

# Fiscal & Monetary Policy

How do policymakers stabilize the economy?  
MACROECONOMICS

## Fiscal Policy

The spending and taxing policies used by Congress and the president

### WHO?



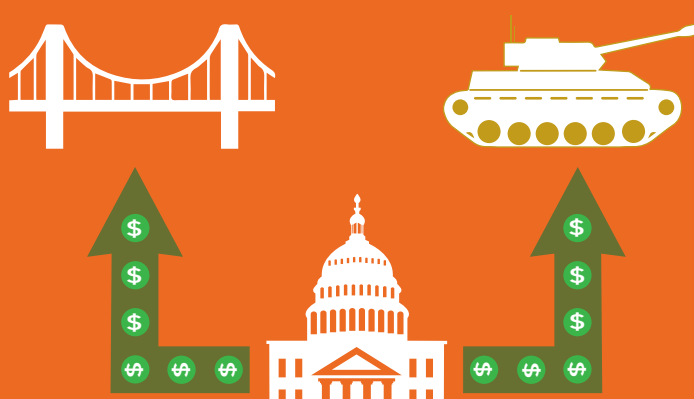
Congress



President

## Fiscal Policy Actions

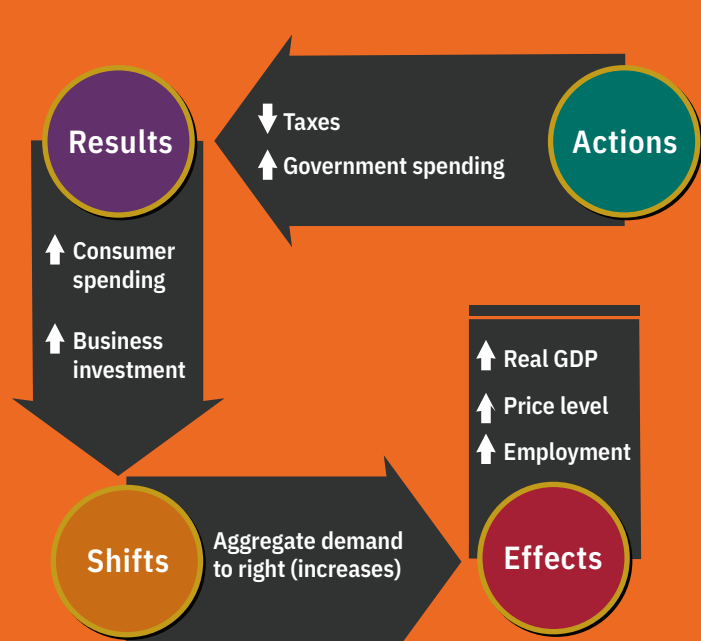
Changes in government spending



Tax policy: Changes in tax rates and rules

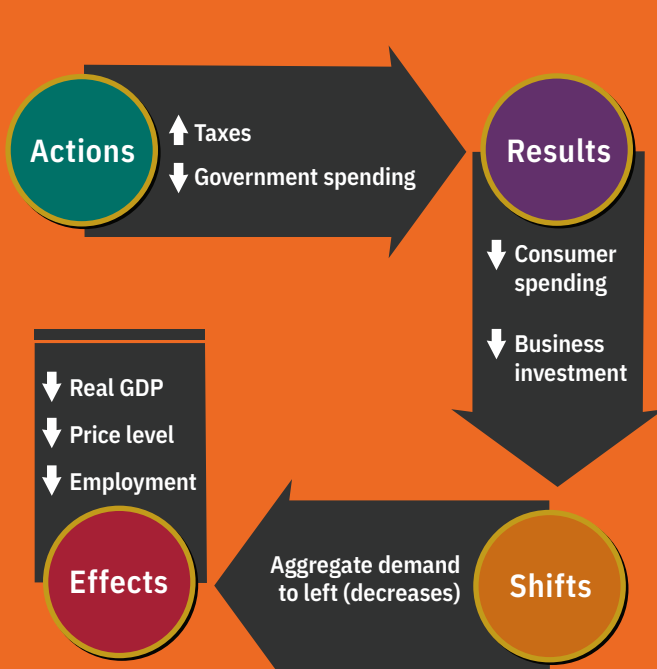
## Expansionary Fiscal Policy

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



## Contractionary Fiscal Policy

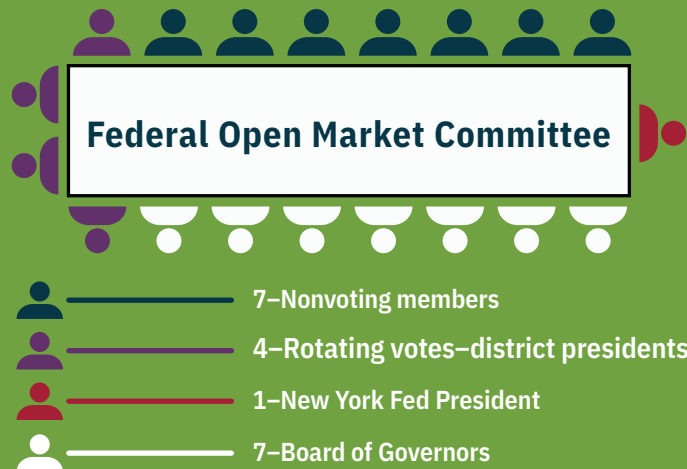
Actions used to stabilize the economy in times of inflation: increase taxes or lower spending.



## Monetary Policy

The actions taken by the Federal Open Market Committee to influence the availability of credit and the money supply

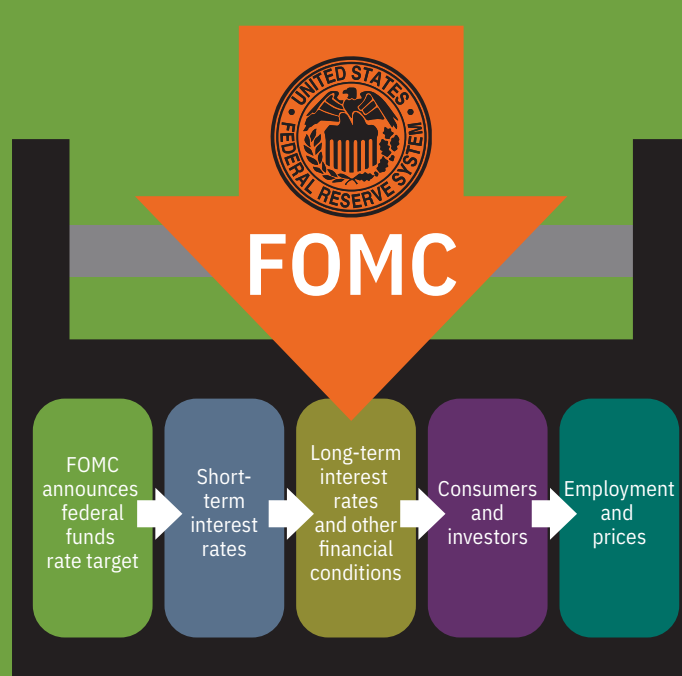
### WHO?



## Monetary Policy Actions

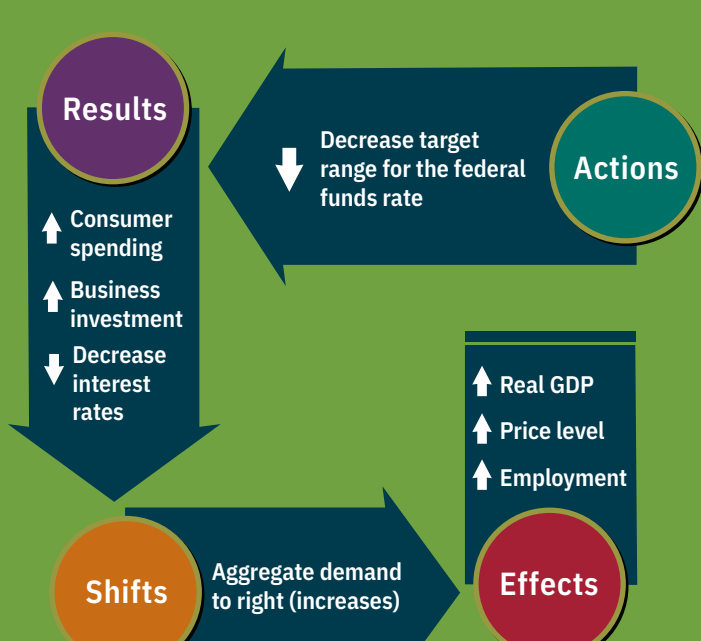
Federal Open Market Committee (FOMC)

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



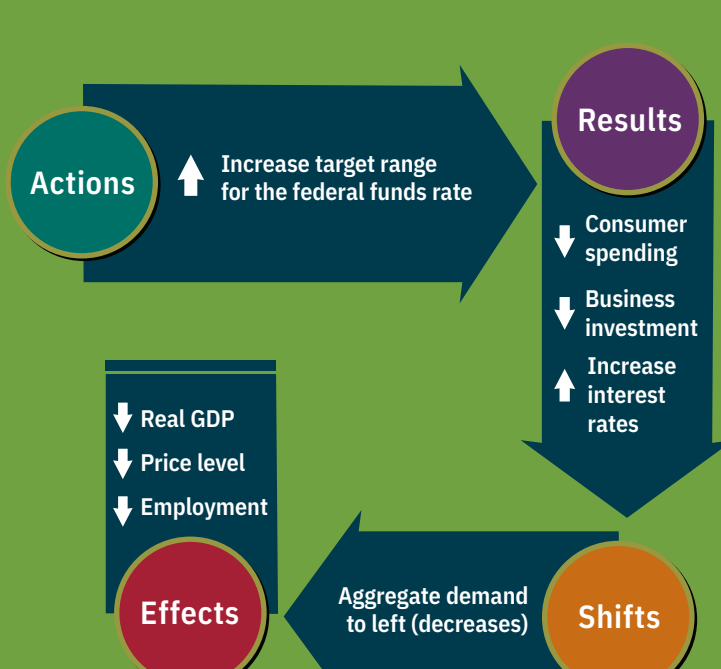
## Expansionary Monetary Policy

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



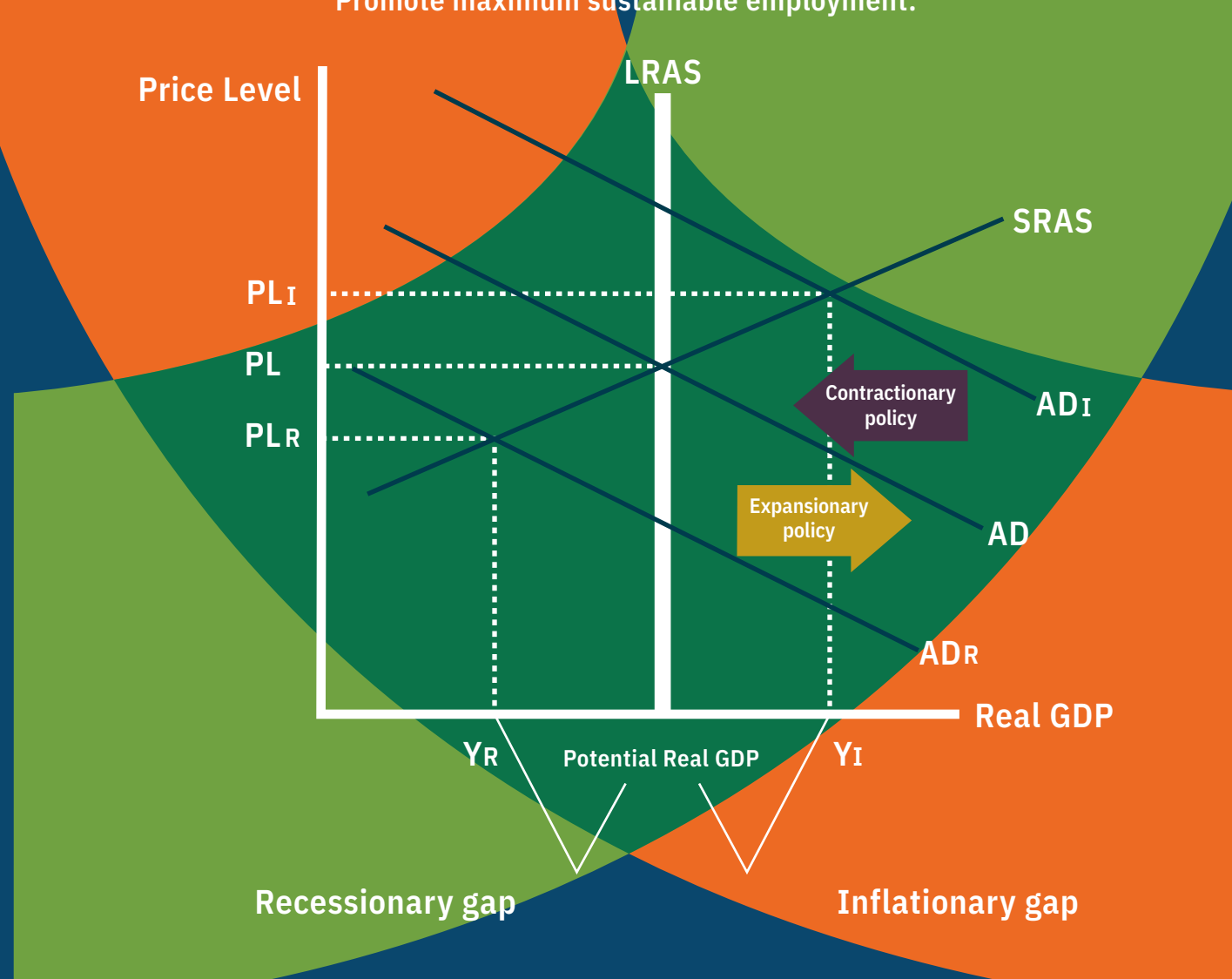
## Contractionary Monetary Policy

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.



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