Negative: Topicality – Fiscal Policy

By “Coach Vance” Trefethen

***Resolved: The United States Federal Government should substantially reform its banking, finance, and/or monetary policy***

Summary: Some Affirmatives are likely to run cases this year that are non-topical because they don’t understand the difference between “monetary policy” and “fiscal policy.” These are two distinct policies, and allowing this already immensely broad resolution to be opened up even further to cover fiscal policy is absurdly abusive to Negative teams. Note: Just because a plan claims to cut the federal deficit, that by itself doesn’t make it fiscal policy (untopical). It depends on how the deficit reduction is achieved. If the plan mandates deficit reduction, it’s fiscal policy and not topcal. If the plan changes monetary policy and this change then results in a beneficial effect on the deficit, that’s topical and this brief would not apply.

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Negative: Topicality

FISCAL POLICY VERSUS MONETARY POLICY

Why It Matters – Not Merely Debater’s Semantics

Difference between fiscal and monetary is essential to understand

Laura Hopper 2018 (Public Affairs Staff, St Louis Federal Reserve) 10 Oct 2018 “Here’s the Difference between Fiscal Policy and Monetary Policy“ <https://www.stlouisfed.org/open-vault/2018/october/difference-between-fiscal-monetary-policy>

Learning the difference between fiscal policy and monetary policy is essential to understanding who does what when it comes to the federal government and the Federal Reserve. The short answer is that Congress and the administration conduct fiscal policy, while the Fed conducts monetary policy.

Very important to keep monetary and fiscal policies separate

Laura Hopper 2018 (Public Affairs Staff, St Louis Federal Reserve) 10 Oct 2018 “Here’s the Difference between Fiscal Policy and Monetary Policy“ <https://www.stlouisfed.org/open-vault/2018/october/difference-between-fiscal-monetary-policy>

If monetary policy and fiscal policy can work toward similar goals, why worry about keeping those policies separate? The answer lies within one of the Fed’s most important and timeless tenets—independence. For the Fed, achieving its dual mandate of price stability and maximum sustainable employment requires a longer-term perspective, given the time lag between monetary policy actions and results, [the Federal Reserve Board explains](https://www.federalreserve.gov/faqs/why-is-it-important-to-separate-federal-reserve-monetary-policy-decisions-from-political-influence.htm). Wheelock noted it’s important that the Fed be shielded from short-term political pressures. With very rare exceptions, he said, there’s never been coordination between monetary and fiscal policy. “The Fed makes its own decisions with regard to the economy. It takes into consideration all kinds of information, including the stance of government’s fiscal policy.” “But, basically,” he continued, “the Fed is looking at indicators of expected inflation, the state of the business cycle, whether we’re at full employment or whether there are a lot of unemployed resources, and it tries to look at all sorts of factors when it sets monetary policy. So in that sense there’s no direct coordination.”

Definitions of Monetary Policy

Monetary Policy: Actor is the Federal Reserve

Federal Reserve 2019. “Monetary Policy” last updated 30 Oct 2019 <https://www.federalreserve.gov/monetarypolicy.htm>

Monetary policy in the United States comprises the Federal Reserve's actions and communications to promote maximum employment, stable prices, and moderate long-term interest rates--the three economic goals the Congress has instructed the Federal Reserve to pursue.

Monetary Policy: Short-term interest rates and availability + cost of credit in the economy

Federal Reserve 2019. “Monetary Policy” last updated 30 Oct 2019 <https://www.federalreserve.gov/monetarypolicy.htm>

The Federal Reserve conducts the nation's monetary policy by managing the level of short-term interest rates and influencing the overall availability and cost of credit in the economy. Monetary policy directly affects short-term interest rates; it indirectly affects longer-term interest rates, currency exchange rates, and prices of equities and other assets and thus wealth. Through these channels, monetary policy influences household spending, business investment, production, employment, and inflation in the United States.

Definitions and Examples of Fiscal Policy

Fiscal policy = Changing spending levels and tax rates to influence the economy

Leslie Kramer 2019 (financial journalist; 10+ years of experience writing financial and investment news ) last updated 8 May 2019 “What Is Fiscal Policy?” INVESTOPEDIA <https://www.investopedia.com/insights/what-is-fiscal-policy/>

[Fiscal policy](https://www.investopedia.com/terms/f/fiscalpolicy.asp) is the means by which a government adjusts its spending levels and [tax rates](https://www.investopedia.com/terms/t/taxrate.asp) to monitor and influence a nation's economy.

Fiscal Policy = revenues, taxes, spending and deficits

Laura Hopper 2018 (Public Affairs Staff, St Louis Federal Reserve) 10 Oct 2018 “Here’s the Difference between Fiscal Policy and Monetary Policy“ <https://www.stlouisfed.org/open-vault/2018/october/difference-between-fiscal-monetary-policy>

The word “fiscal” relates to public treasury or revenues. Fiscal policyis a broad term used to refer to the tax and spending policies of the federal government. “Fiscal policy refers to government spending and taxing decisions,” Wheelock said. “Economics textbooks and various economic models usually think of fiscal policy in terms of the size of the government budget deficit, the difference between what the government spends and its revenue.”

Fiscal policy = changing federal spending, changing federal taxes. The federal deficit changes as a result of fiscal policy

Federal Reserve Bank of San Francisco 2002. “What is the difference between fiscal and monetary policy?” <https://www.frbsf.org/education/publications/doctor-econ/2002/march/fiscal-monetary-policy/>

Samuelson and Nordhaus, in their text *Economics*(1998), define fiscal policy as follows: A government's program with respect to (1) the purchase of goods and services and spending on transfer payments, and (2) the amount and type of taxes. Over the past year the U.S. budget has shifted from a surplus to a deficit, in part as a result of changes in fiscal policy. A combination of tax reductions, increased spending, and the 2001 recession caused the shift. The tax cuts and increased spending are part of the government's fiscal policy that is designed to increase short-run economic growth.

Example of Fiscal Policy: Tax cuts and spending increases in 2001

Federal Reserve Bank of San Francisco 2002. “What is the difference between fiscal and monetary policy?” <https://www.frbsf.org/education/publications/doctor-econ/2002/march/fiscal-monetary-policy/>

Fiscal policy in 2001 also helped stimulate the slowing economy with a combination of tax cuts and spending increases. Spending increases take effect relatively quickly, while tax cuts may take several quarters to affect overall spending and output. (See Chart 2.)

Example of a fiscal policy: Cutting taxes in 2012 to stimulate the economy

Leslie Kramer 2019 (financial journalist; 10+ years of experience writing financial and investment news ) last updated 8 May 2019 “What Is Fiscal Policy?” INVESTOPEDIA <https://www.investopedia.com/insights/what-is-fiscal-policy/>

Fiscal policy plays a very important role in managing a country's economy. For example, in 2012 many worried that the [fiscal cliff](https://www.investopedia.com/terms/f/fiscalcliff.asp), a simultaneous increase in tax rates and cuts in government spending set to occur in January 2013, would send the U.S. economy back into recession. The U.S. Congress avoided this problem by passing the [American Taxpayer Relief Act of 2012](https://www.investopedia.com/terms/a/american-taxpayer-relief-act-2012.asp) on January 1, 2013.

Monetary and Fiscal Policy Are Different

Monetary and Fiscal are 2 different policies, sometimes used in combination with each other

**Analysis: Like a car and a trailer, the fact that they can be used with each other doesn’t mean a car is a trailer nor that a trailer is a car.**

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[Fiscal policy](https://www.investopedia.com/terms/f/fiscalpolicy.asp) is the means by which a government adjusts its spending levels and [tax rates](https://www.investopedia.com/terms/t/taxrate.asp) to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a central bank influences a nation's money supply. These two policies are used in various combinations to direct a country's economic goals.

Monetary policy = actions of the central bank (Federal Reserve). Fiscal policy is controlled by Congress and the President (tax and spending policies)

Board of Governors of the Federal Reserve 2017. “What is the difference between monetary policy and fiscal policy, and how are they related?” last updated 9 Aug 2017 <https://www.federalreserve.gov/faqs/money_12855.html>

Monetary policy refers to the actions of central banks to achieve macroeconomic policy objectives such as price stability, full employment, and stable economic growth. Fiscal policy refers to the tax and spending policies of the federal government. Fiscal policy decisions are determined by the Congress and the Administration; the Fed plays no role in determining fiscal policy.

Monetary policy is set by the central bank (Federal Reserve). Fiscal policy is set by the national government (Congress)

Federal Reserve Bank of San Francisco 2002. “What is the difference between fiscal and monetary policy?” <https://www.frbsf.org/education/publications/doctor-econ/2002/march/fiscal-monetary-policy/>

Monetary policy is typically implemented by a central bank, while fiscal policy decisions are set by the national government. However, both monetary and fiscal policy may be used to influence the performance of the economy in the short run.

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