

Sample Discussion Framework and Key

"Observers... speculate what may happen to the American economy if lawmakers implement similar austerity measures to tackle the deficit quickly. Many economists ... have instead said officials need to get the economy on a long-term sustainable path without cutting too much in the short term and putting the economy back in a ditch." ¹

Fiscal Policy: The quote refers to fiscal policy even though the Chairman of the Federal Reserve is mentioned. Economists are recommending that the executive and legislative branches need to be careful when cutting government spending, a fiscal policy tool, because it might limit economic growth.

"...The Fed has identified achievement of 'substantial' improvement in the labor market outlook as its main criterion for ending asset purchases. Beyond that, the FOMC has set a 6.5% unemployment threshold for starting to raise the federal funds rate." ²

Monetary Policy: The Fed refers to the Federal Reserve System, the Central Bank of the United States. The FOMC is the Federal Open Market Committee, the group responsible for implementing monetary policy.

"Several... policymakers recently have suggested that they're inclined to support more bond purchases if the ...economy doesn't pick up." ³

Monetary Policy: The purchase of bonds (the buying of securities) is a tool used by the Federal Reserve to promote stable prices and sustainable economic growth.

"The plan Obama sent to Congress today asks for more money for jobs, highways and bridges, schools, student aid and manufacturing research as well as higher taxes for corporations, banks and oil, natural gas and coal companies." ⁴

Fiscal Policy: This quote offers some examples of items in President Obama's Administration budget plan for 2013.

"...Officials decided to announce they would keep interest rates near zero until the unemployment rate drops to 6.5%." ⁵

Monetary Policy: The quote mentions policy actions aimed at interest rates.

"The 2013 budget ... included job-creation initiatives for infrastructure, job-training and innovation". To offset the cost, it "called for raising \$1.5 trillion over 10 years from the wealthiest taxpayers and from closing some corporate tax breaks, chiefly for oil and gas companies." ⁶

Fiscal Policy: This quote offers some examples included in the 2013 budget and reflects elements of fiscal policy.

"The House ... laid down a bold but risky election-year marker... unveiling a budget proposal that aims to tame the national debt by reshaping Medicare and cutting deeply into Medicaid, food stamps and other programs for the poor, while reshuffling the tax code to sharply lower rates" ⁷

Fiscal Policy: The budget proposal outlined by members of the House of Representatives mentions spending cuts and lowering tax rates, tools of fiscal policy.

"...The Fed will likely announce Thursday that it will buy more Treasury... bonds to lower long-term interest rates and stimulate economic activity. Yet they warn that uncertainty among businesses and consumers over looming federal government tax increases and spending cuts on Jan. 1 is likely to limit the benefits of any stimulus." ⁸

Both Monetary and Fiscal Policy: This quote refers to buying government securities to influence interest rates which is monetary policy. The quote also mentions fiscal policy tax increases and spending cuts.

"Mr. Bernanke has often defended Fed actions against domestic critics, who argue the policy of keeping interest rates near zero while ramping up asset purchases hurts savers and risks future inflation." ⁹

Monetary Policy: This quote refers to monetary policy action aimed at interest rates.

"Even if the tax increases hit in January, families might not notice the incremental loss of income in the near term, economists said. Households might temporarily dig into savings to maintain their spending on the gas, food, housing and other consumer goods, mitigating the impact the tax increases might have on the broader economy." ¹⁰

Fiscal Policy: This quote refers to the potential impact of tax increases, a tool of fiscal policy.