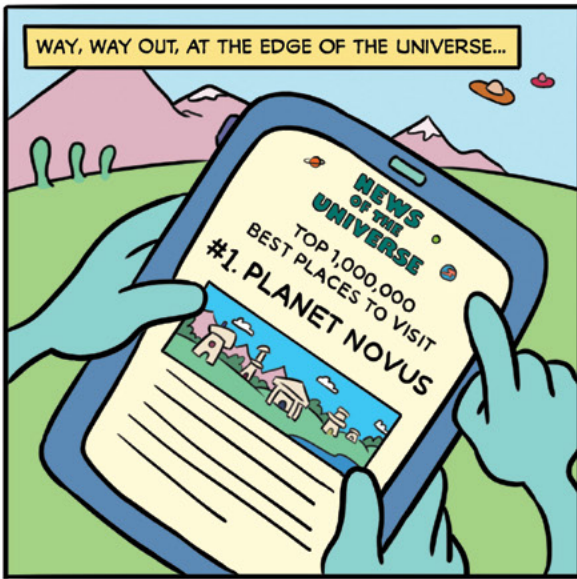
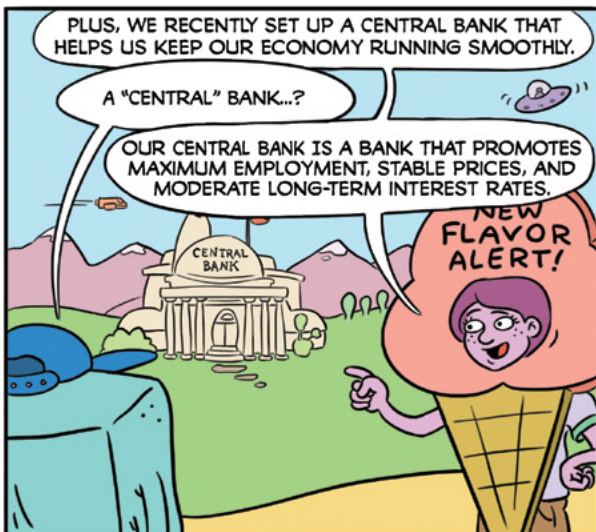
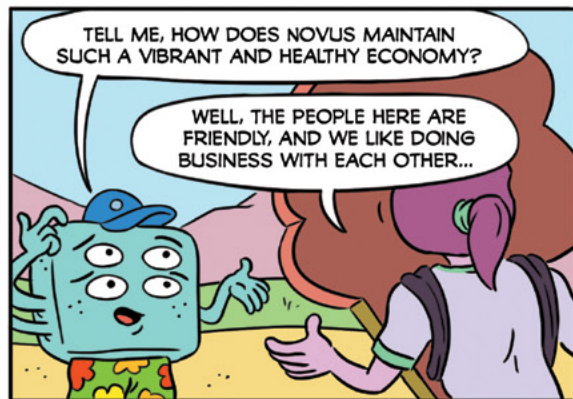


THE STORY OF MONETARY POLICY



FEDERAL RESERVE BANK OF NEW YORK





HAVING STABLE PRICES MEANS PEOPLE HAVE A GENERAL IDEA OF WHAT THINGS WILL COST FROM DAY TO DAY, SO THEY ARE BETTER ABLE TO PLAN ACCORDINGLY.

NEW FLAVOR ALERT!

I'M SELLING SO MANY FISH THESE DAYS, I NEED A BIGGER BOAT.

I HAVE JUST THE VESSEL!

I HAVE BUDGETED TWO DOLLARS TO SPEND ON EGGS THIS WEEK.

I CAN WORK WITH THAT. TWO DOLLARS WILL GET YOU TWO DOZEN SMALL EGGS OR ONE GIGANTIC EGG.

"A HEALTHY ECONOMY ALSO MEANS BUSINESSES HERE ARE HIRING."

I ONLY HAVE FOUR ARMS, BUT I'M FAST!

NOBODY'S PERFECT!

HELP WANTED

"OLDER CITIZENS, LIKE MY PARENTS, CAN AFFORD TO RETIRE ON THEIR SAVINGS AND INVESTMENTS. AND THE NEXT GENERATION IS ABLE TO EMBARK ON NEW BUSINESS VENTURES."

FLOWERS & FRUIT

GOOD NEWS, FOLKS! WE'VE SECURED YOUR SMALL BUSINESS LOAN.

OUR OWN SHOP!

THIS IS OUR DREAM COME TRUE!

OURS TOO!

HELLO-O-O RETIREMENT!

SOLD
BUSINESS FOR SALE

KERY

THE ICE CREAM BUSINESS IS BOOMING! THIS IS MY PARTNER, GLIX, AND OUR FRIEND RALLO. GUYS, THIS IS Q-SEVEN.

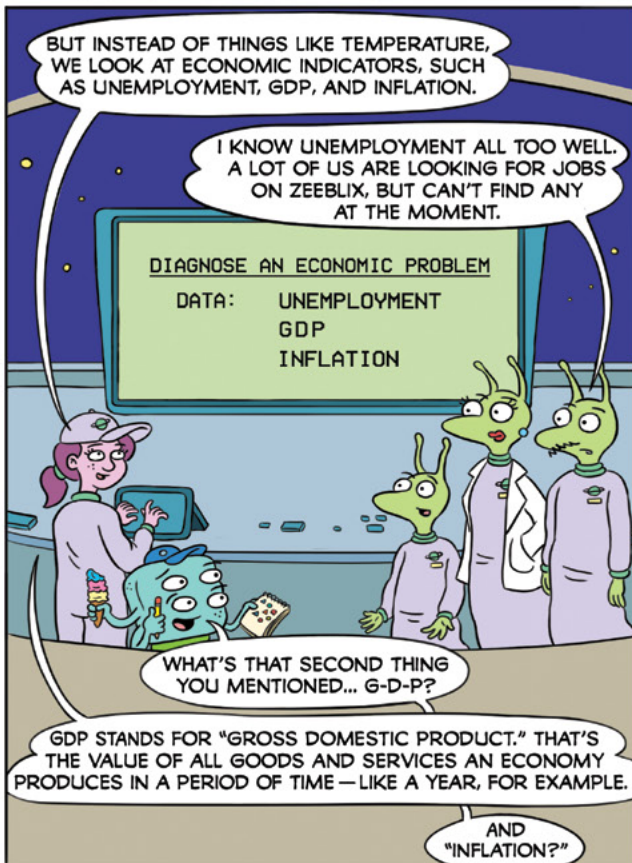
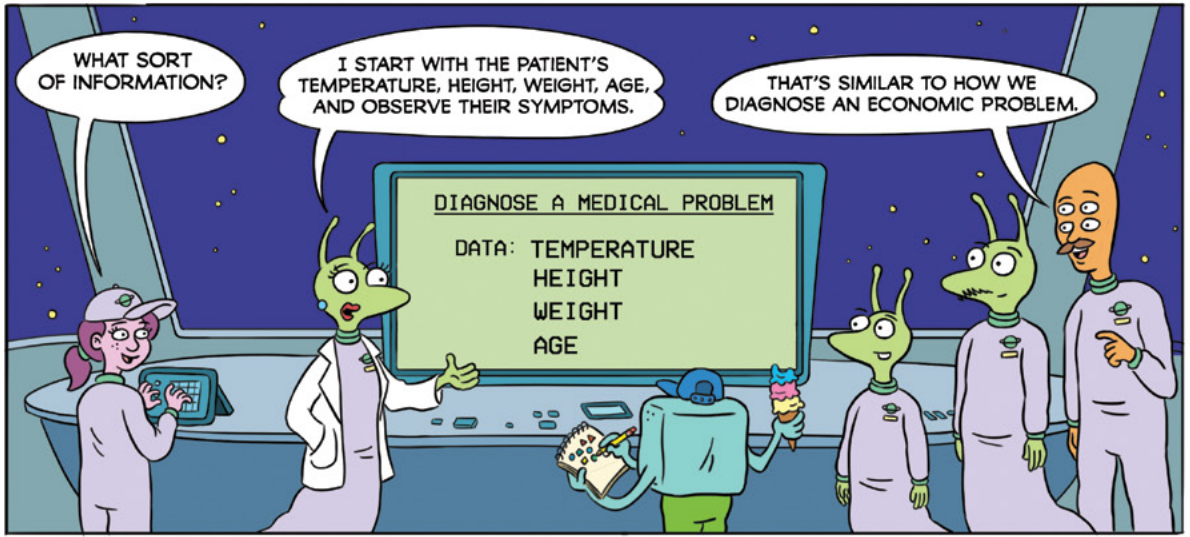
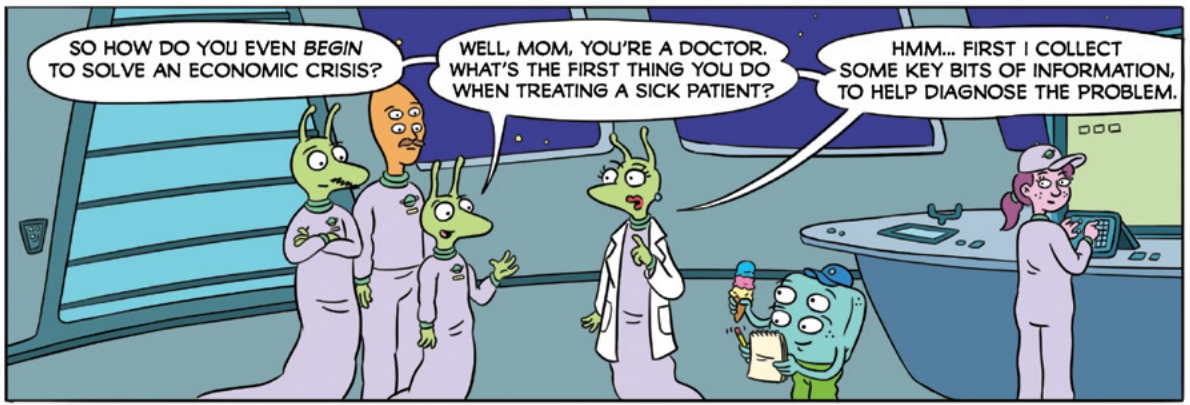
WELCOME TO NOVUS! WANT TO TRY OUR NEW ICE CREAM FLAVOR?

I'VE NEVER HAD ICE CREAM.

HE'S NEVER HAD ICE CREAM?!

NEW!
ALEX
NEW!
BRAD-BERRY





PRICES KEEP RISING HIGHER EVERY DAY, ON BOTH SMALL AND LARGE PURCHASES.

I SURE COULD USE A NEW BOAT, BUT THEY'RE SO EXPENSIVE NOW.

BUT THEY'RE GONNA BE EVEN MORE EXPENSIVE TOMORROW!

SINCE WHEN DO EGGS COST MORE THAN A DOLLAR A DOZEN?

SINCE TODAY.

"IF THAT WEREN'T BAD ENOUGH, BUSINESSES CAN'T AFFORD TO HIRE NEW WORKERS."

SORRY, I COULD USE THE HELP, BUT MY EXPENSES ARE TOO HIGH FOR ME TO HIRE YOU.

BAKERY

NOT HIRING

"OLDER CITIZENS AREN'T ABLE TO RETIRE ON THEIR SAVINGS AND INVESTMENTS..."

WE'VE SAVED ALL OUR LIVES, BUT MONEY JUST DOESN'T BUY AS MUCH AS IT USED TO.

PLUS, PRICES ARE RISING SO FAST, WHO KNOWS HOW MUCH OUR SAVINGS WILL BE WORTH TOMORROW?

"...AND IT MAKES STARTING A NEW BUSINESS HARDER TO AFFORD."

SORRY, BUT WE AREN'T WILLING TO LEND YOU AS MUCH AS YOU NEED.

SIGH

THERE GOES THAT PLAN.

FLOWERS

BANK

ICE CREAM

AND TO TOP IT ALL OFF, YOUR FATHER HAD TO SHUT DOWN THE SHOP, WHEN THE DEMAND FOR ICE CREAM DROPPED SIGNIFICANTLY.

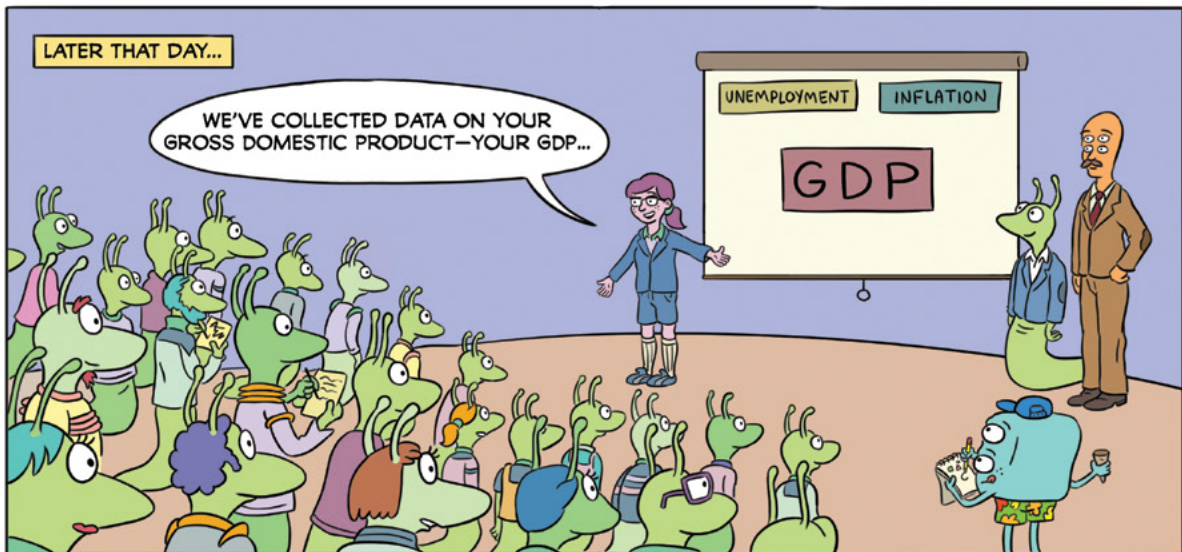
HOW IS THAT POSSIBLE? MY DEMAND FOR ICE CREAM HAS NEVER BEEN HIGHER!

OUT OF BUSINESS

YOU JUST FOUND OUT ABOUT ICE CREAM A MINUTE AGO!

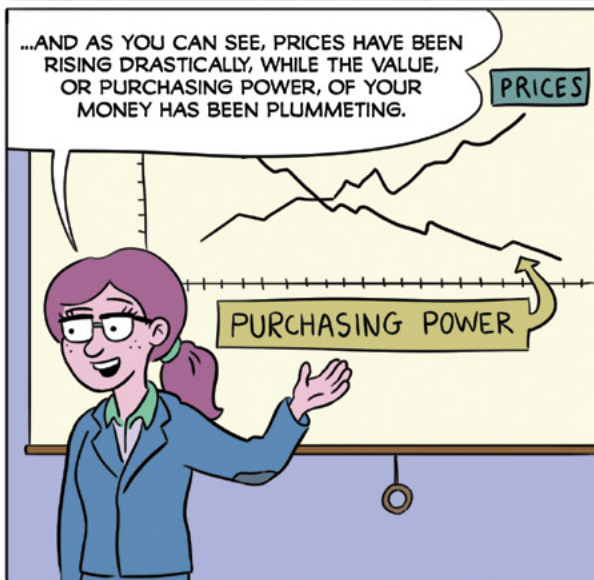
LATER THAT DAY...

WE'VE COLLECTED DATA ON YOUR GROSS DOMESTIC PRODUCT—YOUR GDP...

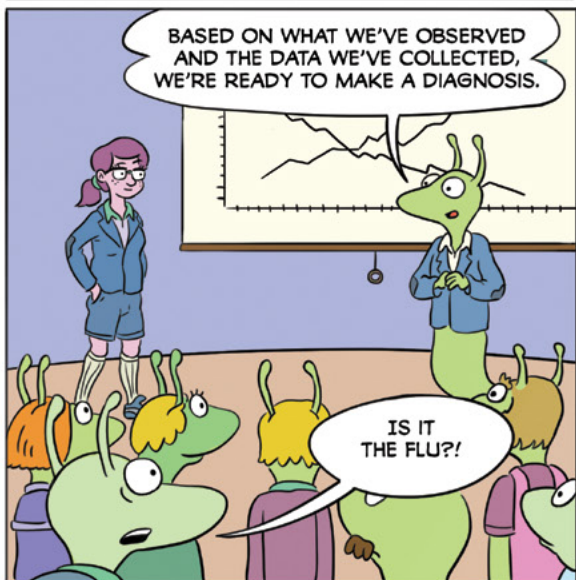


...AND AS YOU CAN SEE, PRICES HAVE BEEN RISING DRASTICALLY, WHILE THE VALUE, OR PURCHASING POWER, OF YOUR MONEY HAS BEEN PLUMMETING.

PRICES

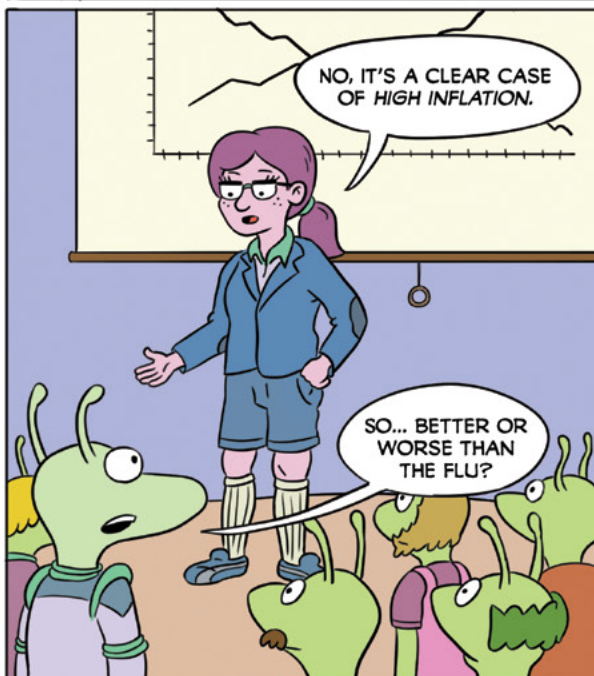


BASED ON WHAT WE'VE OBSERVED AND THE DATA WE'VE COLLECTED, WE'RE READY TO MAKE A DIAGNOSIS.



IS IT THE FLU?!

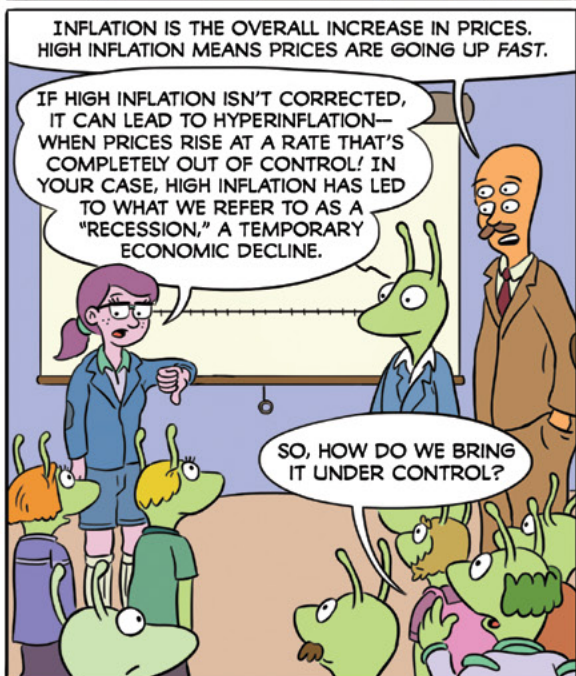
NO, IT'S A CLEAR CASE OF HIGH INFLATION.



SO... BETTER OR WORSE THAN THE FLU?

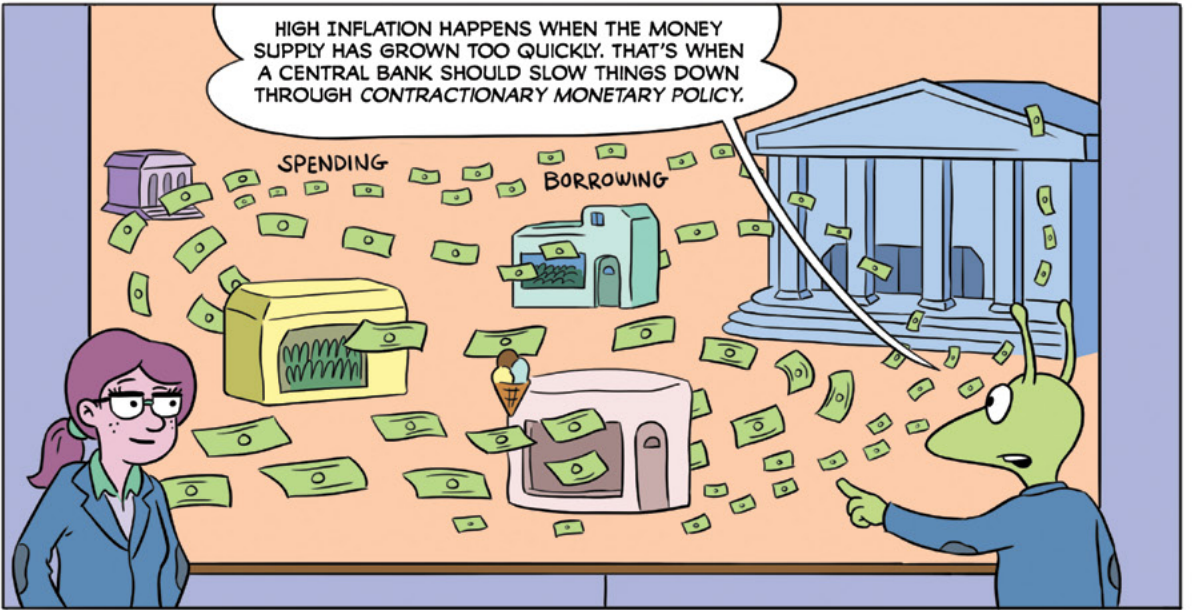
INFLATION IS THE OVERALL INCREASE IN PRICES. HIGH INFLATION MEANS PRICES ARE GOING UP FAST.

IF HIGH INFLATION ISN'T CORRECTED, IT CAN LEAD TO HYPERINFLATION—WHEN PRICES RISE AT A RATE THAT'S COMPLETELY OUT OF CONTROL! IN YOUR CASE, HIGH INFLATION HAS LED TO WHAT WE REFER TO AS A "RECESSION," A TEMPORARY ECONOMIC DECLINE.

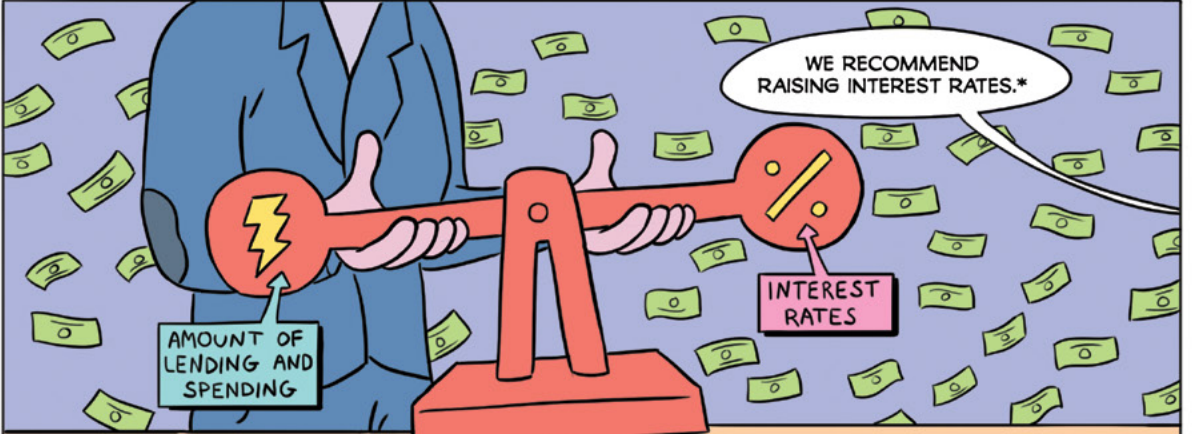


SO, HOW DO WE BRING IT UNDER CONTROL?

HIGH INFLATION HAPPENS WHEN THE MONEY SUPPLY HAS GROWN TOO QUICKLY. THAT'S WHEN A CENTRAL BANK SHOULD SLOW THINGS DOWN THROUGH *CONTRACTIONARY MONETARY POLICY*.

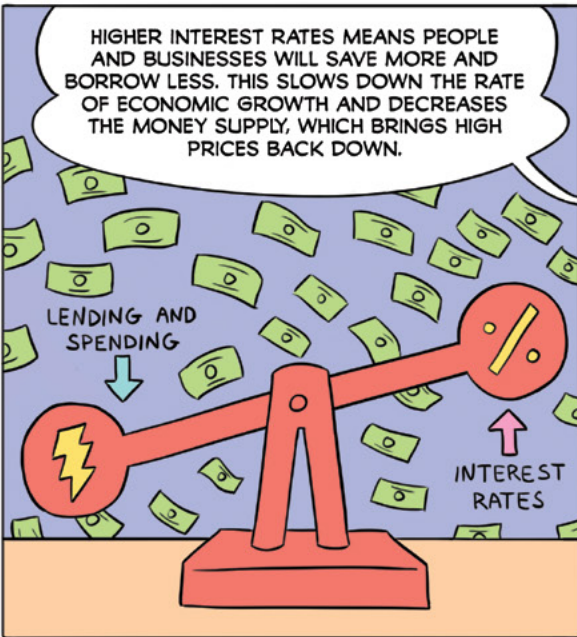


WE RECOMMEND RAISING INTEREST RATES.*

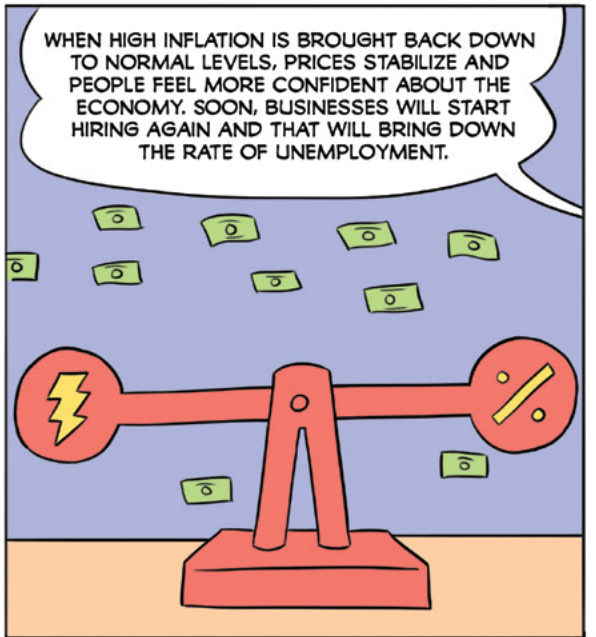


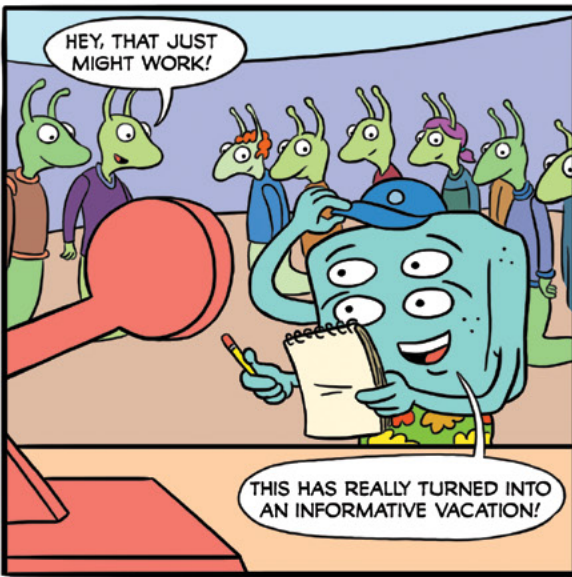
*IN THE UNITED STATES, THE FEDERAL RESERVE SYSTEM HAS TRADITIONALLY RAISED OR LOWERED INTEREST RATES BY BUYING OR SELLING GOVERNMENT SECURITIES IN THE OPEN MARKET.

HIGHER INTEREST RATES MEANS PEOPLE AND BUSINESSES WILL SAVE MORE AND BORROW LESS. THIS SLOWS DOWN THE RATE OF ECONOMIC GROWTH AND DECREASES THE MONEY SUPPLY, WHICH BRINGS HIGH PRICES BACK DOWN.



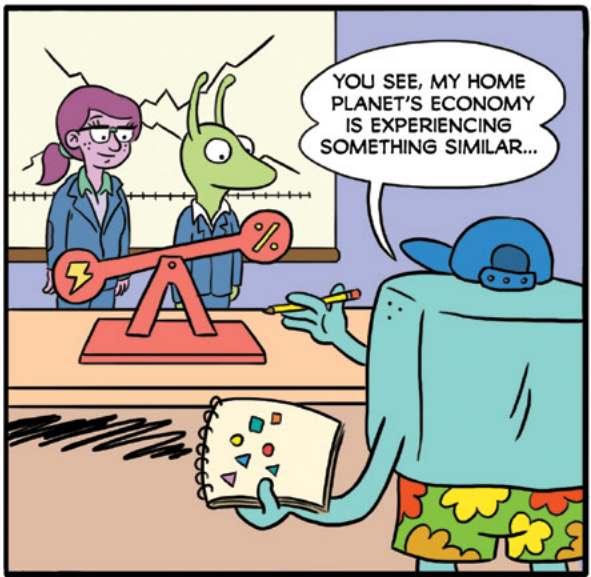
WHEN HIGH INFLATION IS BROUGHT BACK DOWN TO NORMAL LEVELS, PRICES STABILIZE AND PEOPLE FEEL MORE CONFIDENT ABOUT THE ECONOMY. SOON, BUSINESSES WILL START HIRING AGAIN AND THAT WILL BRING DOWN THE RATE OF UNEMPLOYMENT.





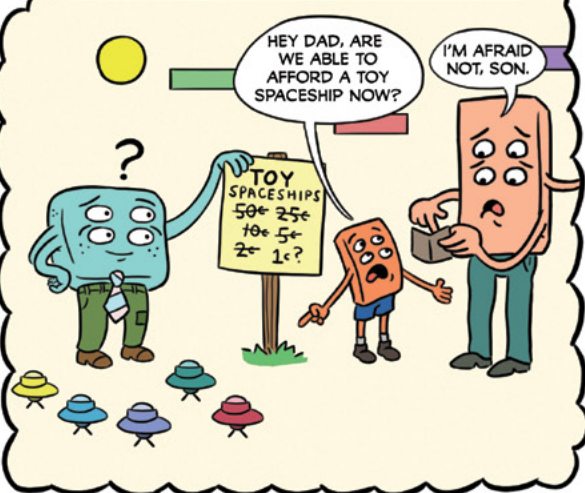
HEY, THAT JUST MIGHT WORK!

THIS HAS REALLY TURNED INTO AN INFORMATIVE VACATION!



YOU SEE, MY HOME PLANET'S ECONOMY IS EXPERIENCING SOMETHING SIMILAR...

"...EXCEPT, INSTEAD OF HIGH PRICES CAUSED BY HIGH INFLATION, STUFF BACK HOME IS BEING SOLD AT VERY LOW PRICES..."



HEY DAD, ARE WE ABLE TO AFFORD A TOY SPACESHIP NOW?

I'M AFRAID NOT, SON.

"...YET FOLKS STILL CAN'T AFFORD IT BECAUSE MONEY IS EXTREMELY SCARCE!"



WAAAAAAHHHHHH!!!



IT'S GOOD TO KNOW THAT IF OUR BANKS RAISE INTEREST RATES OUR ECONOMY WILL BEGIN TO IMPROVE.

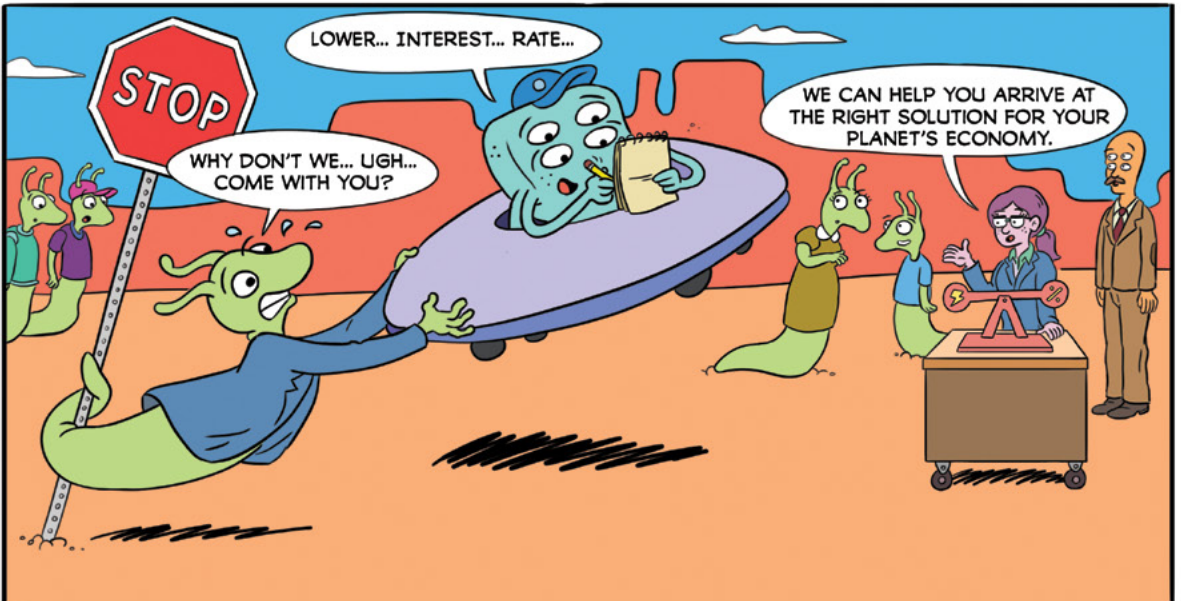
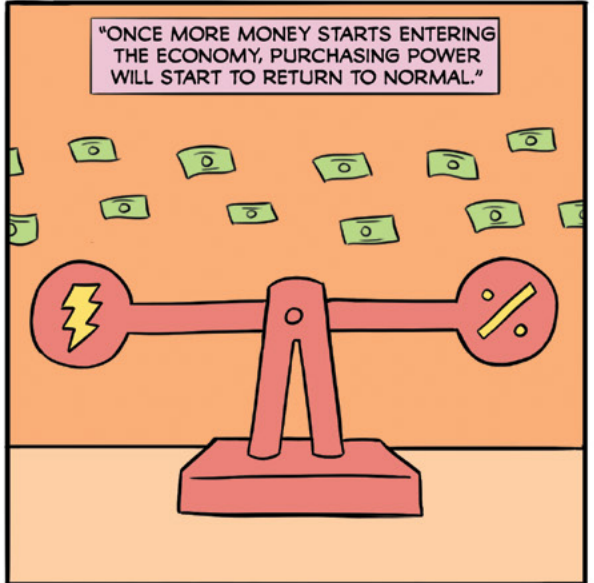
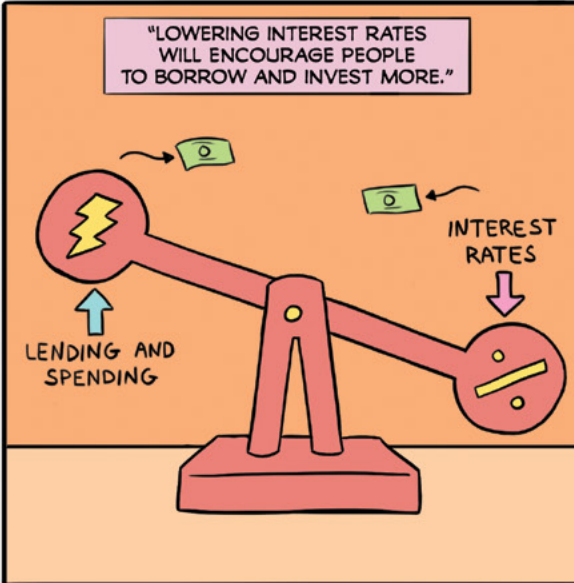
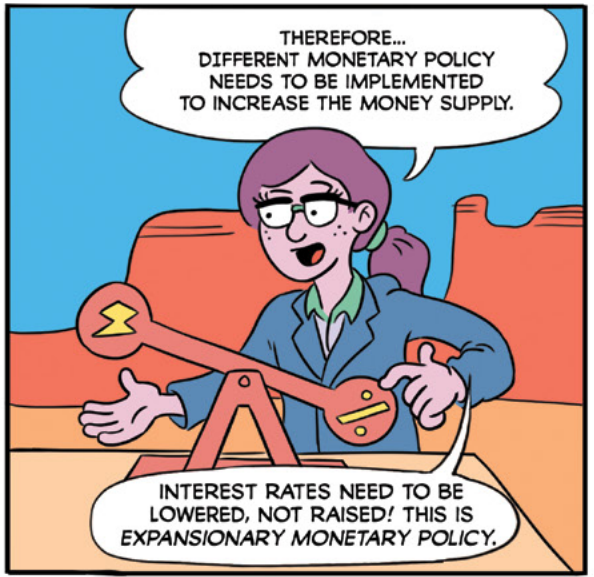
THANKS, Y'ALL!



WAIT, NO!

STOP!

WHAT'S UP?



LATER THAT DAY...

AS YOU CAN SEE, NO ONE HAS ANY MONEY, SO SELLERS CONTINUE TO SLASH PRICES.

FRESH FISH—50% OFF!

UH, MAYBE TOMORROW?

"BUT HOW LOW IS TOO LOW?"

EGGS COST THREE Q-PENNIES, I CAN'T GO ANY LOWER!

I SEE. THEN GIVE ME ONE-THIRD OF ONE EGG...

I'M SORRY, BUT THAT'S NOT REALLY HOW EGGS WORK.

WANT Some eggs?

"BUSINESSES ARE LAYING OFF WORKERS, OTHERS HAVE SHUT DOWN COMPLETELY."

I WISH I COULD TELL YOU SOMETHING DIFFERENT, BUT I JUST DON'T HAVE ANY WORK FOR YOU TODAY. I DON'T EVEN HAVE WORK FOR ME! THE SHOPPERS JUST AREN'T COMING IN LIKE THEY USED TO.

OH, IT'S... FINE...

OPEN

CLOSED

WHAT'S THE POINT?

"RETIREES ARE UNCERTAIN ABOUT THE PROSPECTS FOR THEIR SAVINGS AND INVESTMENTS."

Welcome to~
ALPHA-NUMERICA
VOTED 3,675,927th BEST PLACE TO VISIT...

HEY, IS THAT A SILVER Q-DOLLAR?

SIGH... NO, IT'S JUST AN OLD GUM WRAPPER.

THIS IS NOT WHERE I WANTED TO BE AT THIS POINT IN MY LIFE.

TELL ME ABOUT IT.



ERY

I DON'T THINK THOSE FISH ARE THAT FRESH.

YEP, THIS IS DEFINITELY A RECESSION. LET'S SEE IF WE CAN HELP.

OH, THAT WOULD BE AMAZING!



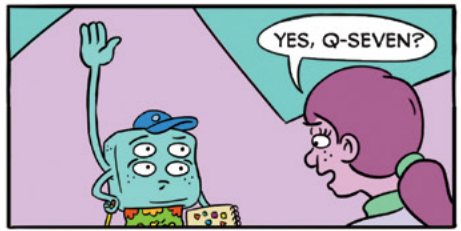
WHEN WE HELPED ALLEVIATE THE HIGH INFLATION ON ZEEBLIX, WE USED CONTRACTIONARY MONETARY POLICY, WHICH "COOLED" ITS ECONOMY JUST ENOUGH FOR PRICES TO DECLINE TO A MORE NORMAL RANGE.

CONTRACTIONARY

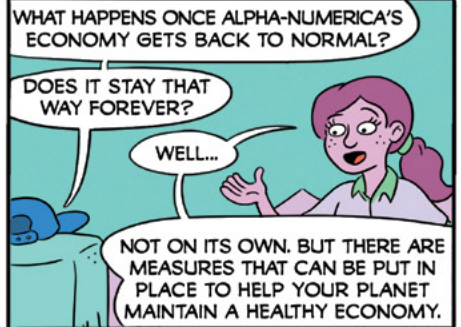
EXPANSIONARY

COOL, COOL, COOL.

BUT WHAT NEEDS TO BE IMPLEMENTED HERE IS EXPANSIONARY MONETARY POLICY. THAT MEANS POLICIES THAT WILL LOWER INTEREST RATES, MAKE IT EASIER FOR PEOPLE TO GET MONEY, AND TO BUY AND SELL GOODS. POLICIES THAT WILL ENCOURAGE PEOPLE TO BORROW FROM BANKS AND MAKE MORE INVESTMENTS.



YES, Q-SEVEN?

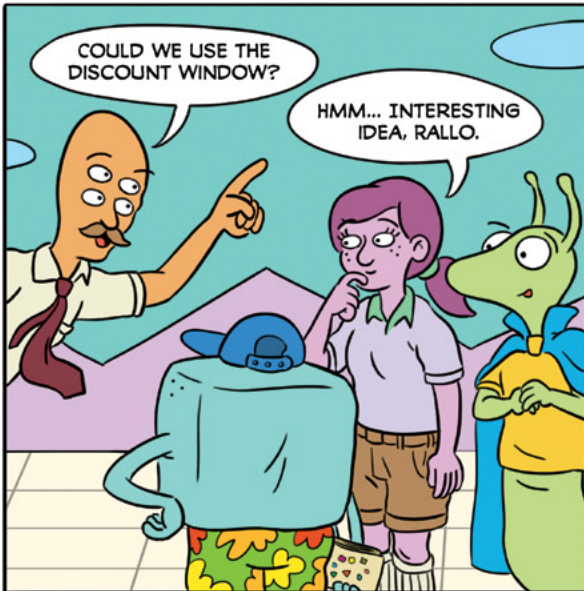


WHAT HAPPENS ONCE ALPHA-NUMERICA'S ECONOMY GETS BACK TO NORMAL?

DOES IT STAY THAT WAY FOREVER?

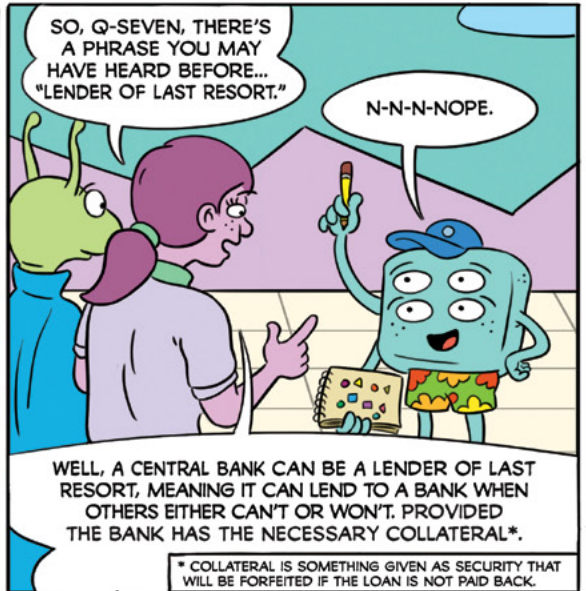
WELL...

NOT ON ITS OWN. BUT THERE ARE MEASURES THAT CAN BE PUT IN PLACE TO HELP YOUR PLANET MAINTAIN A HEALTHY ECONOMY.



COULD WE USE THE DISCOUNT WINDOW?

HMM... INTERESTING IDEA, RALLO.

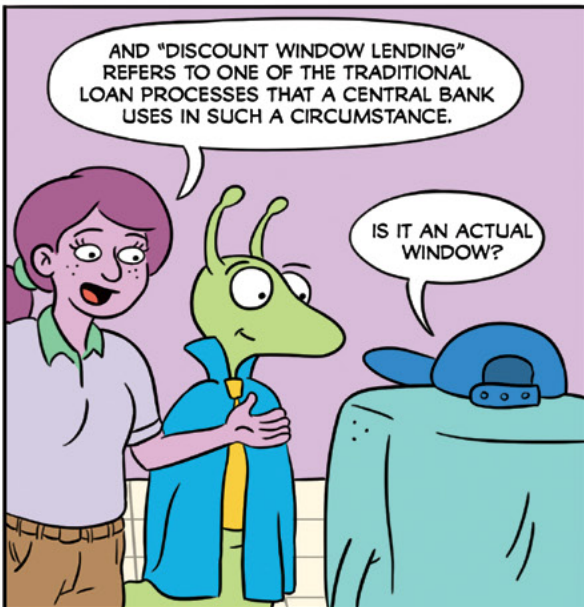


SO, Q-SEVEN, THERE'S A PHRASE YOU MAY HAVE HEARD BEFORE... "LENDER OF LAST RESORT."

N-N-N-NOPE.

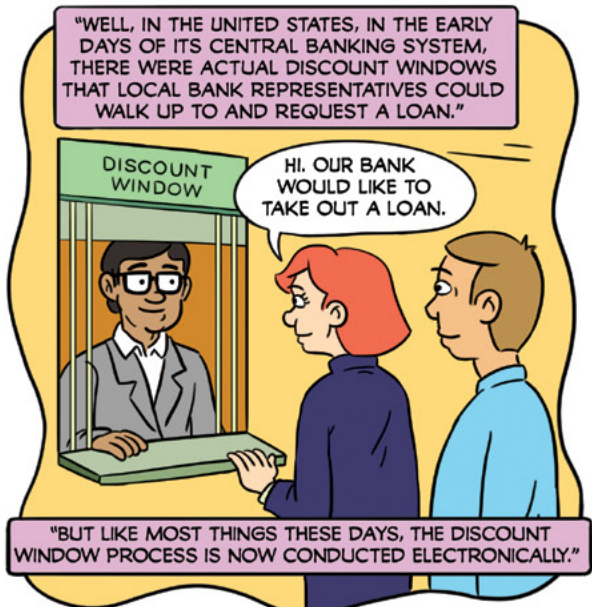
WELL, A CENTRAL BANK CAN BE A LENDER OF LAST RESORT, MEANING IT CAN LEND TO A BANK WHEN OTHERS EITHER CAN'T OR WON'T. PROVIDED THE BANK HAS THE NECESSARY COLLATERAL*.

* COLLATERAL IS SOMETHING GIVEN AS SECURITY THAT WILL BE FORFEITED IF THE LOAN IS NOT PAID BACK.



AND "DISCOUNT WINDOW LENDING" REFERS TO ONE OF THE TRADITIONAL LOAN PROCESSES THAT A CENTRAL BANK USES IN SUCH A CIRCUMSTANCE.

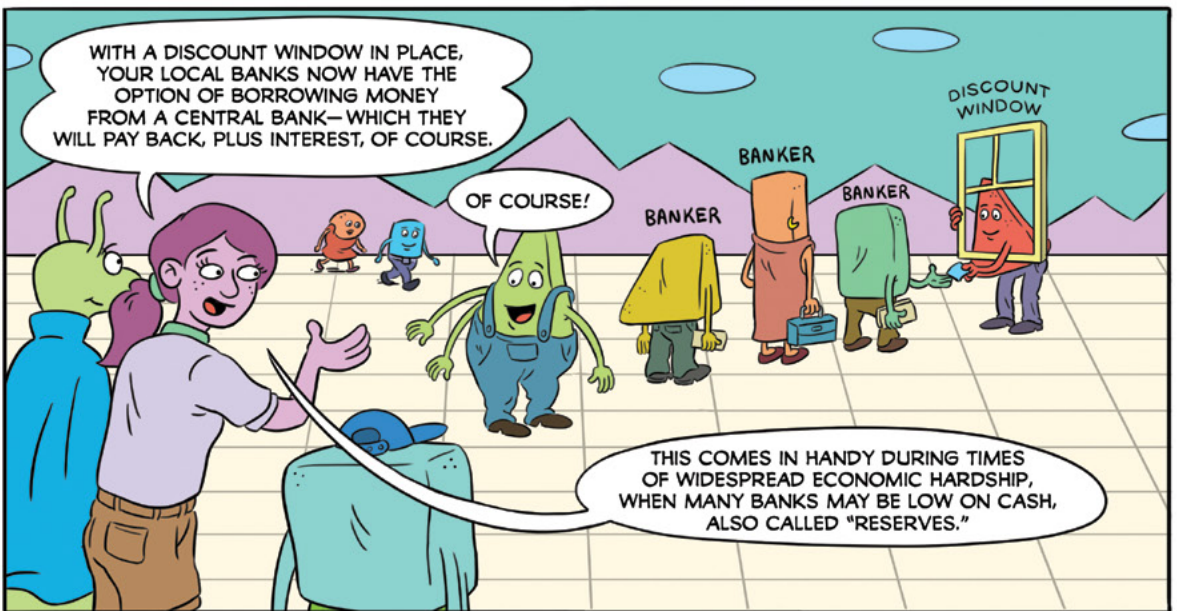
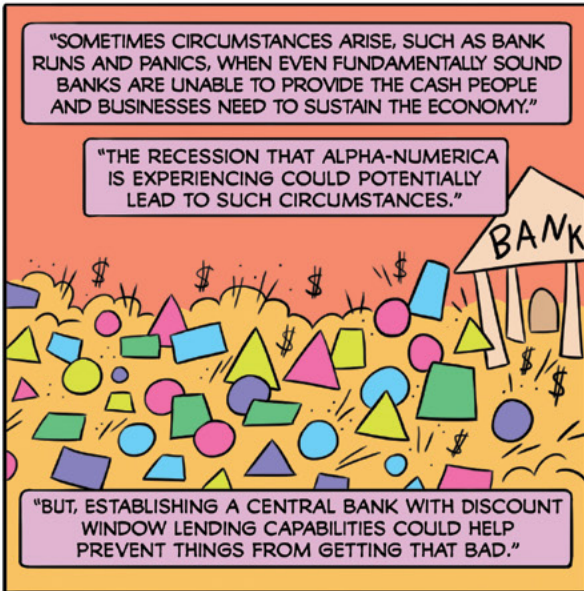
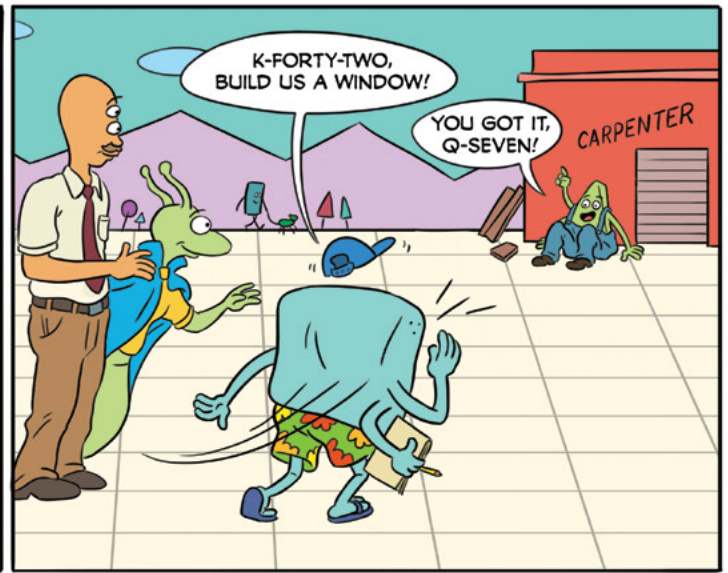
IS IT AN ACTUAL WINDOW?



"WELL, IN THE UNITED STATES, IN THE EARLY DAYS OF ITS CENTRAL BANKING SYSTEM, THERE WERE ACTUAL DISCOUNT WINDOWS THAT LOCAL BANK REPRESENTATIVES COULD WALK UP TO AND REQUEST A LOAN."

HI. OUR BANK WOULD LIKE TO TAKE OUT A LOAN.

"BUT LIKE MOST THINGS THESE DAYS, THE DISCOUNT WINDOW PROCESS IS NOW CONDUCTED ELECTRONICALLY."



IT'S GOOD TO KEEP IN MIND THAT NOT EVERY LOCAL BANK THAT IS EXPERIENCING HARDSHIP MAY DECIDE TO GO THE DISCOUNT WINDOW ROUTE. SOME LOCAL BANKS MAY WORRY THAT TAKING OUT SUCH A LOAN MAY SIGNAL TO OTHER BANKS, AND TO THE PUBLIC AT LARGE, THAT THEY ARE NOT COMPLETELY HEALTHY.

CUSTOMERS MAY BE INCLINED TO TAKE THEIR BUSINESS ELSEWHERE.

HMM...

EXCELLENT POINT, RALLO. AND THAT IS WHY RELYING ON ONE MONETARY POLICY TOOL IS OFTEN NOT ENOUGH.

FOR INSTANCE, IN ORDER TO HELP PREVENT A LOCAL BANK FROM NEEDING AN EMERGENCY LOAN, A CENTRAL BANK COULD REQUIRE THAT BANK TO HAVE A CERTAIN AMOUNT OF RESERVES ON HAND AT ANY GIVEN TIME.

THAT WAY IT'LL BE BETTER PREPARED FOR ANY UNFORESEEN CIRCUMSTANCES.

IF YOU HEAR PEOPLE SAY "RESERVE REQUIREMENTS," THAT IS WHAT THEY'RE TALKING ABOUT.



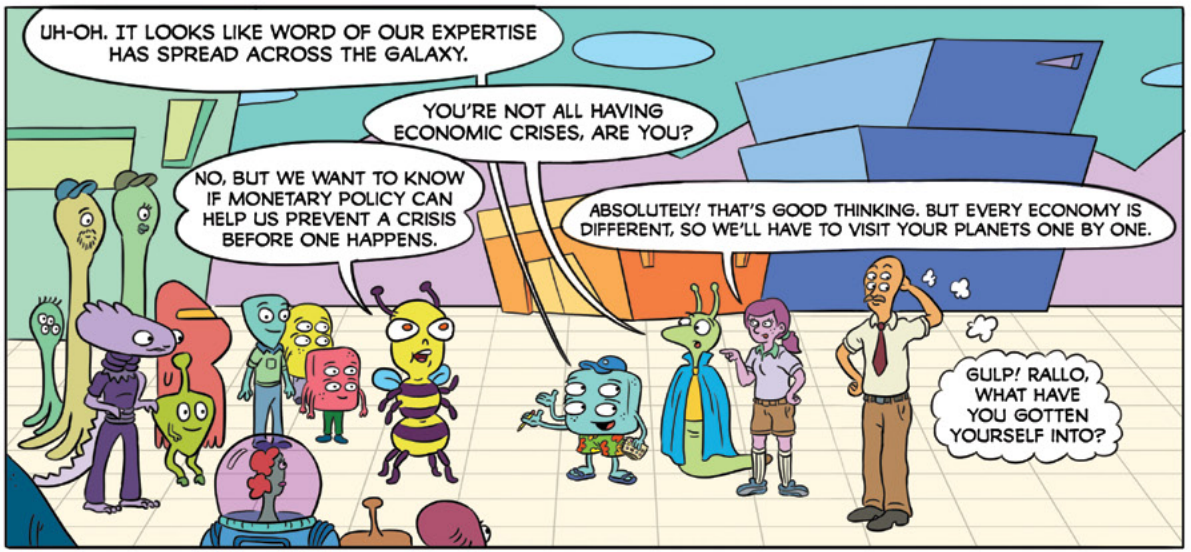
"IN THE UNITED STATES, THE FEDERAL RESERVE BANKS WILL PAY LOCAL BANKS INTEREST ON ANY RESERVES HELD ABOVE THE REQUIREMENT. THIS IS CALLED 'INTEREST ON EXCESS RESERVES,' OR 'IOER' FOR SHORT. IT ACTS AS AN INCENTIVE FOR THE BANKS NOT TO LEND MONEY BELOW A CERTAIN INTEREST RATE."

IT'S VITAL FOR A CENTRAL BANK TO HAVE MULTIPLE TOOLS IN ITS TOOLBOX TO KEEP AN ECONOMY HEALTHY.

YES!

EXACTLY!

THIS IS THE BEST VACATION EVER.



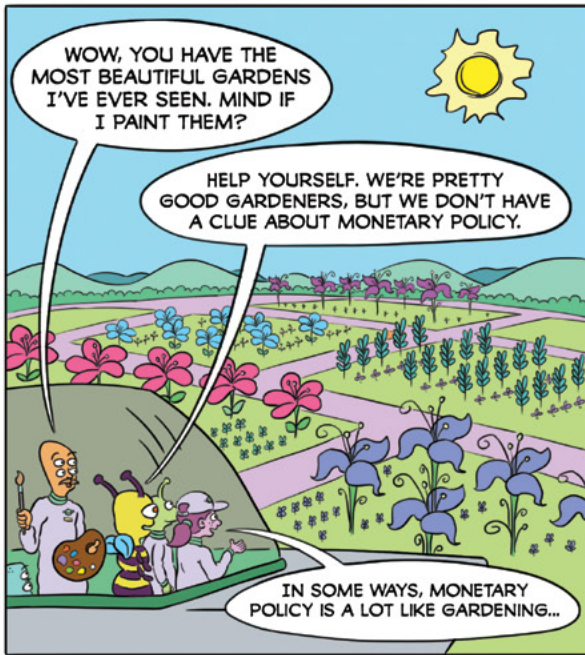
UH-OH. IT LOOKS LIKE WORD OF OUR EXPERTISE HAS SPREAD ACROSS THE GALAXY.

YOU'RE NOT ALL HAVING ECONOMIC CRISES, ARE YOU?

NO, BUT WE WANT TO KNOW IF MONETARY POLICY CAN HELP US PREVENT A CRISIS BEFORE ONE HAPPENS.

ABSOLUTELY! THAT'S GOOD THINKING. BUT EVERY ECONOMY IS DIFFERENT, SO WE'LL HAVE TO VISIT YOUR PLANETS ONE BY ONE.

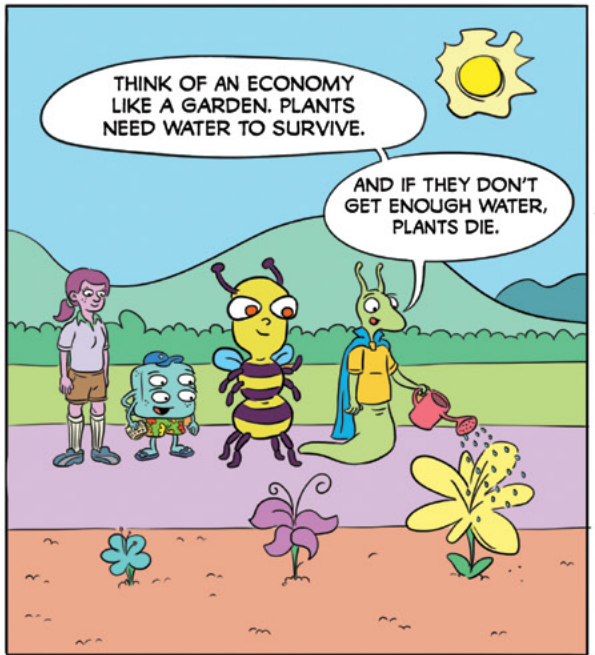
GULP! RALLO, WHAT HAVE YOU GOTTEN YOURSELF INTO?



WOW, YOU HAVE THE MOST BEAUTIFUL GARDENS I'VE EVER SEEN. MIND IF I PAINT THEM?

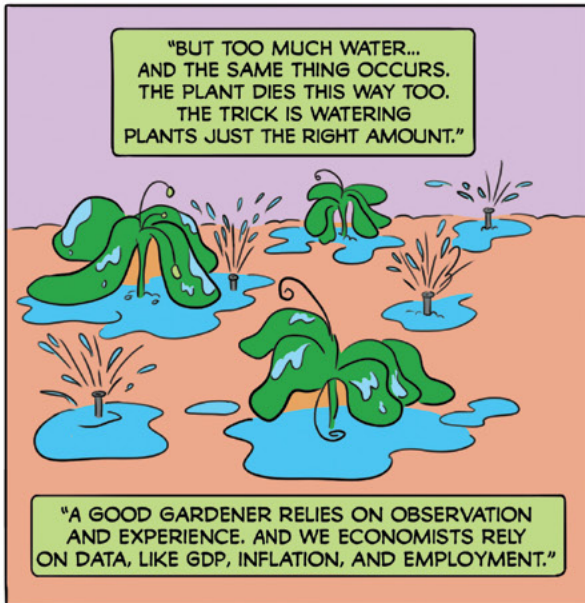
HELP YOURSELF. WE'RE PRETTY GOOD GARDENERS, BUT WE DON'T HAVE A CLUE ABOUT MONETARY POLICY.

IN SOME WAYS, MONETARY POLICY IS A LOT LIKE GARDENING...



THINK OF AN ECONOMY LIKE A GARDEN. PLANTS NEED WATER TO SURVIVE.

AND IF THEY DON'T GET ENOUGH WATER, PLANTS DIE.



"BUT TOO MUCH WATER... AND THE SAME THING OCCURS. THE PLANT DIES THIS WAY TOO. THE TRICK IS WATERING PLANTS JUST THE RIGHT AMOUNT."

"A GOOD GARDENER RELIES ON OBSERVATION AND EXPERIENCE. AND WE ECONOMISTS RELY ON DATA, LIKE GDP, INFLATION, AND EMPLOYMENT."



SO, IF WE OBSERVE AND STUDY AND MAKE CHANGES WHEN NEEDED, OUR ECONOMY WILL IMPROVE?

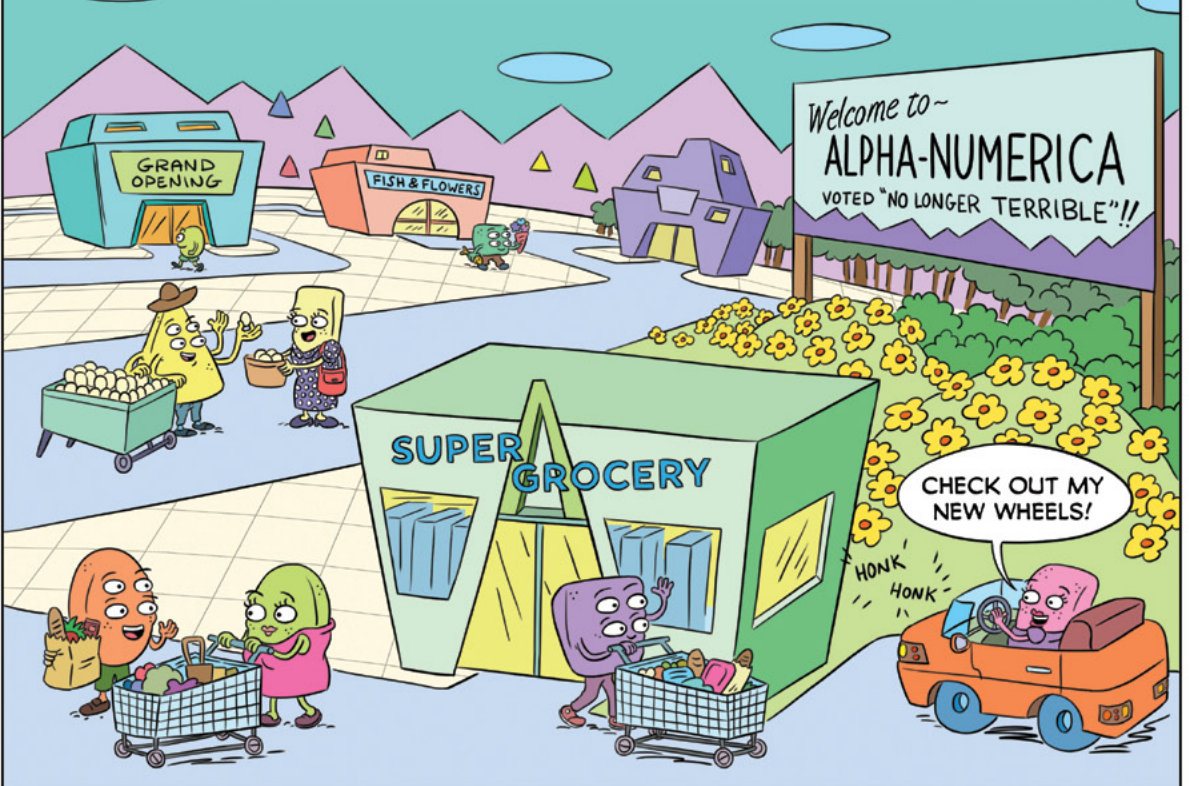
YES. THOUGH JUST LIKE IN A GARDEN, CHANGE IS GRADUAL. IT DOESN'T HAPPEN OVERNIGHT.

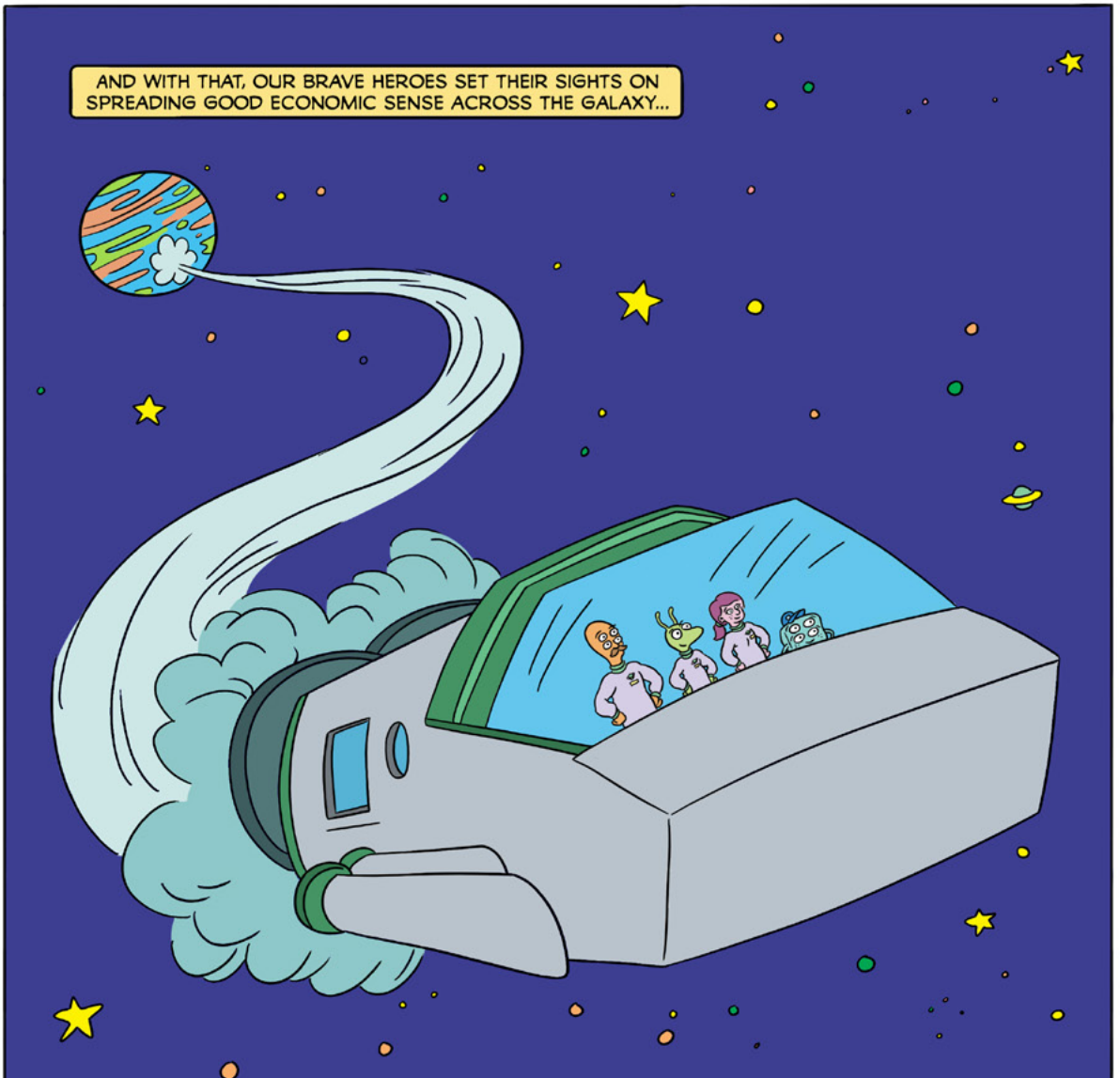
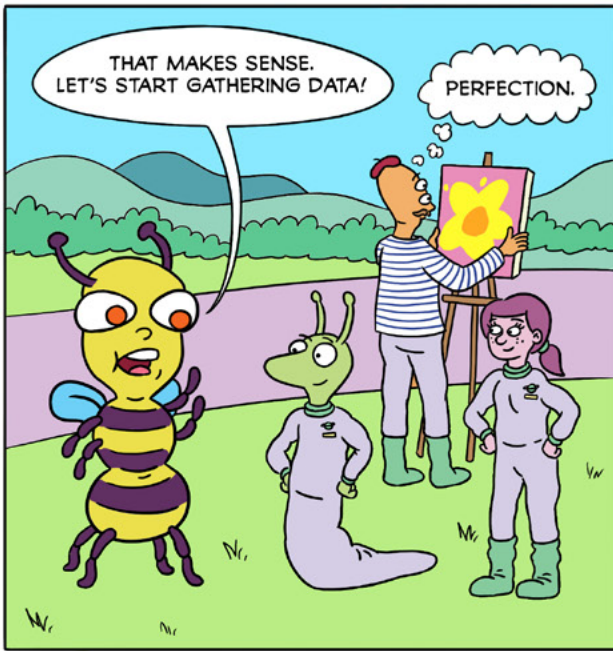
BUT, GIVEN TIME...

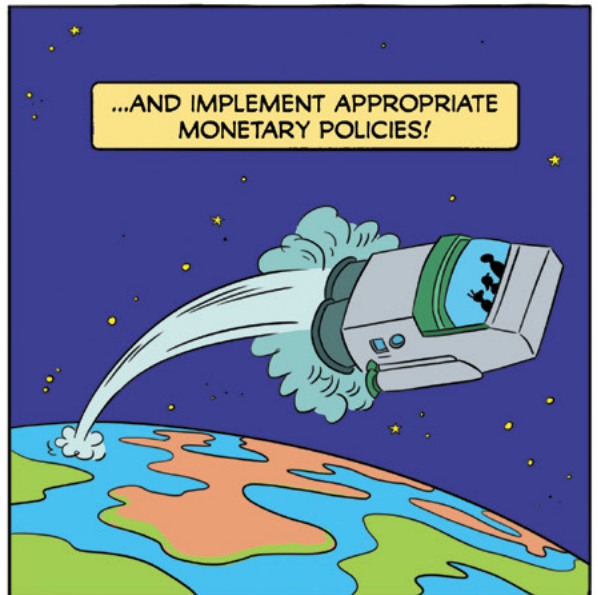
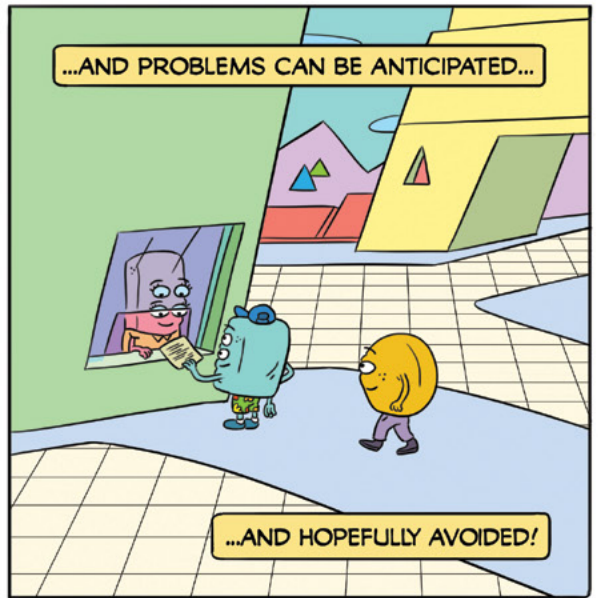
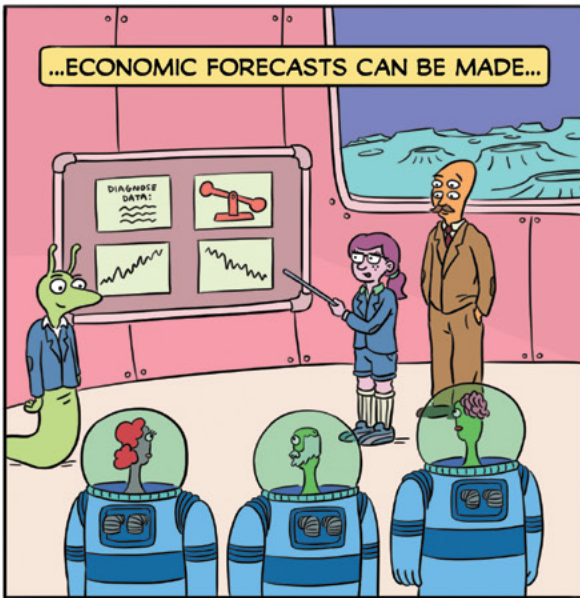
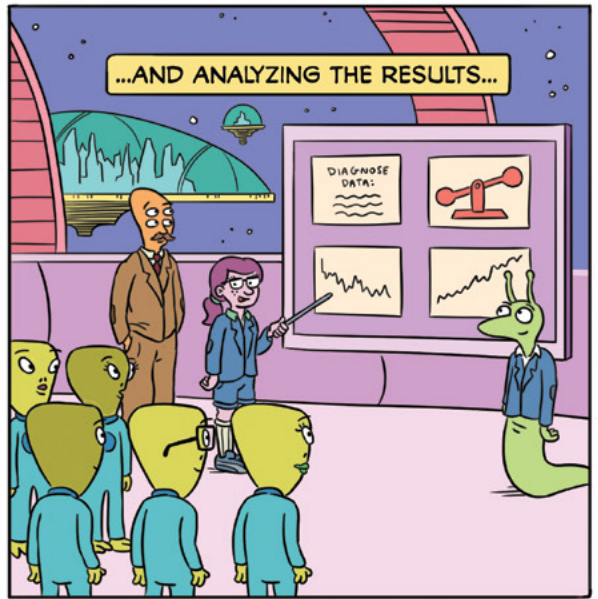
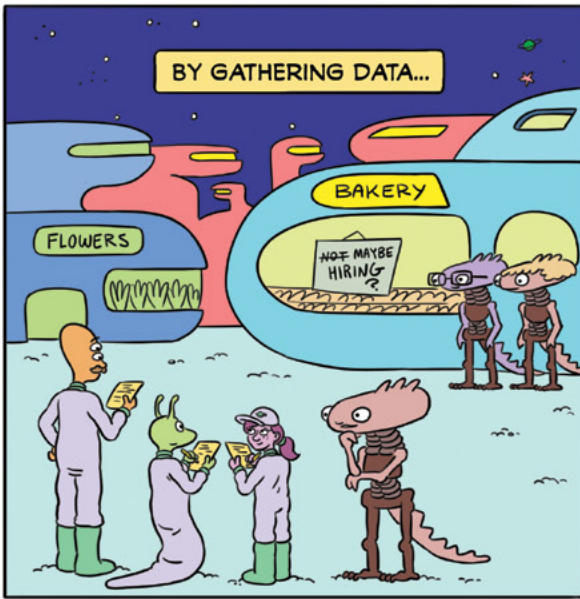
"...CONTRACTIONARY MONETARY POLICY CAN REDUCE HIGH INFLATION..."



"...AND EXPANSIONARY MONETARY POLICY CAN GET A SLOW ECONOMY MOVING AGAIN."







**STAY
TUNED!**

**MORE
ECONOMIC
ADVENTURES**
ARE ON THE WAY!

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