

Expansionary Monetary Policy to Counteract a Recession w/ reinforcing effect on Net Exports

Res. Ratio ↓	=	ER ↑ ,therefore MS ↑ causing $i\% \downarrow$ which leads to $I_G \uparrow$ so AD → ,resulting in PL↑ and $GDP_R \uparrow$,making $u\% \downarrow$
Disc. Rate ↓		
Buy Bonds		
TAF		

And now! Because $i\% \downarrow$ either $D_\$ \leftarrow$ or $S_\$ \rightarrow$ which causes $\$ \downarrow$ making U.S. goods relatively cheaper and foreign goods relatively more expensive causing $X \uparrow$ and $M \downarrow$ which means $X_N \uparrow$ thereby reinforcing the increase in AD already caused by the increase in I_G .

ER = Excess Reserves
MS = Money Supply
 $i\%$ = Nominal Interest Rate
 I_G = Gross Private Investment
 $D_\$$ = Demand for dollars in FOREX
X = Exports

AD = Aggregate Demand
PL = Price Level
 GDP_R = Real Gross Domestic Product
 $u\%$ = Unemployment Rate
 $S_\$$ = Supply of Dollars in FOREX
M = Imports, X_N = Net Exports

Contractionary Monetary Policy to Counteract Inflation w/ reinforcing effect on Net Exports

Res. Ratio ↑
Disc. Rate ↑
Sell Bonds

= ER ↓ ,therefore MS ↓ causing $i\% \uparrow$ which leads to $I_G \downarrow$
so $AD \leftarrow$,resulting in $PL \downarrow$ and $GDP_R \downarrow$,making $u\% \uparrow$

And now! Because $i\% \uparrow$ either $D_\$ \rightarrow$ or $S_\$ \leftarrow$ which causes $\$ \uparrow$ making U.S. goods relatively more expensive and foreign goods relatively cheaper causing $X \downarrow$ and $M \uparrow$ which means $X_N \downarrow$ thereby reinforcing the decrease in AD already caused by the decrease in I_G .

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