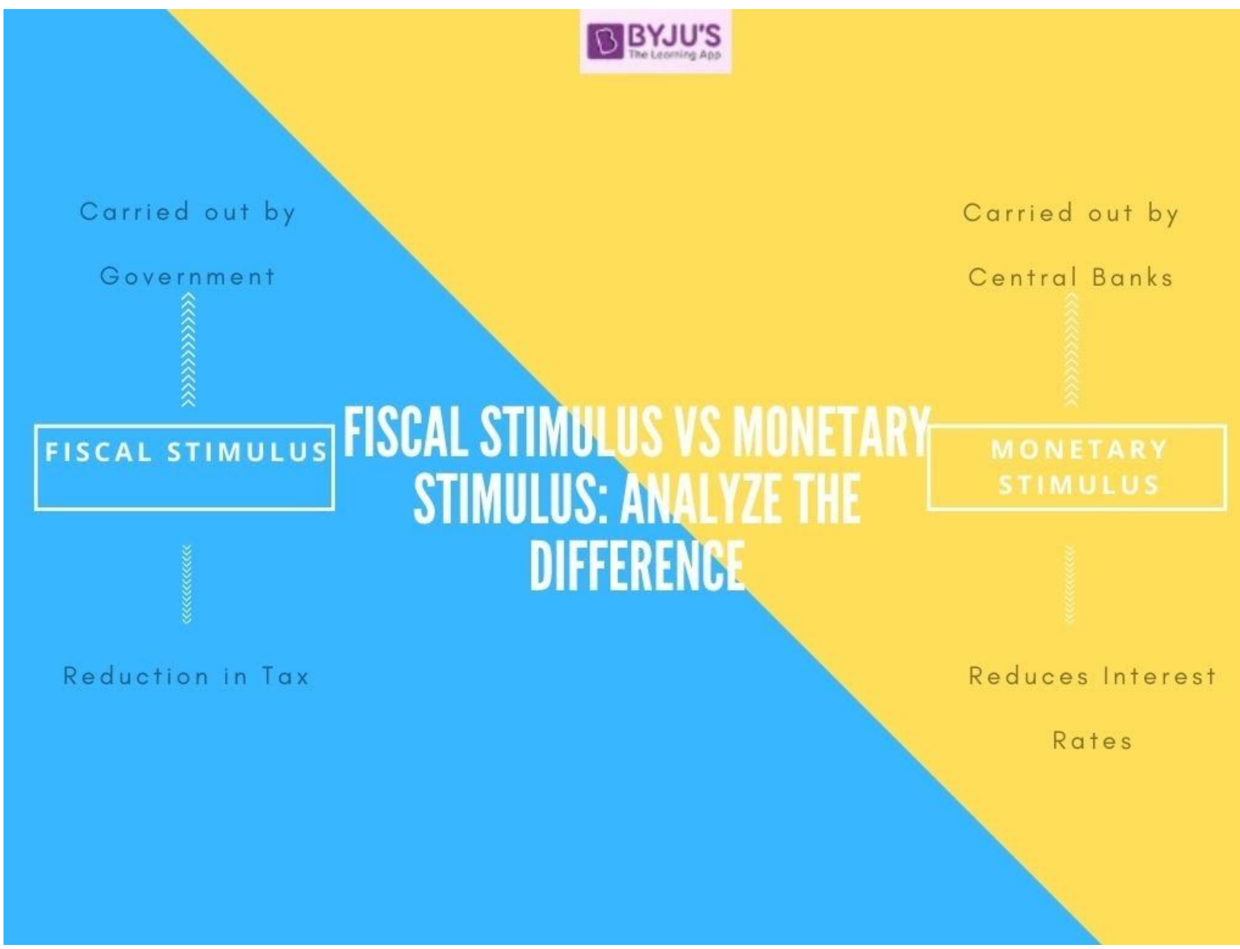
Difference between Monetary Stimulus and Fiscal Stimulus

A financial crisis is a usual occurrence in an economy to which the governments in question come out with both monetary and fiscal stimulant packages in order to mitigate the harmful effects of such as crisis.

Both the Monetary and Fiscal stimulus packages are rolled out during a recession or when the production and employment levels are well below sustainable levels. But they both are fundamentally different from each other due to the host of other factors.

Fiscal stimulus refers to increasing government consumption or lowering of taxes.

While monetary stimulus refers to lowering interest rates or other ways of increasing the amount of money or credit.



This article will further elaborate upon the difference between Monetary Stimulus and Fiscal Stimulus within the context of the IAS Exam.

Difference between Fiscal Stimulus and Monetary Stimulus	
Fiscal Stimulus	**Monetary Stimulus**
Fiscal stimulus is a government-controlled measure that involves changing government spending and taxation to revive the economy	The monetary stimulus is controlled by central banks who target low inflation and stabilise the economic growth by increasing the amount of money available
The government used fiscal stimulus packages to influence overall supply and demand by cutting down on taxes, increasing spending and boosting economic growth	A monetary stimulus is a policy model adopted by central banks to manage the supply of money in the country. The primary tool of a monetary stimulus is interest rates
Fiscal stimulus is carried out by the government through direct spending and increase the hiring process to promote employment and growth	Monetary stimulus works in the following ways 1. Encouraging investments by businesses through the reduction in marketing interest rates. 2. Increasing the money supply by injecting more cash into the economy
Fiscal stimulus packages are the last resort to achieve price stability, steady economic growth and promote employment	A monetary stimulus puts extra money into people's hands during times of recession