



Introduction to Monetary and Fiscal Policies

*by
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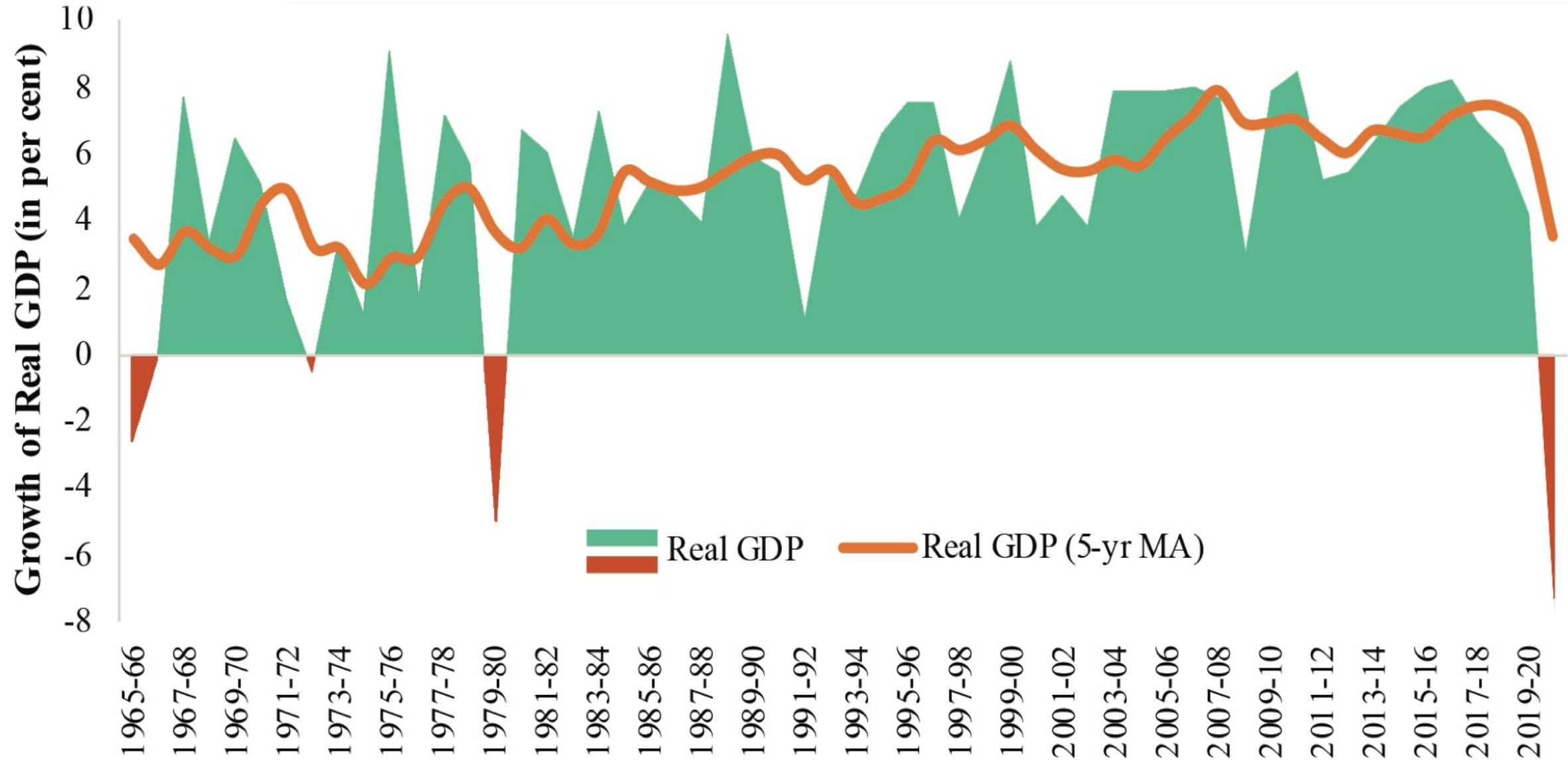


Level of real output



Types of Recovery

Figure 39: Trend in India's Real GDP Growth



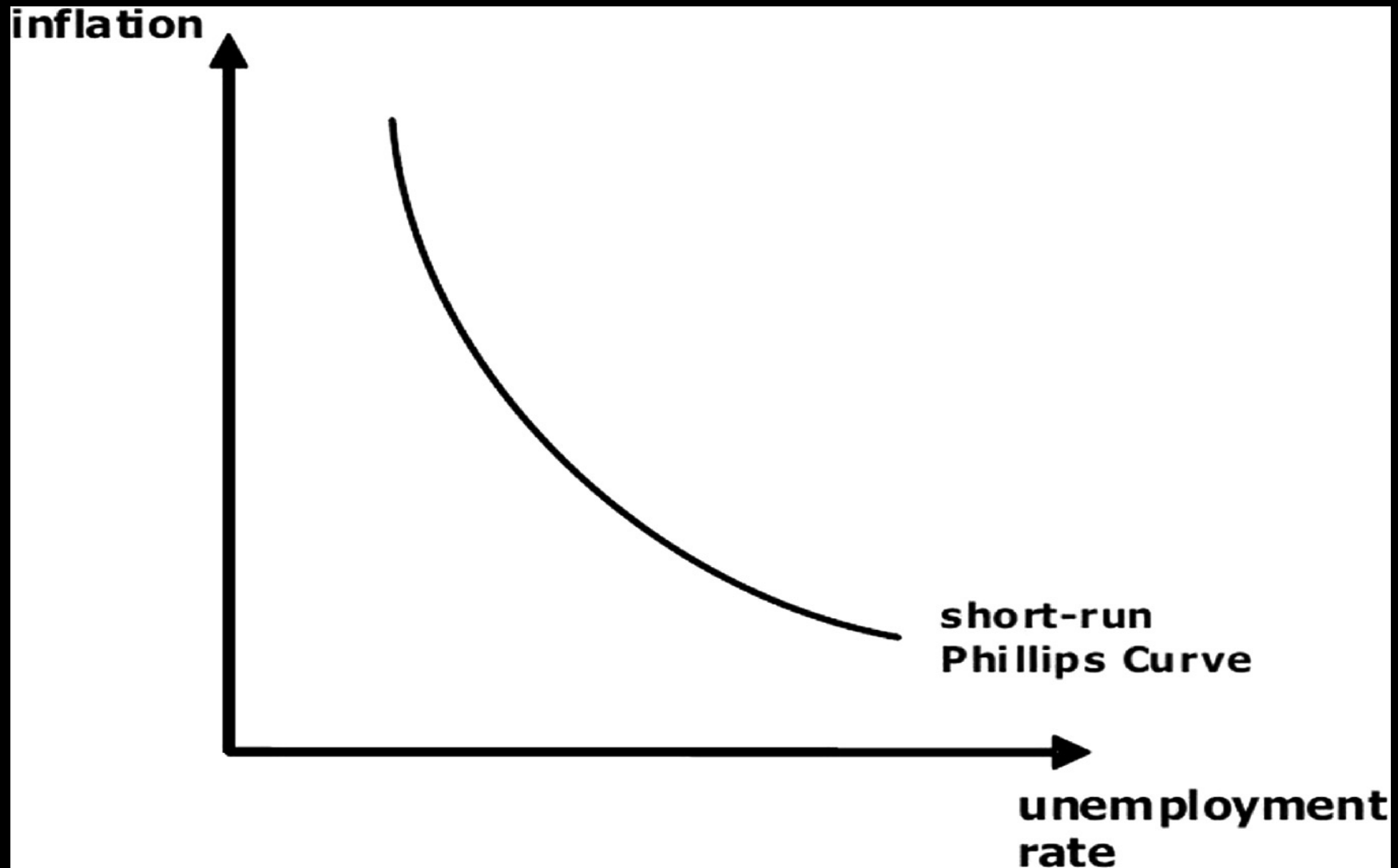
Assignment

Do you agree that the Indian economy has recently experienced V-shaped recovery? Give reasons in support of your answer.

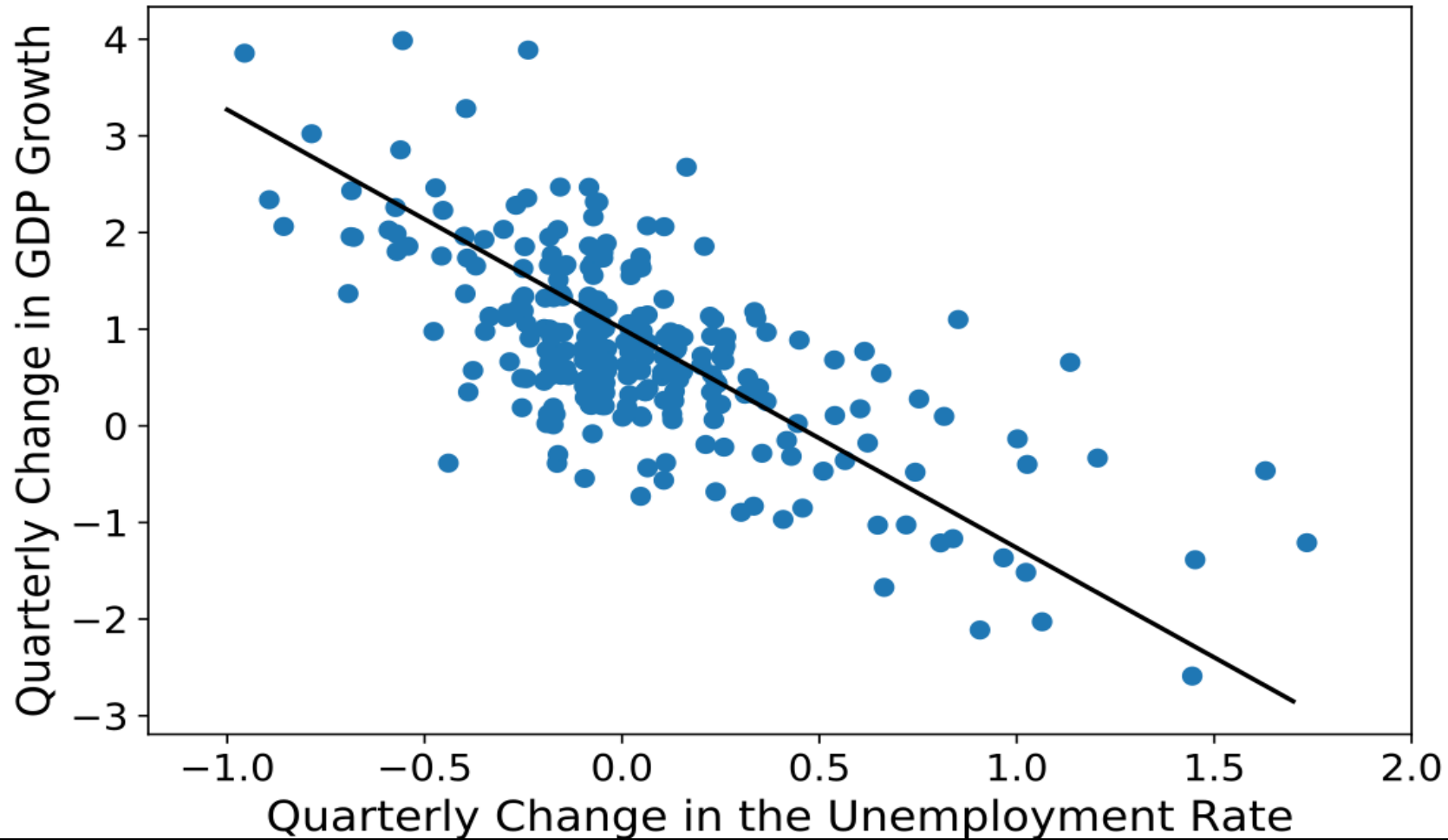
Expansion

Contraction

Philips Curve



Okun's Law

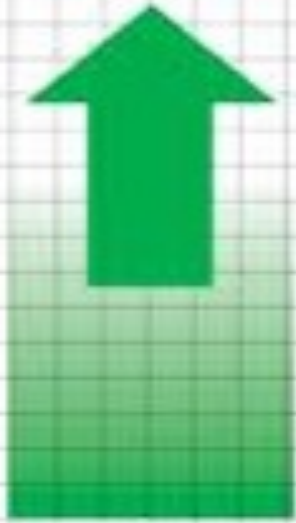




Recession



GNP



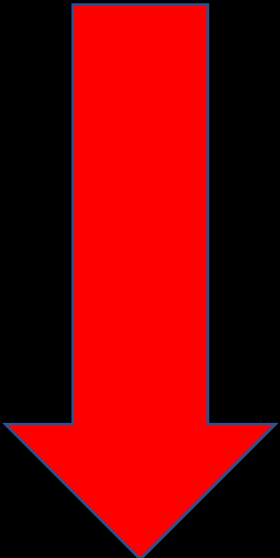
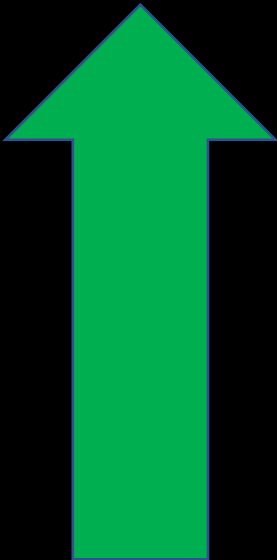
unemployment



The Three Markets

Demand and Supply Side Economics

Monetary Policy



Overcoming Inflation



Overcoming Recession



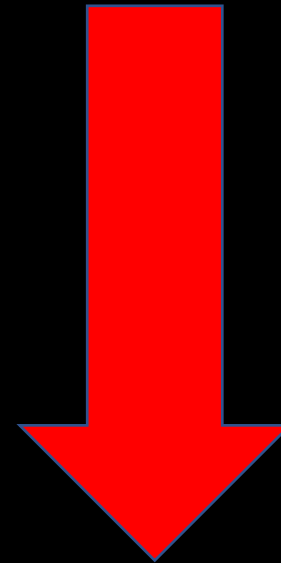
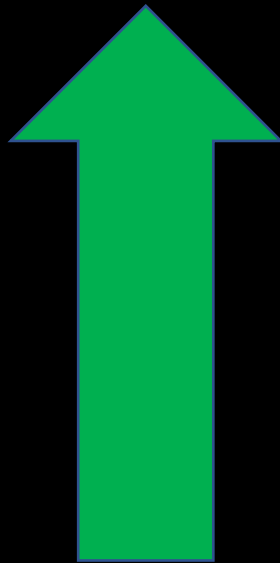
With reference to the Indian economy, consider the following statements:

- 1.If the inflation is too high, Reserve Bank of India (RBI) is likely to buy government securities.
- 2.If the rupee is rapidly depreciating, RBI is likely to sell dollars in the market.
- 3.If interest rates in the USA or European Union were to fall, that is likely to induce RBI to buy dollars.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Fiscal Policy



Expansionary Policy

Helps in Revival of
Economy and
Promoting Growth
and Investments



Contractionary Policy

Helps in Fighting
Inflation

Which among the following steps is most likely to be taken at the time of an economic recession?

- a) Cut in tax rates accompanied by increase in interest rate
- b) Increase in expenditure on public projects
- c) Increase in tax rates accompanied by reduction of interest rate
- d) Reduction of expenditure on public projects

How Stimulus Works?

“The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics. “ --Thomas Sowell

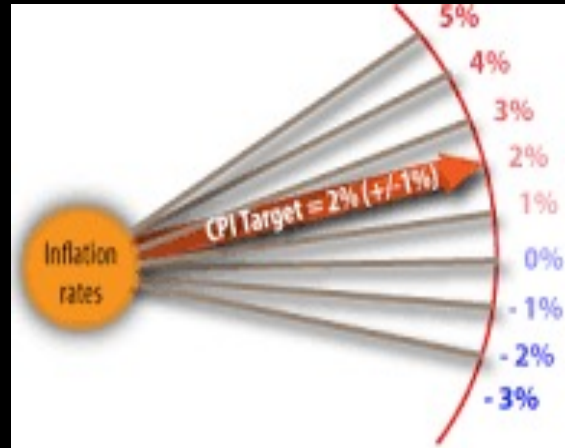




Monetary Policy Framework Agreement



Inflation Targeting





Thank You