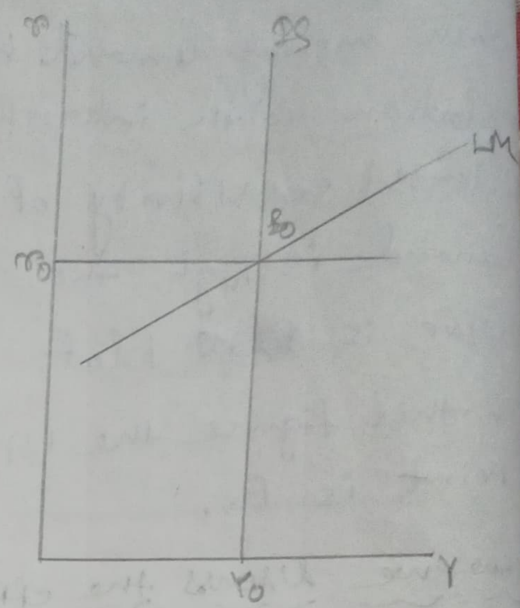
i) IS curve is vertical:-

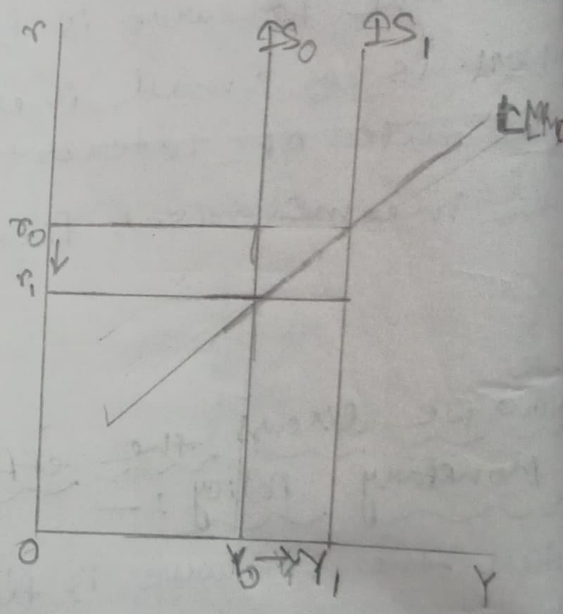
IS curve is vertical when investment demand has no relation with interest rate and interest sensitivity of investment is zero.



In this diagram, interest rate is r_0, income is Y_0 and the equilibrium point is E_0.

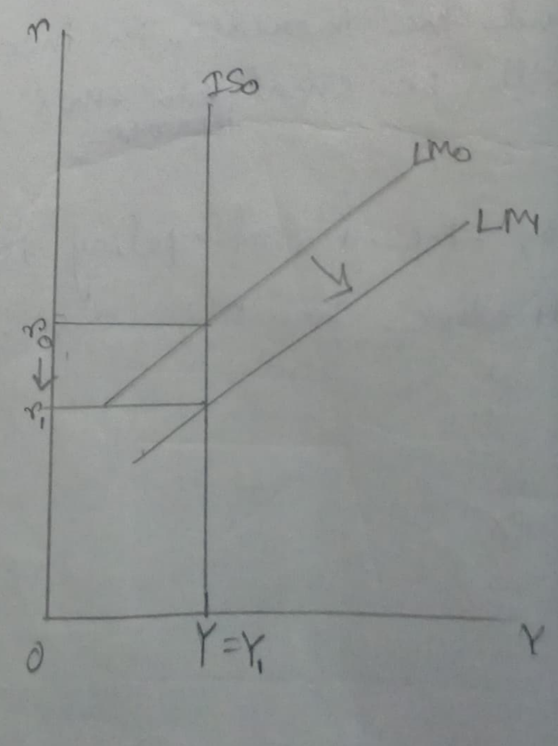
Now we discuss the effect of fiscal policy:-

When the LM curve is vertical the rate of interest decreases from r_0 to r_1 and the Income increases from Y_0 to Y_1.



Now we discuss the effect of Monetory policy:-

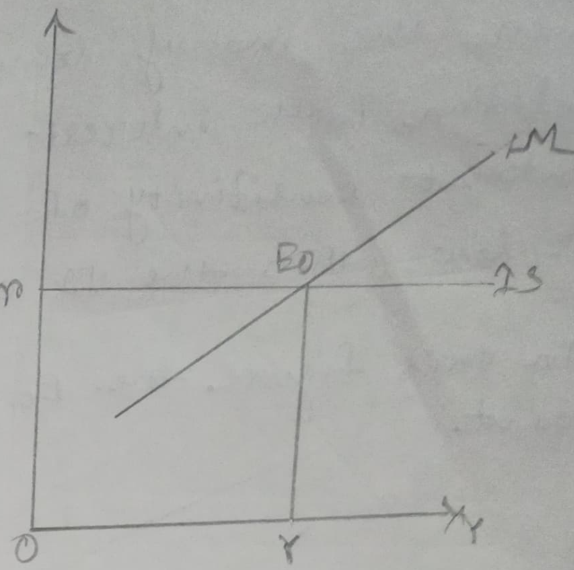
In monetory policy the rate of interest decreases from r_0 to r_1. But there is no effect on income.



So, in this case fiscal policy is more effective. Because there is an increase in income.

ii) IS curve is horizontal :-

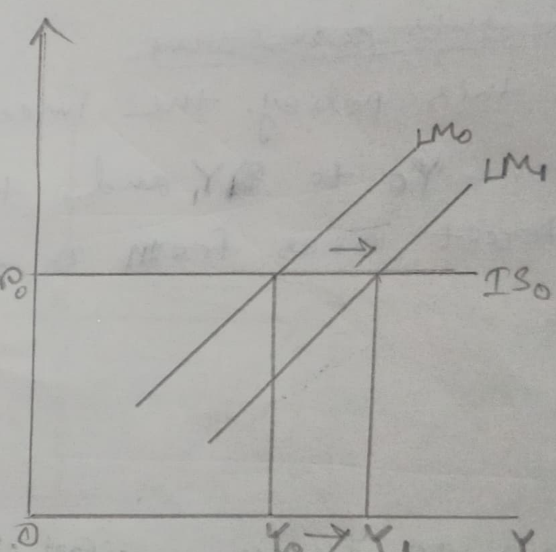
when Investment has extreme relation with interest rate and interest sensitivity of investment is infinity the then the IS curve is horizontal.



In this figure the equilibrium point is E_0.

Now we discuss the effect of Monetory Policy :-

In monetory policy when the IS curve is horizontal there is no effect on rate of interest. The income rises from Y_0 to Y_1.



Now we discuss the effect of fiscal Policy :-

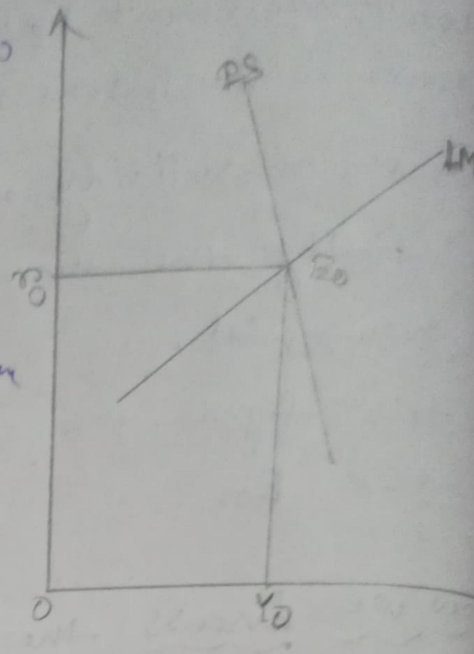
If the IS curve is horizontal, ~~the monetory po~~ The fiscal policy is completely ineffective.

So, in this case the Monetory policy is more effective.

iii) IS curve is steep →

When the money demand has low relation with interest rate and interest sensitivity of investment is low, then the IS curve is steeper.

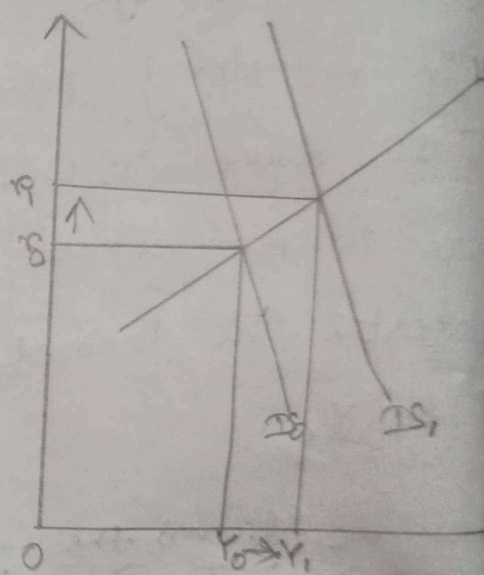
In this figure ~~the~~ E_0 is the Equilibrium point.



Now we discuss the effect of fiscal policy :-

~~In this case curve~~

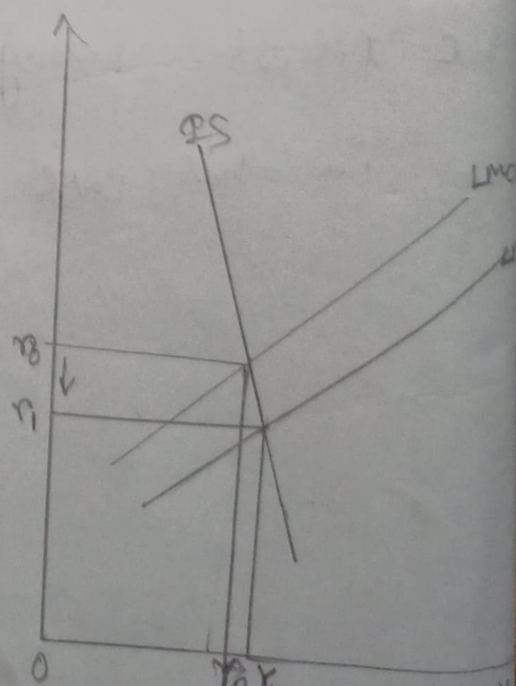
In this policy the Income increases from Y_0 to Y_1 and the rate of interest rises from r_0 to r_1.



Now we discuss ~~Monetary~~ the effect of monetary policy :-

When the IS curve is steeper the rate of interest falls from r_0 to r_1. But there is a small increase in income.

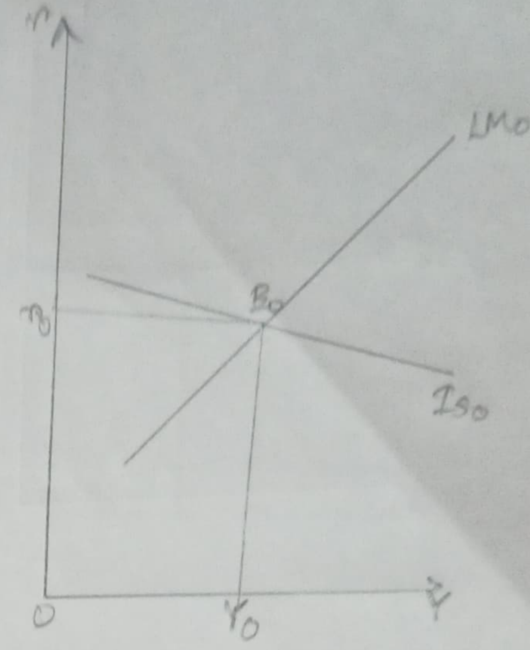
In the fiscal policy the income increases more than the monetory policy. So, the fiscal policy is more effective.



iv) IS curve is flat:-

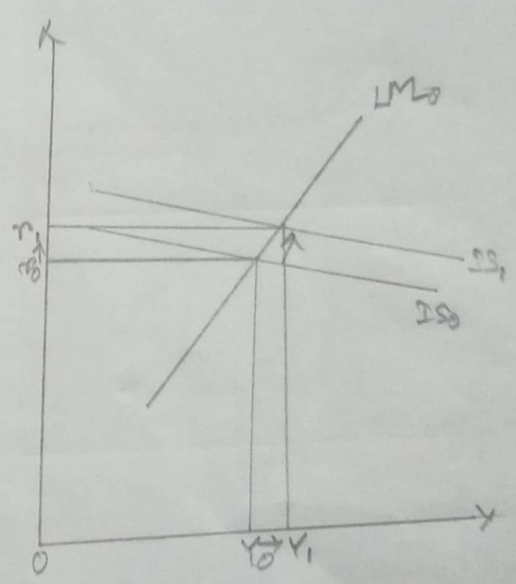
When investment has high relation with interest rate and interest sensitivity of investment is zero then the IS curve is flat.

In this figure the equilibrium point is E_0.



Now we discuss the effect of fiscal policy:-

When the IS curve is flat there is an increase in rate of interest and the income rises from Y_0 to Y_1.



Now we discuss the effect of monetory policy:-

In the monetory policy when IS curve is flatter, there is a small fall in rate of interest and the income increases from Y_0 to Y_1.

So, the monetory policy is more effective.