**Monetary & Fiscal Policy**

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| **Policy** | **Fiscal** | | **Monetary** | | | |
| **Taxes** | **Spending** | **OMO**  (Bonds) | **Discount Rate**  (Interest Rate) | **Reserves** | **Interest on reserves** |
| Expansionary  During a contraction | ↓ Lower Taxes  (Consumers & Businesses) | ↑ Increase  Gov. spending | OMO  Buy Bonds | Discount Rate  ↓ DR | Reserve Requirement Ratio  ↓ RRR | Interest on reserves  ↓ IR |
| Contractionary  During expansion to fight inflation | ↑ Increase Taxes | ↓ Decrease  Gov. spending | OMO  Sell Bonds | Discount Rate  ↑ DR | ↑ RRR | ↑IR |