Topic 5.1 Fiscal & Monetary Actions

1. Review: Fill out the fiscal policy action for each of the following economic problems.

	Taxes	Government Spending
Inflationary Gap		
Recessionary Gap		

2. Review: Fill out the monetary policy action for each monetary policy tool that goes with the economic problem indicated.

	Open Market Operation with scarce reserves	Reserve Requirement with scarce reserves	Discount Rate with scarce reserves	Interest on Reserves with ample reserves	Administered Rates with ample reserves
Inflationary Gap					
Recessionary Gap					

3. Indicate how expansionary or contractionary monetary and fiscal policy impact the AD curve and interest rates.

	Expansionary Monetary Policy	Expansionary Fiscal Policy	Contractionary Monetary Policy	Contractionary Fiscal Policy
AD Curve				
Interest Rates				

4. Assume there is expansionary fiscal policy and expansionary monetary policy. Fill out the table below indicating what will happen to real output, the price level, unemployment, interest rates, gross investment, and economic growth. Choices are increase, decrease, and indeterminate.

Real Output	Price Level	Unemployment	Interest Rates	Investment	Growth

5. Assume there is contractionary fiscal policy and contractionary monetary policy. Fill out the table below indicating what will happen to real output, the price level, unemployment, interest rates, gross investment, and economic growth. Choices are increase, decrease, and indeterminate.

Real Output	Price Level	Unemployment	Interest Rates	Investment	Growth

6. Assume there is contractionary fiscal policy and expansionary monetary policy. Fill out the table below indicating what will happen to real output, the price level, unemployment, interest rates, gross investment, and economic growth. Choices are increase, decrease, and indeterminate.

<u>**Real Output**</u>	<u>**Price Level**</u>	<u>**Unemployment**</u>	<u>**Interest Rates**</u>	<u>**Investment**</u>	<u>**Growth**</u>

7. **Assume there is <u>expansionary fiscal policy</u> and <u>contractionary monetary policy</u>. Fill out the table below indicating what will happen to real output, the price level, unemployment, interest rates, gross investment, and economic growth. Choices are increase, decrease, and indeterminate.**

<u>**Real Output**</u>	<u>**Price Level**</u>	<u>**Unemployment**</u>	<u>**Interest Rates**</u>	<u>**Investment**</u>	<u>**Growth**</u>