

Fiscal & Monetary Policy

How do policymakers stabilize the economy?
MACROECONOMICS

Fiscal Policy

The spending and taxing policies used by Congress and the president

WHO?



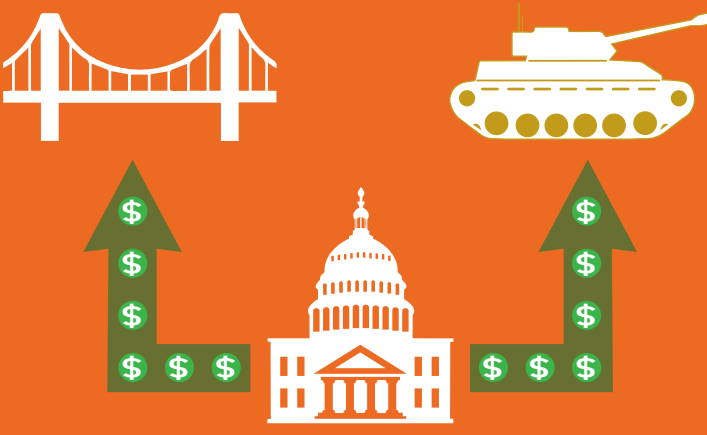
Congress



President

Fiscal Policy Actions

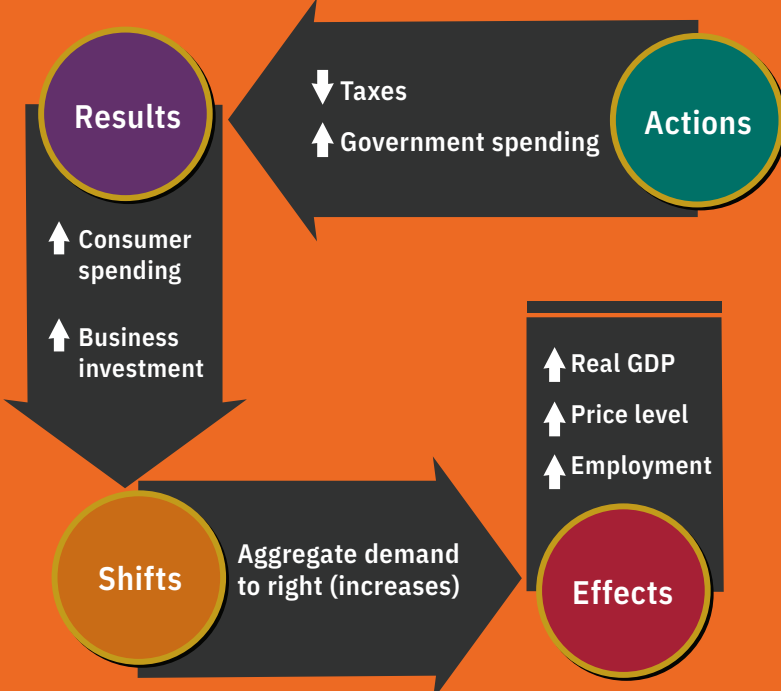
Changes in government spending



Tax policy: Changes in tax rates and rules

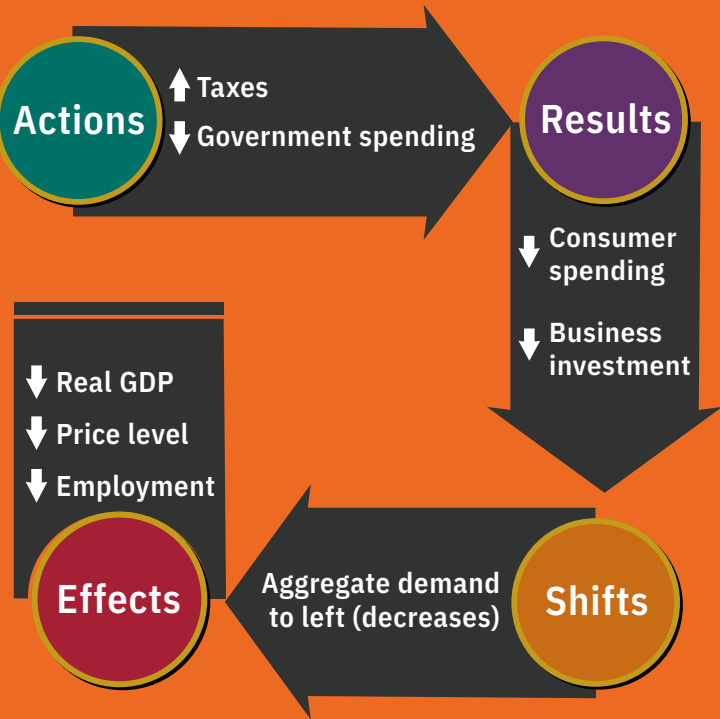
Expansionary Fiscal Policy

Actions used to stimulate the economy during a recession: lower taxes or increase government spending.



Contractionary Fiscal Policy

Actions used to stabilize the economy in times of inflation: increase taxes or lower spending.



Monetary Policy

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

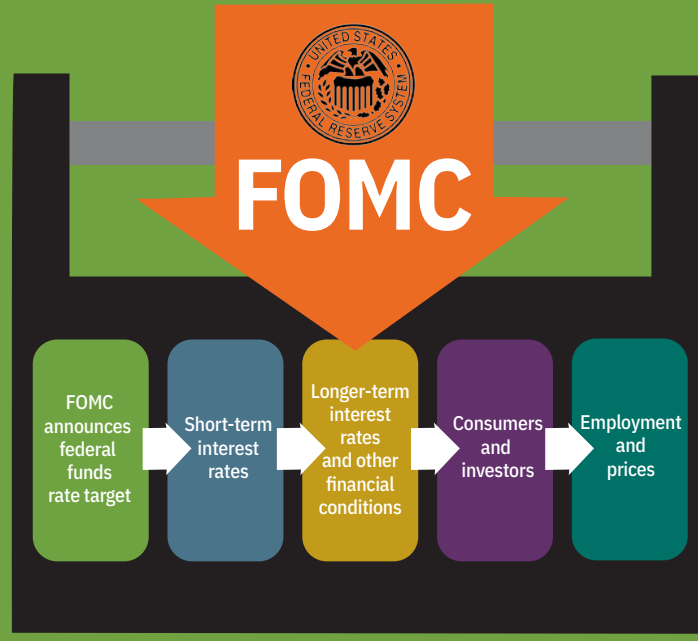
WHO?



Monetary Policy Actions

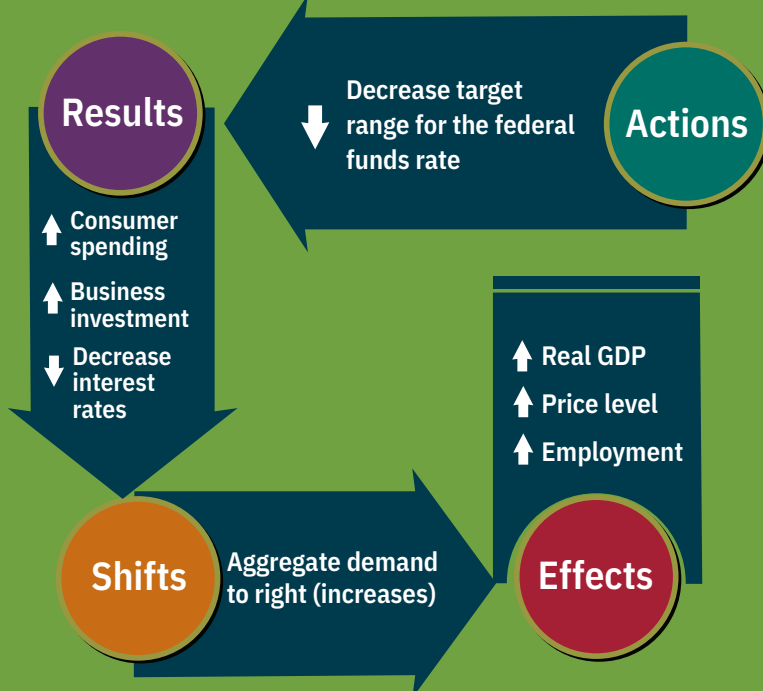
Federal Open Market Committee (FOMC)

Issues FOMC statement after each FOMC meeting—eight times/year—and announces changes to the target range for the federal funds rate



Expansionary Monetary Policy

Actions used to stimulate the economy during a recession: decrease the target range for the federal funds rate.



Contractionary Monetary Policy

Actions used to stabilize the economy in times of inflation: increase the target range for the federal funds rate.



Fiscal and Monetary Policy Goals

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

