

Contractionary and expansionary monetary policy paper



**ASSIGN
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FEDERAL RESERVE'S MONETARY POLICY Federal Reserve's

Contractionary and Expansionary Monetary Policy Tamara Thompson

University of Phoenix UNEMPLOYMENT AND INFLATION Among the

economists such as Keynes and Samuelson, there was a strong belief that the relationship between low unemployment and permanent high growth shows inflation is high, and unemployment is exceptionally low (Landuyt, 2009, p.

1). The illustration of the Phillips Curve that shows when inflation is high, the unemployment is low (Figure 1). {draw: frame}

FACTORS OF OUTPUT AND

EMPLOYMENT _CONTRACTIONARY AND _EXPANSIONARY MONETARY POLICY

TOOLS (Table 1, Moffat, 2010) The monetary policies come with an

assumption that lower interest rates will actually encourage people and firms to spend and vice versa. These assumptions can be broken in case of a serious recession when everyone is busy saving for a rainy day or periods of

a very high growth. The Fed can lower the rates but cannot force people to

spend or banks to lend. It can also increase the rates, but if people think that the rates are not high enough, the economy will continue to grow (Bhaskar,

2009, p. 1). _ECONOMIC _DEPRESSION MONETARY TOOLS FOR OUR

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