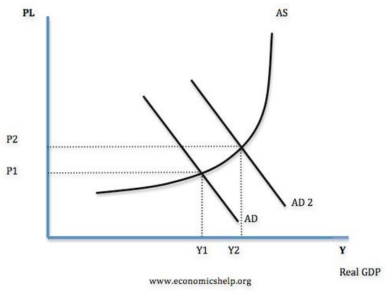
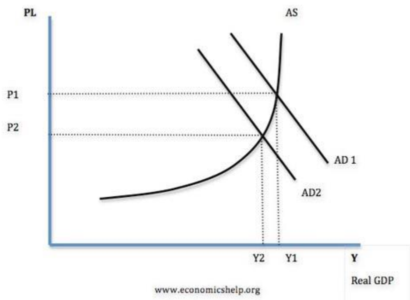
Policy	What is it?	When is it used?	How is it used?	Pros and cons
Fiscal	The government changes the rates of taxes and changes the amount of spending to influence AD and economic activity.	-To stimulate growth in a recession. -To keep inflation low. -To stabilise the economy from a boom or recession.	-Expansionary, increasing AD = increasing, government spending, cut taxes, increase consumer spending  -Deflationary, decreasing AD = cut government spending, increases taxes, reduced consumer spending  	- worsen the government budget deficit - increase government borrowing. + improve the government in the government budget deficit.
Monetary	Changing interest rates to influence the levels of consumer spending and AD. To keep inflation in-between -1 and 2%.	-If they expect higher inflation and higher growth, they will tend to increase interest rates. -If they expect lower growth and a fall in the inflation rate, they will tend to cut interest rates	Loose= inflation falling or economic growth is slow or the economy is facing a recession. Cut interest rates; encourage spending. Tight= increase interest rates to reduce the growth and inflationary pressures.	-effects the exchange rates. - Home owners could not afford their mortgage -Lagging in the economic cycle -Liquidity Trap; a cut in interest rates fail to stimulate economic activity.
Supply Side	Increase the productivity and efficiency of the economy. Shift AS to the right (increase supply), increases productive potential.	To overcome recession, so in the recovery stage of the economic cycle. The Government could use this policy to lower the prices which avoids inflation.	1. Privatisation, selling to private sector, efficient. 2. Reduce income tax, work harder=more output. 3. Increase education, improves productivity, and shifts AS. 4.	+ reduces unemployment +lower inflation, shifts AS to the right. +improved economic growth by increasing AS. +improved trade and BofP.
Exchange Rate	Altering exchange rate to change AD and improve BofP.		Stronger pound- -reduces excessive AD -Keep inflation down -exports suffer=job losses Weaker pound- -Raise AD and GDP	+stimulates the economy -exports or imports would be effected, job losses. -banks make less profit from loans.