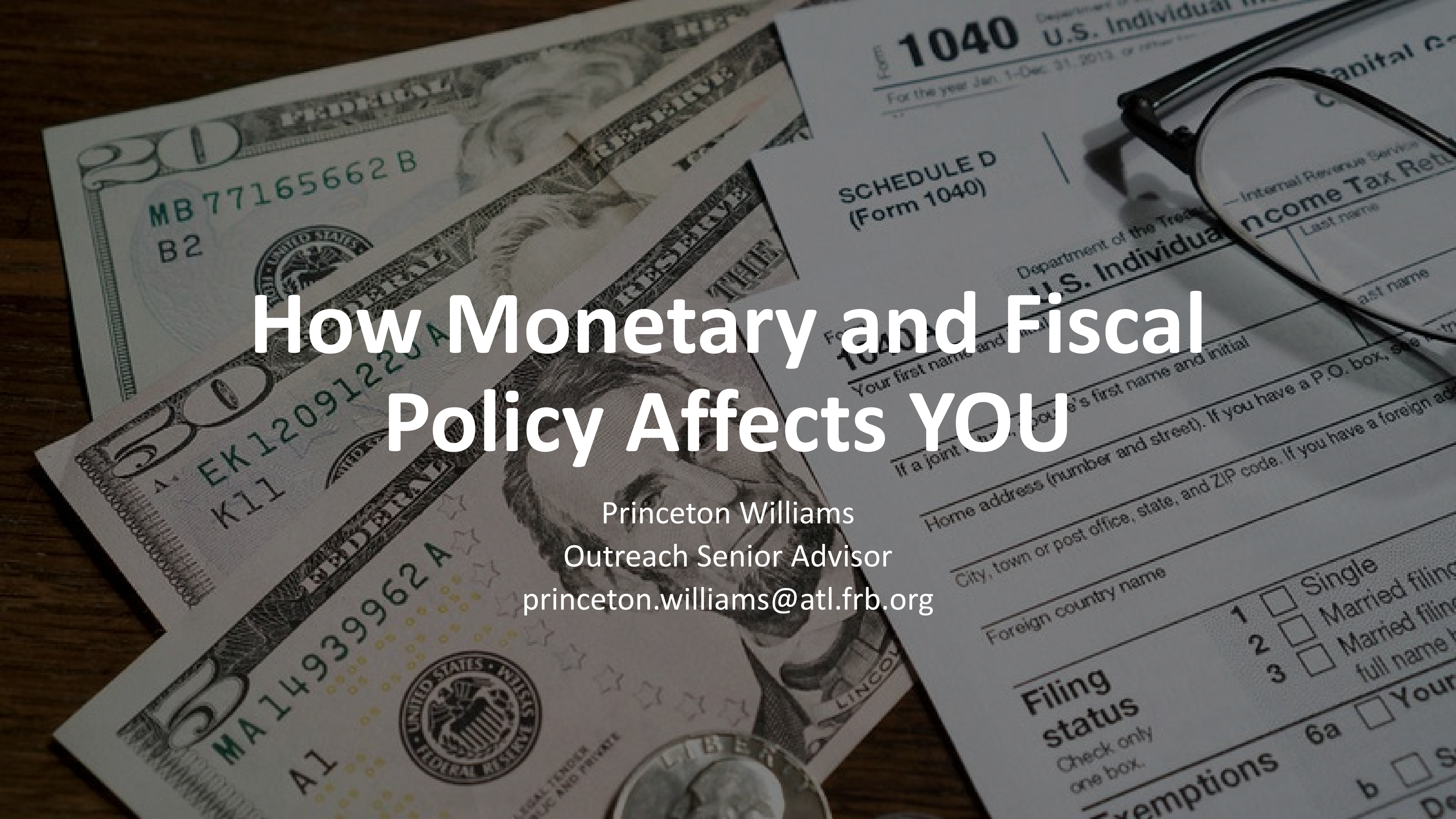


How Monetary and Fiscal Policy Affects YOU

Princeton Williams
Outreach Senior Advisor
princeton.williams@atl.frb.org

Federal Reserve Bank *of* Atlanta

The views expressed are those of the presenter. They do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

Fiscal Policy

The spending and taxing policies used by Congress and the president

WHO?

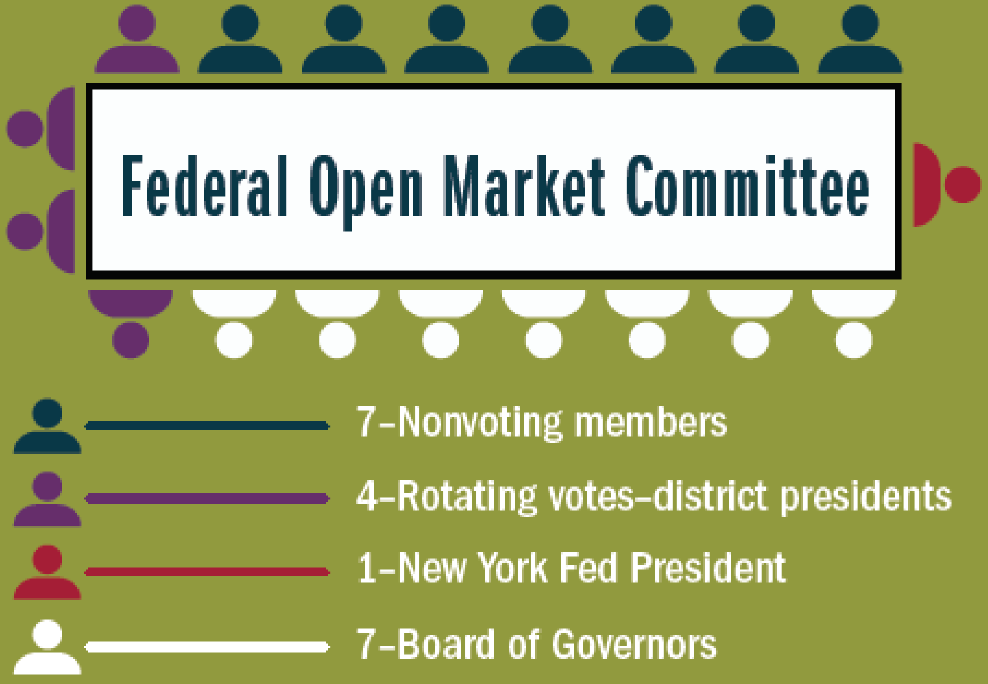
Congress

President

Monetary Policy

The tools used by the Federal Open Market Committee to influence the availability of credit and the money supply

WHO?



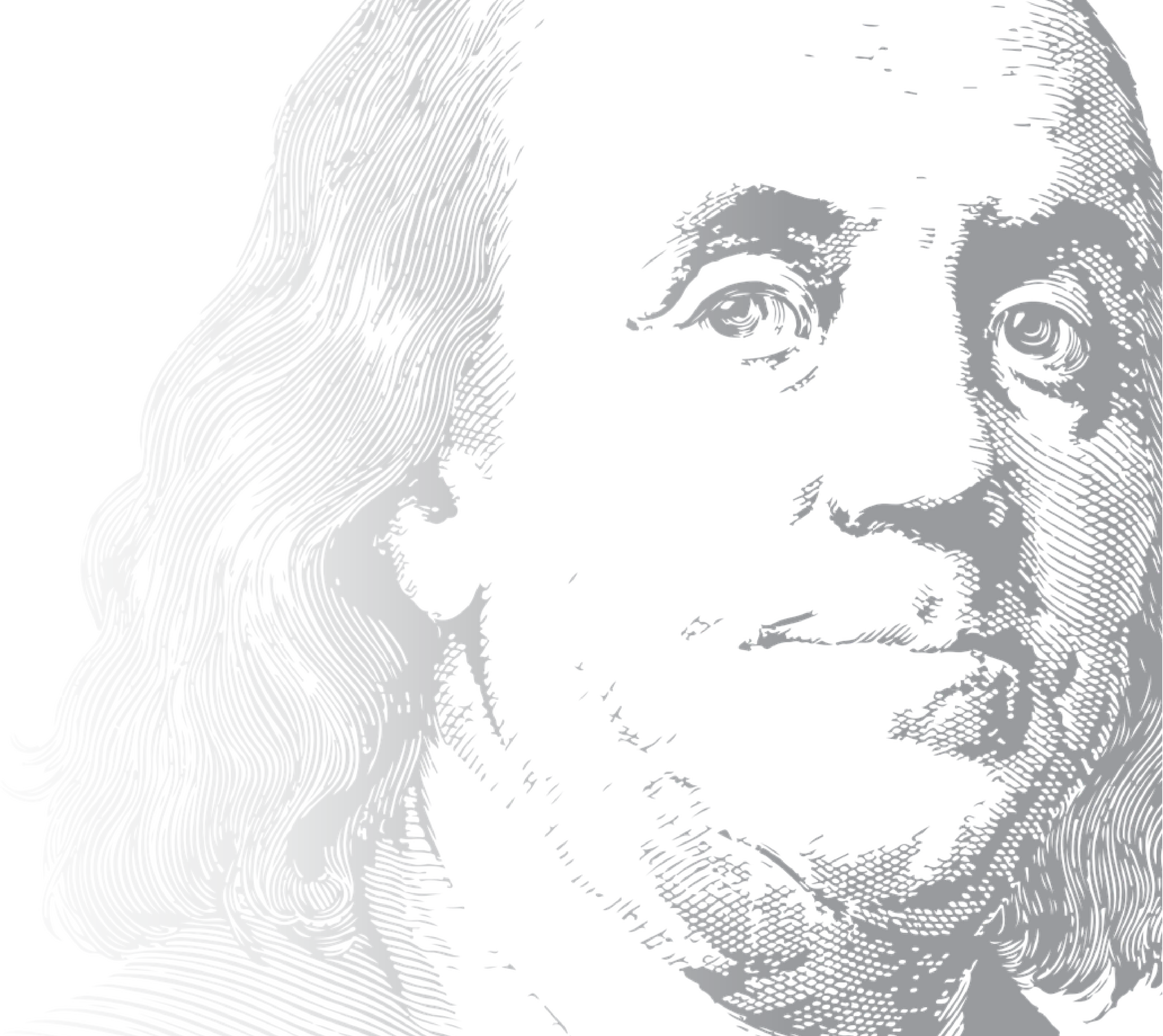
Fiscal Policy

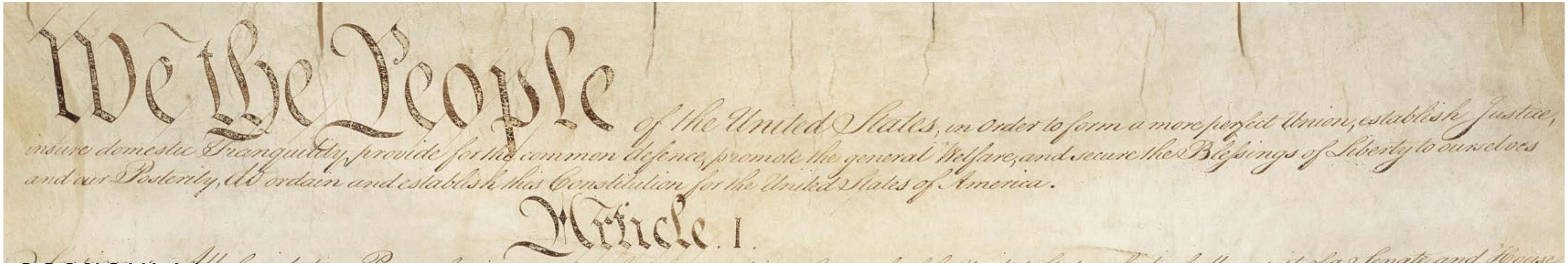
Government spends money to provide goods and services

Government pays for those expenditures through taxation and borrowing

"Our new Constitution is now established, everything seems to promise it will be durable; but, in this world, **nothing is certain except death and taxes**"

— Benjamin Franklin, in a letter to Jean-Baptiste Le Roy, 1789




We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

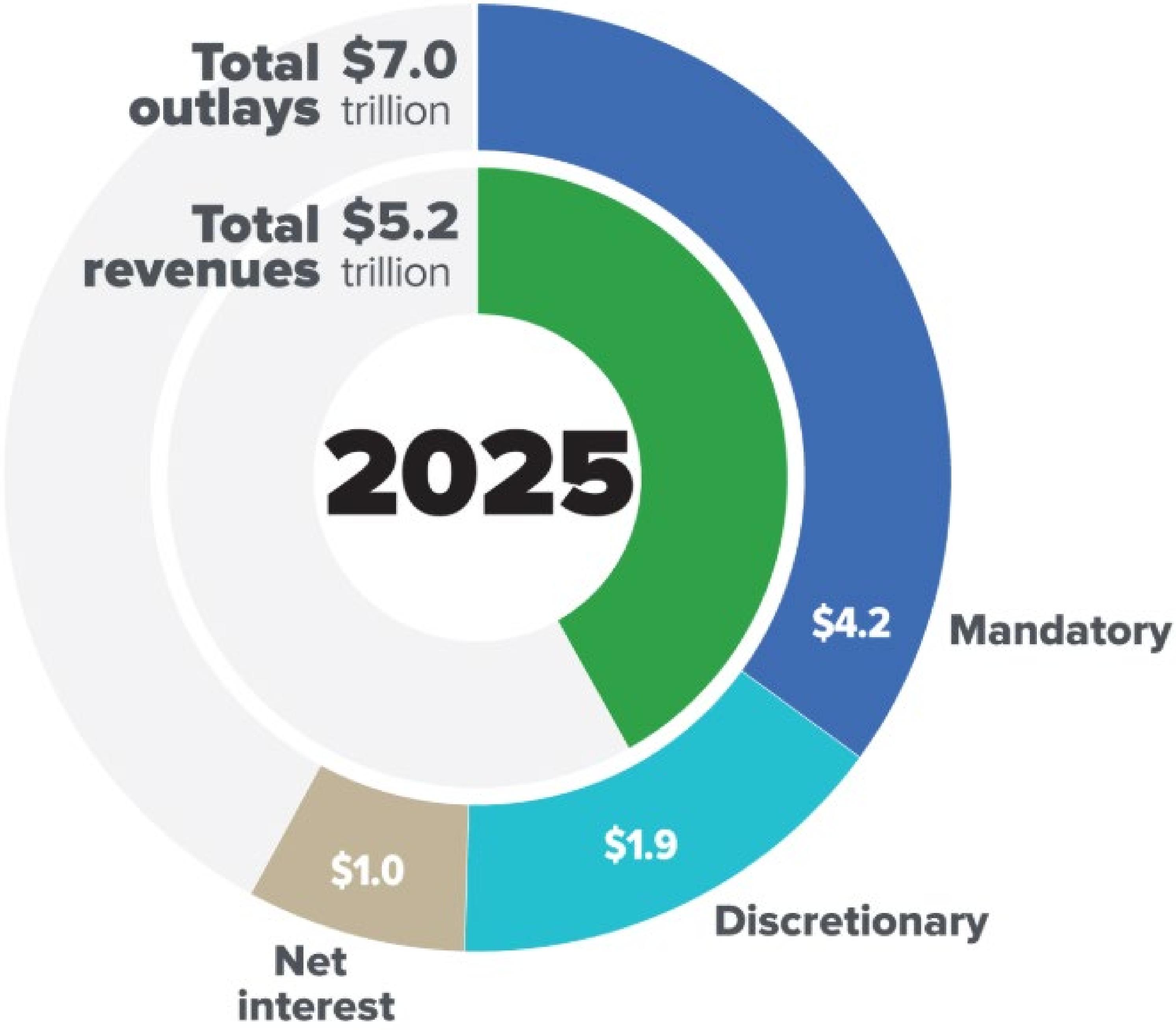
Article. I

Section. 7.
All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills.
Every Bill which shall have passed the House of Representatives and the Senate, shall, before it become a Law, be presented to the President of the United States; …

Section. 8.
The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;
To borrow Money on the credit of the United States;


BILL

The Federal Budget in Fiscal Year 2025



https://www.cbo.gov/publication/61950

Categories of the Budget

Mandatory Spending

Primarily payments for benefit programs whose eligibility rules and benefit formulas are set by law

Discretionary Spending

Spending that lawmakers control through appropriation acts

Net Interest

The government's interest payments on debt held by the public, offset by the interest income that the government receives

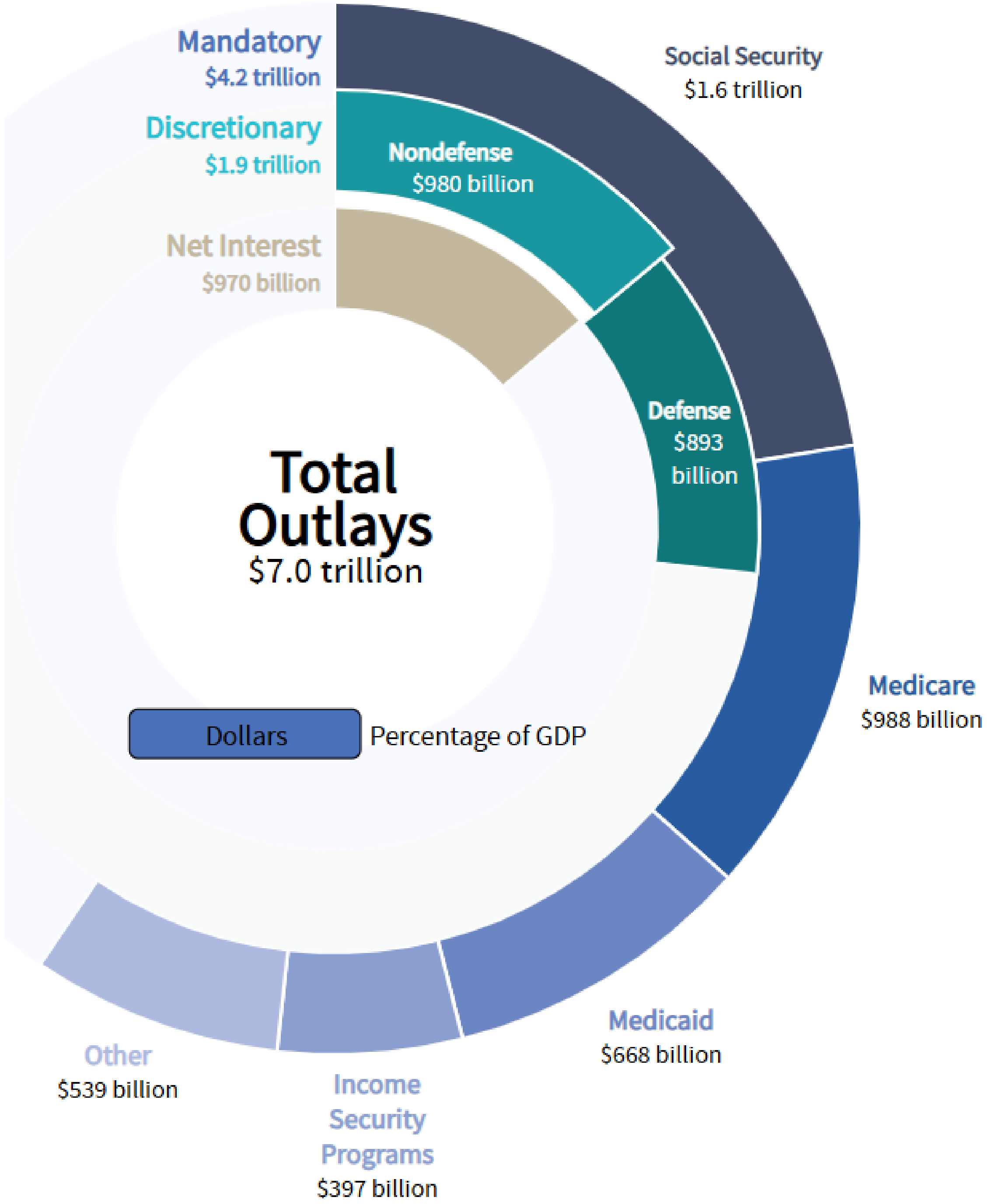
Revenues

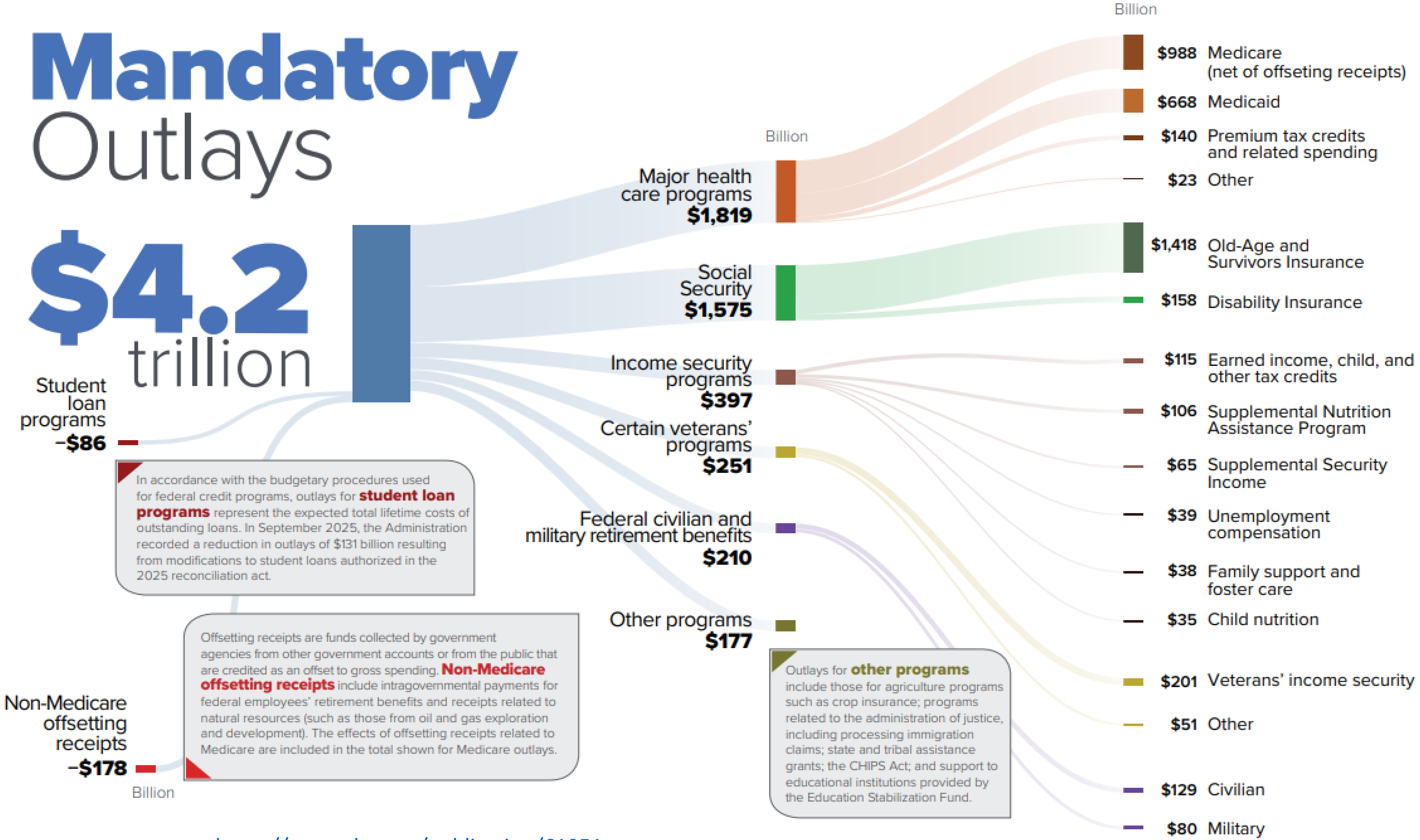
Taxes and other funds collected from the public that arise from the government's exercise of its sovereign powers

https://www.cbo.gov/publication/61950

What categories of Federal outlays affect you?

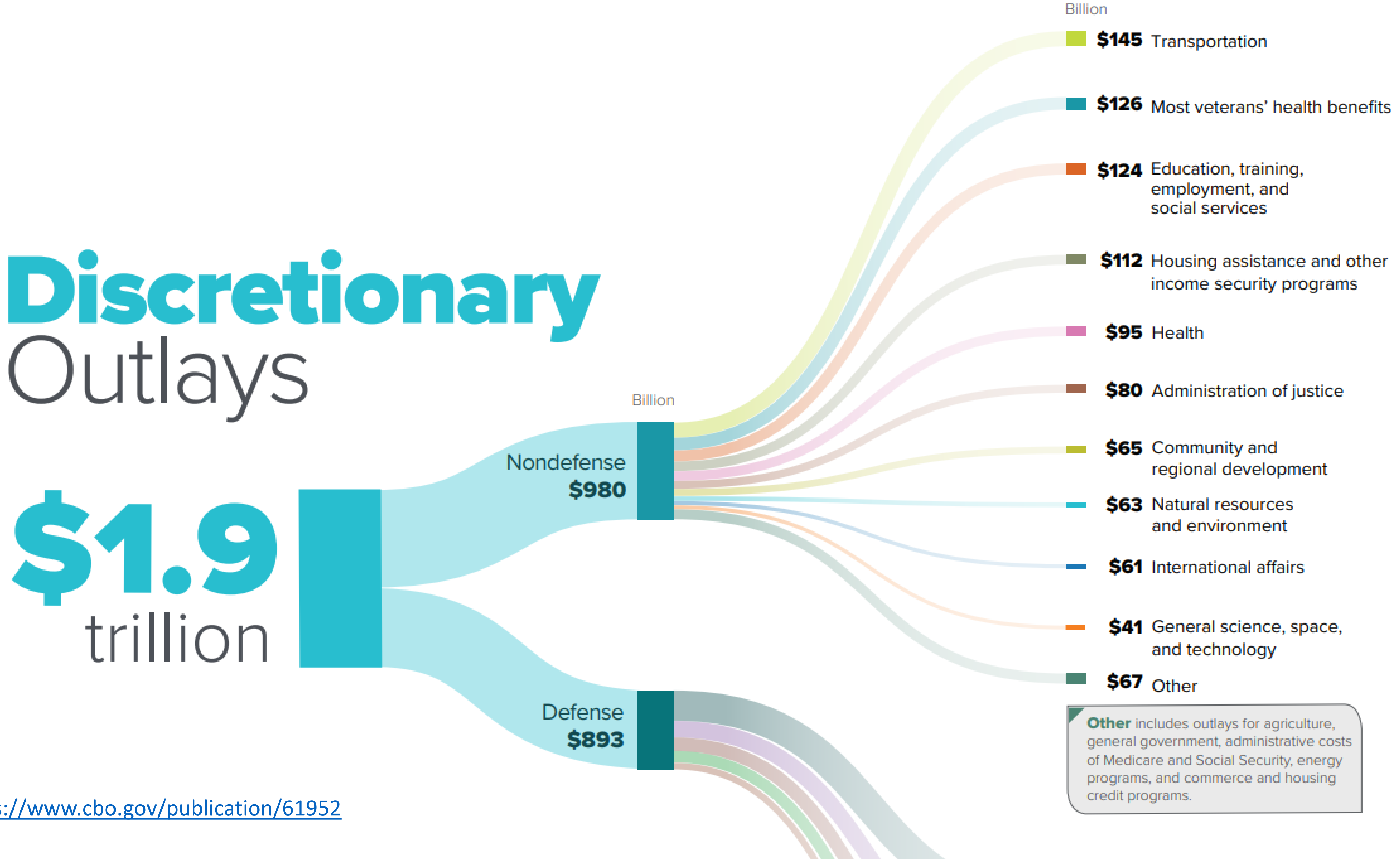
https://www.cbo.gov/publication/61950



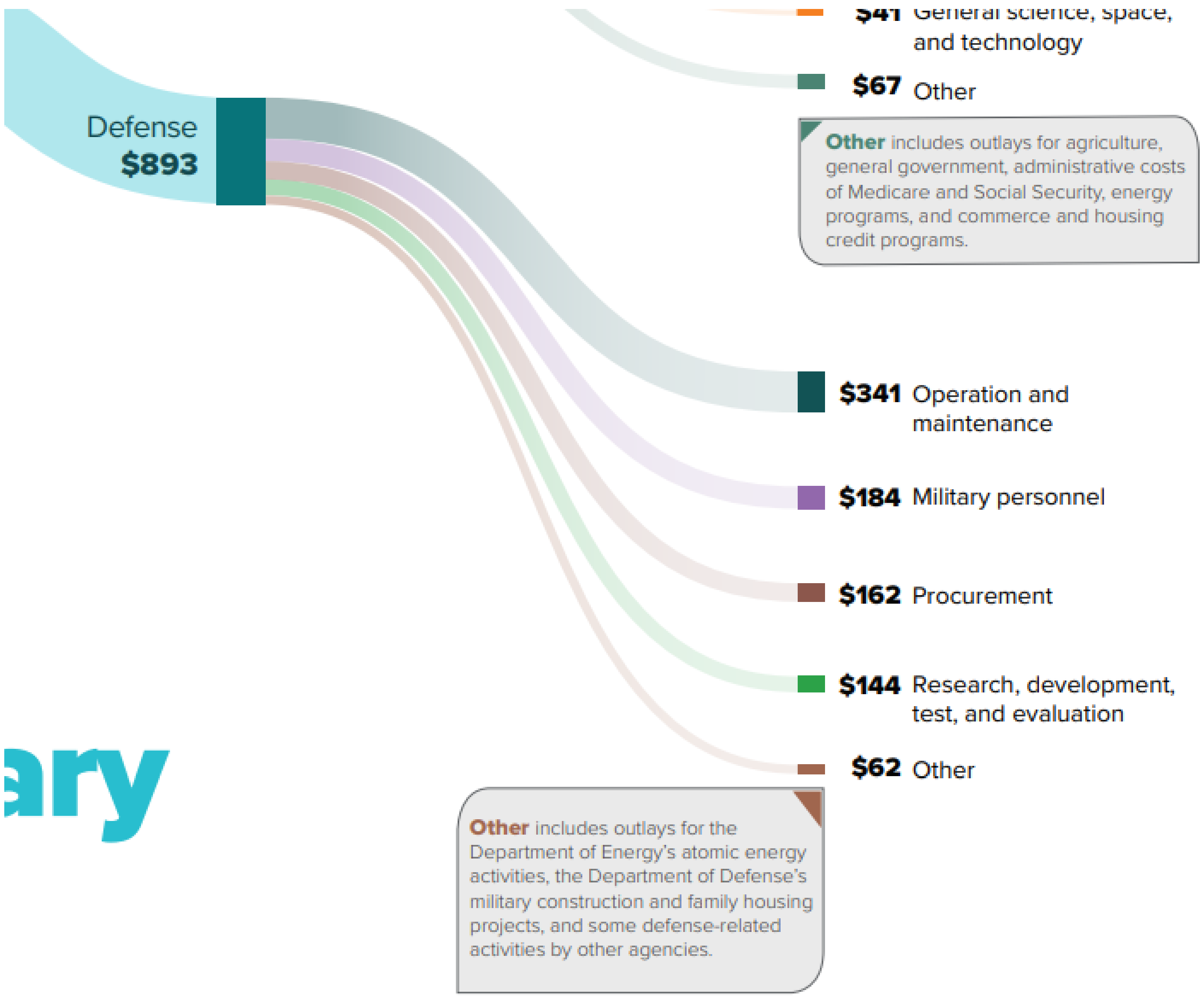


https://www.cbo.gov/publication/61951

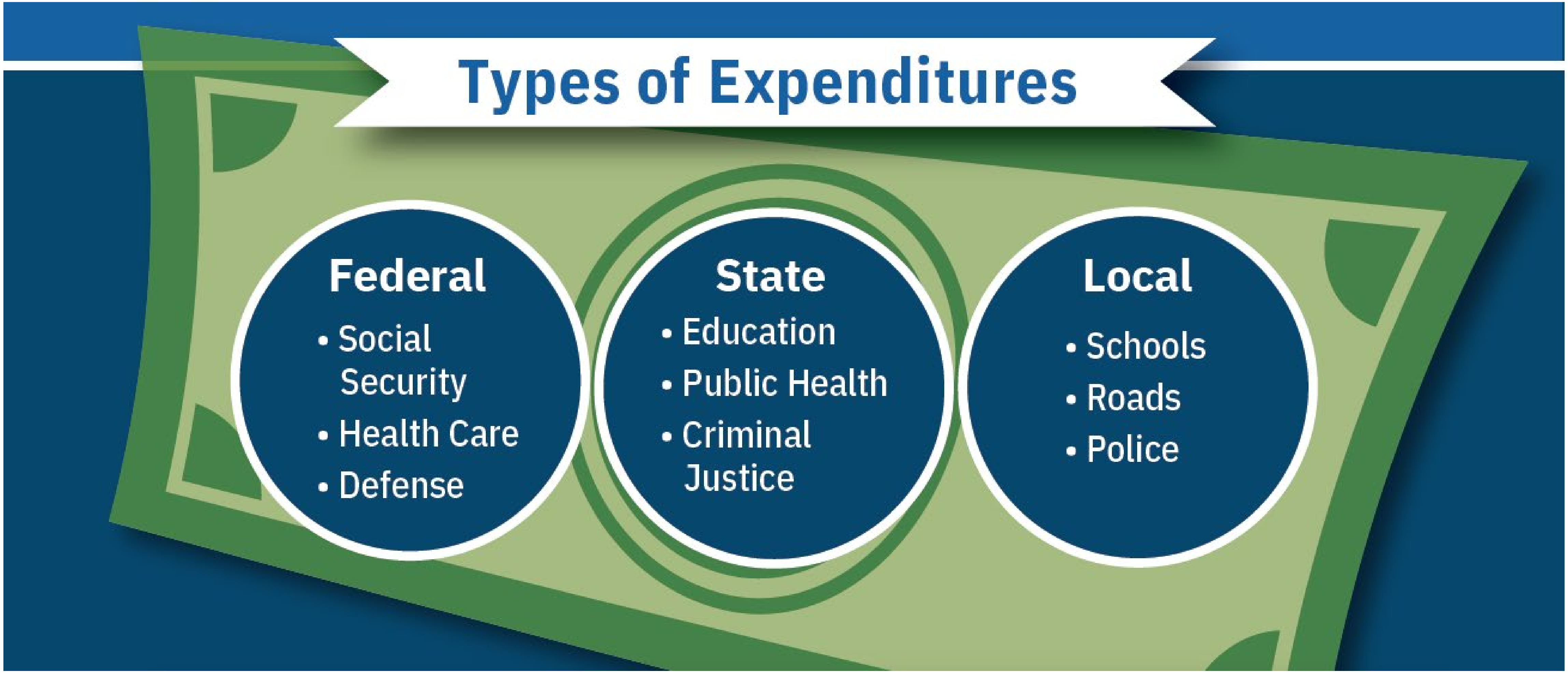
Discretionary Outlays



https://www.cbo.gov/publication/61952



https://www.cbo.gov/publication/61952

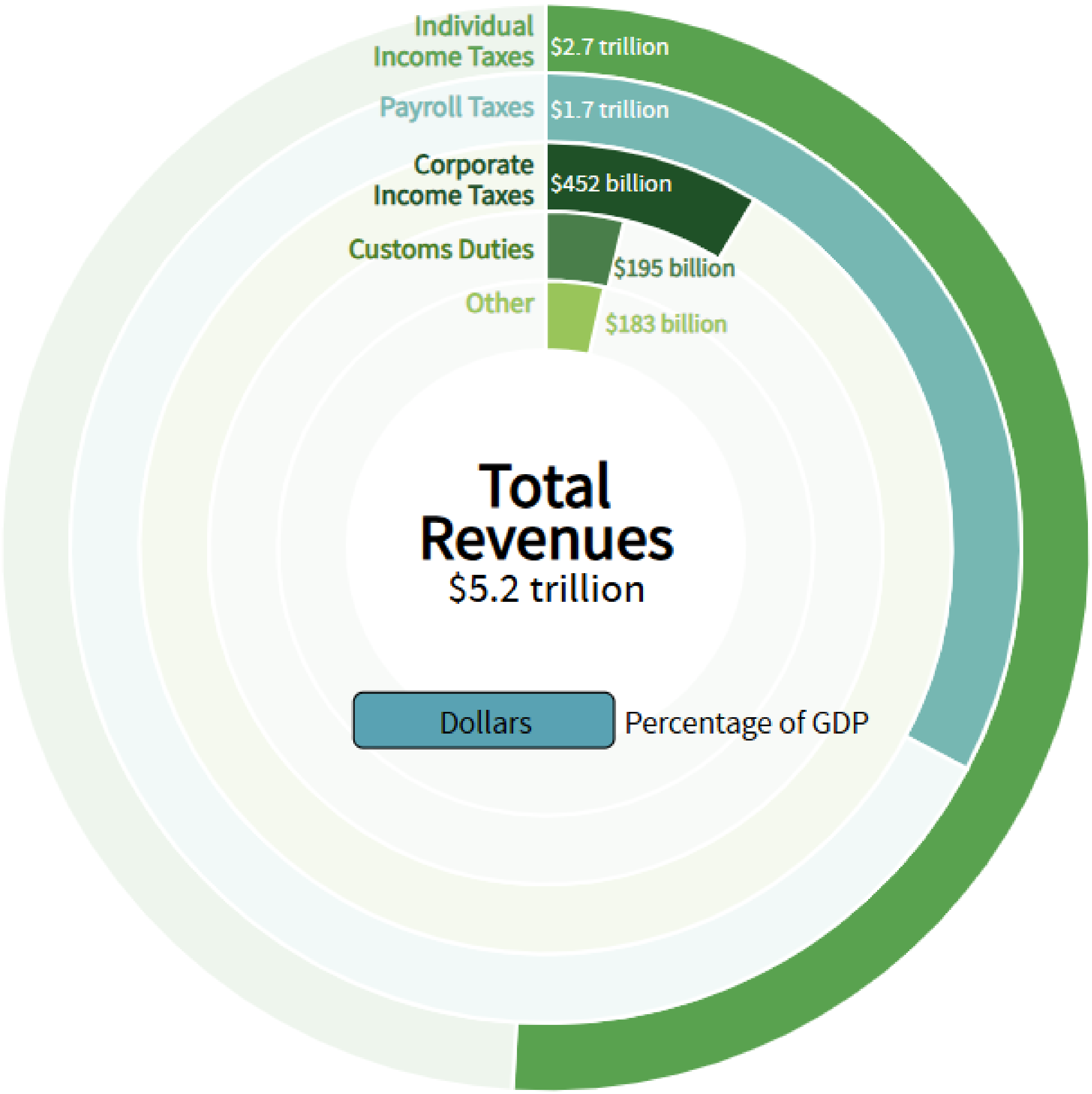


Types of Expenditures
Federal
• Social Security
• Health Care
• Defense
State
• Education
• Public Health
• Criminal Justice
Local
• Schools
• Roads
• Police

What Are Taxes?

Taxes are mandatory payments individuals, households, and businesses make to local, state, and national governments.

What categories of Federal revenues affect you?



https://www.cbo.gov/publication/61950

Types of Taxes

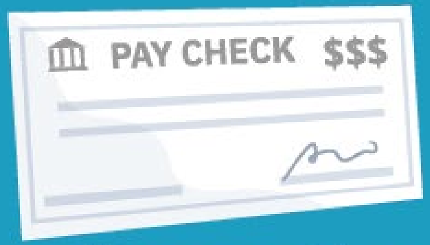
BUY

Sales tax: paid on many goods and services

Excise tax: paid by a consumer on a specific product type, such as gasoline

EARN

Income tax: paid on income from employment or investments



Payroll tax: paid on income to finance social insurance programs

OWN

Property tax: paid by the owners of land, buildings, and homes

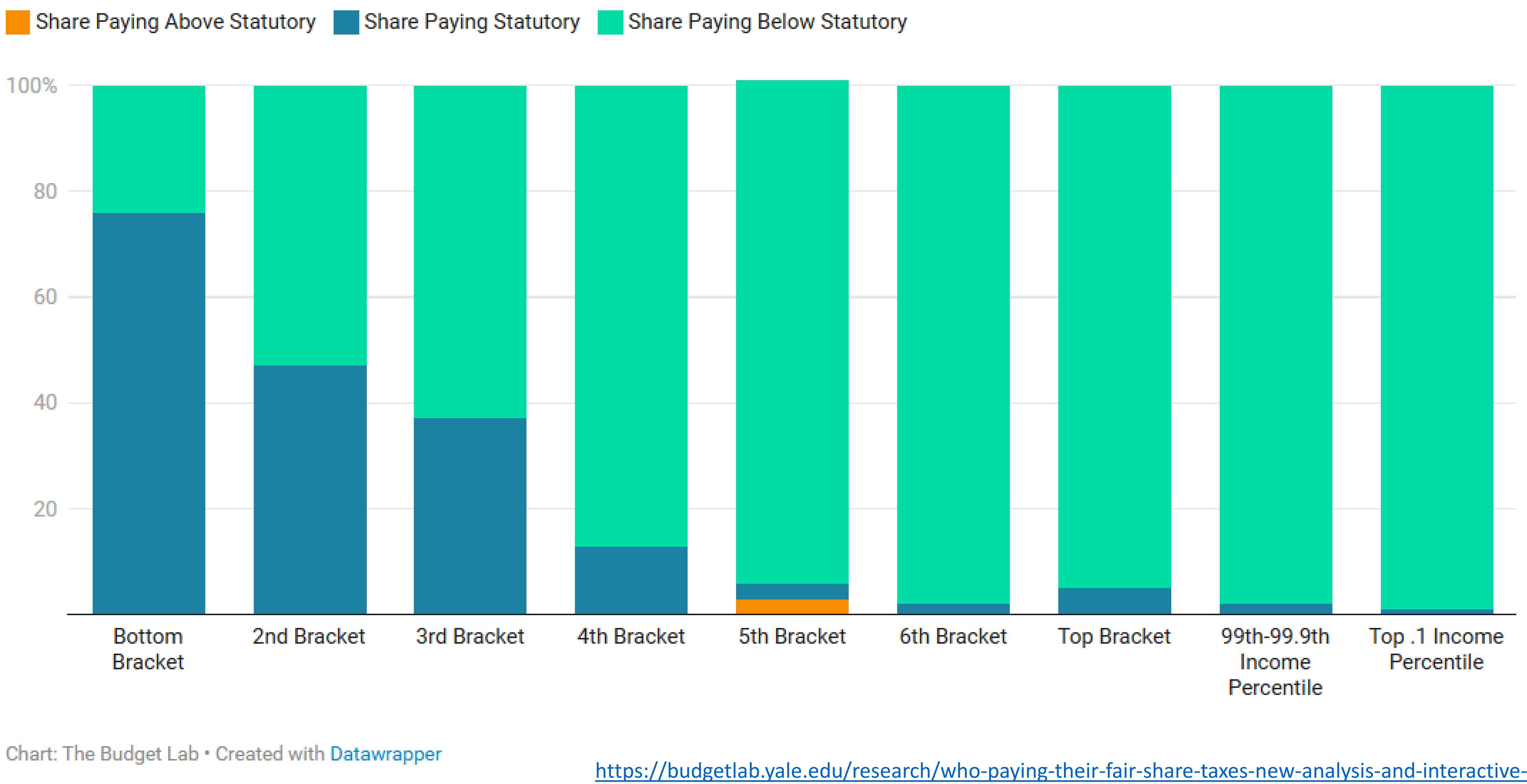
Estate and inheritance taxes: paid based on the value of the money or property of someone who has died

SOURCE: https://taxfoundation.org/the-three-basic-tax-types/

Taxes and government expenditures are different at each level of government.

	Property Taxes	Sales Taxes	Income Taxes	Corporate Taxes	Payroll Taxes
Federal			✓	✓	✓
State		✓	✓	✓	
Local	✓	✓	✓		

Figure 1. Distribution of Tax Filers with Respect to their Statutory Rates



https://budgetlab.yale.edu/research/who-paying-their-fair-share-taxes-new-analysis-and-interactive-tool

Tariffs are a tax on imported goods. They are paid by some combination of three groups.

Foreign Producers	American importers and businesses	American consumers

https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

Figure 2. Effective Tariff Rate

Customs duties as a share of import value

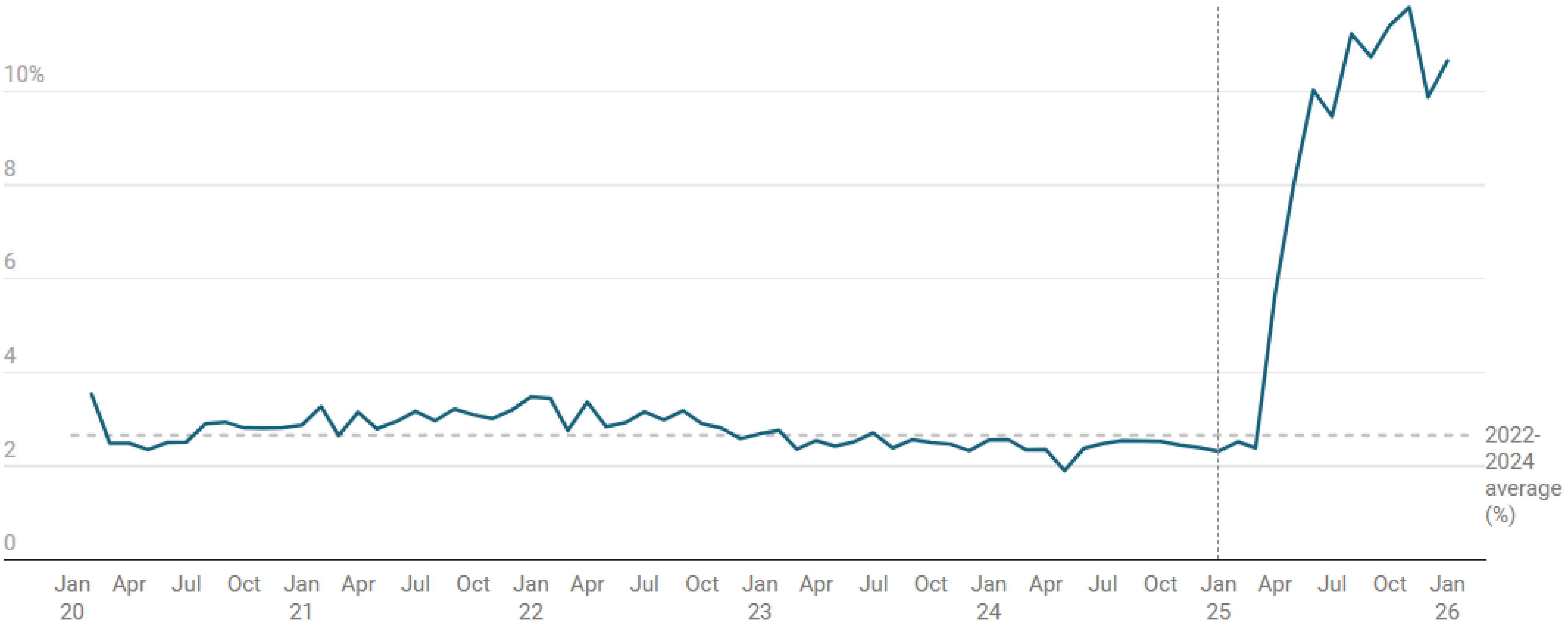
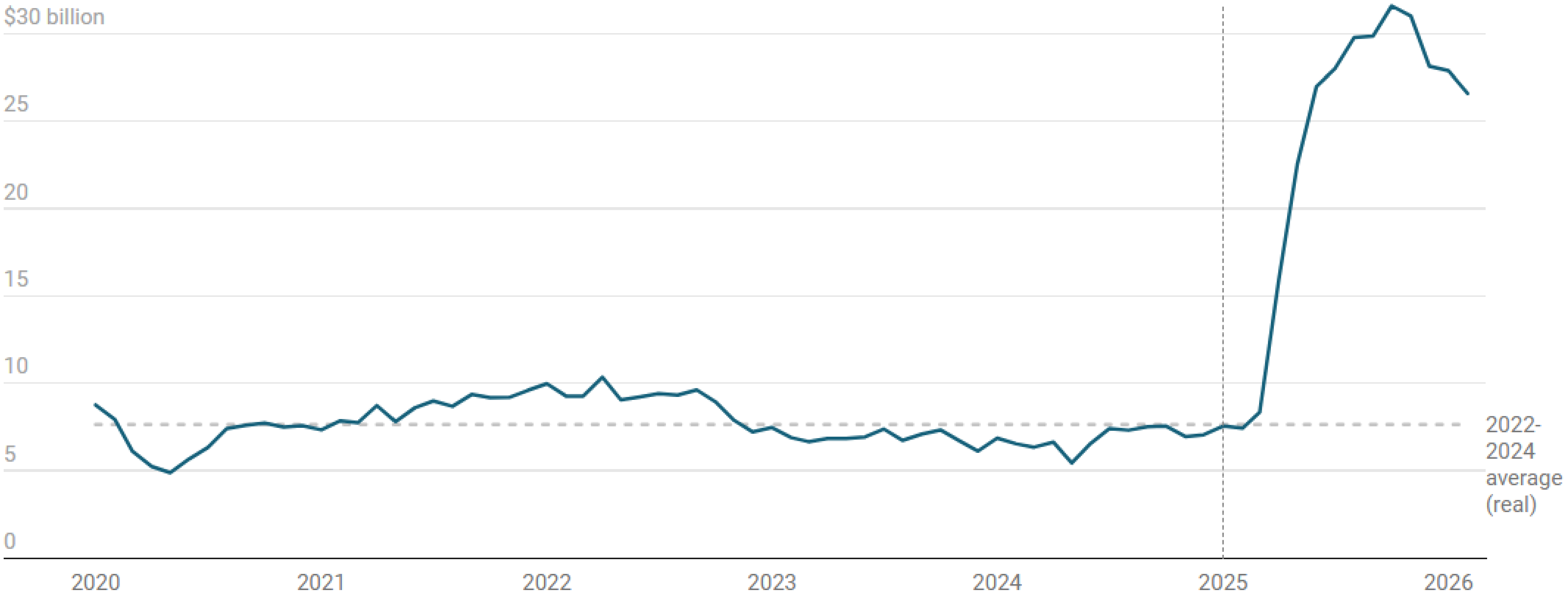


Chart: The Budget Lab • Source: U.S. Treasury, Census Bureau via Haver Analytics • Get the data • Created with Datawrapper

https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

Figure 3. Customs Duty Revenue (Inflation-Adjusted)

Monthly federal customs duty revenue in 2025 dollars, deflated by CPI-U



October 2025 CPI interpolated (government shutdown delayed BLS release).

Chart: The Budget Lab • Source: US Treasury via Haver Analytics, BLS CPI • Get the data • Created with Datawrapper

https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

Figure 4. PCE Core Goods & Durables Prices

Index (Dec 2024 = 100) versus local projection with 90% CIs

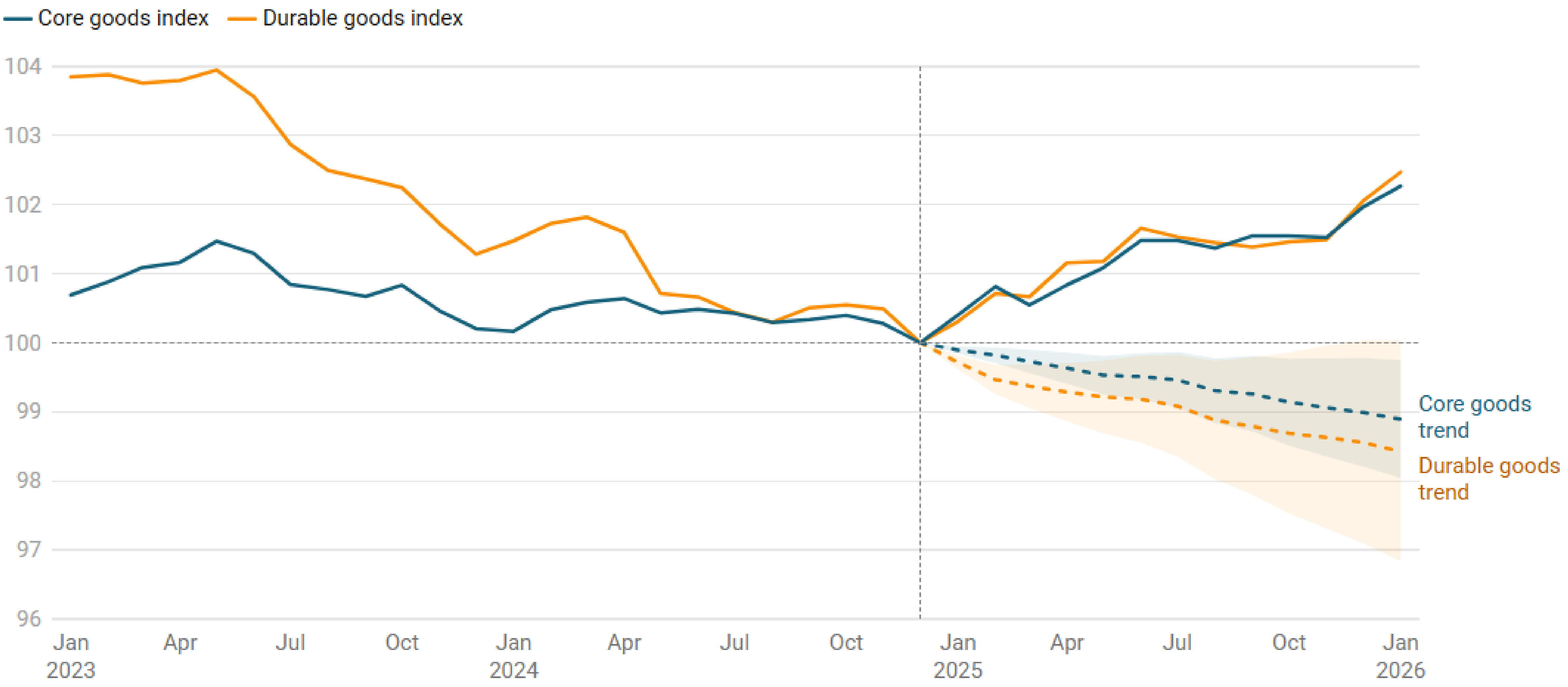


Chart: The Budget Lab • Source: Bureau of Economic Analysis via Haver Analytics, The Budget Lab analysis • Get the data • Created with Datawrapper

https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

Figure 6. Imported PCE Core Goods & Durables Prices

Import-content-weighted index (Dec 2024 = 100) versus local projection with 90% CIs

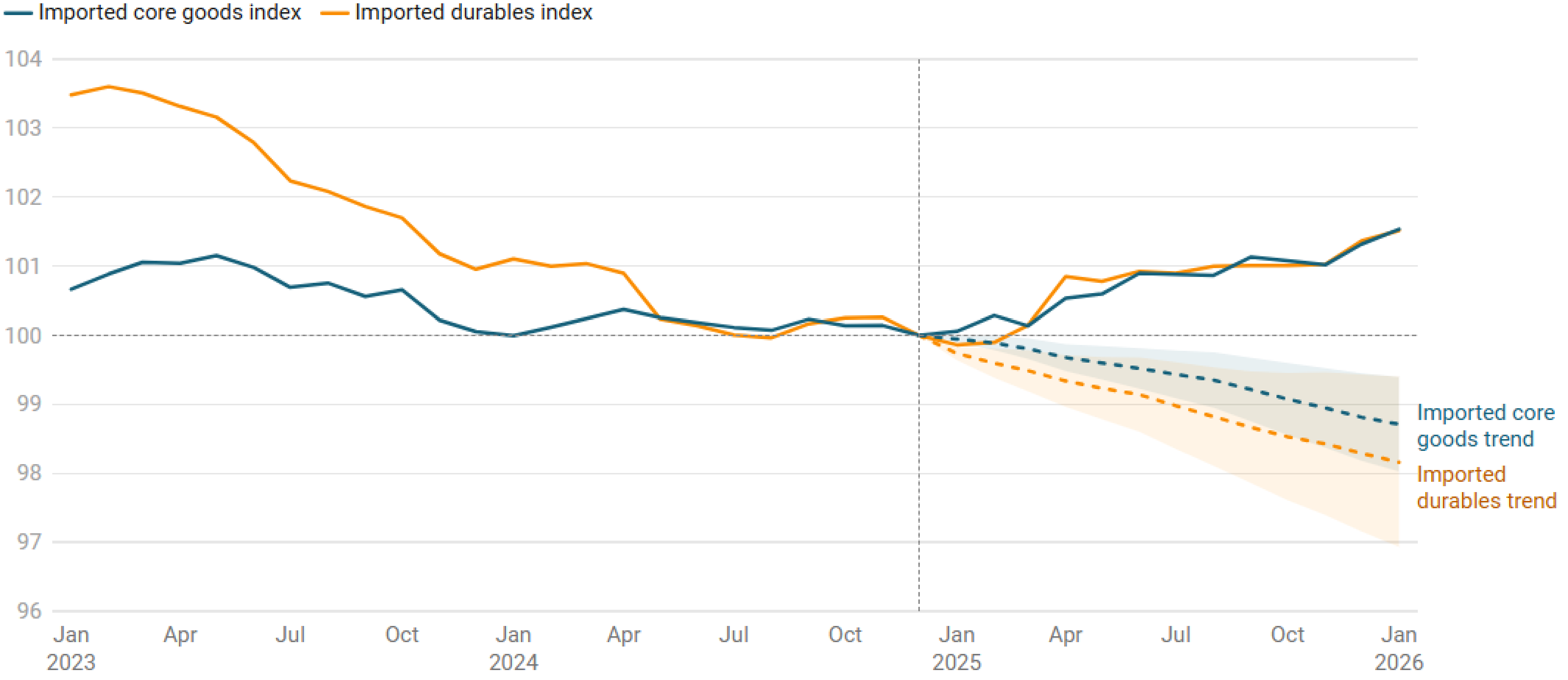
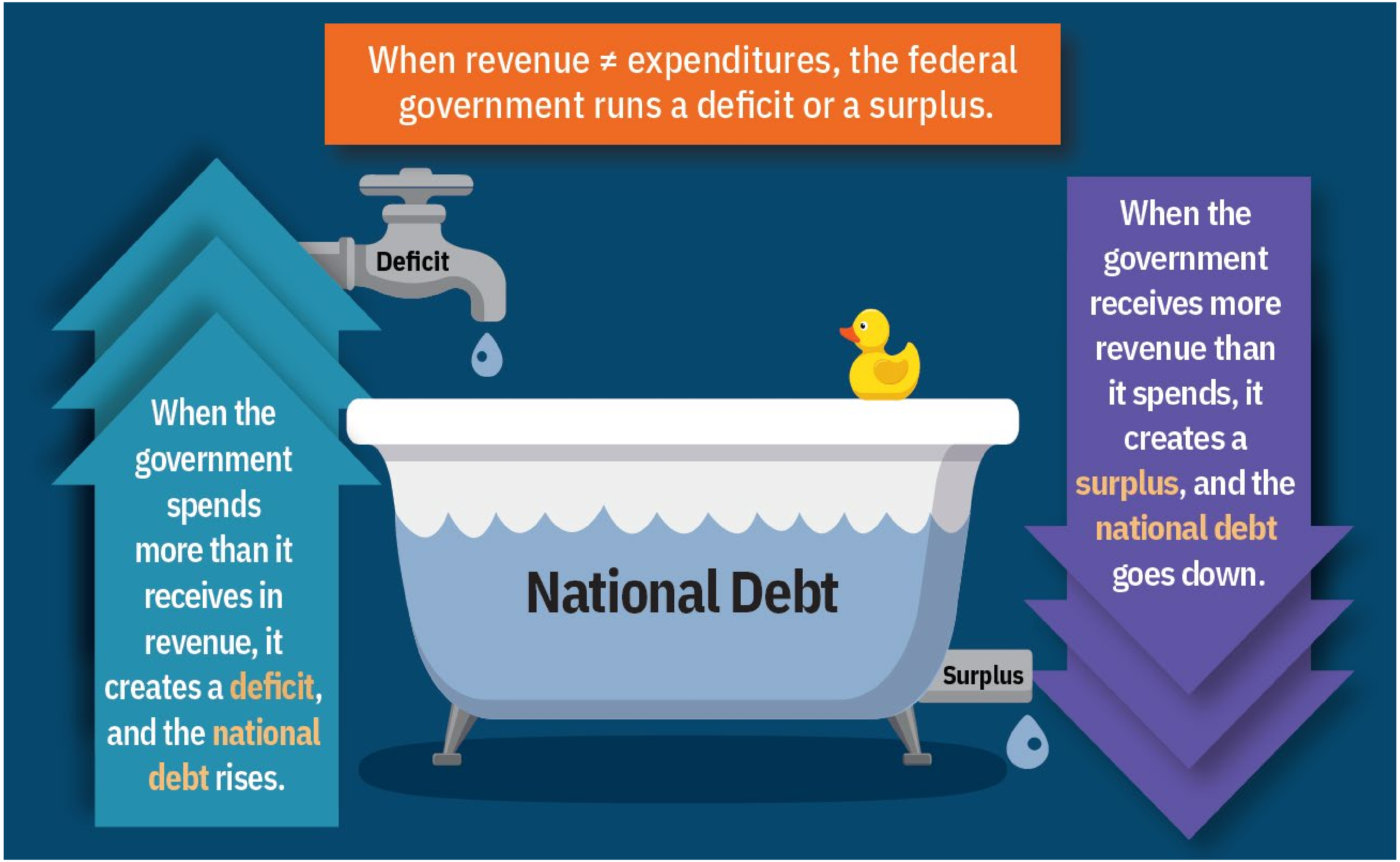


Chart: The Budget Lab • Source: BEA PCE components via Haver Analytics; BEA I-O Tables; and The Budget Lab analysis • Get the data • Created with Datawrapper

https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs


When revenue ≠ expenditures, the federal government runs a deficit or a surplus.
Deficit
When the government spends more than it receives in revenue, it creates a deficit, and the national debt rises.
National Debt
Surplus
When the government receives more revenue than it spends, it creates a surplus, and the national debt goes down.

Deficits and Debt

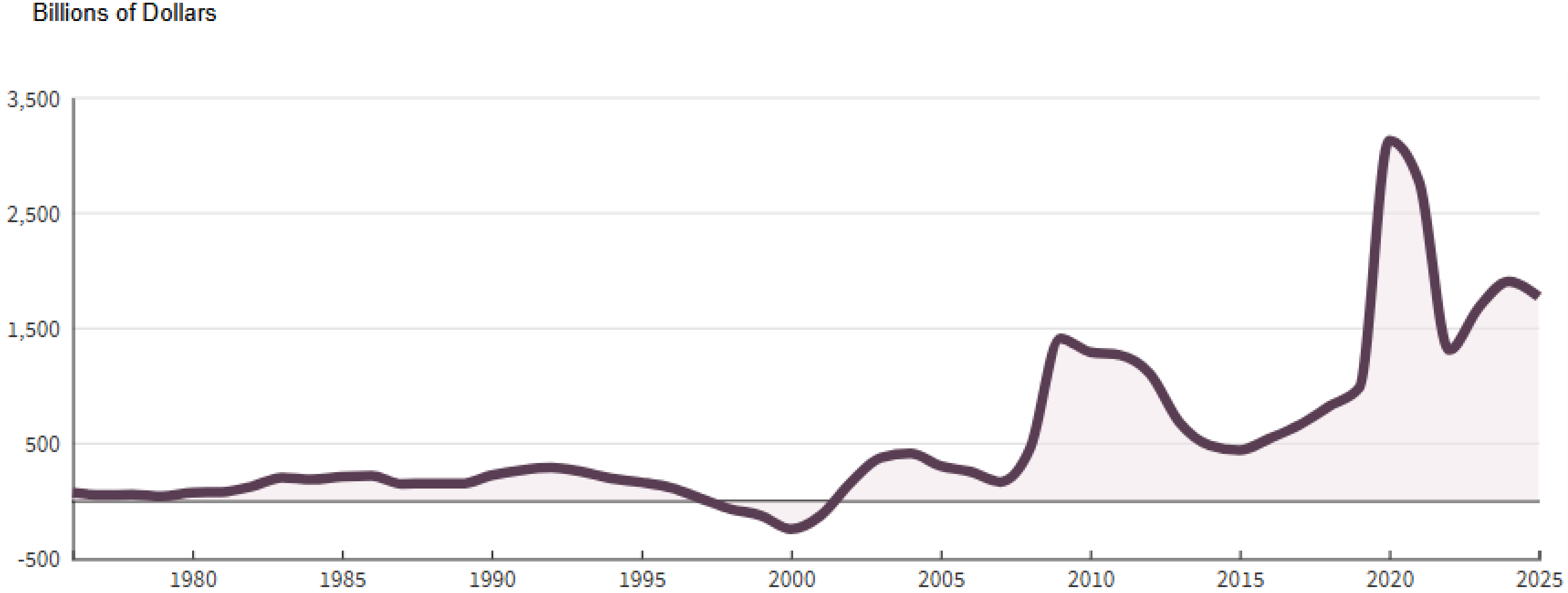
Government must borrow money when it runs a budget deficit

Government borrows from

- Individuals
- Corporations
- Financial institutions
- Foreign entities or foreign governments

Deficits and Debt

Federal Deficits or Surpluses, 1976 to 2025



Annual Deficit: Amount by Which Outlays Exceed Revenues

To fund government spending in years of deficits, the Treasury borrows from individuals, businesses, the Federal Reserve, and other countries.

Percentage of GDP | Dollars

5.8% of GDP

Deficit in 2025

3.8% of GDP

Average deficit over the past 50 years

$1.8 trillion

Deficit in 2026

99% of GDP

Debt held by the public at the end of 2025

51% of GDP

Debt held by the public, on average, over the past 50 years

Since 2015, legislation has raised annual interest costs by:

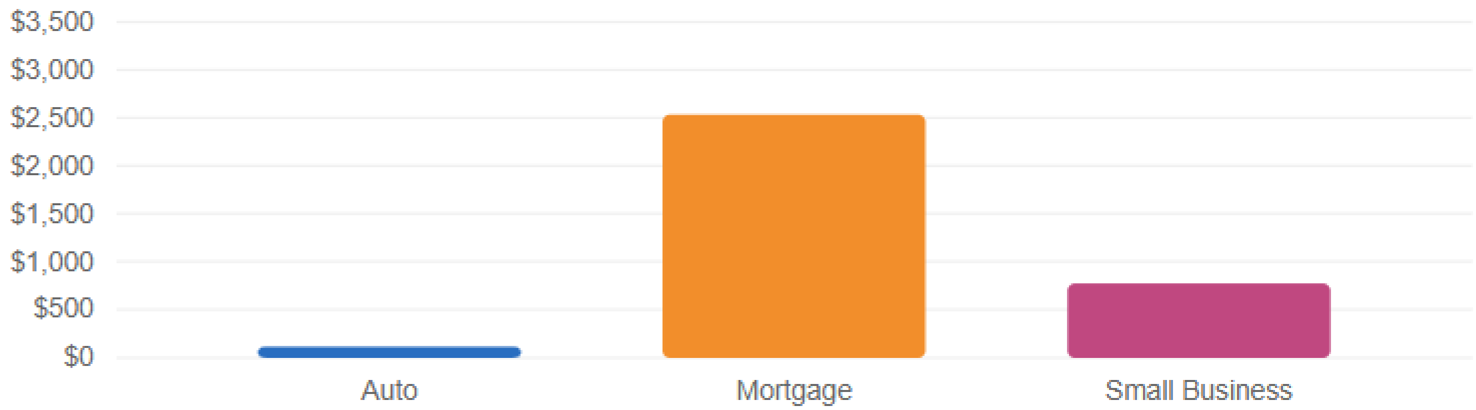
AUTO LOAN
$117

MORTGAGE
$2,534

SMALL BUSINESS LOAN
$772

Annual Added Cost

Extra interest paid each year



https://budgetlab.yale.edu/research/deficits-and-affordability-tool

Over the life of a loan, these costs add up:

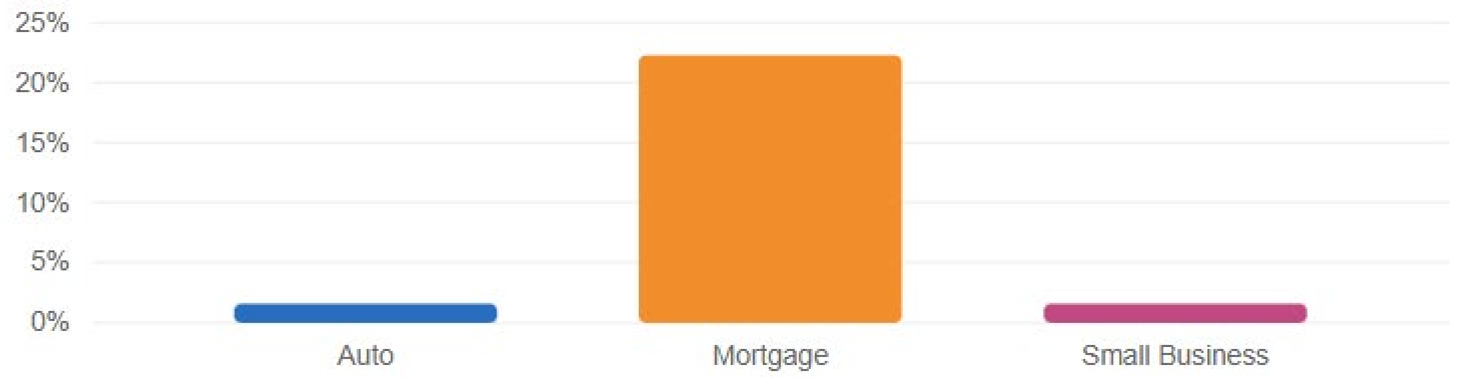
AUTO LOAN
1.6%
of the loan principal

MORTGAGE
22.3%
of the loan principal

SMALL BUSINESS LOAN
1.6%
of the loan principal

Lifetime Added Cost

As a percentage of loan principal



https://budgetlab.yale.edu/research/deficits-and-affordability-tool

What is the Goal?

Spending

- Social Security
- NASA
- Food stamps
- Defense Spending

Taxes

- Capital gains
- Tariffs

Deductions

- Mortgage interest
- Student loan interest
- Charitable donations

Monetary Policy


THE FEDERAL RESERVE BANK OF ATLANTA
The Fed Explained
The Federal Reserve is the central bank of the United States, with responsibility for overseeing the nation's monetary system.
FEDERAL RESERVE

Federal Open Market Committee

Monetary Policy

The actions of a **central bank** that influence the **availability and cost of money and credit** to achieve **national economic goals**.

From the Federal Reserve Act – Section 2A. Monetary policy objectives

The **Board of Governors of the Federal Reserve System and the Federal Open Market Committee** shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of **maximum employment, stable prices, and moderate long-term interest rates**.

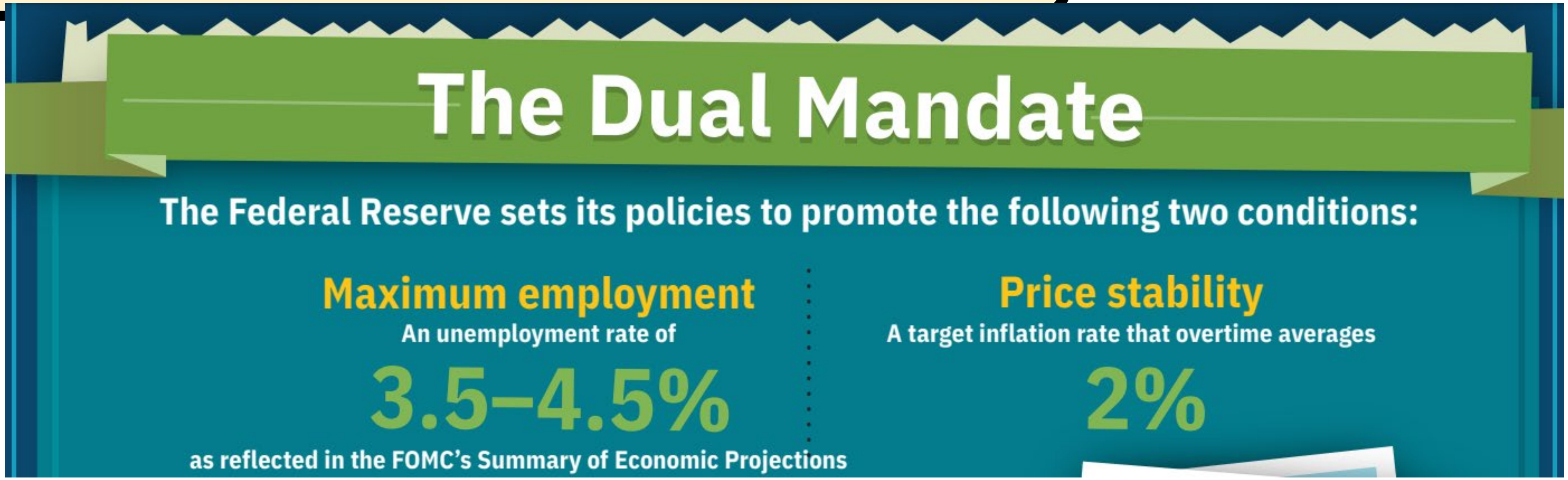


Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2026

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0	2.2–2.5	2.0–2.4	2.0–2.3	1.8–2.0	2.1–2.7	2.0–2.7	1.8–2.7	1.7–2.5
December projection	2.3	2.0	1.9	1.8	2.1–2.5	1.9–2.3	1.8–2.1	1.8–2.0	2.0–2.6	1.8–2.6	1.7–2.6	1.7–2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3–4.5	4.2–4.4	4.0–4.4	4.0–4.3	4.3–4.6	4.0–4.5	4.0–4.5	3.8–4.5
December projection	4.4	4.2	4.2	4.2	4.3–4.4	4.2–4.3	4.0–4.3	4.0–4.3	4.2–4.6	4.0–4.5	4.0–4.5	3.8–4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6–3.1	2.0–2.3	2.0	2.0	2.3–3.3	1.8–2.4	1.9–2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3–2.5	2.0–2.2	2.0	2.0	2.2–2.7	2.0–2.3	2.0	2.0
Core PCE inflation[4]	2.7	2.2	2.0		2.5–2.8	2.0–2.4	2.0		2.2–3.0	2.0–2.5	2.0–2.2	
December projection	2.5	2.1	2.0		2.4–2.6	2.0–2.2	2.0		2.2–2.7	2.0–2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1–3.6	2.9–3.6	2.9–3.6	2.9–3.5	2.6–3.6	2.4–3.9	2.6–3.9	2.6–3.9
December projection	3.4	3.1	3.1	3.0	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5	2.1–3.9	2.4–3.9	2.6–3.9	2.6–3.9

https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm

Economy at a Glance

Policy Rate

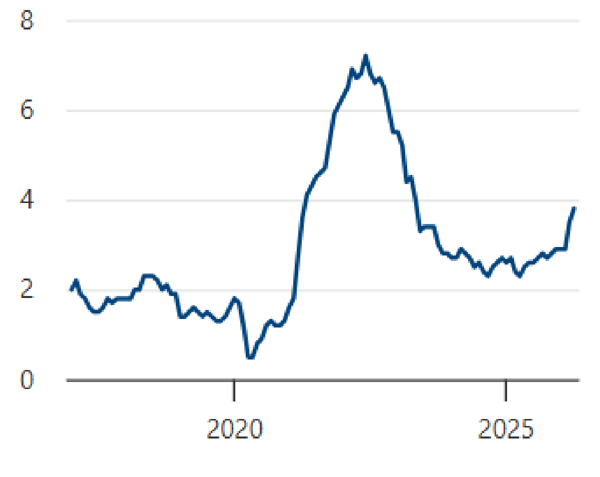
Fed Funds Target Range

3.50% to 3.75%

View More

Inflation (PCE)

3.8% April 2026

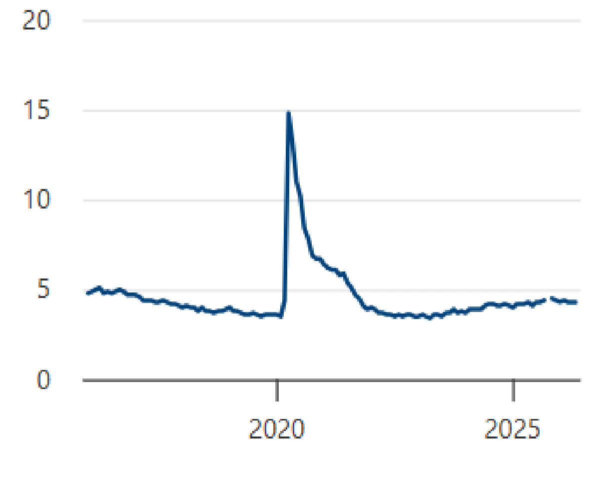


Source: Bureau of Economic Analysis

View More

Unemployment Rate

4.3% May 2026

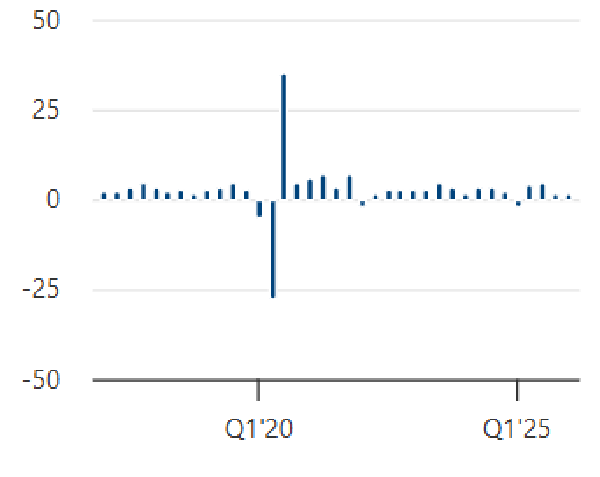


Source: U.S. Bureau of Labor Statistics

View More

Gross Domestic Product (GDP)

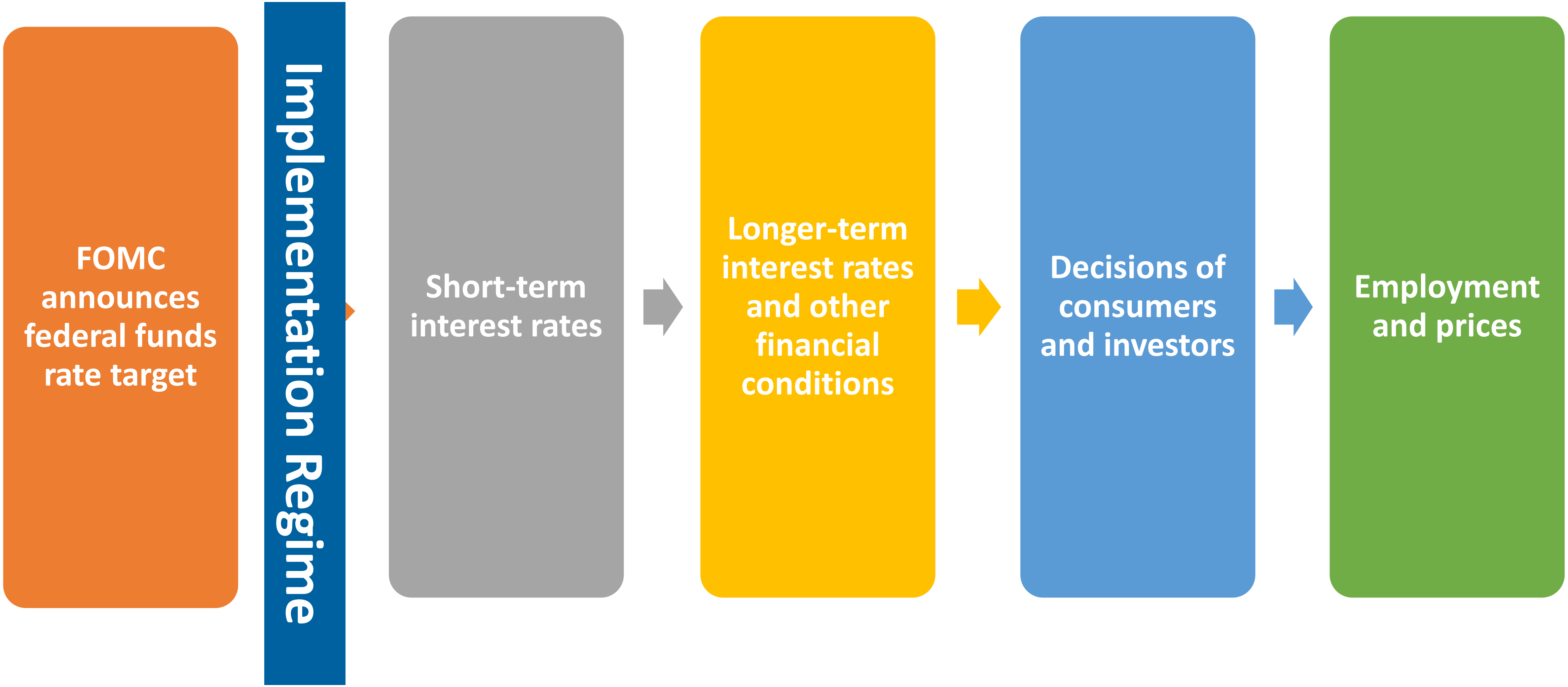
+1.6% Q1 2026



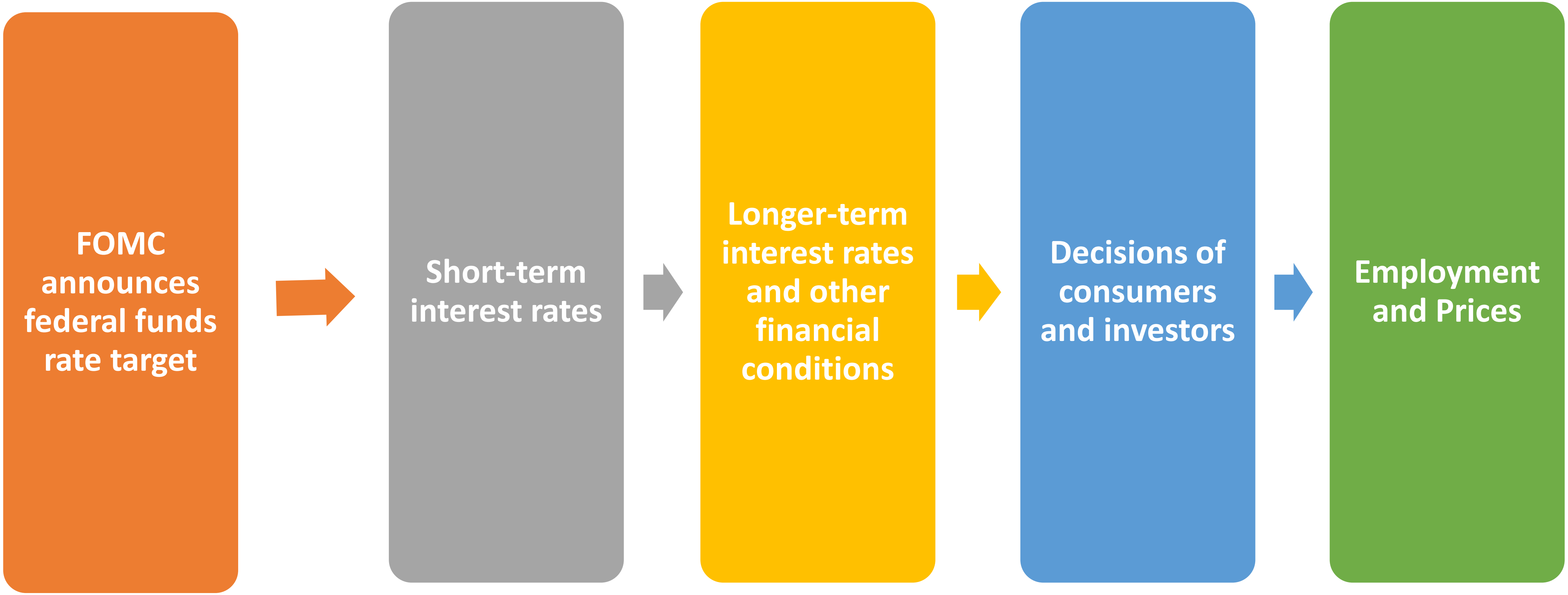
Source: Bureau of Economic Analysis

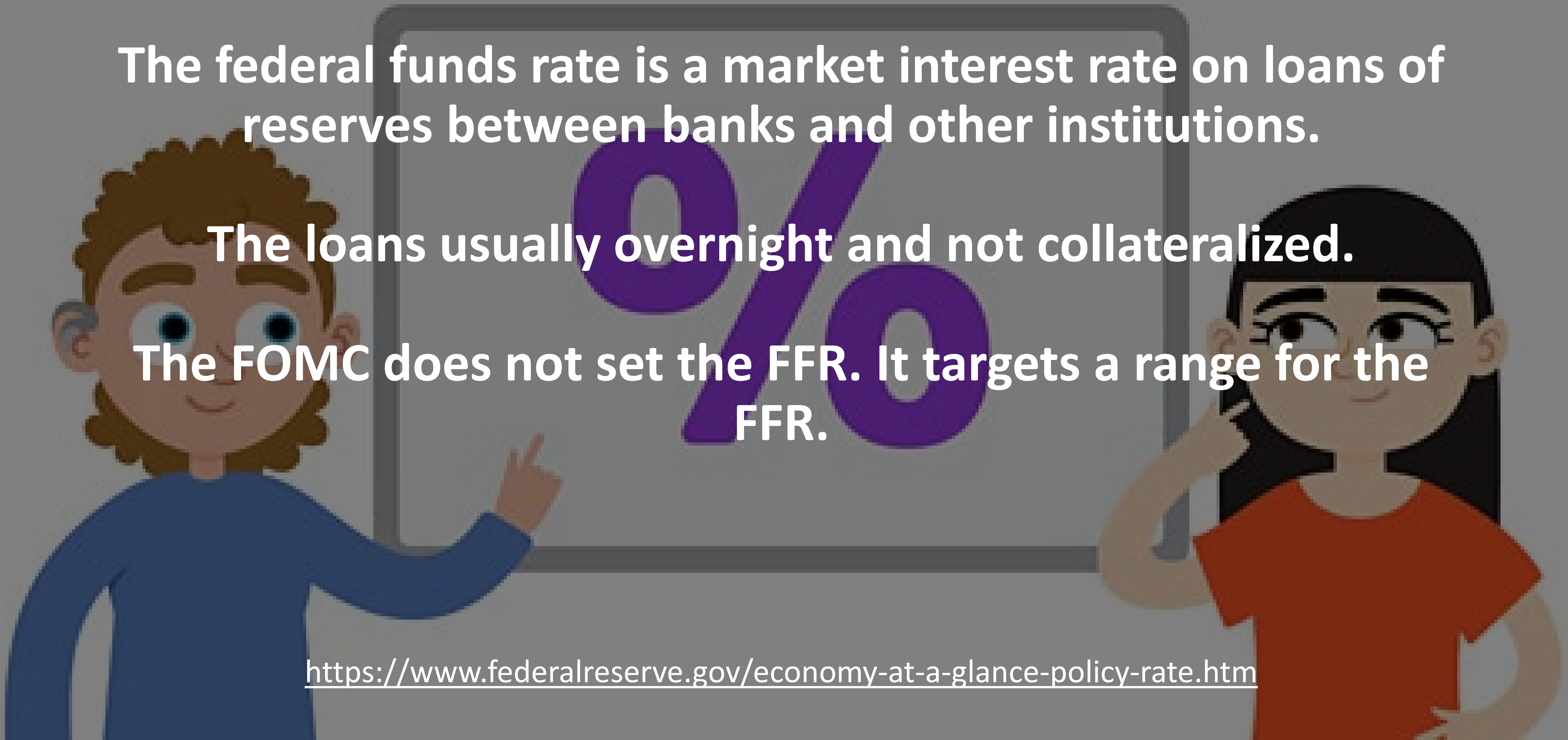
View More

Monetary Policy's Effect



Monetary Policy's Effect



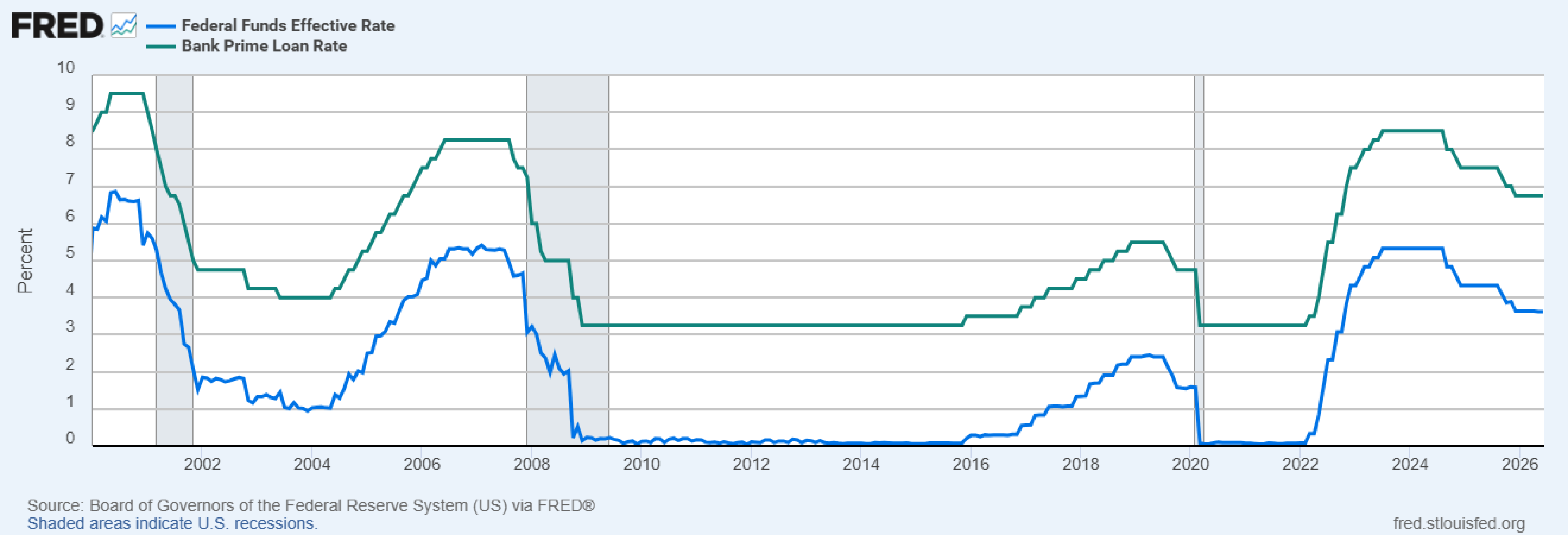


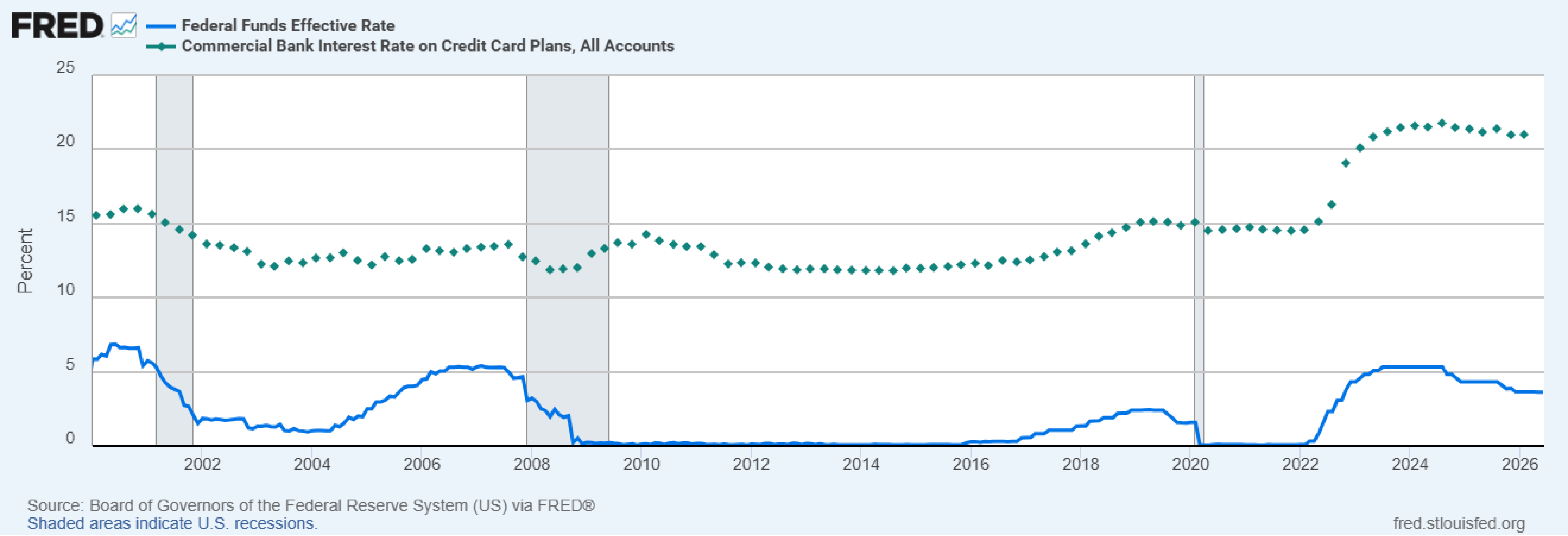
The federal funds rate is a market interest rate on loans of reserves between banks and other institutions.

The loans usually overnight and not collateralized.

The FOMC does not set the FFR. It targets a range for the FFR.

https://www.federalreserve.gov/economy-at-a-glance-policy-rate.htm


FRED
Federal Funds Effective Rate
Bank Prime Loan Rate
Percent
10
9
8
7
6
5
4
3
2
1
0
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org

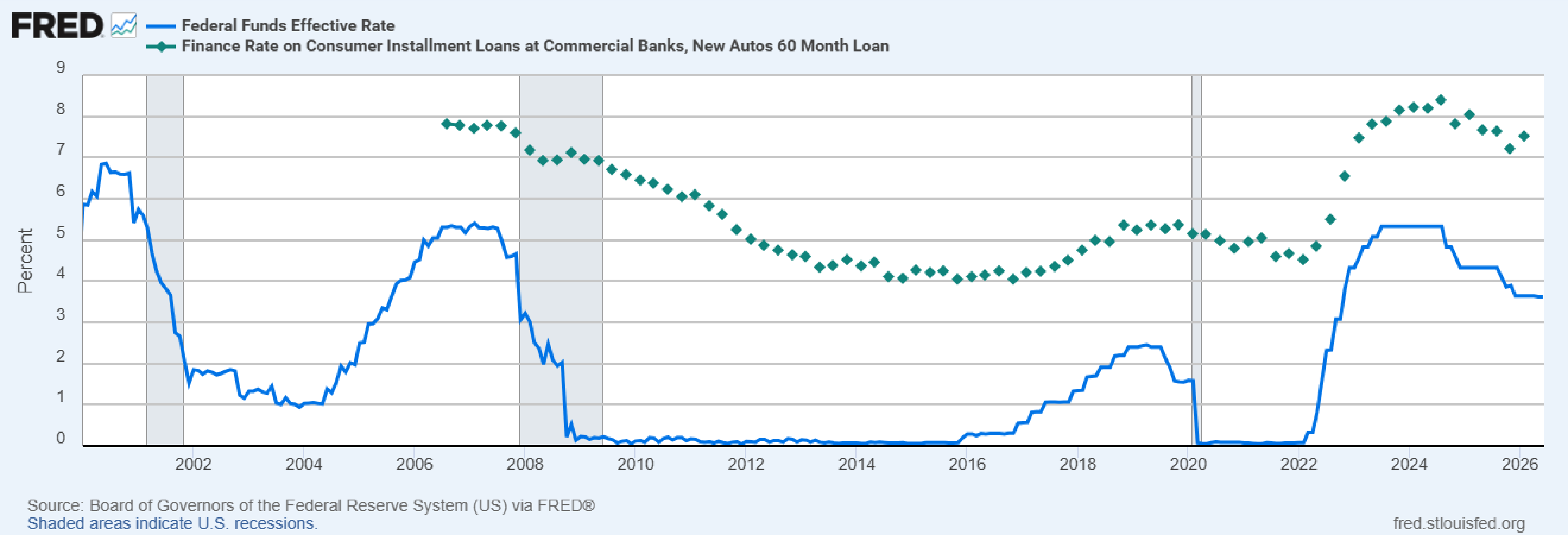

FRED
Federal Funds Effective Rate
Commercial Bank Interest Rate on Credit Card Plans, All Accounts
Percent
25
20
15
10
5
0
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org

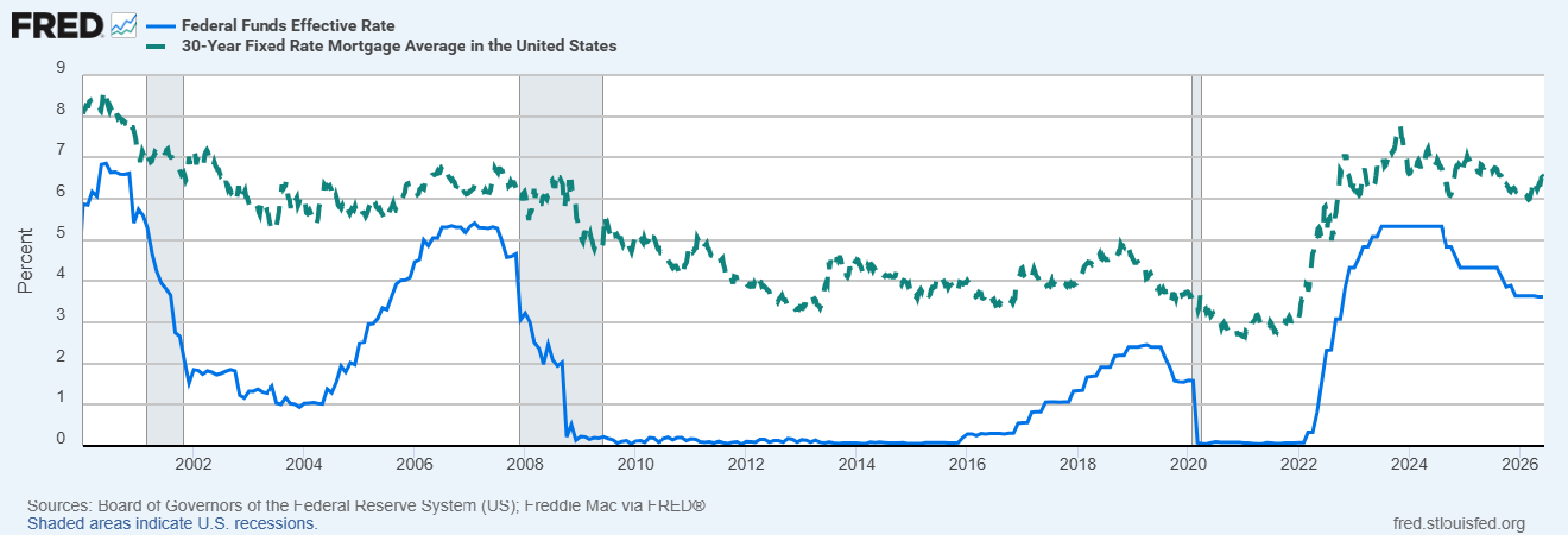
Low Rate Card	
Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	**2.9%** introductory APR for six months. After that, your APR will be **11.74%.** This APR will vary with the market based on the Prime Rate. [a]
APR for Balance Transfers and Cash Advances	**2.9%** introductory APR for six months. After that, your APR will be **11.74%**. This APR will vary with the market based on the Prime Rate. [a]
Penalty APR and When it Applies	**20.74%** - This APR will vary with the market based on the Prime Rate. [b] This APR may be applied if you allow your Account to become 60 days past due. **How Long Will the Penalty Apply?** If your APR is increased for the reason stated above, the Penalty APR will apply until you make three consecutive minimum payments when due.
Paying Interest	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on cash advances and balance transfers on the transaction date.
For Credit Card Tips from the Consumer Financial Protection Bureau	To learn more about factors to consider when applying for or using a credit card, visit the website of the Consumer Financial Protection Bureau at **http://www.consumerfinance.gov/learnmore/**.

Prime Rate: After the introductory rate, the APR will vary based on changes in the Index, the Prime Rate (the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks) published in the *Wall Street Journal*. The Index will be adjusted on the 25^{th} day of each month or the business day preceding the 25^{th} day if that day falls on a weekend or a holiday recognized by the Board of Governors of the Federal Reserve System. Changes in the Index will take effect beginning with the first billing cycle in the month following a change in the Index. Increases or decreases in the Index will cause the APR and periodic rate to fluctuate, resulting in increased or decreased Interest Charges on the Account. As of March 23, 2018, the Index was 4.75%.

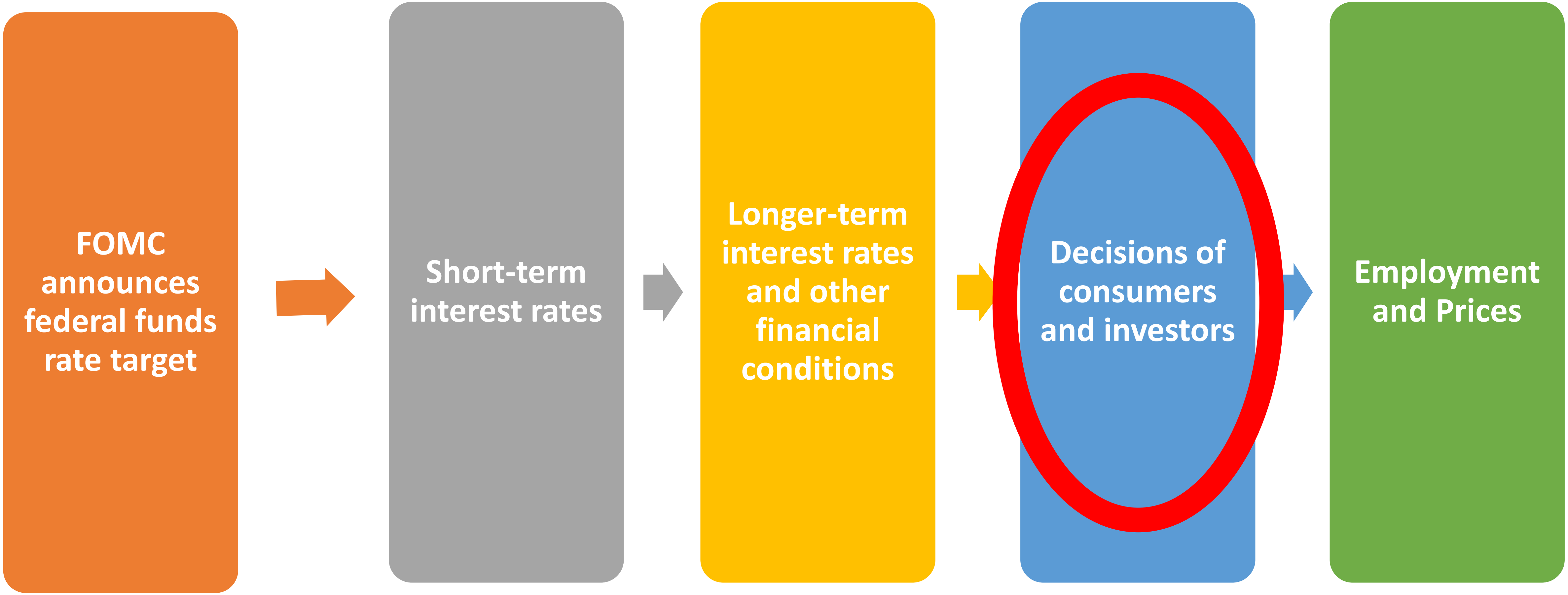
[a] We add 6.99% to the Prime Rate to determine the APR for Purchases, Balance Transfers, and Cash Advances. The Account will never have an APR over 21%.

[b] We add 15.99% to the Prime Rate to determine the Penalty APR. The Account will never have an APR over 21%.


FRED
Federal Funds Effective Rate
Finance Rate on Consumer Installment Loans at Commercial Banks, New Autos 60 Month Loan
Percent
9
8
7
6
5
4
3
2
1
0
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Source: Board of Governors of the Federal Reserve System (US) via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org


FRED
Federal Funds Effective Rate
30-Year Fixed Rate Mortgage Average in the United States
Percent
9
8
7
6
5
4
3
2
1
0
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Sources: Board of Governors of the Federal Reserve System (US); Freddie Mac via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org

Monetary Policy's Effect



Quiz Time!

Is the story about fiscal policy or monetary policy?

ARCHIVES

The Fed and the 2008 financial crisis

by **Matthew Yglesias**

Updated May 13, 2015, 12:20 PM EDT

Economy Will Suffer

'Slowing Pains' Said Necessary to Future National Prosperity

WASHINGTON (UPI) — President Nixon warns that the economy will suffer "slowing pains" in 1970 but says these are necessary to carry the nation safely into the era of trillion dollar prosperity.

In his annual Economic Report to Congress released Friday night, Nixon stressed his determination to continue fighting inflation and sketched his hopes for renewed growth and more rational use of new national wealth once the

said he did know "that if monetary policy remains too restrictive too long we have a recession..."

Nixon's former economic adviser, Arthur F. Burns, takes over today as chairman of the Federal Reserve Board.

Nixon also told the news conference he did not expect a recession and he described his budget as "a major blow in stopping the inflation psychology."

The Economic Report, which usually follows the federal budget, was released

BUSINESS

Recessions hard for presidents to remedy

By **JULIE MASON**, *Copyright 2008 Houston Chronicle Washington Bureau*
March 24, 2008

Finance & economics | The Volcker recession

Who beat inflation?

A look back at the other Great Recession

Obama signs $787bn economic stimulus bill

US president signs historic spending legislation during stop in Denver, Colorado

Joe Biden watches Barack Obama sign the $787bn bill into law in Denver, Colorado. Photograph: Jim Watson/AFP Getty Images

FEDERAL RESERVE

Powell says taming inflation 'absolutely essential,' and a 50 basis point hike possible for May

PUBLISHED THU, APR 21 2022•1:24 PM EDT | UPDATED FRI, APR 22 2022•3:34 PM EDT

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By Allison Martin, Evandro Gigante, Harris Mufson & Jacob P. Tucker on April 5, 2020

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By Aimee Picchi, Mary Cunningham
Edited By Anne Marie D. Lee
Updated on: September 19, 2024 / 8:22 AM EDT / CBS News

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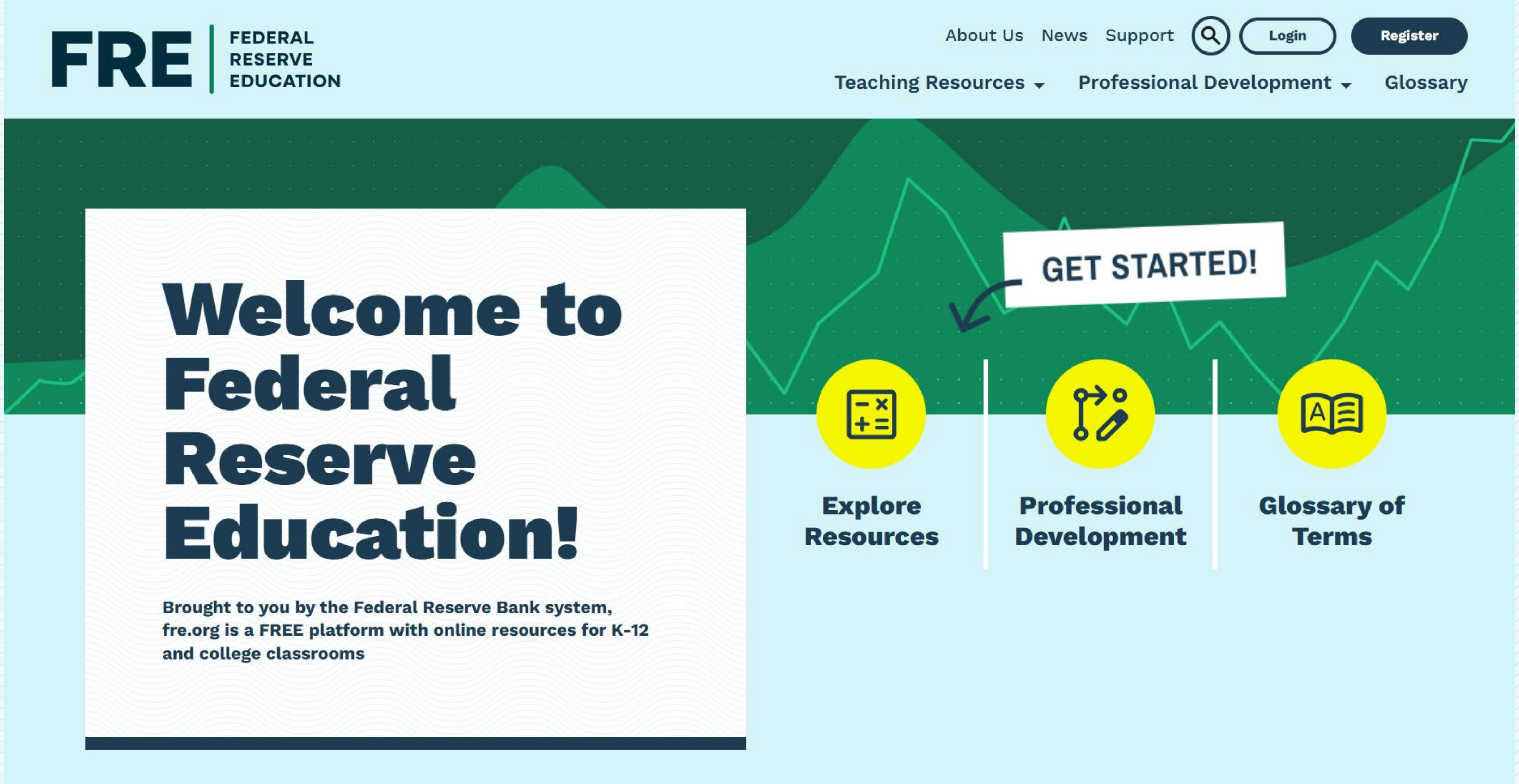
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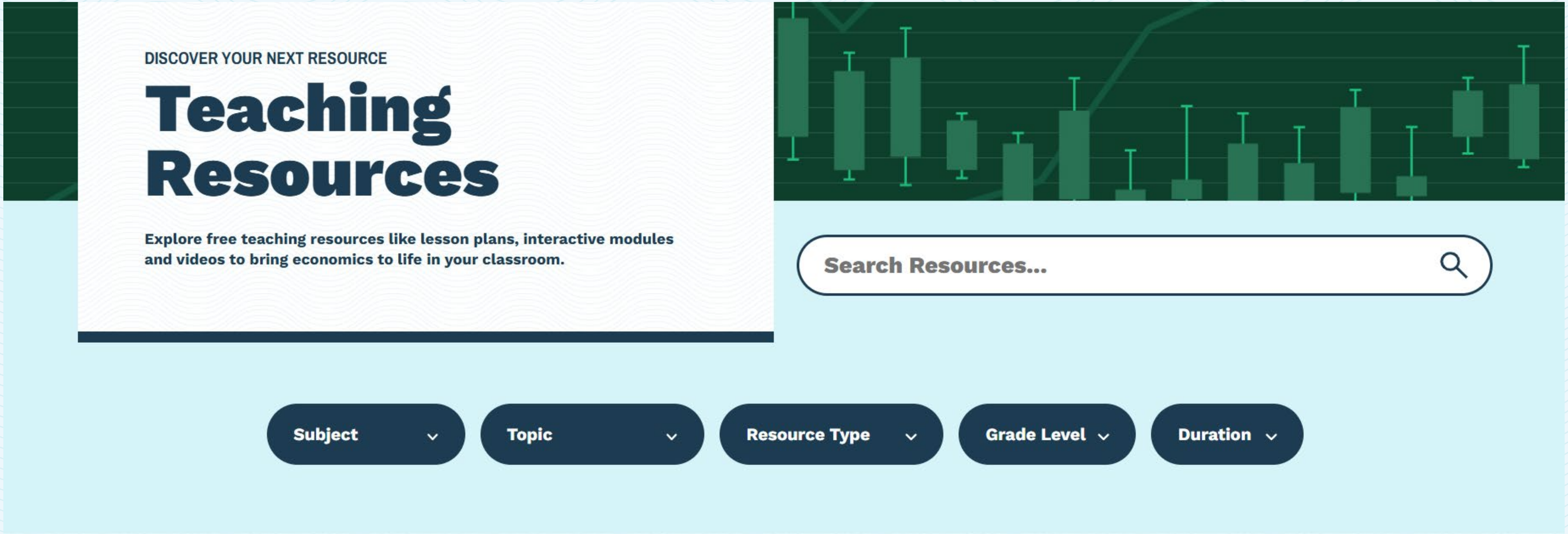

Available Resources

- Audio Q & As
- Curriculum Units
- FRED Graphs
- Infographics & Comics
- Lessons & Activities
- Modules
- Reading Q & As
- Video Q & As

Questions?

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