**Monetary Policy for Recession and Inflation**

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| --- | --- |
| **Easy Money Policy/Expansionary** | **Tight Money Policy/Contractionary** |
| **Problem: High Unemployment and Recession** | **Problem: Inflation** |
| **Open Market Operations**: Federal Reserve buys bonds (Most commonly used tool of the Fed) | **Open Market Operations**: Federal Reserve sells bonds (Most commonly used tool of the Fed) |
| **Reserve Requirement**: Fed Lowers the reserve requirement (This tool is rarely used) | **Reserve Requirement**: Fed Increases the Reserve Requirement (this tool is rarely used) |
| **Discount Rate**: Fed Lowers the Discount Rate | **Discount Rate**: Fed Increases the Discount Rate |
| **RESULTS of Expansionary Monetary Policy**:  | **RESULTS of Contractionary Monetary Policy**:  |
| Money Supply Rises | Money Supply Falls |
| Interest Rate Falls | Interest Rate Rises |
| Investment Spending Increases | Investment Spending Decreases |
| Aggregate Demand Increases | Aggregate demand Decreases |

**Fiscal Policy for Recession and Inflation**

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| **Problem: Unemployment** | **Problem: Inflation** |
| Decrease Taxes | Increase Taxes |
| Increase Government Spending | Decrease Government Spending |
| Result:  | Result:  |
| Increase Aggregate Demand | Decrease Aggregate Demand |
|  |  |
|  |  |

**Monetary Policy for Recession and Inflation**

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| --- | --- |
| **Easy Money Policy** | **Tight Money Policy** |
| **Problem: Unemployment and Recession** | **Problem: Inflation** |
| **Open Market Operations**: Federal Reserve buys bonds (Most commonly used tool of the Fed) | **Open Market Operations**: Federal Reserve sells bonds (Most commonly used tool of the Fed) |
| **Reserve Requirement**: Fed Lowers the reserve requirement (This tool is rarely used) | **Reserve Requirement**: Fed Increases the Reserve Requirement (this tool is rarely used) |
| **Discount Rate**: Fed Lowers the Discount Rate | **Discount Rate**: Fed Increases the Discount Rate |
| **RESULTS:** | **RESULTS:** |
| Money Supply Rises | Money Supply Falls |
| Interest Rate Falls | Interest Rate Rises |
| Investment Spending Increases | Investment Spending Decreases |
| Aggregate demand Increases | Aggregate Demand Decreases |