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Macroeconomic Policymaking: So Who's Right?

There are two general approaches to macroeconomic policymaking. We'll call them the *passive approach* and the *active approach*. Naturally, there are various shades of gray between these two extremes, but let's assume for a moment that we're faced with a choice between following one of these two approaches. To do so, we need to generalize the foundational beliefs of each approach.

Topic	**Passive Group**	**Active Group**
Economy:	Stable	Unstable
Prices/wages:	Very flexible	Not very flexible (rigid downwards)
Unemployment:	Voluntary	Voluntary, but involuntary is also quite possible
SR AS (& PC):	vertical (or nearly vertical)	positive slope (mostly horizontal)
Self-correcting mechanism:	Works fairly fast	Works fairly slow
LR AS (& PC):	vertical	probably vertical
Investment:	Sensitive to Δr, not changing business conditions	Sensitive to changing business conditions, not Δr
Policy prescription:	rules	discretion

Our list above leads to a variety of questions, including the following:

1. How does each approach view problems like crowding out?
2. Why does each approach prefer a different policy option?
3. What is the most likely approach that each group would take to balancing the budget?