

Partner assignments

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Work the following problems from Romer's Chapter 5: **5.6, 5.7, 5.8, 5.10.**

For the first three problems, you are to perform **two additional tasks**:

1. Add a new part: (d) A new central-bank governor is appointed who favors a policy that is more contractionary than his predecessor (*i.e.*, higher interest rates at any given levels of Y and π).
2. In addition to describing the movements in the curves, explain the effects (if any) on domestic output, real interest rates, real exchange rates, and the trade balance.

As always, be sure to explain clearly the economic intuition of your answers.