

MACRO

VI. Fiscal Policy, economic growth and productivity

Fiscal policy

Economic growth

Productivity

VII. Money, Banking & Monetary Policy

Money and financial assets

Fractional reserve banking and money creation

Monetary Policy

VI. Fiscal Policy, Economic Growth and Productivity

Fiscal Policy

Government's efforts to increase or decrease AD and therefore the economy through the use of government spending and/or taxes

Discretionary Fiscal Policies

Expansionary Fiscal Policy

Contractionary Fiscal Policy

Deficits and Surpluses

Debt v. deficit

Expansionary policy and financing the budget deficit

Borrow

Print money

Contractionary policy and the problems of surplus

Pay down the debt v. do nothing

Automatic Stabilizers

Progressive income taxes

Transfer payments

Problems w/ fiscal policy

“Crowding Out”

Net Export Effect

Economic Growth and Productivity

Production Possibilities

Resource increases

Quality of resources
Improvements in technology

Productivity

Determinants of productivity

Stock of capital

Labor

Land

Technology

Supply side economics

Creating incentives for households and businesses to invest

VII. Money, Banking and Monetary Policy

Money and Financial Assets

Money - In general anything which helps facilitate trade between producers and consumers

Financial Assets

Stocks

Bonds

Functions of money

Medium of exchange

Unit of account

Store of value

Time value of money

Depreciation

Interest rates

The Money Supply

M1

M2

M3

Demand for money

Transaction demand

Asset demand

Total demand

Graph

The Money Market

Increases in the money supply

Decreases in the money supply

Increases in demand for money

Decreases in demand for money

Fractional reserve banking

Reserve ratio

T-accounts

Balance sheet

Assets

Liabilities

Required reserves

Excess reserves

The Money Multiplier

Limitations on the money multiplier

Monetary Policy

Tools of monetary policy

Required reserve ratio

Discount rate

Open market operations

Fed funds

Open market operations and the bond market

Expansionary Monetary Policy or Easy Money → fighting recession

Contractionary Monetary Policy or Tight Money → containing inflation

Graphing Monetary Policy

Easy Money

Tight Money

Fiscal / Monetary combinations

Fighting recession:

Fighting Inflation