Economics 314 Spring 2020
Daily Problem #20 March 5

For each of the following shocks, explain its effect on the *IS* and/or *LM* curve. How (if at all) would the shock affect the aggregate-demand curve?

1. Decrease in financial transaction costs allows people to economize on money holding
2. Decrease in taxes
3. Banks lend out some of their accumulated excess reserves
4. Increase in the general price level
5. Rosier forecast for future income growth
6. Sharp decline in the value of shares of stock
7. Deep recession in Mexico reduces demand for U.S. exports
8. Oregon cuts back on public expenditures to balance budget
9. Federal Reserve decides to tighten monetary policy