CONCEPT: INTRODUCING MACROECONOMIC CONCEPTS – MONETARY POLICY AND FISCAL POLICY

● ***Self-regulating Economy –*** economic problems, such as unemployment, are resolved without intervention

□ This theory of the *invisible hand* was shattered during the 1930s by the ___________________

● This introductory course on macroeconomics mainly focuses on the ***Keynesian Economics*** of John Maynard Keynes:

□ Economic slumps are caused by inadequate spending and can be mitigated by ______________ intervention

□ ***Monetary Policy*** – changes in the quantity of money will alter interest rates and affect overall spending

> In the United States, monetary policy is administered by the ________________________

□ ***Fiscal Policy*** – changes in government spending and taxes will affect overall spending

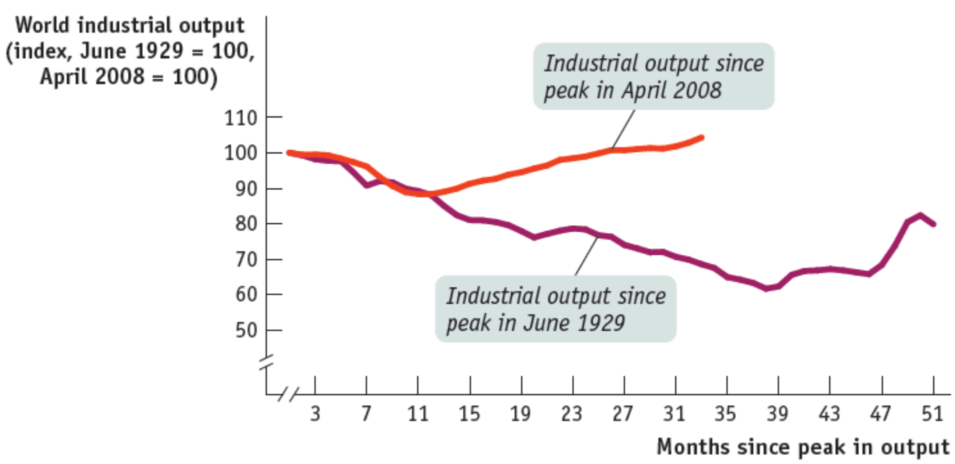
> In general, fiscal policy is administered by _____________________

> Government spending can:

- Create jobs to reduce unemployment
- Protect against economic hardships through welfare programs

> A change in tax policy affects the amount of money available for both the government and the public

● By comparing the Great Depression of the 1930s to the Great Recession of 2009, we can see the effects of policy:



Source: Barry Eichengreen and Kevin O'Rourke (2009), "A Tale of Two Depressions." © VoxEU.org; CPB Netherlands Bureau for Economic Policy Analysis World Trade Monitor.