

Fiscal & Monetary Policy

How do policymakers stabilize the economy?

MACROECONOMICS

Fiscal Policy

The spending and taxing policies used by Congress and the president

WHO?



Congress



President

Fiscal Policy Tools

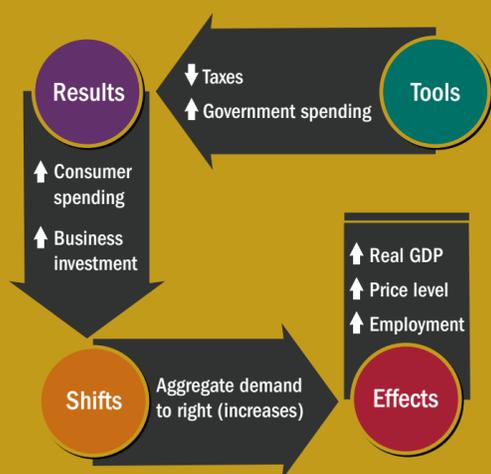
Changes in government spending



Tax policy: Changes in tax rates and rules

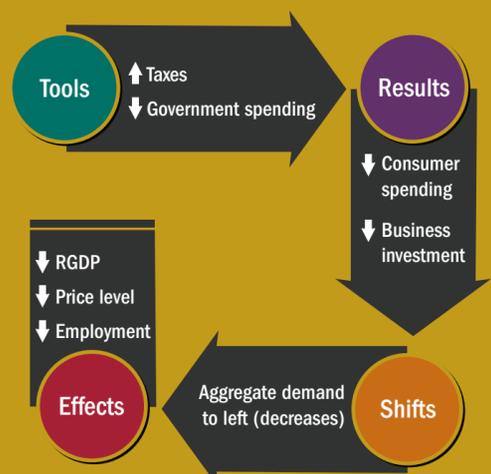
Expansionary Fiscal Policy

Tools used to stimulate the economy during a recession: Lowering taxes or increasing government spending.



Contractionary Fiscal Policy

Tools used to stabilize the economy in times of inflation: Increasing taxes or lowering spending.



Monetary Policy

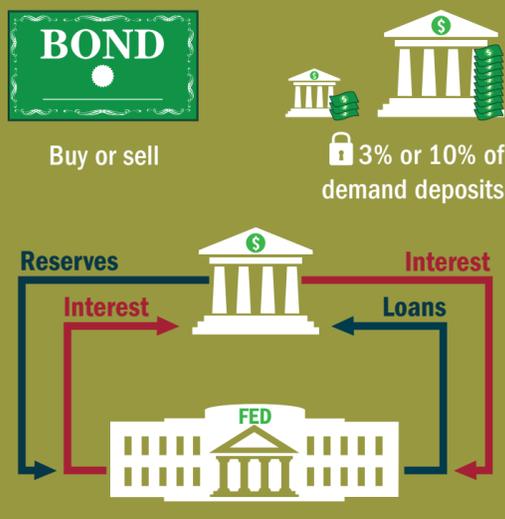
The tools used by the Federal Open Market Committee to influence the availability of credit and the money supply

WHO?



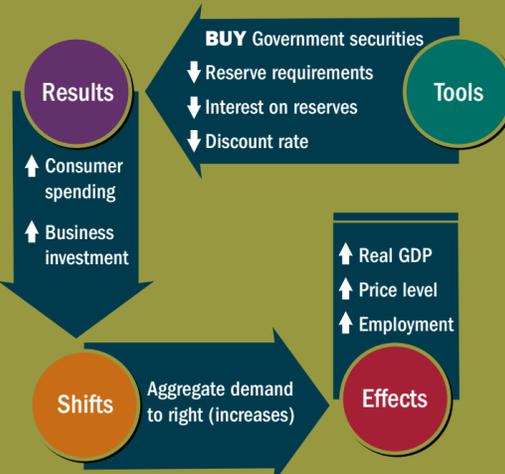
Monetary Policy Tools

Open market operations Reserve requirement



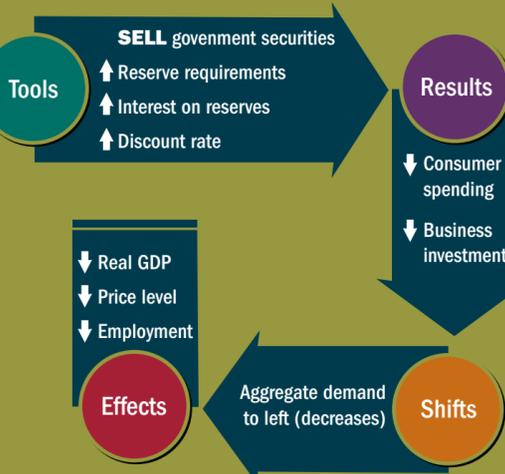
Expansionary Monetary Policy

Tools used to stimulate the economy during a recession: Buying government securities. Lowering the reserve requirement. Lowering the discount rate. Lowering interest paid on required and excess reserves.



Contractionary Monetary Policy

Tools used to stabilize the economy in times of inflation: Selling government securities. Increasing reserve requirements. Increasing the discount rate. Increasing the interest paid on required and excess reserves.



Fiscal and Monetary Policy Goals

Influence and stabilize the economy. Promote price stability. Promote maximum sustainable employment.

