

Schools of Thought: Macroeconomic policymaking
Econ 202/Haworth

	Active Group	Passive Group
Economy	Unstable	Stable
Prices/Wages	Inflexible (wages don't tend to fall)	Flexible (wages can freely rise or fall)
Workers & their wages	Workers are more concerned with relative nominal wages	Workers are more concerned with real wages (purchasing power)
Unemployment	Voluntary + Involuntary (Involuntary could be long-lasting)	Voluntary (if any Involuntary, it's brief)
Self-correcting mechanism	Works very slowly (output gaps can last a long time)	Works very fast (output gaps tend to close more quickly)
Investment	Sensitive to Δ business conditions but not sensitive to Δr	Sensitive to Δr but not sensitive to Δ business conditions
Crowding Out/ Crowding In	Crowding Out not a problem Crowding In is possible	Crowding Out a big problem Crowding In is not possible
Expansionary Monetary Policy	Not as likely to change spending	Can affect spending, could be inflationary
Policy prescription	Discretion (Fiscal may be better)	Rules (Monetary may be better)