Consider the IS – LM Model that you have studied so far:

1. Assume the IS-curve shifts to the right.
   a) name two reasons why this could happen.

   b) Draw a diagram and analyze the effect of the shift.

2. Assume the LM-curve shifts to the left
   a) name two reasons why this could happen

   b) Draw a diagram and analyze the effect of the shift.
3. Assume that the government and the central bank both decide on expansionary fiscal and monetary policies. Use the IS - LM model to analyze the effect of these policies. Draw a graph.

4. Assume that the government and the central bank decide on contractionary fiscal and monetary policy. Use the IS - LM model to analyze the effect of these policies. Draw a graph.