Name:

Date:

Facilitator:

School:

6.03 Fiscal and Monetary Policy

**Part A:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Action | Monetary or Fiscal Policy? | Expansionary or Contractionary? | Employment increase or decrease? | Price Level increase or decrease? |
| 1. Buy treasury securities |  |  |  |  |
| 1. Sell government securities |  |  |  |  |
| 1. Lower income taxes |  |  |  |  |
| 1. Increase income taxes |  |  |  |  |
| 1. Increase the discount rate |  |  |  |  |
| 1. Decrease the discount rate |  |  |  |  |
| 1. Increase government spending |  |  |  |  |
| 1. Decrease government spending |  |  |  |  |
| 1. Lower the reserve requirement |  |  |  |  |
| 1. Raise the reserve requirement |  |  |  |  |

**Part B:**

|  |  |  |  |
| --- | --- | --- | --- |
| Action | Bank Excess Reserves | The Money Supply | The Interest Rate |
| 1. Increase the reserve requirement |  |  |  |
| 1. Lower the reserve requirement |  |  |  |
| 1. Raise the discount rate |  |  |  |
| 1. Lower the discount rate |  |  |  |
| 1. Buy securities |  |  |  |
| 1. Sell Securities |  |  |  |

**Part C:**

|  |  |  |  |
| --- | --- | --- | --- |
| Situation | The government should do what with taxes? | The government should do what with spending? | With the Actions on taxes and spending what will happen to AD? |
| 1. The economy is in a recession |  |  |  |
| 1. The economy is experiencing inflation |  |  |  |

**Part D:**

1. Summarize the beliefs of economists who believe in the Keynesian model.

2. Summarize the beliefs of economists who believe in the Classical Economics model.