

Macroeconomic Policy

The table below summarizes the effects of monetary and fiscal policy according to the three basic theories we have studied.

		Monetarists		Keynesians		Rational Expectations	
Policy Effects		• M↑	• G ↑	• M↑	• G ↑	• M↑	• G ↑
S. R.	• P	↑	→	→	↑ or →	↑	→
S. R.	• Y	↑	→	→	↑	→	→
L. R.	• P	↑	→	→	→	↑	→
L. R.	• Y	→	→	→	↑	→	→