

## 14.11: Introduction to Macro Policy Options in the Real World

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What you'll learn to do: identify appropriate macro policy options in response to the state of the



economy

Neither fiscal nor monetary policies are as mechanical and surgical effectively as we learned about in earlier modules. Fiscal policy is subject to crowding out, but crowding out only reduces the effectiveness of fiscal policy and doesn't eliminate it. Monetary policy may be better at slowing an economy down than stimulating it. Expectations clearly matter to economic decision making and economic policy, but do real world actors have Ricardian equivalence and rational expectations? Most economists would say no. Where does that leave us? Read on to learn more about the real-world applications of these policies.

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