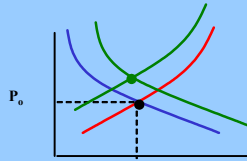
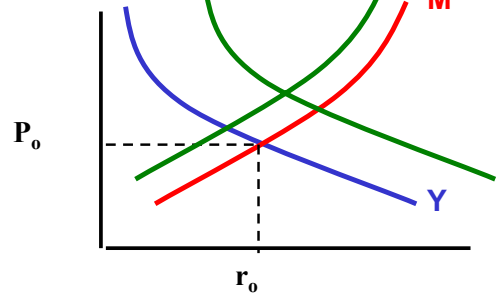


Fiscal Policy- Part 4

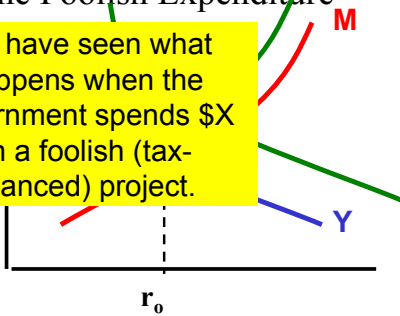


The Foolish Expenditure



The Foolish Expenditure

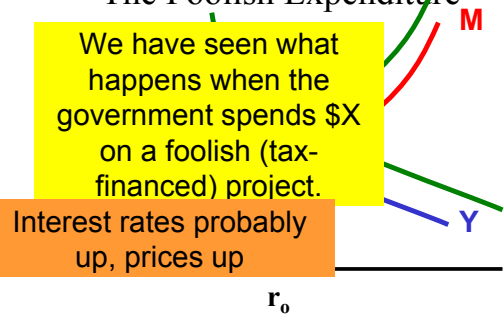
We have seen what happens when the government spends \$X on a foolish (tax-financed) project.



The Foolish Expenditure

We have seen what happens when the government spends \$X on a foolish (tax-financed) project.

Interest rates probably up, prices up

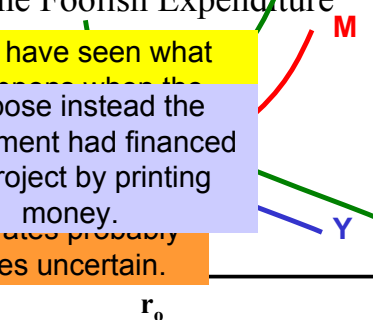


The Foolish Expenditure

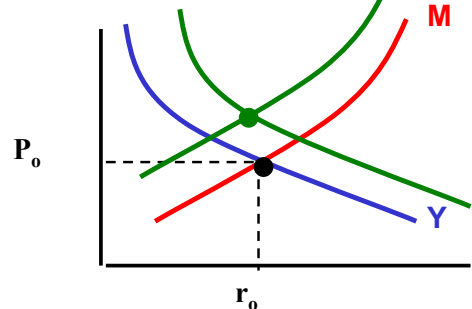
We have seen what happens when the

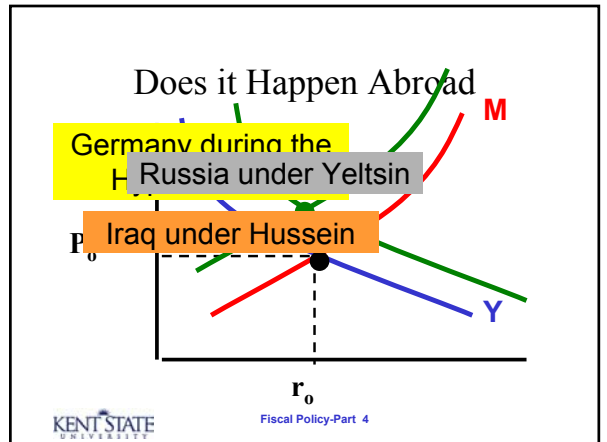
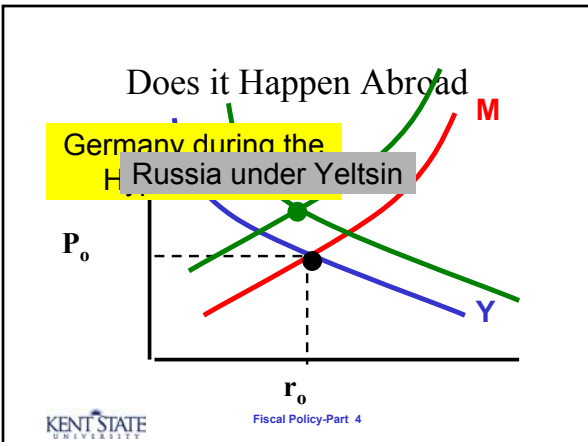
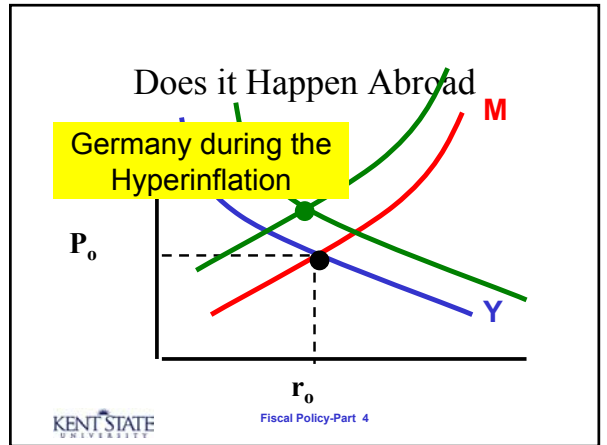
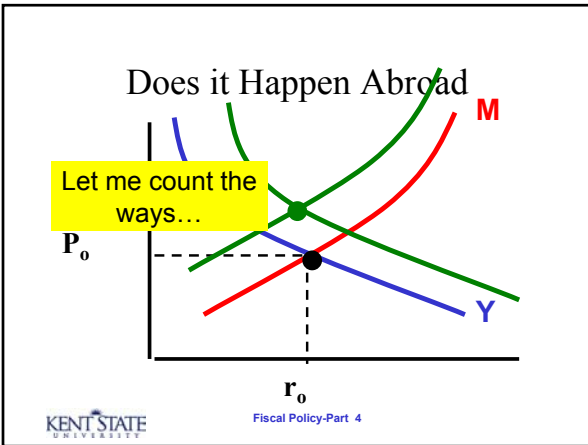
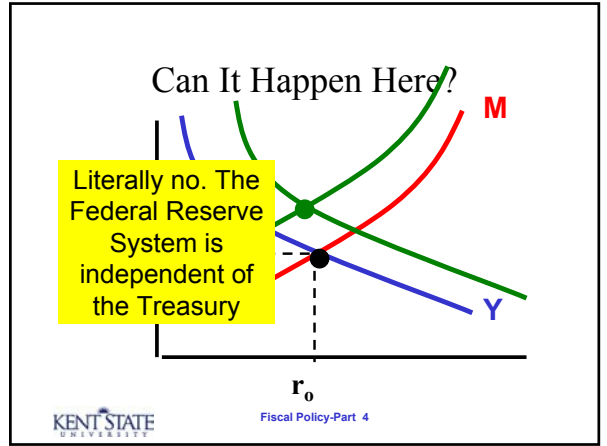
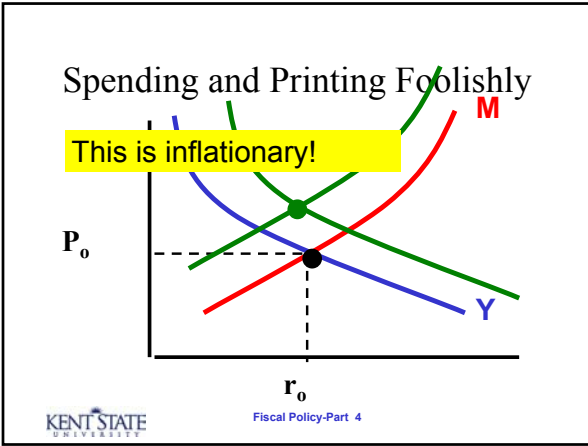
Suppose instead the government had financed the project by printing money.

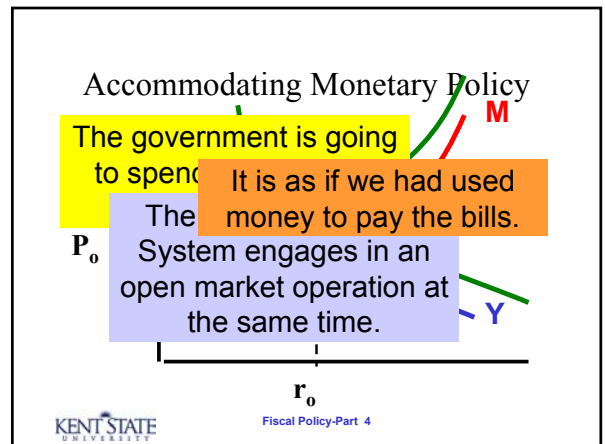
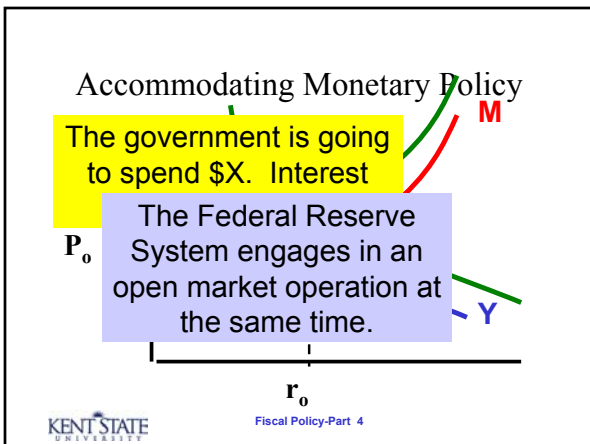
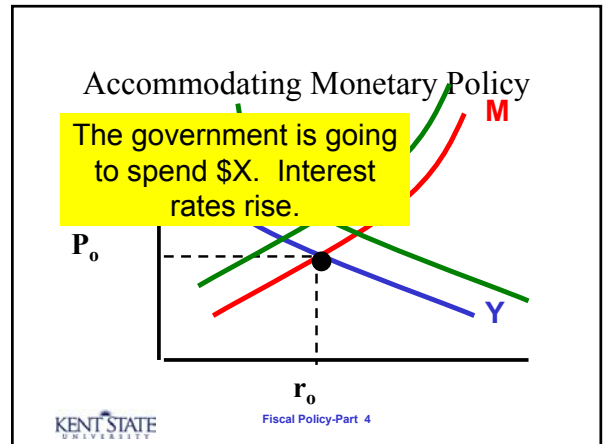
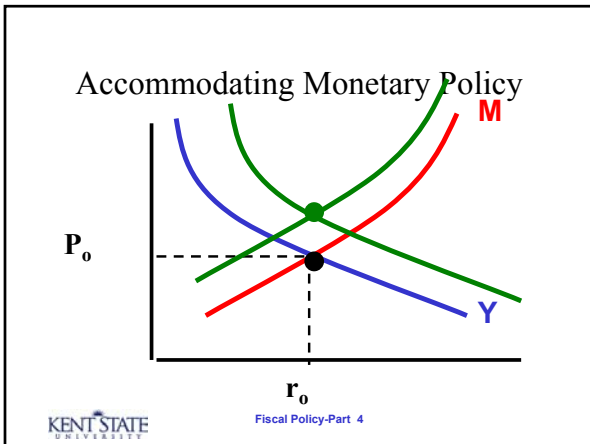
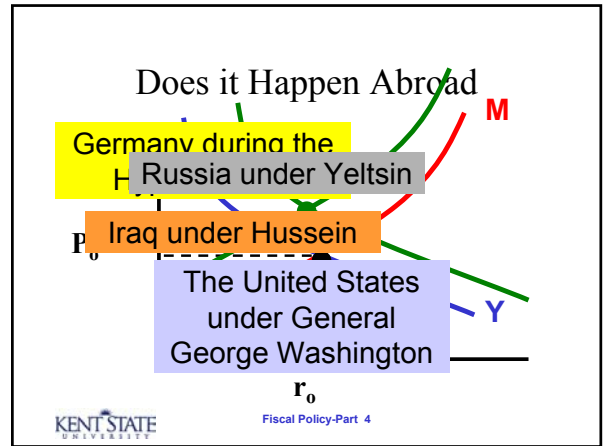
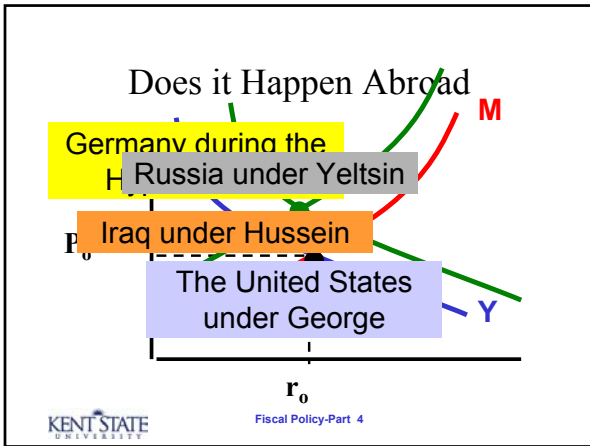
interest rates probably up, prices uncertain.



Spending and Printing Foolishly







Accommodating Monetary Policy

The government is going to spend M

It is as if we had used the money to pay the bills.

The System engages in an P_0 That is why we have the Fed independent of the Treasury

r_0

End

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