

Practice Problems: Money Markets and FOREX Market

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1. Analyze the effects of the **US Fed** temporarily increasing the money supply. Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .
2. Analyze the effects of the **US Fed** temporarily decreasing the money supply. Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .
3. Analyze the effects of the **Foreign Central Bank** temporarily increasing the foreign money supply. Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .
4. Analyze the effects of the **Foreign Central Bank** temporarily decreasing the foreign money supply. Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .
5. Analyze the effects of an increase in **domestic real income** (real GDP). Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .
6. Analyze the effects of a decrease in **domestic real income** (real GDP). Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .
7. Analyze the effects of an increase in **foreign real income** (real GDP). Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .
8. Analyze the effects of a decrease in **foreign real income** (real GDP). Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .
9. Analyze the effects of the **US Fed** *permanently* increasing the money supply. Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .
10. Analyze the effects of the **US Fed** *permanently* decreasing the money supply. Show the short-run and long-run results in the money market and the Forex market. At the end, include time paths for M , P , m , i , and E .

11. Analyze the effects of the **Foreign Central Bank** *permanently* increasing the foreign money supply. Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .

12. Analyze the effects of the **Foreign Central Bank** *permanently* decreasing the foreign money supply. Show the short-run and long-run results in the domestic and foreign money markets and the Forex market. At the end, include time paths for M , M^* , P , P^* , m , m^* , i , i^* , and E .