AS - AD Model

(1) $C = b(Y - T)$

(2) $I = er$

(2a) $T = tY - TR$

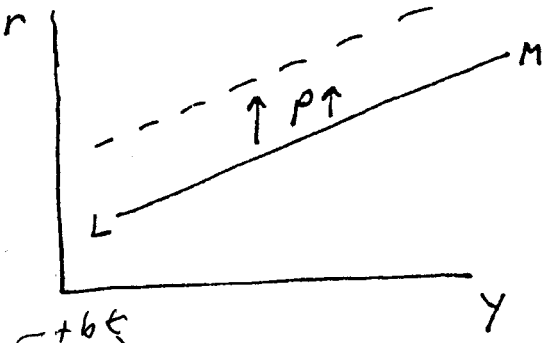
(3) $Y = C + I + G$

(4) $\frac{M^d}{P} = gY + hr$

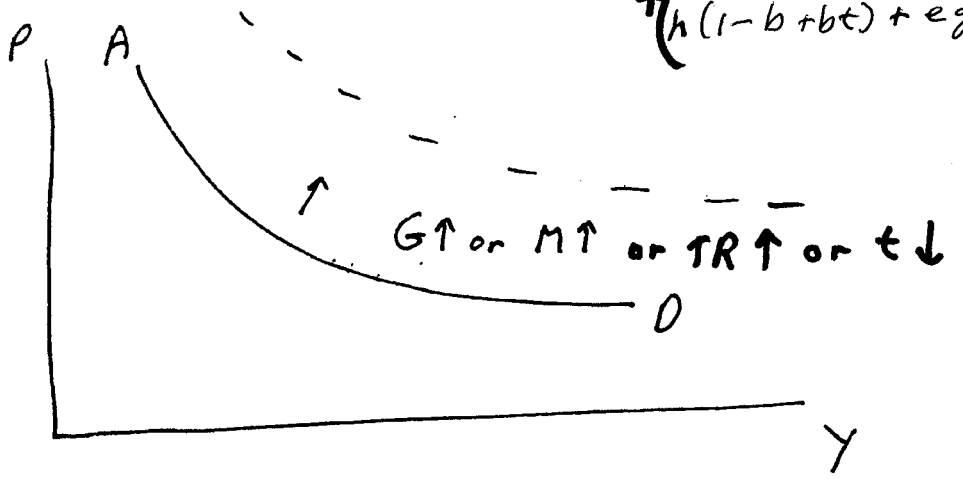
(5) $M^s = M$

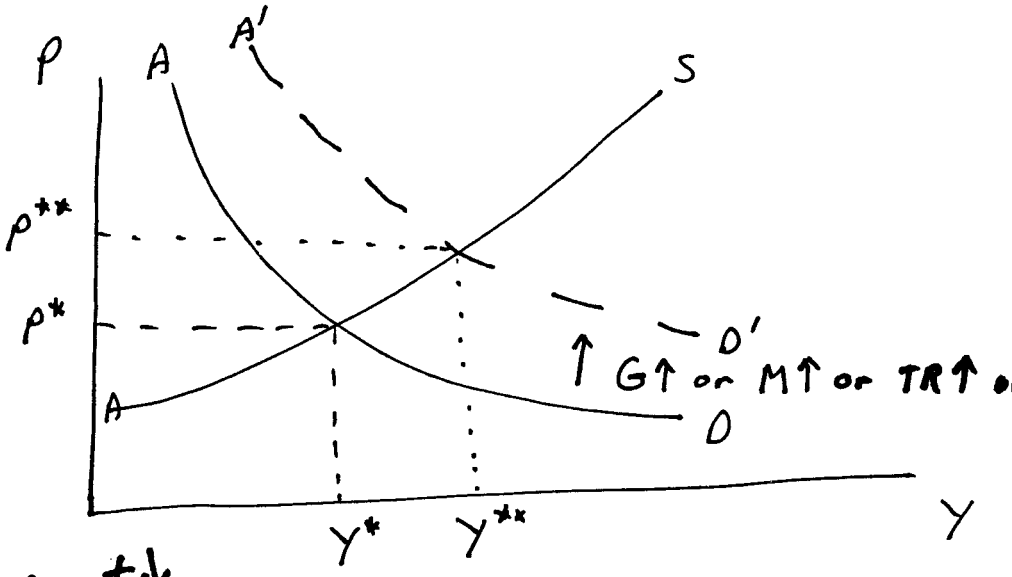
(6) $M^s = M^d$

(6)' $Y = \frac{1}{g}\frac{M}{P} - \frac{h}{g}r$



(3)'' $Y = \left(\frac{e}{h(1-b+bt)+eg}\right)\frac{M}{P} + \left(\frac{h}{h(1-b+bt)+eg}\right)G + \left(\frac{bh}{h(1-b+bt)+eg}\right)TR$



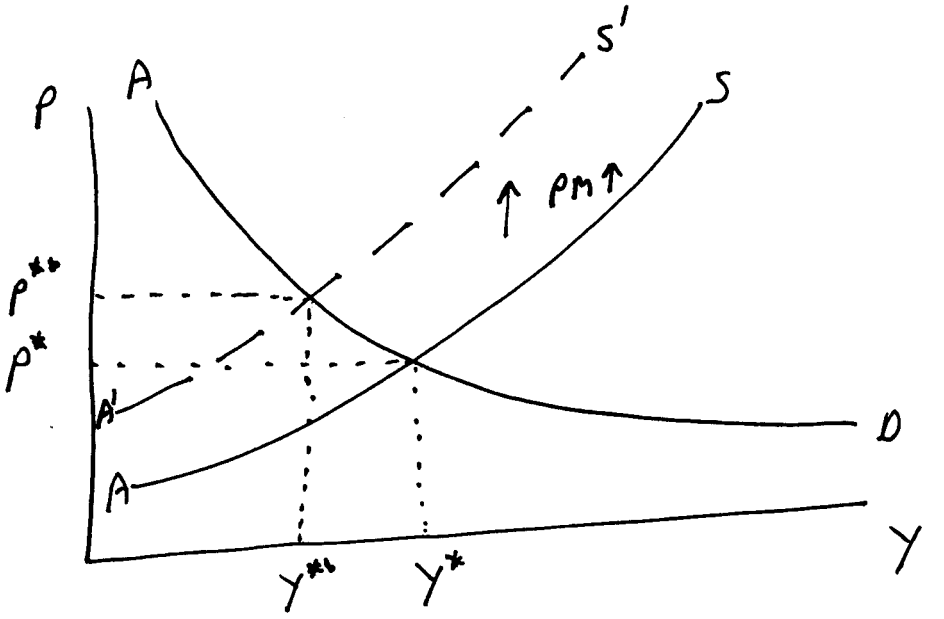


or TR↑ or t↓

$G\uparrow \underset{\wedge}{\Rightarrow} M$ unchanged : $r\uparrow,\ I\downarrow,\ C\uparrow,\ \frac{M^d}{P}\downarrow,\ M^d$ unchanged

$M\uparrow \underset{\wedge}{\Rightarrow} G$ unchanged : $r\downarrow,\ I\uparrow,\ C\uparrow,\ \frac{M^d}{P}\uparrow,\ M^d\uparrow$

(dTR dt)



$PM\uparrow$: $\frac{M^d}{P}\downarrow,\ M^d$ unchanged, $r\uparrow,\ I\downarrow,\ C\downarrow$