HW question: What happens in SR + LR when G increases?

In SR TT rises as we move along TA curve with ITT rising which causes TA to shift UP raising IT, causing SR to raise real rate by shifting MP up.

Note that Y rises, T rises + IT rises in the short run.

In LR, Y now returns to YFE, T rises even more + IT rises even more.

In the very long run, the AG means there is less savings to finance T and capital falls. Hence YFE = K"(ANFE)"^"o" unless foreign saving flows in to keep I from falling.