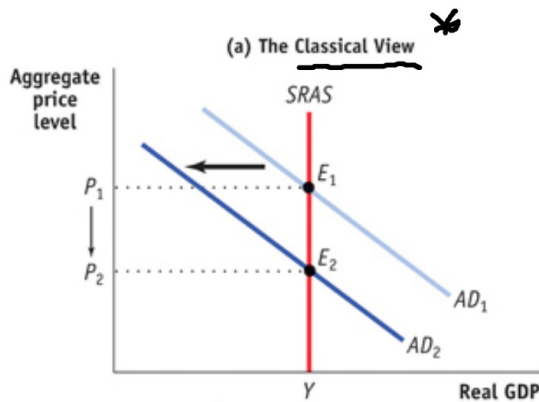
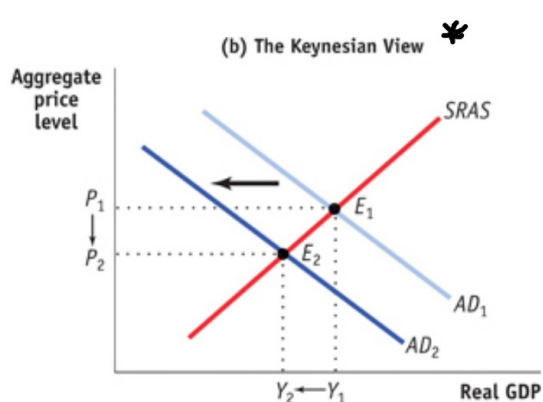


Vocab Liquidity trap: when monetary policy ineffective because interest rates are already $\approx 0\%$ - no demand for loanable funds.



* no longer held
 important school
 * by very many economists.



* most widely held view of economy.

Monetarism - school that says:
 no fiscal stimulus, just let
 Money Supply increase gradually
 and you will get growth.

table 36.1

Five Key Questions About Macroeconomic Policy	"pure"			
	Classical macroeconomics	Keynesian macroeconomics	Monetarism	Modern consensus
Is expansionary <u>monetary</u> policy helpful in fighting recessions?	No	Not very	Yes	Yes, except in special circumstances
Is expansionary fiscal policy effective in fighting recessions?	No	Yes	No	Yes
Can monetary and/or fiscal policy reduce unemployment in the long run?	No	Yes	No	No
Should fiscal policy be used in a discretionary way?	No	Yes	No	No, except in special circumstances
Should monetary policy be used in a discretionary way?	No	Yes	No	Still in dispute