

MARKETS AND MACROECONOMICS

MPA 612: Economy, Society, and Public Policy

March 13, 2019

*Fill out your reading report
on Learning Suite*

PLAN FOR TODAY

What is macroeconomics?

Money

Monetary and fiscal policy

WHAT IS MACROECONOMICS?

WHATCHYA DOING?

ECONOMICS.



MICRO AND MACRO

Microeconomics

How individuals and firms make decisions and interact and influence markets

Macroeconomics

How national and global economies work

THINGS MACROECONOMISTS WORRY ABOUT

Output

Income

Growth

Unemployment

Inflation

Interest rates

Fiscal policy

Monetary policy

PEOPLE HAVE... OPINIONS...

The Federal Reserve Explained in 3 Minutes

740,052 views



Joshua Owens

Published on Feb 21, 2013

See More Videos Here: <http://www.schoolhouseschock.com>

Money - whether its a tangible piece of paper or a number on a screen - is intrinsically worthless, yet it fuels the modern world. In America the ultimate control of money rests with the bankers of the Federal Reserve System. Because of this it is detrimental that we as citizens understand how this shadowy - private - organization works and how it's ultimate goal is to forever enslave us in a descending pit of debt that we will never crawl out of.

Category

Education



VeracityMedia 2 years ago

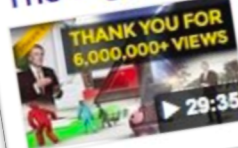
The most insidious form of covert soft slavery ever devised. Pure evil.

REPLY

70



The Biggest Scam In The History Of Mankind - Hidden Secrets of ...



<https://www.youtube.com/watch?v=iFDe5kUUyT0>
Oct 15, 2013 - Uploaded by GoldSilver (w/ Mike Maloney)
Bonus Presentation here: <http://www.hiddensecretsofmoney.com> Who owns the
Federal reserve? You are ...

MONEY

What is money?

**Where does money
come from?**

Welcome to Smallville, USA

Home of XYZ Corporation and its subsidiaries

FRACTIONAL RESERVE BANKING

Money is created through lending

What happens when lending
doesn't match risk?

 This American Life

ArchiveRecommendedHow to ListenAbout

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355 | May 9, 2008

 The Giant Pool of Money

A special program about the housing crisis produced in a special collaboration with *NPR News*. We explain it all to you. What does the housing crisis have to do with the turmoil on Wall Street? Why did banks make half-million dollar loans to people without jobs or income? And why is everyone talking so much about the 1930s?

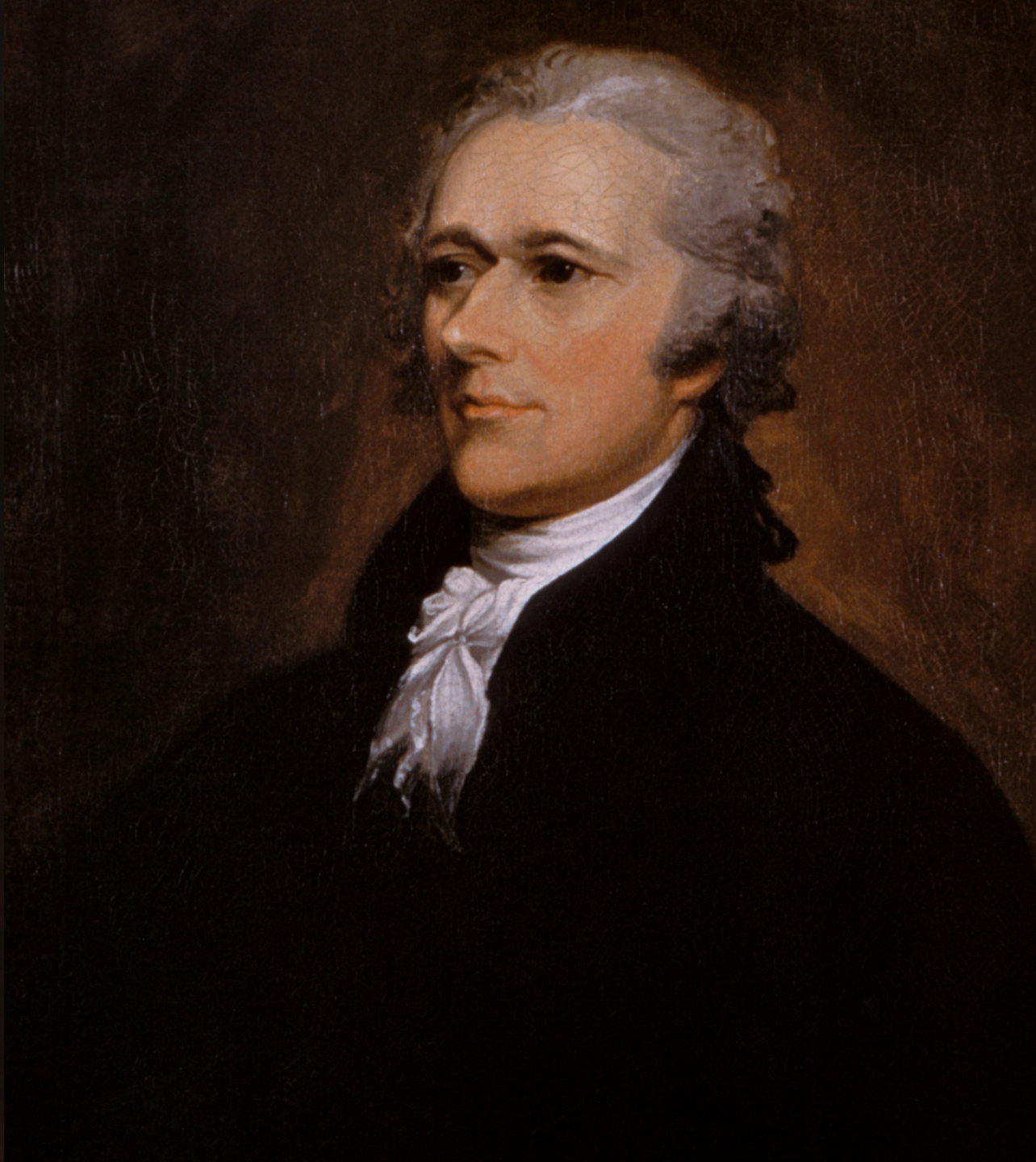
RESERVE REQUIREMENTS

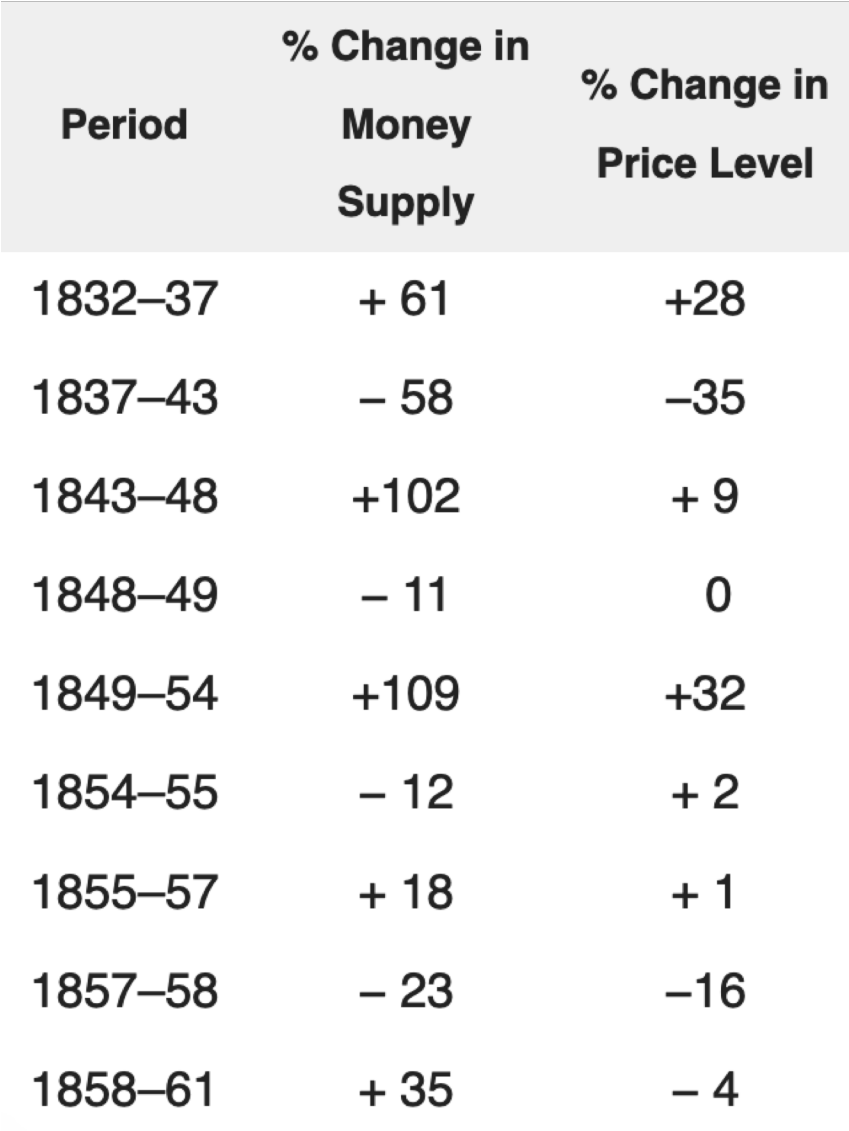
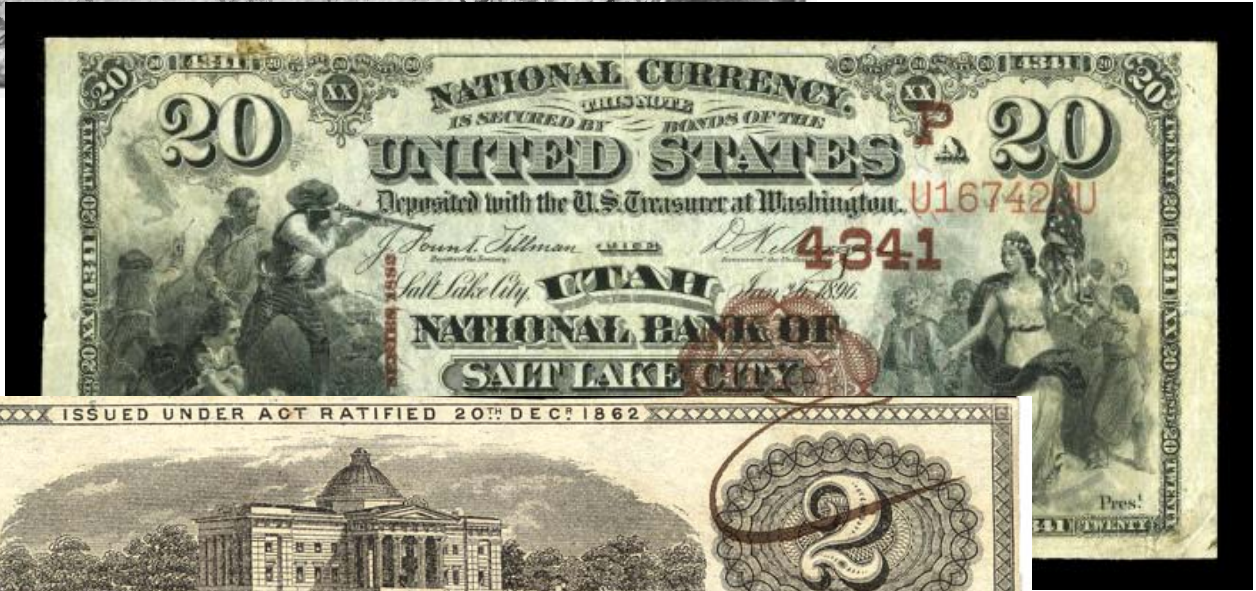
Reserve Requirements

Make Full Screen 

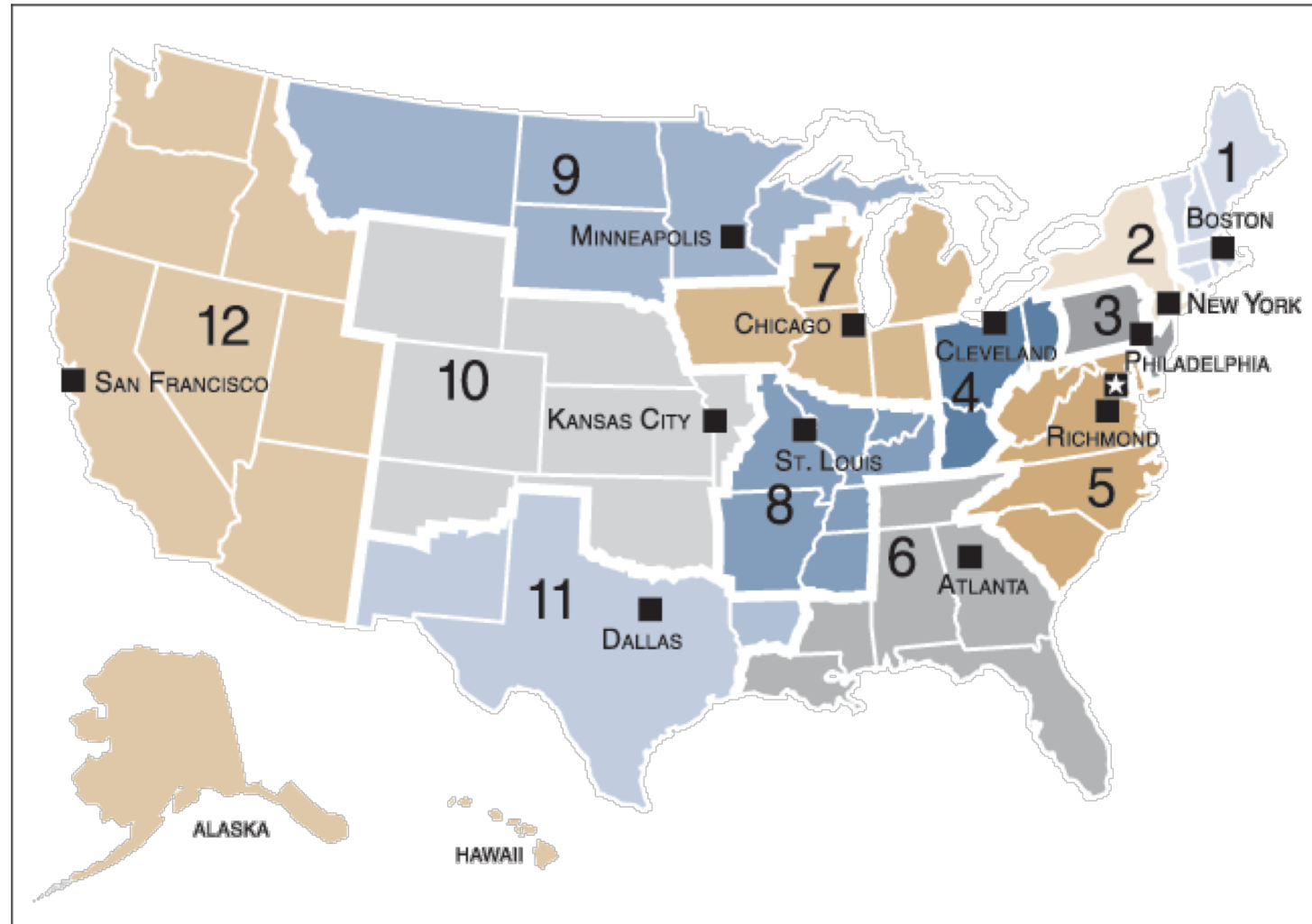
Liability Type	Requirement	
	% of liabilities	Effective date
Net transaction accounts ¹		
\$0 to \$16.0 million ²	0	1-18-18
More than \$16.0 million to \$122.3 million ³	3	1-18-18
More than \$122.3 million	10	1-18-18
Nonpersonal time deposits	0	12-27-90
Eurocurrency liabilities	0	12-27-90

MONETARY AND FISCAL POLICY





THE FEDERAL RESERVE SYSTEM



PURPOSES OF THE FED

**Regulate banks and keep
financial plumbing running**

**Use monetary policy to control
inflation and unemployment**

This dual mandate is unique to the Fed



Mike Bird ✓

@Birdyword

Follow



Jamaica's central bank is just blowing every other monetary authority out of the water in the communications department. Nothing but respect.



Bank of Jamaica



1:15 AM - 11 Jan 2019

MONEY SUPPLY

How much money exists

Type of money	M0	MB	M1	M2	M3	M4
Notes and coins in circulation (outside Federal Reserve Banks and the vaults of depository institutions) (currency)	✓	✓	✓	✓	✓	✓
Notes and coins in bank vaults (vault cash)		✓				
Federal Reserve Bank credit (required reserves and excess reserves not physically present in banks)		✓				
Traveler's checks of non-bank issuers			✓	✓	✓	✓
Demand deposits			✓	✓	✓	✓
Other checkable deposits (OCDs), which consist primarily of negotiable order of withdrawal (NOW) accounts at depository institutions and credit union share draft accounts.			✓	✓	✓	✓
Savings deposits				✓	✓	✓
Time deposits less than \$100,000 and money-market deposit accounts for individuals				✓	✓	
Large time deposits, institutional money market funds, short-term repurchase and other larger liquid assets					✓	
Commercial paper						✓

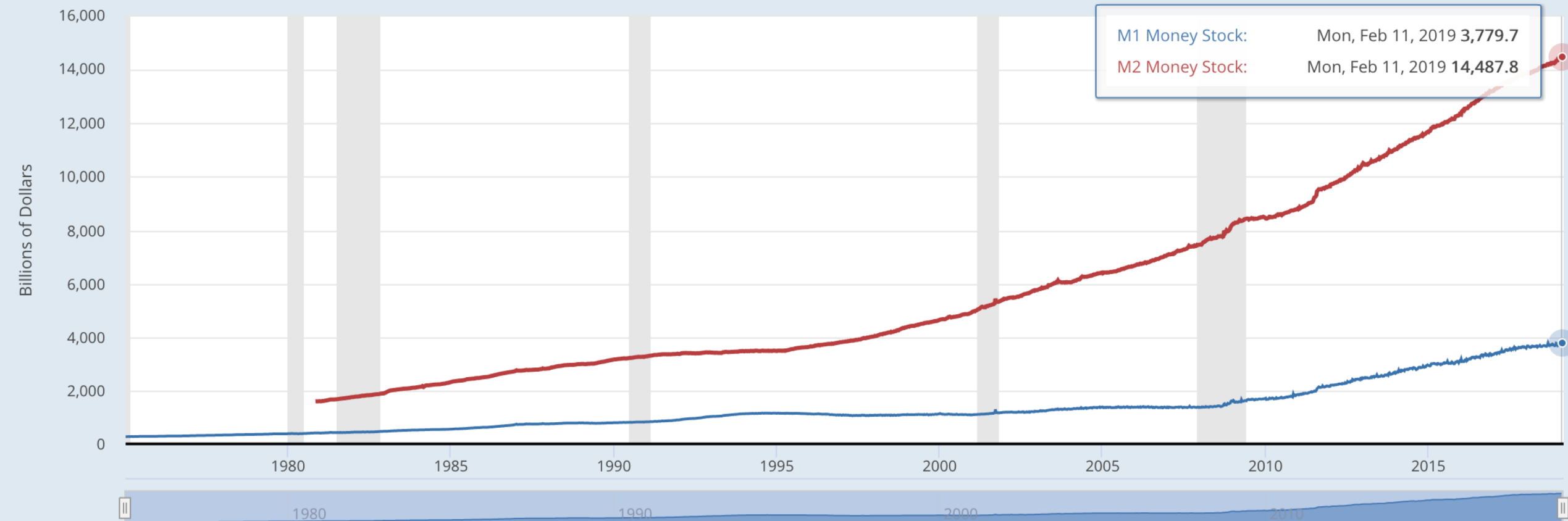
MONEY SUPPLY

M0: Physical currency

MB: M0 + Fed notes and deposits

M1: M0 + checks

M2: M1 + savings accounts



Shaded areas indicate U.S. recessions

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

HOW TO MANIPULATE MONEY SUPPLY

Reserve requirements

Discount rate

Open market operations



Donald J. Trump ✓

@realDonaldTrump

Blocked



The only problem our economy has is the Fed. They don't have a feel for the Market, they don't understand necessary Trade Wars or Strong Dollars or even Democrat Shutdowns over Borders. The Fed is like a powerful golfer who can't score because he has no touch - he can't putt!

8:55 AM - 24 Dec 2018

29,787 Retweets 123,617 Likes



53K 30K 124K



Donald J. Trump ✓

@realDonaldTrump

Blocked



It is incredible that with a very strong dollar and virtually no inflation, the outside world blowing up around us, Paris is burning and China way down, the Fed is even considering yet another interest rate hike. Take the Victory!

6:27 AM - 17 Dec 2018

24,496 Retweets 105,338 Likes



26K 24K 105K



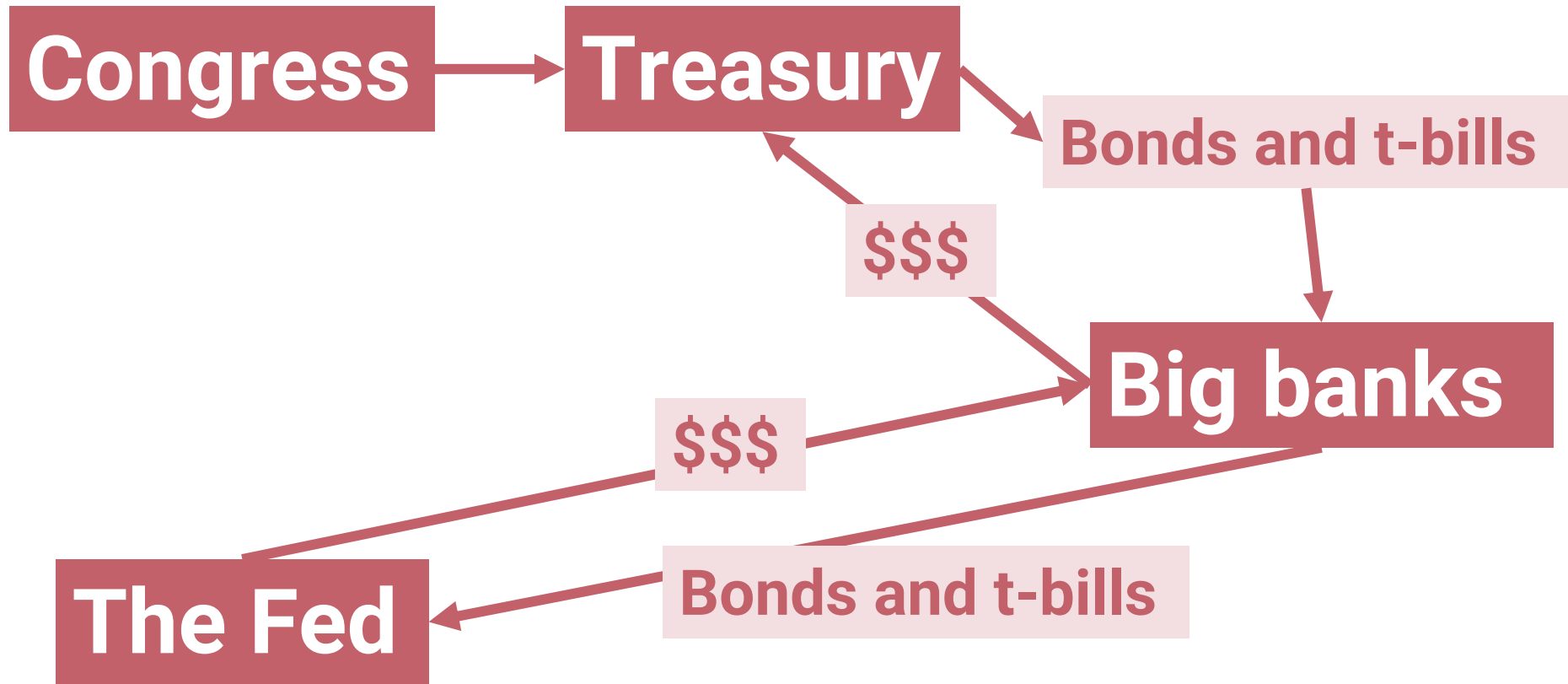
Fed Explains Pause as Officials Debate Future Rate Increases



Jerome H. Powell, the Federal Reserve chairman, has said the Fed has adopted “a patient, wait-and-see approach regarding future policy changes.”

Erin Schaff for The New York Times

FUNDING THE FEDERAL GOVERNMENT



FISCAL POLICY

**Government uses policy levers
to influence the economy**

Taxing and spending



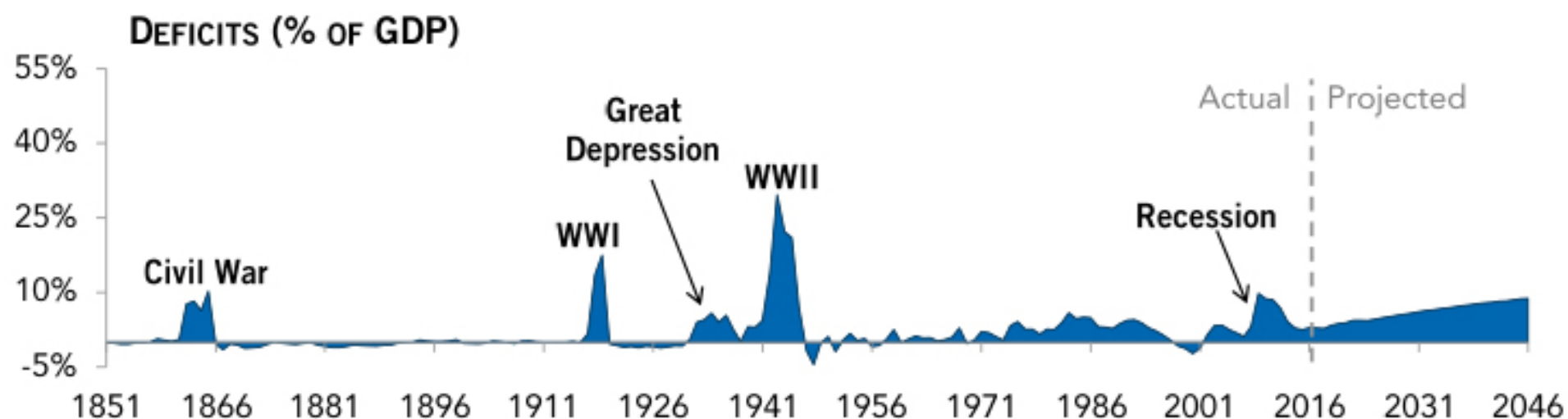
DEBT AND DEFICITS

Deficit

Revenue – expenditures in 1 year

Debt

All the past deficits added up



SOURCE: Congressional Budget Office, *The 2016 Long-Term Budget Outlook*, July 2016; Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2017*, February 2016; and the *Historical Statistics of the United States, Millennial Edition Online*, Cambridge 2006. Compiled by PGPF.
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THINK OF AMERICA'S DEBT AS YOUR FAMILY BUDGET

Annual Family Income: \$21,737*
Annual Family Expenses: \$38,188
Annual 'Credit Card' Debt: **\$16,451**
Budget Cuts/Savings: \$385

TOTAL 'CREDIT CARD' DEBT: \$142,000*

*Estimated 2014 U.S. Budget Cuts: In Hundreds of Millions of Dollars

It works the same way for the government. **You can't borrow your way out of debt**, whether you're a typical American family or the entire U.S. government. At some point, you've got to say, "Enough is enough!" and make the hard cuts necessary to win over the long haul.

FISCAL YEAR 2012



Receipts:
\$2,468,599,000,000

Outlays:
\$3,795,547,000,000

Deficit:
\$1,326,948,000,000

Projected national
debt (end of FY):
\$16.350.885.000.000

HOUSEHOLD BUDGET



Family income:
\$24,686

Money spent:
\$37,955

New debt:
\$13,269

Total family debt:
\$163,509



FEDERAL GOV. \neq HOUSEHOLD

**Government can create money
with Fed/Treasury magic**

Only real limit to government expenditure is inflation, not taxes;
theoretically there could be no need to tax

There's no due date

**Treasury bonds are exceptionally
stable = super low interest rates**

MAIN DEBT/DEFICIT QUESTION

Can the economy absorb new government spending without driving inflation?

Balancing the federal budget is a helpful trick for curbing inflation, but not all that necessary

Monetary policy

Money supply

Interest rates

Bonds

The Fed

Fiscal policy

Taxation

Public spending

Congress and the
Executive Branch