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Macroeconomic Theory for Policymakers: An Illustrated Guide

September 10, 2024

Congressional Research Service
https://crsreports.congress.gov
R48173

CRS REPORT
Prepared for Members and
Committees of Congress

Contents

Contacts

Introduction

This report is an introductory guide to macroeconomic theory from a policymaking angle. Macroeconomics focuses on the structure and performance of the economy as a whole (as opposed to microeconomics, which focuses on decisions by consumers and firms). Economists and policymakers alike analyze the macroeconomy and its fluctuations, as the strength of the economy contributes to the well-being of individuals participating in it. This report covers the basics of economic theory as it relates to economic growth, supply and demand, fiscal and monetary policy, currency, and the labor market.

Caveats: While this report is a primer for selected economic topics for a policymaking audience, it does not serve as a replacement for other foundational materials. More specifically:

- The theories in this report have been simplified and stylized for a non-specialist audience and, therefore, may not match other sources. The depictions of these theories are meant to provide some basic economic context for in-depth CRS products or other sources.
- This report does not cover all possible economic theories, nor does it provide competing versions of the same topic. The depictions shown in this report do not purport to be more accurate than other versions.
- Theories do not always accurately predict outcomes.
- This report does not analyze or judge policies or policy outcomes. Economic theory is only one of many ways in which to analyze policies and policy outcomes.

Organization: There are seven main sections in this report, each of which focuses on a particular economic concept. The report starts with the size and structure of the economy and then delves into how the overall economy functions and how policy, international markets, and the labor market affect the overall economy. Each section provides theory, explanation, and real-world context for a given topic and is organized in the same manner, with three main parts:

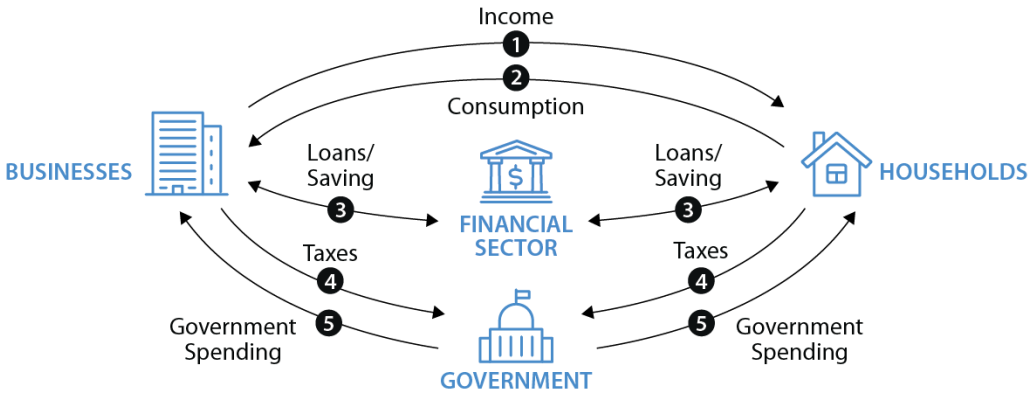
1. Theory: Each section contains an introduction on the theoretical underpinnings of the topic in question, including illustrative graphics.
2. The Role of Congress: Each section contains a brief explanation of how the topic in question relates to Congress and how Congress can act in relation to the topic. Of note, these sections do not explicitly discuss the role of Congress in the collection and dissemination of economic statistics.
3. Real World Data: Each section contains real world economic data that illustrates the topic in question.

Additional Resources:

- An acronym section defines all acronyms used throughout the report. (Acronyms will additionally be defined the first time they appear in the report.)
- A glossary section provides more in-depth definitions and explanations of terms in the report that are not fully defined or discussed. Terms that appear in the glossary are *italicized* the first time they appear in the report.
- A references section provides selected further resources by topic, including brief explanations of the resources and what they contain.

The Economy and Long-Term Growth

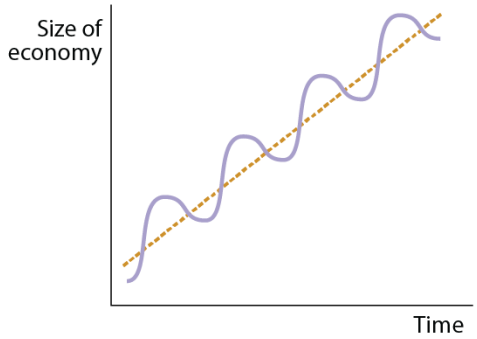
An economy is a system in which resources are allocated across needs and wants. Domestic economic activity includes any actions involved in the production, distribution, and consumption of goods and services and can be thought of as a circular flow of resources. In the domestic economy, there are four main economic actors: households, businesses, the financial sector, and the government.



1. Businesses pay *income* to households that provide labor to produce goods and services.
2. Households use the income earned from businesses to consume goods and services.
3. Money earned by households and businesses can be saved and distributed through the financial sector in the form of loans.
4. Households and business pay taxes to the government.
5. The government then uses the revenue earned from taxes to spend or transfer money that is received by households and businesses.

Economic activity is often measured either by the total amount of output or the total amount of income accrued during a specific period. Per the circular flow of resources, these measures are equal in theory. *Gross domestic product (GDP)* is a measure of total output, and, when measured in real (inflation adjusted) terms, one of the most cited economic statistics.

Short-term versus long-term growth. Growth in economic activity raises the income of economic actors, and it is the predominant measure of changes in material living standards. In general, as the economy grows, individuals' incomes increase, as does the production of goods and services.



In the short term, **economic activity waxes and wanes** as incomes and spending react to economic developments.

Over time, these ups and downs have revealed a **smoother trend of long-term growth** in the United States.

Long-term growth is not affected by the causes of short-term fluctuations and reveals how quickly the *productive capacity* and size of the economy is able to increase over time.

Determinants of long-term growth. The long-term growth rate is largely determined by the growth of labor/human capital and physical capital and the rate of technological change in the economy.

Labor and human capital include the workers within an economy and the skills, knowledge, and abilities they possess. Investments in human capital and increases in the size of the labor force can increase the productive capacity of the economy.

Physical capital includes all man-made resources workers use in production, including tools, machinery, and other infrastructure. The stock of physical capital is largely determined by the rate of investment in the economy. Higher investment rates result in a larger stock, which increases productive capacity.

Technological improvements and efficiency gains allow workers to use the different inputs to production in a more efficient manner, thereby increasing productive capacity.

THE ROLE OF CONGRESS

Congress can enact or change policies that affect labor markets, saving and investment behavior, and technological progress, thereby affecting long-term economic growth. In particular, worker education and training policies, trade policies, immigration policy, tax policy, private sector regulation, and patent laws are all avenues by which Congress can directly affect long-term growth.

Congress may face a trade-off between short-term growth and long-term growth in policymaking. For example, if Congress spends more money than it takes in, this could stimulate short-term growth because it directly increases the amount of spending in the economy. However, this same spending could dampen long-term growth if it causes any crowding out of private investment.

REAL WORLD DATA

Real GDP

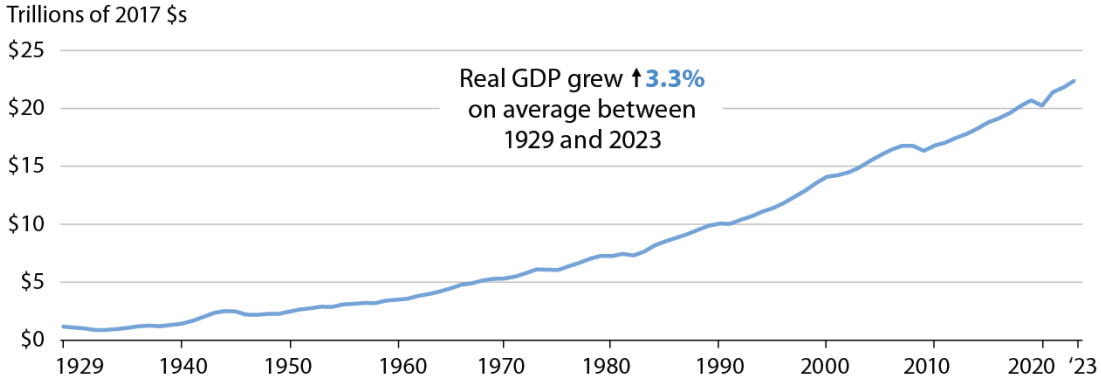
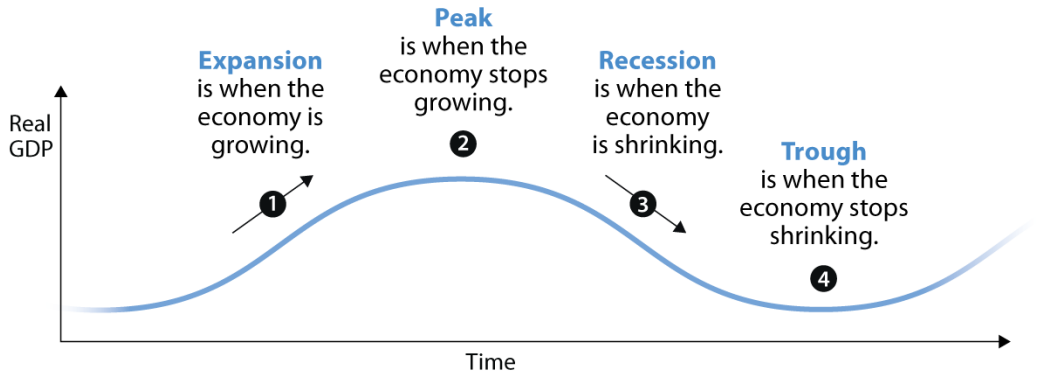


Chart: Data from Bureau of Economic Analysis, May 30, 2024.

Short-Term Economic Growth

Over time, economic activity fluctuates between periods of increasing economic activity (expansions) and periods of decreasing economic activity (recessions). The economy's movement through these alternating periods of growth and contraction is known as the business cycle. The business cycle has four phases: expansion, peak, contraction (recession), and trough.

The business cycle is often measured in terms of real, or inflation-adjusted, GDP, but other economic indicators tend to move alongside real GDP, such as employment, *income, industrial production,* and sales.



Recessions. The causes of recession are many and varied. Sometimes determining a single causal event is not possible. However, oftentimes economists can point to a specific event. A few common causes of recession are price shocks, financial crises, and housing market crashes.

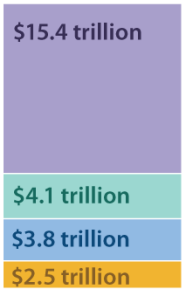
Price shocks occur when a sudden drop in the available supply of commodities crucial to the production process results in price increases and economic dysfunction and lower activity.

Financial crises occur when dysfunction in financial markets become deep and widespread, leading to tightening credit conditions throughout the economy and lower economic activity.

Housing market crashes occur when housing prices rise unsustainably, creating a bubble that can burst and lead to lower household wealth, stress in financial markets, and lower economic activity.

Drivers of short-term growth. In the short term, economic growth and the business cycle are primarily driven by fluctuations in consumer spending and business investment, but they can also be affected by other types of domestic spending, including government spending and exports.

Chart: Composition of 2023 GDP based on data from Bureau of Economic Analysis.



Consumer spending is the value of the goods and services purchased by individuals living in the United States.

Business investment is spending by private businesses on physical capital.

Government spending is the value of spending by government on inputs of labor, intermediate goods and services, and investment expenditures.

Exports are goods and services sold by U.S. residents to foreign residents.

THE ROLE OF CONGRESS

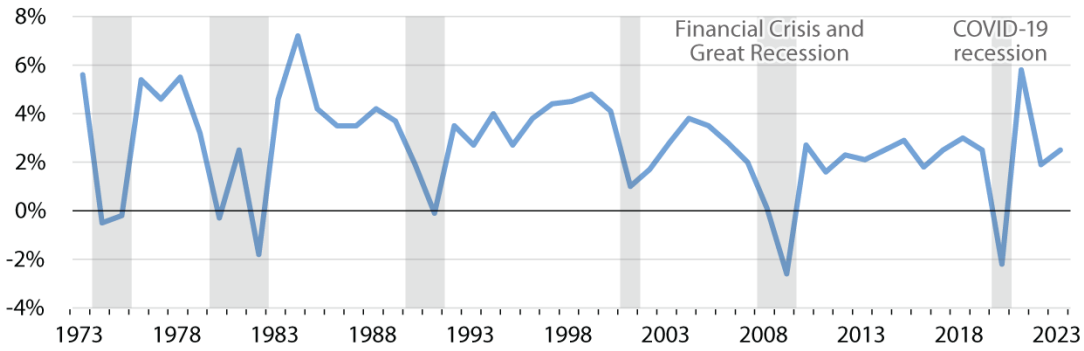
Congress can use its spending and tax policy to constrict or stimulate economic growth generally, which can either contribute to or counteract the business cycle.

Economists generally agree that policies that counteract the business cycle are economically beneficial, at least in the short term. Congress can counteract the business cycle and smooth growth by using policy to constrict the economy when it is expanding at an unsustainable rate and stimulate the economy when it is contracting.

Congress can also regulate (or deregulate) particular markets that have commonly triggered recessions, such as the financial or housing market. Policies that improve supply chains can help protect the economy from price shocks.

REAL WORLD DATA

Annual Real GDP Growth
Change from Preceding Year



The business cycle does not occur in a regular pattern—expansions and recessions can occur for varying amounts of time and with varying severity.

Recessions occur during prolonged periods of slowing or negative economic activity. For example, **real GDP fell by 2.2% in 2020 as a result of the COVID-19 recession**. The fall in real GDP was driven largely by decreases in consumer spending and business investment.

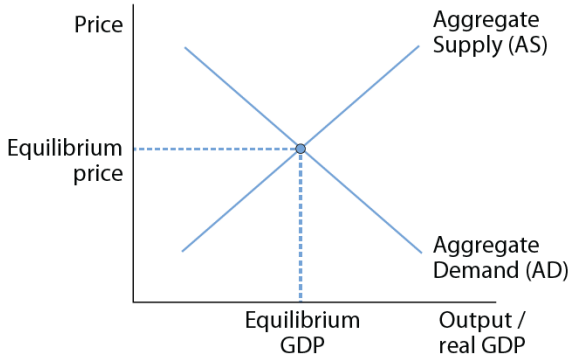
Real GDP rose 5.8% in 2021 as the economy recovered, again driven mainly by increases in consumer spending and business investment. Real GDP then returned to more historically average growth in 2022 and 2023.

Chart: Data from BEA National Income and Product Accounts.

Economy-Wide Supply and Demand

At its most basic level, the economy functions through the supply and demand of goods and services. Consumers demand some total amount of all goods and services available and producers make those goods and services. Supply and demand for the total economy is referred to as "aggregate."

In the economy, the level of output and price are determined by aggregate supply (AS) and aggregate demand (AD). AS is a measure of total production of and AD is a measure of total spending on goods and services in the economy that would occur at a given price level.

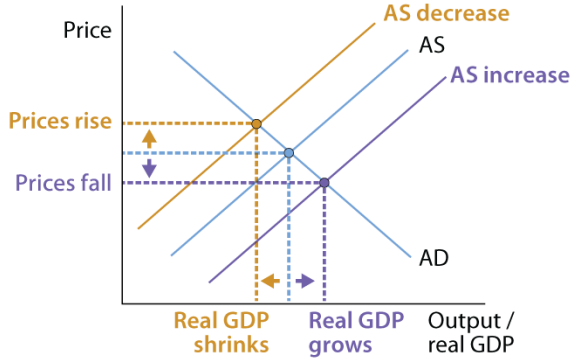


In the short term, **AS is upward sloping**—as prices increase, producers will supply more goods and services.

AD is downward sloping—as prices increase, consumers will buy fewer goods and services.

AS and AD interact to create in the economy, at any given time, an **equilibrium level of total output**, or *real GDP*, at an **equilibrium price level**.

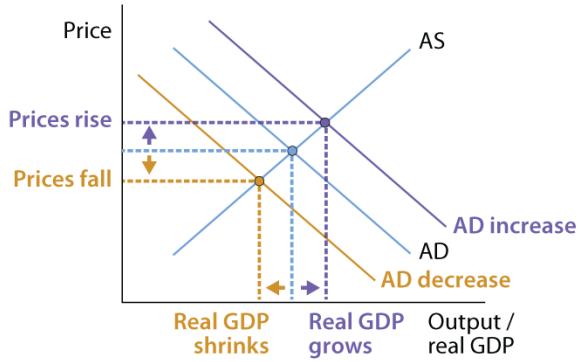
Shifts in AS and AD change the levels of output and price.



Price shocks or changes to factors of production can cause shifts in supply.

If AS increases, real GDP grows and prices fall.

If AS decreases, real GDP shrinks and prices rise.



Policy changes can cause shifts in demand.

If AD increases, real GDP grows and prices rise.

If AD decreases, real GDP shrinks and prices fall.

THE ROLE OF CONGRESS

Congress and the President can use fiscal policy, which includes government spending and taxes, to affect aggregate demand.

Fiscal policy is often characterized by its countercyclical or procyclical nature. Countercyclical policy attempts to counteract the business cycle by promoting growth through expansionary policy—an increase in spending or decrease in taxes—during a recession and preventing "overheating" through contractionary policy during an expansion.

Procyclical policy does the opposite and is generally seen to be counterproductive, potentially overheating the economy during expansions and further dampening growth during recessions.

REAL WORLD DATA

GDP by Sector

Trillions of 2017 $s

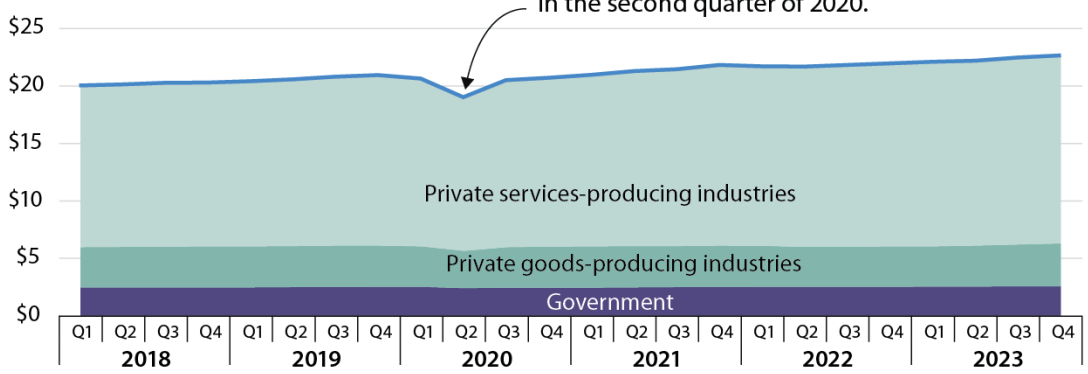
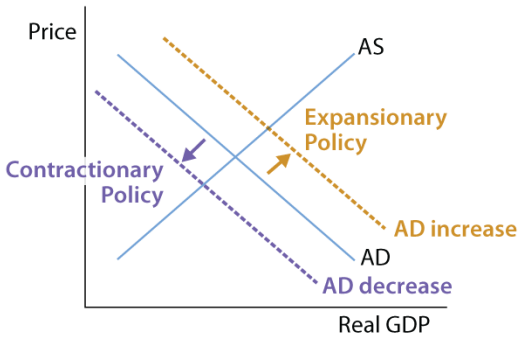


Chart: Data from Bureau of Economic Analysis National Income and Product Accounts.

Fiscal Policy: Taxes

Fiscal policy refers to the use of taxation and government spending to impact the economy and achieve certain policy objectives. Taxes are a source of government revenue and are used to fund government activities. Taxes directly affect the *disposable income* levels of households and the revenues of business, which indirectly affect spending and investment behavior by both groups.



AD may increase or decrease when Congress makes changes to tax policy.

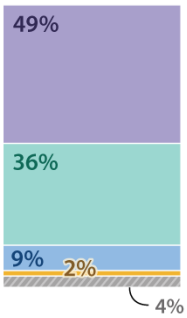
An increase in taxes **(contractionary policy) decreases AD** in the short-term via decreased consumer spending and/or *business investment,* causing prices and real GDP to fall.

A decrease in taxes **(expansionary policy) increases AD** in the short-term via increased consumer spending and/or business investment, causing prices and real GDP to rise.

The impact of taxes on business investment can also impact long-term economic growth. Increased investment in capital increases the future productive capacity of the economy. Decreased capital investment has the opposite effect.

Tax revenues. According to the Office of Management and Budget (OMB), a majority of the federal government's revenues come from four types of taxes.

Chart: Composition of federal government's FY2023 revenues, OMB.



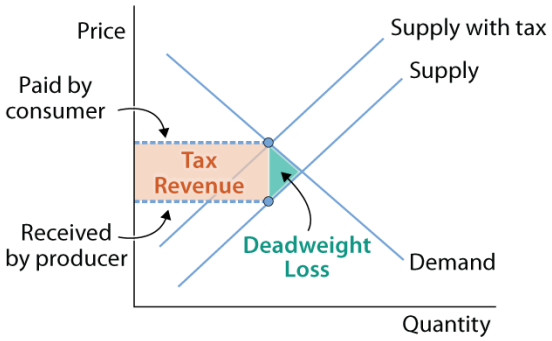
Individual income taxes are levied on wages, salaries, investments, or other types of individual earnings.

Payroll taxes are levied on wages and salaries of workers for the purpose of financing social programs such as Social Security.

Corporation income taxes are levied on business profits.

Excise taxes are levied on a specific good or activity, such as tobacco, alcohol, or gasoline, and are less broad based than general sales taxes.

Deadweight loss. Economic theory generally predicts that taxes are one of many market interventions that can lead to a **deadweight loss**, which is a measure of the loss to society as a whole due to a reduction in the number of mutually beneficial exchanges that occur because of a tax.



However, the government will receive **tax revenue**, which, depending on the amount of revenue collected and how the funds are spent, may not entirely make up for the losses.

An exception to this general prediction is the use of corrective taxes to address negative *externalities* such as pollution.

THE ROLE OF CONGRESS

Fiscal policy, in the form of both government spending and taxes, is set by Congress and the President. Economists generally differentiate between longer-term (or baseline) tax and spending policies intended to encourage economic growth and increases in standard of living and the shorter-term policies used to modulate economic fluctuations (countercyclical policies). Congress has the so-called "power of the purse," which allows it to set the federal budget and restrict the amount of federal debt, both of which can have short- and long-term impacts.

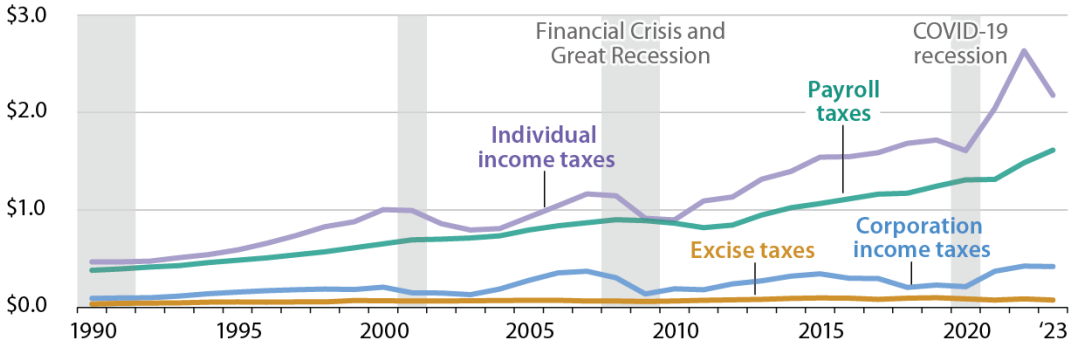
In the short term, Congress can use fiscal policy generally to stimulate or cool the economy as needed. Congress can also adjust taxes specifically for the purposes of funding government activities and policies and redistributing economic resources.

Fiscal policy can also impact long-term growth through its impact on investment. When the government spends more than it receives via tax revenues, the government is said to run a budget deficit, which requires the government to borrow money to fund the difference, which can "crowd out" private investment. When the government receives more revenue than it spends, it runs a budget surplus, which can be used to lessen the government's debt burden.

REAL WORLD DATA

Federal Government Receipts by Source

$ in Trillions



During recessions, tax revenues tend to decrease as slowed economic activity results in less taxable income, profits, and sales. Additionally, countercyclical fiscal policy may result in lower taxes during downturns in an attempt to stimulate spending and investment.

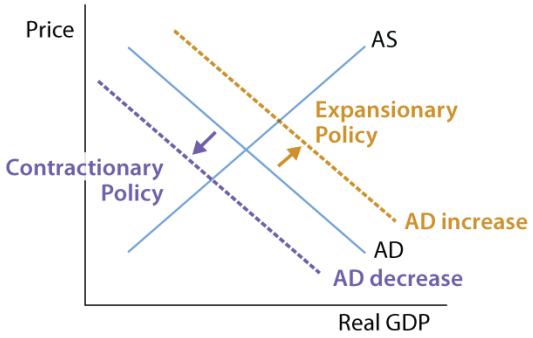
Over time, tax revenues have increased in large part because the size of the economy has grown.

Chart: Data from OMB President's Budget Historical Tables.

Monetary Policy: Federal Funds Rate

Monetary policy refers to a set of policies set by the Federal Reserve (Fed), the U.S. central bank, to impact the economy and achieve certain policy objectives. The primary monetary policy tool used by the Fed to affect AD is the federal funds rate (FFR), an overnight interest rate that affects other interest rates in the economy.

When the Fed changes the FFR target, other interest rates throughout the economy tend to move in the same direction. Interest rates affect interest-sensitive spending, such as purchasing a house or certain consumer durables.



Rising interest rates **(contractionary policy) decrease AD** via decreases in interest-sensitive spending, causing prices and real GDP to fall.

Falling interest rates **(expansionary policy) increase AD** via increases in interest-sensitive spending, causing prices and real GDP to rise.

The FFR is the rate at which banks borrow and lend, which creates *arbitrage* opportunities.

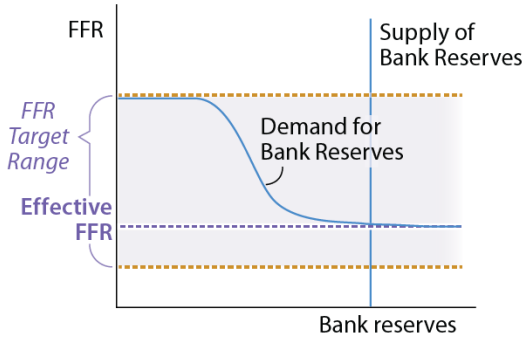
A bank with too many reserves can . . .

- lend to another bank in the federal funds market.
- deposit reserves at the Fed and earn interest on them.
- lend to other markets, such as the repo market.

A bank with too few reserves can . . .

- borrow from another bank in the federal funds market.
- borrow from and pay interest to the Fed.
- borrow from the other markets, such as the repo market.

Ample reserves monetary policy framework. Prior to the financial crisis of 2007-2009, the Fed influenced the supply of bank reserves, which led to a new FFR because the supply of bank reserves met demand where it was sloped. Since that time, the supply of bank reserves has been too high to be an effective tool.



Instead, the Fed currently changes **other interest rates it sets directly**, which help to move the **FFR** via arbitrage.

Market participants can take advantage of rate differences to make money until rates converge to desired levels.

THE ROLE OF CONGRESS

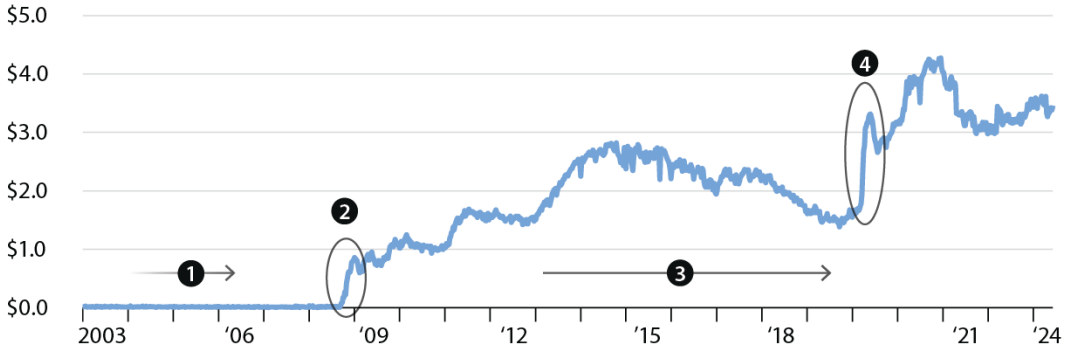
Congress assigned the Fed a statutory mandate to set monetary policy to attain stable prices, maximum employment, and moderate long-term interest rates.

While the Fed is structured as a highly independent agency and Congress does not play a direct role in monetary policy, Congress does have oversight over the Fed. The Senate confirms nominees to the Fed's *Board of Governors*. The Board of Governors chair and vice chair for supervision are statutorily required to testify semiannually before committees of jurisdiction.

REAL WORLD DATA

Bank Reserves Held at the Fed

$ in Trillions

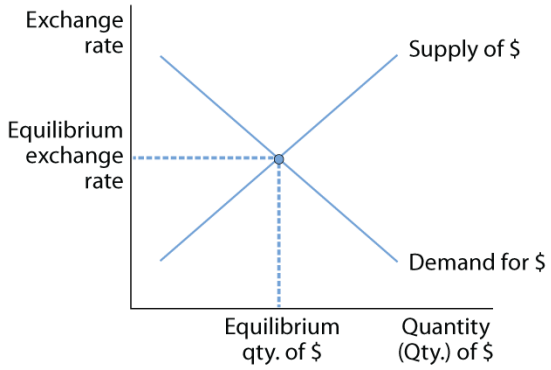


1. Prior to the financial crisis of 2007-2009, **bank reserve balances held at the Fed were relatively low**, which allowed the Fed to change the FFR by making changes to the supply of bank reserves through *open market operations*.
2. During the financial crisis, the Fed lowered the FFR to its lower bound but decided that the financial system and economy required more expansionary policy. It turned to an unconventional monetary policy tool, *quantitative easing* (QE), to increase liquidity and further push down longer-term interest rates. QE resulted in a **rapid and significant increase in bank reserves**.
3. **Owing to the increase in bank reserves**, after the financial crisis, the Fed was no longer able to adjust the FFR using supply and demand for bank reserves, and thus switched to the ample reserves policy framework, still in use today.
4. During the COVID-19 pandemic, the Fed again used both the FFR and QE in order to provide relief and stimulus to the financial system and economy. As a result of this QE, **bank reserves rose rapidly and significantly**.

Chart: Data from Federal Reserve. Data are weekly, as of Wednesday of each week; 1/1/2003 to 6/5/2024.

The Dollar and Exchange Rates

The value of the dollar is determined by the supply and demand for dollars based on trade and international capital flows. The value of the dollar is measured relative to other currencies—the dollar exchange rate.

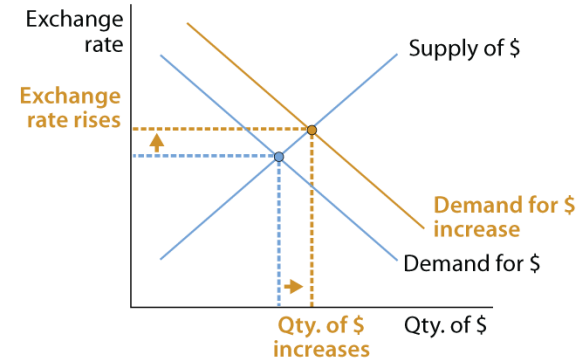


The supply of dollars is upward sloping—when the dollar is stronger, Americans want to exchange dollars to buy more foreign goods and assets.

The demand for dollars is downward sloping—when the dollar is weaker, foreigners want to acquire dollars to buy more U.S. goods and assets.

Supply and demand of the dollar interact to create in the economy, at any given time, an **equilibrium exchange rate**.

Changes to exchange rates. Some of the factors that can influence exchange rates are changes to inflation or interest rates, both of which are affected by the Fed.



For example, higher interest rates attract foreign investors and capital, causing demand for the dollar to rise. As **demand for the dollar shifts upward**, the exchange rate and quantity of dollars both increase.

Likewise, when interest rates fall, the exchange rate decreases.

Dollar strength. A stronger—higher exchange rate—dollar is beneficial for certain U.S. actors, and a weaker—lower exchange rate—dollar is beneficial for others.

A strong dollar can increase the trade deficit by making exports relatively expensive and imports relatively cheap. While this can hurt U.S. businesses it can help U.S. consumers, who may be able to purchase the goods and services for lower prices. Capital inflows could have advantageous economic outcomes, depending on how the inflows are invested.

A weak dollar can decrease the trade deficit by making exports relatively cheap and imports relatively expensive. U.S. businesses may benefit, but U.S. consumers may face higher prices. Capital outflows could also cause economic distress if they result in decreased confidence in the dollar, an unlikely scenario at this time.

THE ROLE OF CONGRESS

Since the 1970s, the United States has operated under a system of floating exchange rates, and the value of the dollar has not typically been targeted with economic policy since then, with a few exceptions. Nonetheless, there are a number of ways Congress, the executive branch, and the Fed can affect the value of the dollar.

Both the Treasury Department and the Fed can intervene in foreign exchange markets. Congress can additionally use fiscal policy to affect the value of the dollar through fiscal policy's effect on interest rates, which in turn affects the value of the dollar. In theory, fiscal policy that increases budget deficits can increase interest rates and the value of the dollar, and policy that reduces deficits can decrease interest rates and the value of the dollar.

REAL WORLD DATA

Nominal Broad U.S. Dollar Index

Index Jan 2006 =100

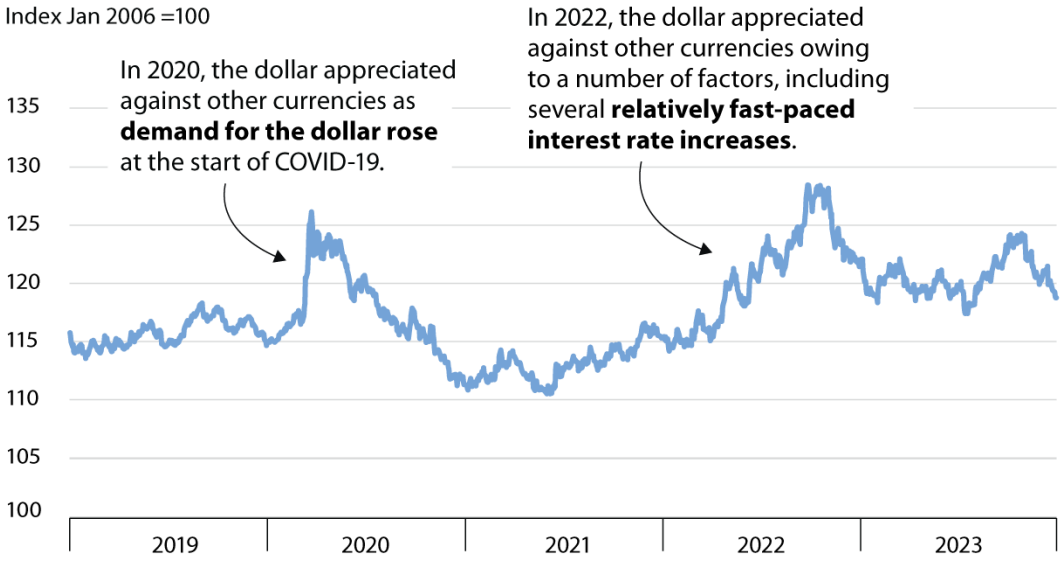
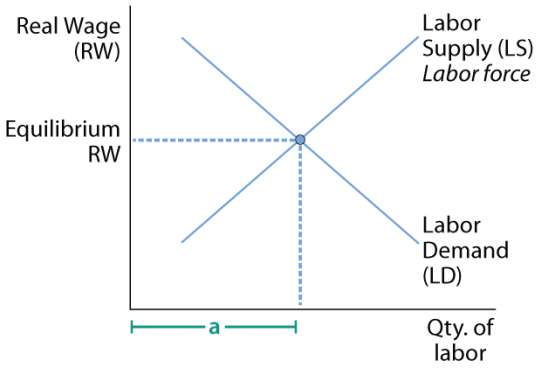


Chart: H.10 Foreign Exchange Rates from Federal Reserve. 1/2/2019 to 12/29/2023.

The Labor Market

In the economy, real wages are determined by labor supply (LS) and labor demand (LD). LS consists of the total amount of workers available for work—the labor force. LD measures employers' desire for workers.

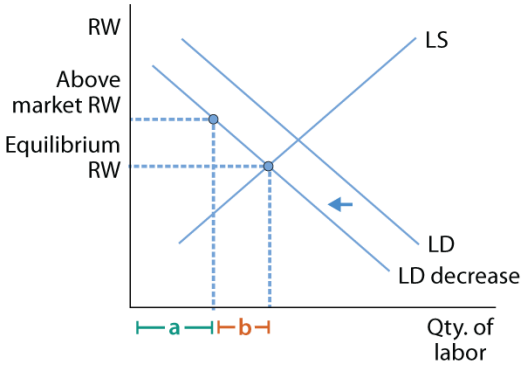


LS is upward sloping—as real wages increase, more individuals will be enticed to enter the labor market, thereby increasing the size of the labor force.

LD is downward sloping—as real wages increase, employers will hire fewer workers as they attempt to balance costs against revenue.

LS and LD interact to create in the economy, at any given time, an **equilibrium real wage level** for a given labor force. At the equilibrium real wage, the entire labor force is **employed (a)**.

Unemployment. Not all workers in the labor force have jobs. *Unemployment* can be the result of temporary factors, as job finding or switching takes time.

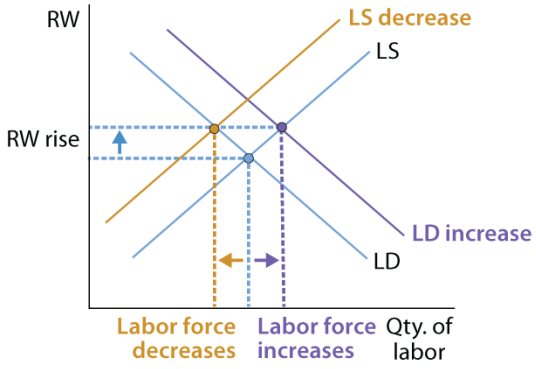


Unemployment can also result from structural factors, such as changing aggregate economic conditions or rigid wages.

For example, **if LD decreased** for any reason, real wages should decline in theory, but they often do not in practice as wages tend to be inflexible in the downward direction.

This results in a **real wage above the market equilibrium**, and therefore the number of **employed workers (a) decreases** and the **unemployed workers (b) increases**.

If wages are not rigid, shifts in LD and LS change the real wage level.



Changes to non-labor inputs in the production process, technology, prices of the good or service being produced, or the number of employers hiring can cause **shifts in LD**.

Changes to the population, preferences and norms surrounding labor force participation, and wages can cause **shifts in LS**.

If LD increases or LS decreases, real wages rise. However, when **LD increases**, the size of the labor force increases whereas when **LS decreases**, the size of the labor force decreases.

THE ROLE OF CONGRESS

Congress, in conjunction with the President, plays a large role in regulating the labor market.

For example, the federal government establishes worker protection and employment discrimination laws, oversees the administration of income support programs for unemployed workers, and supports workforce development.

Congress can also indirectly affect labor market conditions with other types of economic policies, as labor market conditions tend to strengthen during periods of economic growth and weaken during periods of economic decline.

Certain social policies may also affect labor market outcomes to the extent that they change incentives to joining or leaving the labor force.

REAL WORLD DATA

Employment by Sector
Millions of Employees

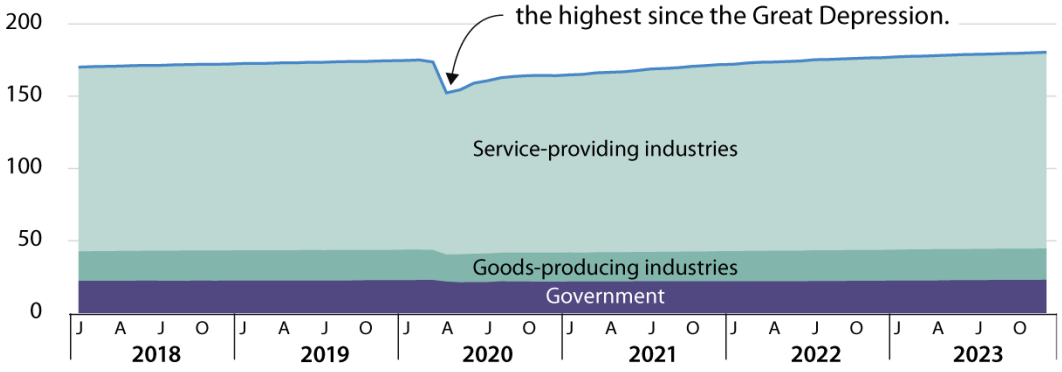


Chart: Data from the Bureau of Labor Statistics Current Employment Statistics Survey.

Acronyms

GDP: gross domestic product

AS: aggregate supply

AD: aggregate demand

Fed: Federal Reserve

FFR: federal funds rate

QE: quantitative easing

LS: labor supply

LD: labor demand

RW: real wage

Glossary

Arbitrage: an investment strategy by which lenders and borrowers take advantage of differing prices in two or more markets for the same or similar assets.

Board of Governors: the Federal Reserve body located in Washington, D.C., that oversees the Federal Reserve System. The board is composed of seven governors, including a chair and two vice chairs, one of whom is responsible for supervision.

Business investment: spending by private businesses and nonprofits on *physical capital*—long-lasting assets used to produce goods and services. Physical capital is generally grouped into three categories: equipment (e.g., machinery or computers), structures (e.g., offices or warehouses), and intellectual property (e.g., software development or research and development).

Commodities: basic raw materials or primary products that are often used in the production process and are substitutable for other goods of the same type. Some common examples include oil, corn, and gold.

Credit conditions: conditions that mark the ability of borrowers to obtain loans. Credit conditions can be influenced by market conditions, including interest rates, or due diligence practices or regulations that influence how or if lenders provide loans to specific borrowers.

Disposable income: income left after deducting income taxes.

Employment: as measured by Bureau of Labor Statistics surveys focused on labor markets, individuals are considered employed if they did any work for pay or profit in the previous week.

Externalities: a cost or benefit that arises as a result of economic activity that is paid for or received by parties not directly involved in the economic process. Externalities are not priced in to market dynamics. Pollution can be an example of a negative externality, whereas research and development can be an example of a positive externality.

Factors of production: general categories of inputs to the production process. Typically defined as land, labor, capital, and sometimes entrepreneurship.

Gross domestic product: total domestic spending in the U.S. economy, as measured by the Bureau of Economic Analysis (BEA). The measure is broken up into four main types of spending: personal consumption expenditures (consumer spending), gross private domestic investment (business investment), net export of goods and services (total exports minus total imports), and government consumption expenditures and gross investment (government spending).

Income: a measure of the total resources that accrue to an individual or business over a period of time. Individuals typically receive income from wages/benefits, assets, and government transfers.

Industrial production: based on the index produced by the Federal Reserve, industrial production refers to the output by all industries in the mining, manufacturing, and electric and gas utilities industries.

Interest-sensitive spending: spending that is contingent on borrowing. For example, business physical capital investment, consumer durables, and residential investment often rely on borrowing and, therefore, will be affected by movements in interest rates.

Labor force: all employed and unemployed individuals ages 16 and older, excluding active-duty military personnel and the institutionalized.

Open market operations: the Federal Reserve's purchase or sale of securities in the open market. When the Federal Reserve buys a security, that security is noted as an asset on its balance sheet. To balance the purchase, the Federal Reserve typically increases bank reserves held at the Fed, a liability.

Price shock: a type of supply shock in which supply conditions are unexpectedly changed by an external event, causing prices of one or more commodities to rise. For example, the oil crises in the 1970s were price shocks.

Productive capacity: highest amount of output possible given the current amount and productivity of factors of production.

Quantitative easing: a type of monetary policy tool that involves the large-scale purchase of assets by the Federal Reserve, including Treasury securities and mortgage-backed securities. This tool is meant to provide liquidity to the financial system and push down longer-term interest rates.

Repurchase (repo) market: the market in which contracts are arranged between two parties to sell a security and then repurchase it at a later date at a higher prearranged price.

Reserve balance: accounts banks have at the Federal Reserve where they hold liquid cash balances.

Real gross domestic product: gross domestic product adjusted for inflation (see also *gross domestic product*).

Unemployment: the number of individuals who do not have jobs, have actively looked for work in the previous four weeks, and are currently available to work. This most common unemployment measure is called the U3 unemployment rate. Other unemployment rates are either more or less inclusive of individuals who are not working.

References

The following list provides selected resources, both by CRS and external authors, that provide more in-depth information on the topics included in this report. This list is not all inclusive.

General Resources

There are many macroeconomics textbooks available at the introductory, intermediate, and advanced levels. A few examples include ***Principles of Macroeconomics*** and ***Macroeconomics*** **by N. Gregory Mankiw**, ***Macroeconomics*** **by Olivier Blanchard and David R. Johnson**, and ***Advanced Macroeconomics*** **by David Romer**.

CRS Report R43295, *Resources for Key Economic Indicators*, by Ben Leubsdorf and Jennifer Teefy. This report describes many economic indicators, including definitions and where to find data, among other topics.

Federal Reserve Bank of St. Louis, *Resources for Teachers and Students in Economics and Personal Finance*, https://www.stlouisfed.org/education. This website provides educational resources on a wide variety of economic and financial topics, including many of those discussed in this report.

CRS Introduction to U.S. Economy In Focus Series. This series of two-page explainers delve into selected economic topics and provide information on definition, measurement, and recent trends. These can be searched for on crs.gov, and several are provided below as well.

The Economy and Long-Term Growth

CRS In Focus IF10408, *Introduction to U.S. Economy: GDP and Economic Growth*, by Mark P. Keightley and Lida R. Weinstock. This CRS product introduces economic activity and long-term growth, including GDP and how it is measured, the determinants of long-term growth, and trends in U.S. economic growth over time.

CRS In Focus IF10557, *Introduction to U.S. Economy: Productivity*, by Lida R. Weinstock. This CRS product introduces productivity and productivity growth, including measures and sources of productivity growth, productivity growth's relationship to economic growth, and trends in U.S. productivity growth.

CRS In Focus IF11020, *Introduction to U.S. Economy: Business Investment*, by Lida R. Weinstock. This CRS product introduces business investment and its relationship to economic growth, including the drivers of business investment and trends in domestic and foreign investment.

The Business Cycle and Short-Term Growth

CRS In Focus IF10411, *Introduction to U.S. Economy: The Business Cycle and Growth*, by Lida R. Weinstock. This CRS product introduces the business cycle and short-term economic growth, including how the business cycle is dated, causes of the business cycle, and policy options for smoothing the business cycle.

CRS Report R47479, *Common Causes of Economic Recession*, by Lida R. Weinstock. This CRS product provides an in-depth look at the business cycle and recessions, including common causes of recession and policy options.

Economy-Wide Supply and Demand

CRS In Focus IF11253, *Introduction to U.S. Economy: Fiscal Policy*, by Lida R. Weinstock. This CRS product introduces fiscal policy and its economic effects as well as trends in the federal budget over time.

CRS Report R45723, *Fiscal Policy: Economic Effects*, by Lida R. Weinstock. This CRS product provides and in-depth look at fiscal policy, including the effects of expansionary fiscal policy, persistent fiscal stimulus, and withdrawing stimulus, as well as trends in the U.S. fiscal policy stance.

CRS In Focus IF11751, *Introduction to U.S. Economy: Monetary Policy*, by Marc Labonte. This CRS product introduces monetary policy and its effects on the economy, including various monetary policy tools, how monetary policy is achieved, and congressional issues.

Fiscal Policy: Taxes

U.S. Department of the Treasury, *How Much Revenue Has the U.S. Government Collected This Year?,* https://fiscaldata.treasury.gov/americas-finance-guide/government-revenue/. This webpage provides information on federal revenue, including sources of revenue, trends, and how revenue compares to the size of the economy.

CRS In Focus IF11253, *Introduction to U.S. Economy: Fiscal Policy*, by Lida R. Weinstock. This CRS product introduces fiscal policy and its economic effects as well as trends in the federal budget over time.

CRS In Focus IF11037, *Debt and Deficits: Spending, Revenue, and Economic Growth*, by Grant A. Driessen and Donald J. Marples. This CRS product provides a brief overview of the federal budget, including trends in spending and revenue.

Monetary Policy: Federal Funds Rate

CRS In Focus IF10054, *Introduction to Financial Services: The Federal Reserve*, by Marc Labonte. This CRS product introduces the structure and responsibilities of the Federal Reserve, congressional oversight, and other policy issues.

CRS In Focus IF11751, *Introduction to U.S. Economy: Monetary Policy*, by Marc Labonte. This CRS product introduces monetary policy and its effects on the economy, including various monetary policy tools, how monetary policy is achieved, and congressional issues.

CRS Report R47377, *Federal Reserve: Policy Issues in the 118th Congress*, by Marc Labonte, section titled "Monetary Policy". This section of the CRS report details the post-financial-crisis monetary policy framework, the inflation and interest rate environment, the normalization of the Federal Reserve's balance sheet, and the Federal Reserve's mandate and monetary policy strategy.

Federal Reserve Bank of St. Louis, *How Does the Fed Influence Interest Rates Using Its New Tools?*, https://www.stlouisfed.org/open-vault/2020/august/how-does-fed-influence-interest-rates-using-new-tools. This blog post details the methods by which the Federal Reserve influences the federal funds rate, including explanatory graphics.

Federal Reserve Bank of St. Louis, *Making Sense of the Federal Reserve: How the Fed Implements Monetary Policy with Its Tools*, https://www.stlouisfed.org/in-plain-english/the-fed-implements-monetary-policy. This article explains the tools the Federal Reserve uses to implement monetary policy, including the interest on reserve balances, the overnight reverse repo facility, the discount rate, and open market operations.

The Dollar and Exchange Rates

CRS In Focus IF12319, *Strong Dollar: Implications for U.S. Economy*, by Marc Labonte and Lida R. Weinstock. This CRS product takes a brief look at recent trends in the exchange value of the dollar and how it affects the U.S. economy.

CRS In Focus IF11296, *U.S. Dollar Intervention: Options and Issues for Congress*, by Marc Labonte and Martin A. Weiss. This CRS product discusses policy options for and economic effects of influencing the value of the dollar.

CRS Report R45148, *U.S. Trade Policy Primer: Frequently Asked Questions*, coordinated by Cathleen D. Cimino-Isaacs. This CRS product provides background on several aspects of trade, including the economics of trade and its effects on various aspects of the economy as well as trends and policy issues and tools.

The Labor Market

CRS Report R47241, *Workforce and Labor Policy: Resources for Congressional Offices*, coordinated by Abigail R. Overbay. This CRS product provides an in-depth look at the federal government's role in workforce and labor policy.

CRS Report R43089, *The Federal Minimum Wage: In Brief*, by Sarah A. Donovan. This CRS product provides an in-depth look at the federal minimum wage, including coverage, information on minimum wage workers, and policy issues.

CRS In Focus IF10443, *Introduction to U.S. Economy: Unemployment*, by Lida R. Weinstock. This CRS product introduces unemployment and its relationship to the rest of the economy, including how it is measured, reasons for it, and trends.

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Acknowledgments

The authors thank Amber Wilhelm, CRS Visual Information Specialist, for her contributions to this report.

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