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 or taxes.

**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?**

- 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.

**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.

**Monetary Policy Goals**

Influence and stabilize the economy.

- Promote price stability.
- Promote maximum sustainable employment.

**Fiscal and Monetary Policy Goals**

- Influencing and stabilizing the economy:
  - Promote economic stability.
  - Promote economic growth.

**Aggregate Demand**

- SRAS (Short-run Aggregate Supply)
- LRAS (Long-run Aggregate Supply)

**Price Level**

- PL (Price Level)
- IPL (Inflationary Pressure Level)
- RL (Recessionary Pressure Level)

**Government Spending**

- FG (Government Spending)

**FOMC**

- FOMC (Federal Open Market Committee)

- FOMC statement
- Announces changes to the target range for the federal funds rate.

**Short-term interest rates**

- The target range for the federal funds rate.

**Longer-term interest rates and other financial conditions**

- Employment and prices.

**Consumers and investors**

- Employment and prices.

**Fiscal & Monetary Policy**

- The Federal Reserve Bank of Atlanta

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