**Answer**

Expansionary policy is used after a recession. In this policy, the central banks use their tools to stimulating the market. It increases aggregate demand and lowers interest rates by increasing the money supply. Overall, it encourages growth. The near-zero interest rates limit the ability of expansionary monetary policy to work because the central banks can no longer encourage growth by reducing the interest rates. The Fed affects interest-sensitive spending such as residential investment, household spending on consumer durables, and business capital spending on plant and equipment, by influencing the interest rates (Woolley, 1985). The Fed conducts monetary policy by setting a target for federal funds rate, i.e., the credit-easing program, which reduces the cost of credit and thus, facilitates credit flows. Secondly, the Fed launched large-scale asset purchase program. The Fed has the best policy to prevent or minimize the effects of recession, i.e., cutting interest rates (Irwin, 2019). It produces evolution rather than revolution, which is appreciable.

**References**

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Irwin, N. (2019). How Will the Fed Fight the Next Recession? It’s Trying to Figure That Out Right Now. NY Times. Available at: <https://www.nytimes.com/2019/04/29/upshot/how-fed-can-fight-next-recession.html> (Accessed: 7th June 2019)

**Answer**

Keynesian fiscal policy states that the governments must increase or decrease its spending and tax rates to influence macroeconomic productivity levels. In high inflation, government must increase taxes to reduce money supply in the market, and vice versa. Keynesian monetary policy believes in the indirect link between money supply and gross domestic product. Therefore, increasing loanable money in the market decreases the interest rate. Thus, aggregate expenditures increase causing the gross domestic product to rise. Neo-classicals, on the other hand, assume that the market is in equilibrium, i.e., prices can adjust quickly. Thus, prices are flexible but the quantities are not. Overall, the neo-classic’s policy mix works better in the long-term whereas Keynesian policy mix works better in short-term because prices have time to adjust in the long-term, and vice versa (Goodfriend & King, 1997). Also, if the economy is good and market is near employment, the neo-classic’s policy mix works better.

**References**

Goodfriend, M., & King, R. G. (1997). The new neoclassical synthesis and the role of monetary policy. *NBER macroeconomics annual*, *12*, 231-283.