MONETARY (Federal Reserve Board) AND FISCAL (Congress) POLICY WORKSHEET
Fill in the Blank with Either "Increase" or "Decrease"

Basic Definitions:	**Prices**	**Unemployment**
Recession	________	________
(Economic downturn) Not enough money is being spent, thus, not enough money in circulation		
Inflationary (Eco. over-stimulation) Too much money is being Spent, thus, too much money in circulation	________	________

How Congress Tries to Fix a Recession	**Spending**	**Taxes**
	________	________

Summary: Since the economy is in a downward cycle, Congress should try to *expand* economic activity by making more money available to the public so that they can spend it so as to re-invigorate or stimulate the economy. By increasing government spending and decreasing taxes, it increases the amount of money in circulation.

How Congress Tries to Fix Inflation	**Spending**	**Taxes**
	________	________

Summary: Since the economy is over-stimulated, Congress should try to *contract* economic activity by making less money available to the public so that there is less spending and more saving. By decreasing government spending and increasing taxes, it decreases the amount of money in circulation, thus slowing down the economy.

How the Federal Reserve Tries to Fix a Recession **Discount Rate** **Reserve Requirement**

__________ __________

Summary: Since the economy is in a downward cycle, The Federal Reserve Board should try to *expand* economic activity by making more money available to the public so that they can spend it so as to re-invigorate or stimulate the economy. By decreasing the Discount Rate, it is more likely that people would borrow more money (since interest rates would be lower) and spend the money they borrowed. By decreasing the Reserve Requirement, banks would not need to hold on to as much money and would be more able to lend that money to people who want to borrow it in order to buy things. These moves would increase the amount of money in circulation.

How the Federal Reserve Tries to Fix Inflation **Discount Rate** **Reserve Requirement**

__________ __________

Summary: Since the economy is over-stimulated, the Federal Reserve should try to *contract* economic activity by making less money available to the public so that there is less spending and more saving. By increasing the Discount Rate, it is less likely that people would borrow money (since interest rates would be higher) and save money rather than speed it. By increasing the Reserve Requirement, banks would be obligated to keep more money in their vaults and would be less able to lend that money to people. These moves would decrease the amount of money in circulation, thus slowing down the economy.