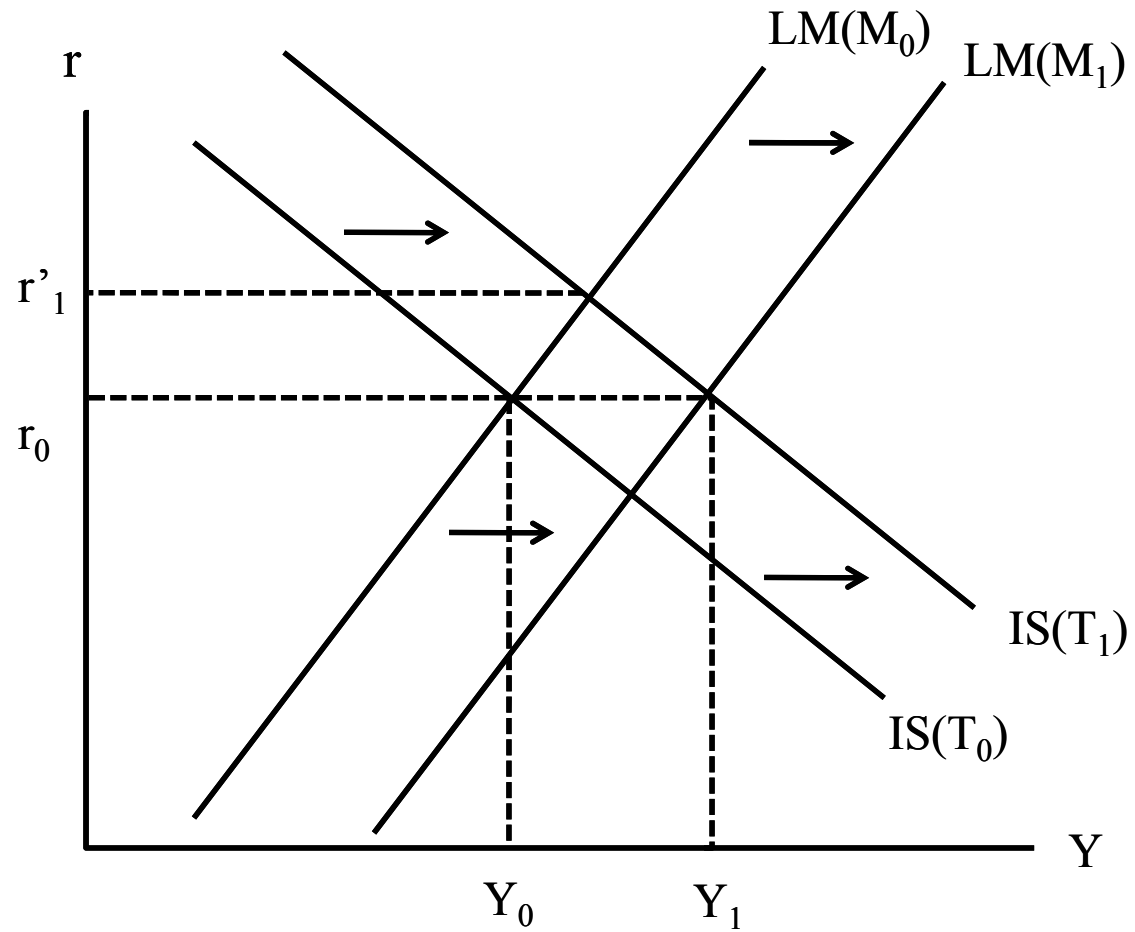
a. Investment Schedule



b. Effect on Income and the Interest rate

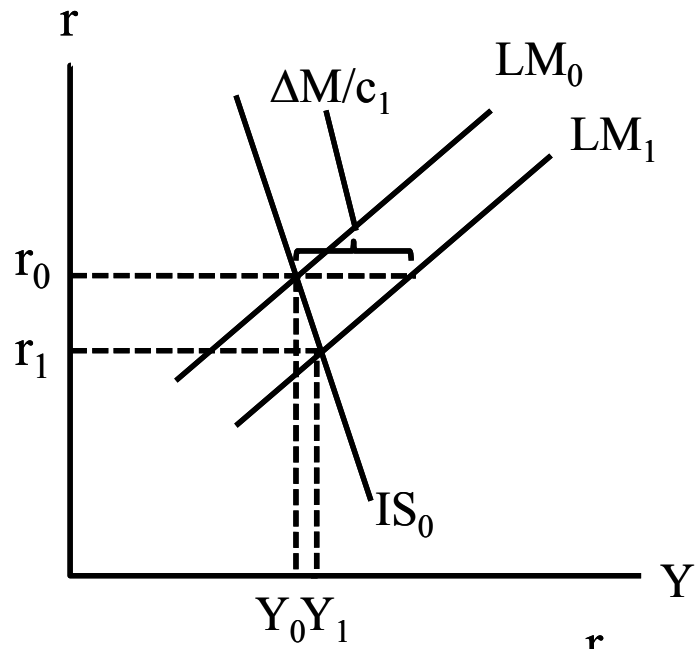


Monetary-Fiscal Policy Combination

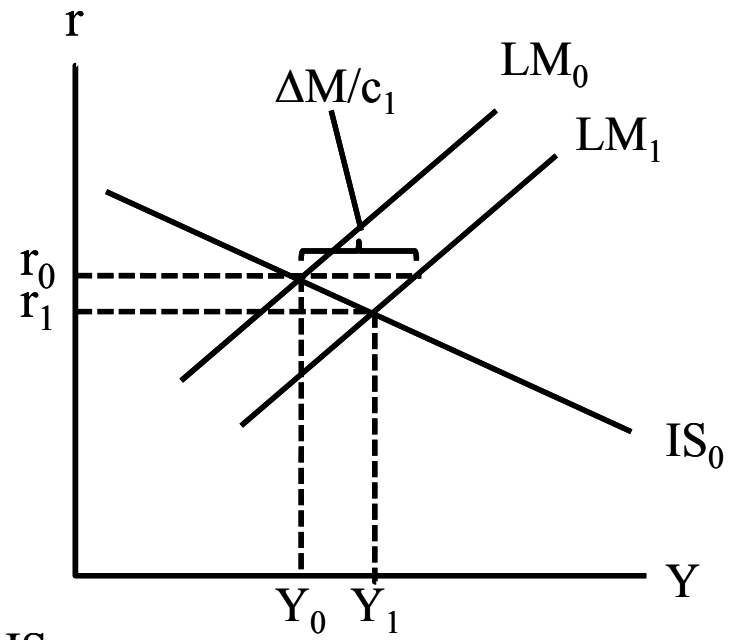


Monetary Policy Effects and the Slope of the IS Schedule

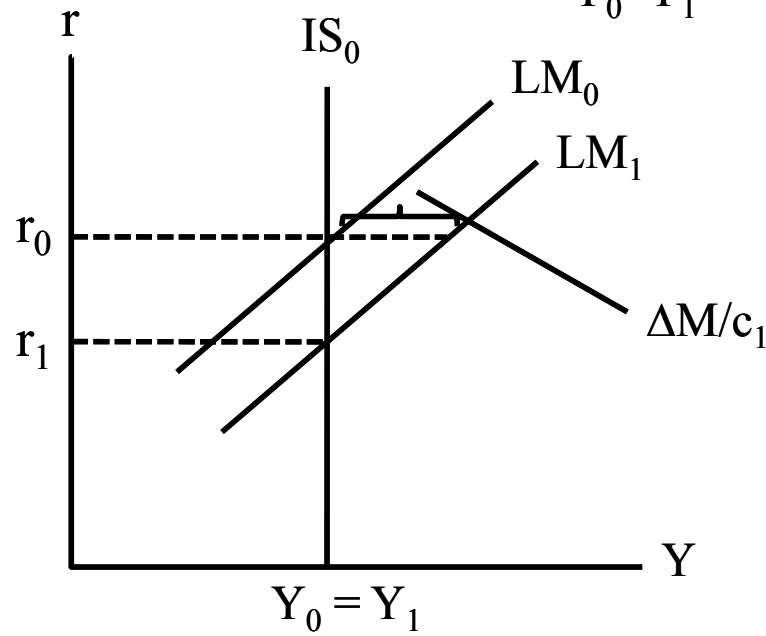
a. Steep IS Schedule



b. Flat IS Schedule

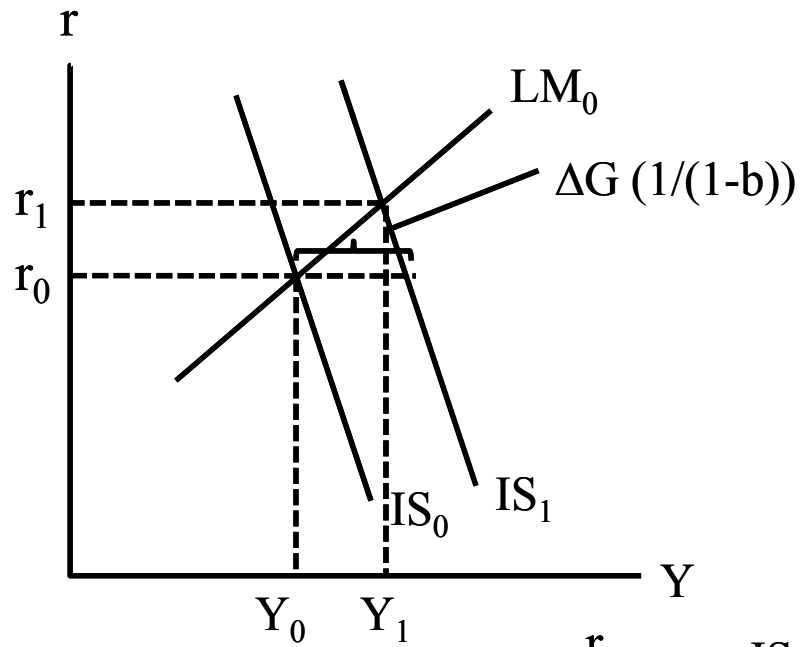


c. Vertical IS Schedule

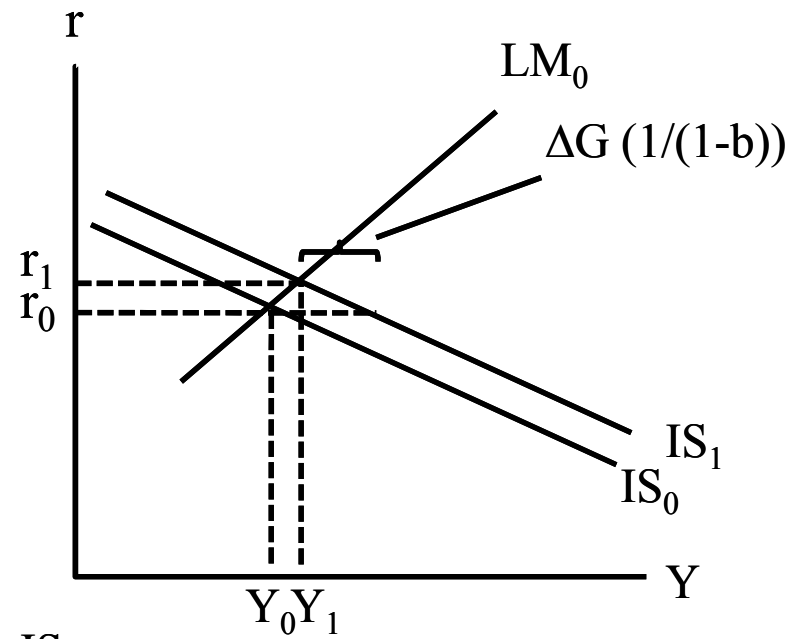


Fiscal Policy Effects and the Slope of the IS Schedule

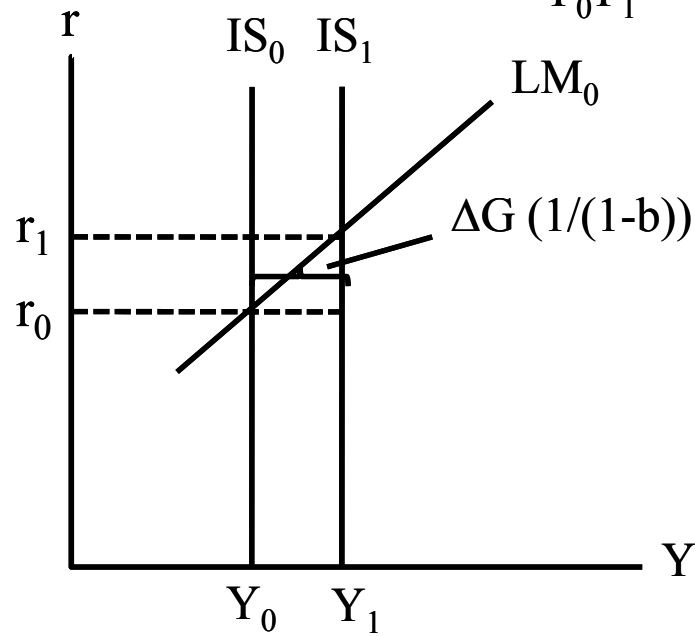
a. Steep IS Schedule



b. Flat IS Schedule

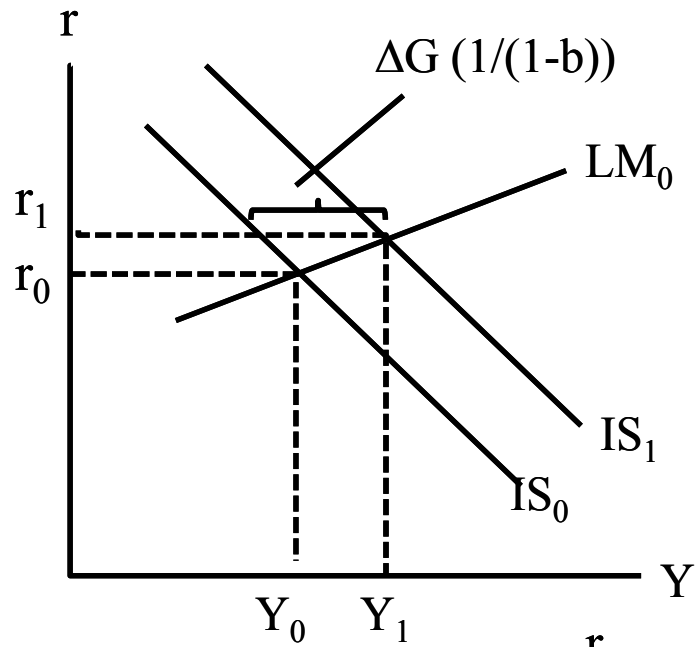


c. Vertical IS Schedule

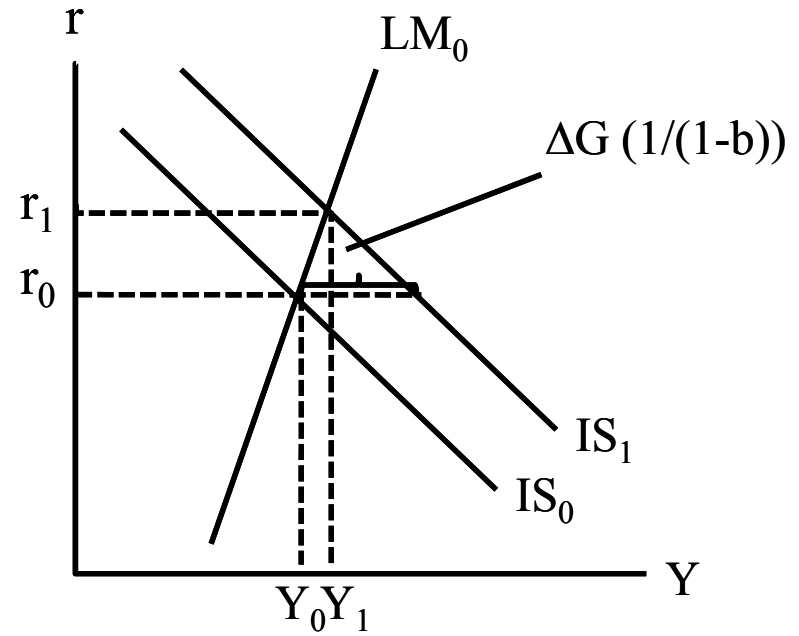


Fiscal Policy Effects and the Slope of the LM Schedule

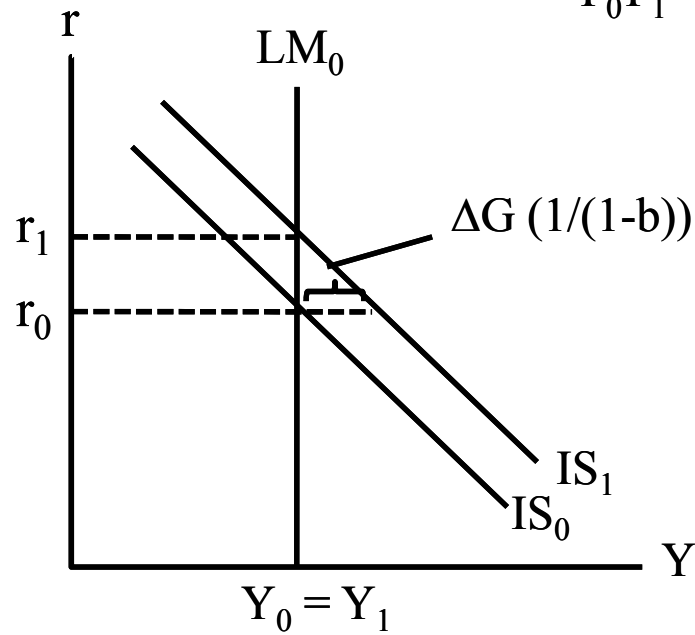
a. Flat LM Schedule



b. Steep LM Schedule

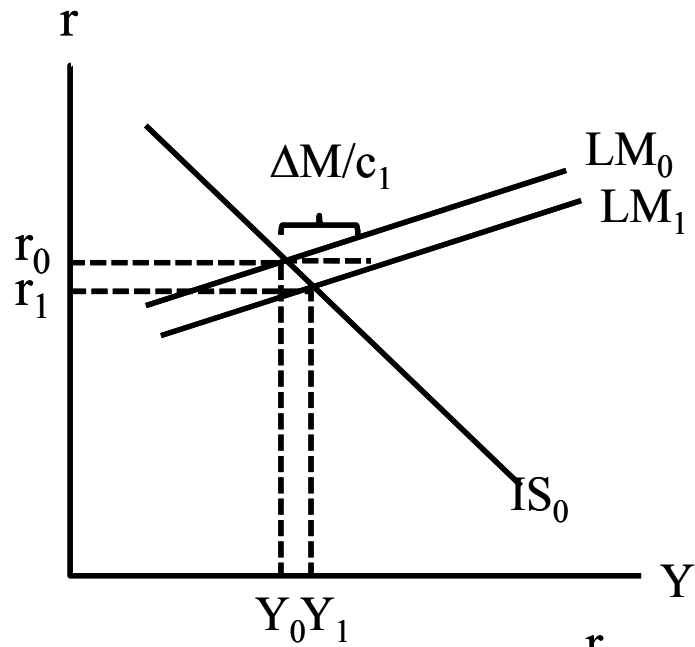


c. Vertical LM Schedule

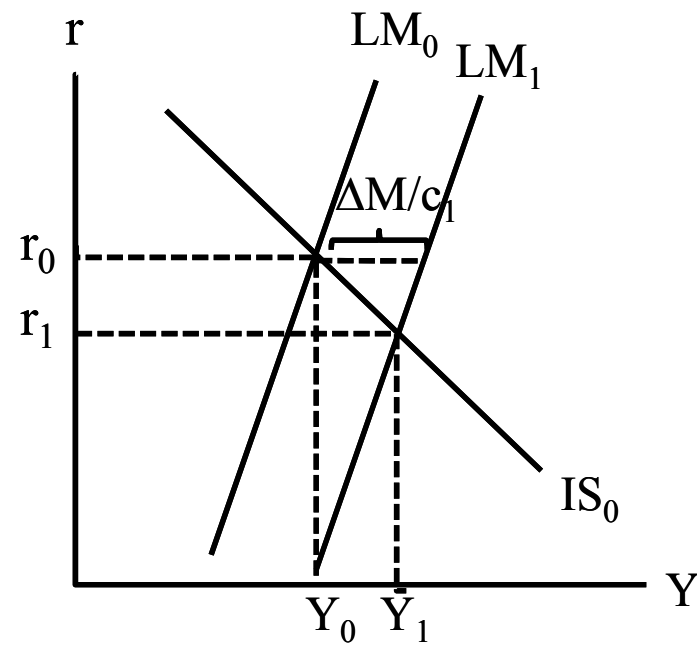


Monetary Policy Effects and the Slope of the LM Schedule

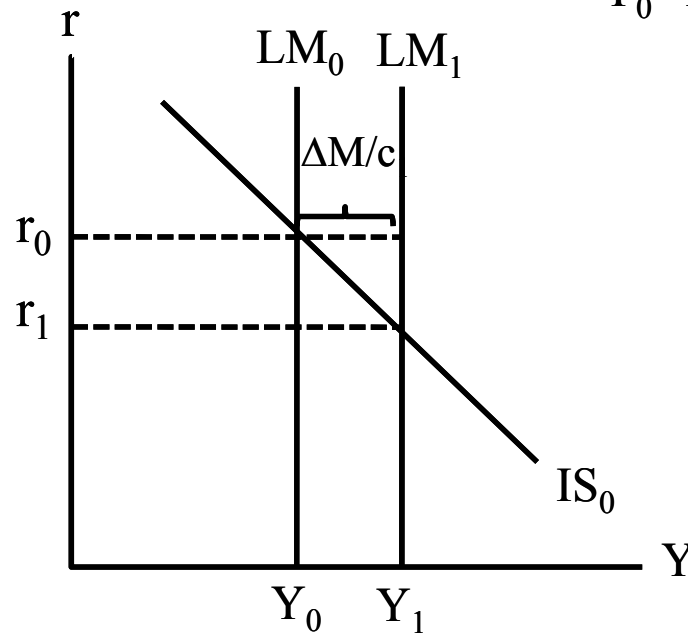
a. Flat LM Schedule



b. Steep LM Schedule

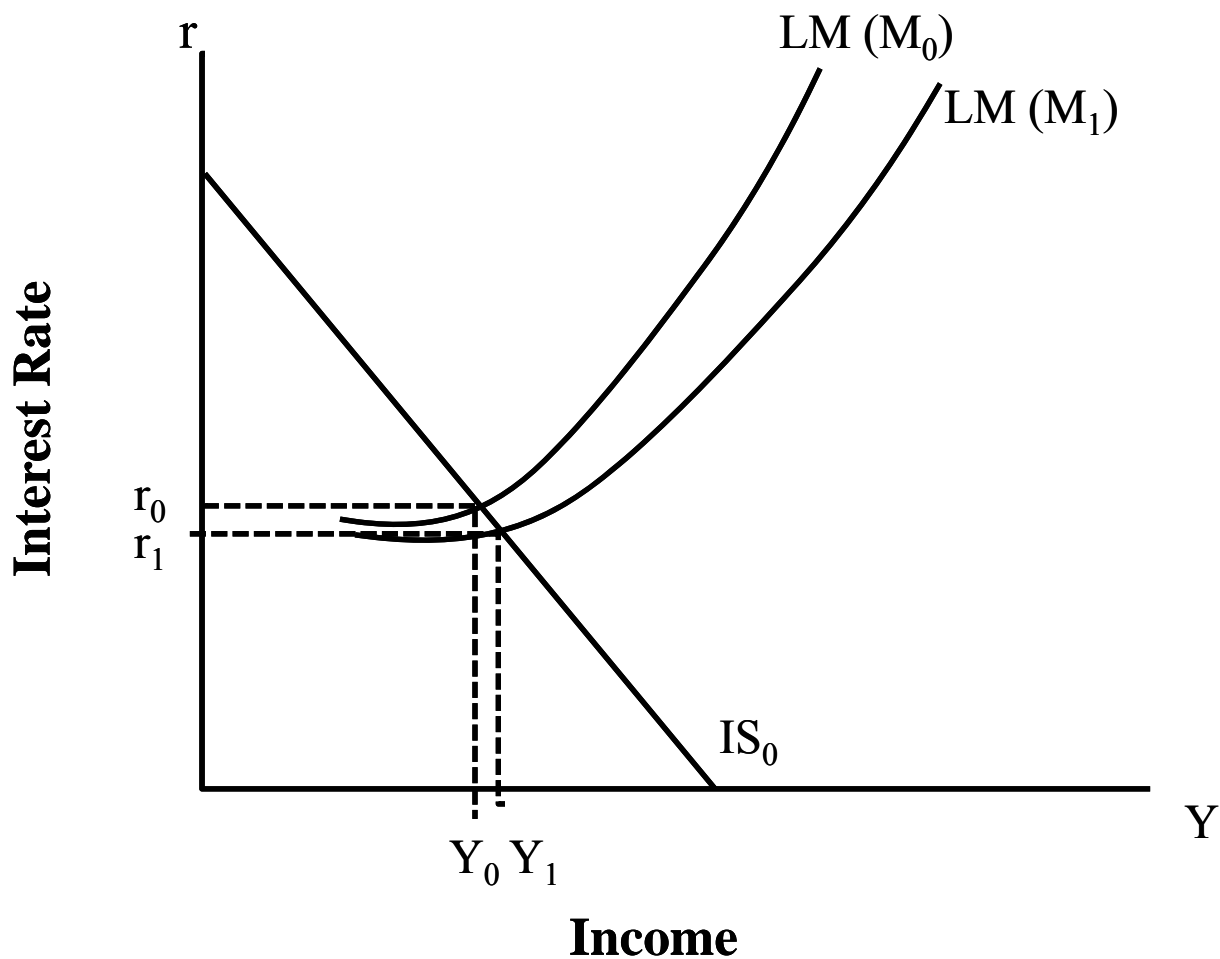


c. Vertical LM Schedule

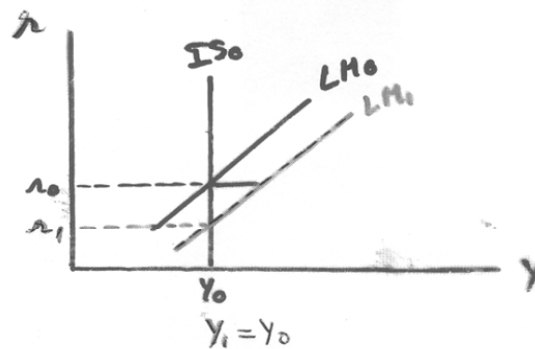
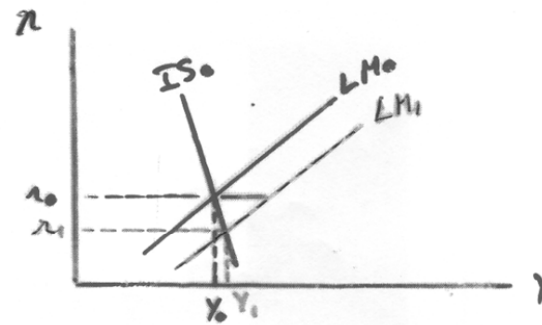
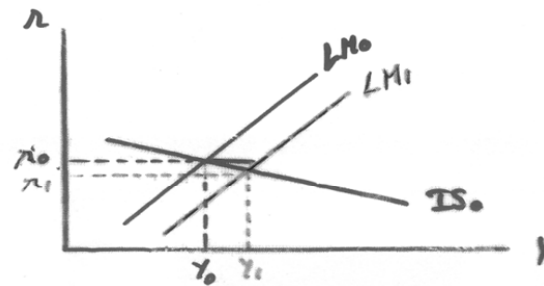


Effect of Monetary Policy in a Liquidity Trap:

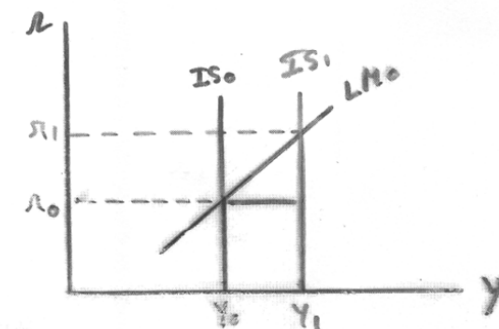
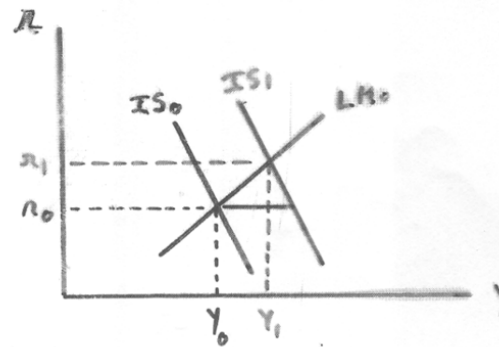
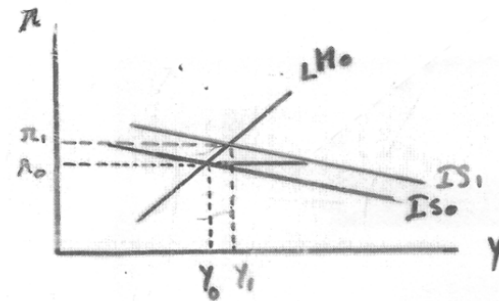
At low levels of interest rates in a liquidity trap monetary policy is ineffective



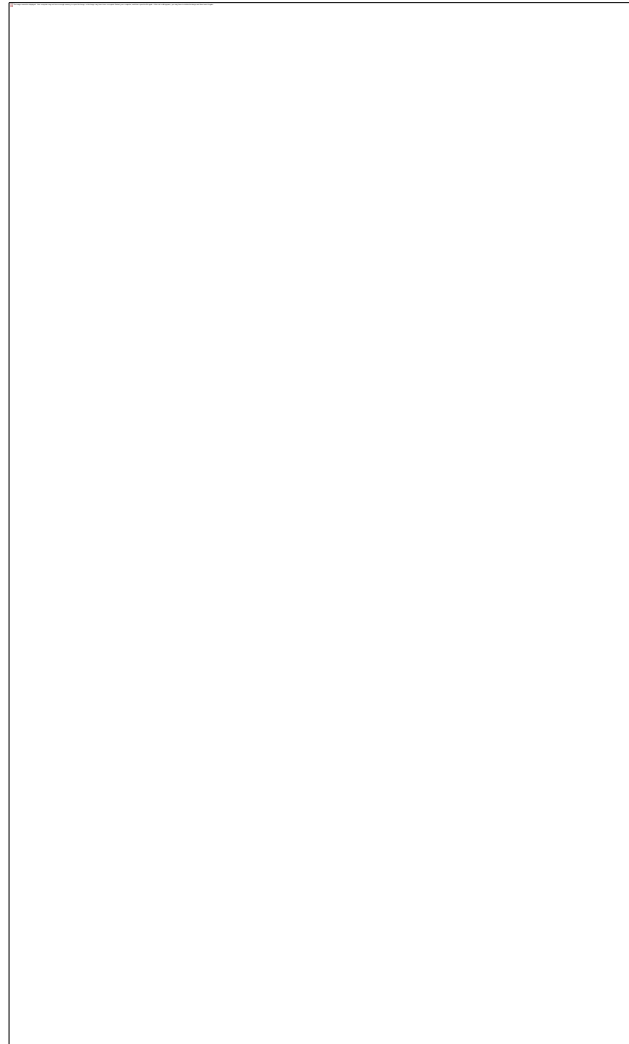
Interest elasticity of investment and effectiveness of monetary policy



Interest elasticity of investment and effectiveness of fiscal policy



Interest elasticity of money demand and effectiveness of fiscal policy



Interest elasticity of money demand and effectiveness of monetary policy

