TABLE 15-3 **Monetary policies for recession and inflation**

(1) Easy money policy	(2) Tight money policy
Problem: unemployment and recession	*Problem:* inflation
↓	↓
Federal Reserve buys bonds, lowers reserve ratio, or lowers the discount rate	Federal Reserve sells bonds, increases reserve ratio, or increases the discount rate
↓	↓
Excess reserves increase	Excess reserves decrease
↓	↓
Money supply rises	Money supply falls
↓	↓
Interest rate falls	Interest rate rises
↓	↓
Investment spending increases	Investment spending decreases
↓	↓
Aggregate demand increases	Aggregate demand decreases
↓	↓
Real GDP rises by a multiple of the increase in investment	Inflation declines

TABLE 15-4 **Monetary policy and the net export effect**

(1) Easy money policy	(2) Tight money policy
Problem: recession, slow growth	*Problem:* inflation
↓	↓
Easy money policy (lower interest rate)	Tight money policy (higher interest rate)
↓	↓
Decreased foreign demand for dollars	Increased foreign demand for dollars
↓	↓
Dollar depreciates	Dollar appreciates
↓	↓
Net exports increase (aggregate demand increases, strengthening the easy money policy)	Net exports decrease (aggregate demand decreases, strengthening the tight money policy)