

# Fiscal or monetary

[Literature](#), [Russian Literature](#)



FISCAL OR MONETARY The in his article d “ Monetary Policy: Stabilizing Prices and Output” was giving out a two-tier goal of both achieving price stability and output stabilization. The larger strategy on which the author was depending on to achieve this goal was the use of monetary policy whereby policy makers were admonished to adjust the supply of money in the economy to achieve the purported goal of inflation and output stabilization (Mathai, 2011). At the time of writing the article, among the three principal entities of stable prices, full employment and economic growth, the most important of them at the time was stable prices. This is because the article was written at a time when the global economy had generally recovered from the economic crunch and so there was much active economic performance in terms of buying and selling. Because the global economy had generally recovered from the recession, a lot more employment avenues had been created and investments had started among several multinational companies. Consequently, Mathai (2011) notes that “ workers then use their increased income to buy more goods and services, further bidding up prices and wages and pushing generalized inflation upward.”

The above points discussed notwithstanding; there is a very clear tendency that if the author had written his article at the time of recession from 2007 to 2009, his points and opinions would have changed a great deal. For instance at the time of the recession, even though monetary policies that were geared at adjusting the supply of money in the economy were relevant, these supplies were not needed to stabilize prices. Clearly there was no active demand and supply interfaces and so the need to channel resources

at inflation would not have been the most prudent option. In relation to the recession of 2007 to 2009 therefore, the author's choice of monetary policy would have been directed at economic growth, which would have been a perfect response to the consequences of the recession that was being experienced.

#### REFERENCE LIST

Mathai K. (2011). Monetary Policy: Stabilizing Prices and Output accessed January 1, 2012 from <http://www.imf.org/external/pubs/ft/fandd/basics/monpol.htm>