Basic Questions to Lecture 6 on the IS Curve

1. What is the IS curve?
2. How is the IS curve related to equilibrium in the goods market?
3. Solve the following model for the IS curve –
    a. $Y = C + I_p + G + NX$
    b. $C = 1000 – 20r + 0.8(Y – Tx)$
    c. $Tx = 200 + 0.10Y$
    d. $NX = 300 – 0.05Y$
    e. $G = 300$
    f. $I_p = 200 – 30r$
4. In the model above – what is the value of the spending multiplier?
5. In the model above – what is autonomous planned spending?
6. In the model above – what is the value of equilibrium GDP when r = 2
7. In the model above – what is the value of equilibrium GDP when r = 10
8. What are the endogenous variables in the above model?
9. What are some of the exogenous variables in the above model?
10. When r = 10, is there a trade deficit? Is there a fiscal deficit?