I. Hold expected future exchange rates and price constant (short-run; temporary shock)
   1. Domestic money increases
   2. Foreign money increases
   3. Domestic output increases

II. Hold price constant and let expected future exchange rates vary (short-run; permanent shock). Analyze the first two shocks.

III. Let price adjust and find the long-run effects of the first two permanent shocks. Determine when the exchange rate overshoots.