Chapter 34	McConnell, Brue and Flynn 20th

Interest Rates and Monetary Policy

Some newspaper commentators have stated that the chairperson of the Federal Reserve Board is the second most powerful person in the United States, after the U.S. president. That is undoubtedly an exaggeration, because the chair has only a single vote on the 7-person Federal Reserve Board and the 12-person Federal Open Market Committee. There can be no doubt, however, about the chair's influence, as well as the overall importance of the Federal Reserve and the **monetary policy** that it conducts. Such policy consists of deliberate changes in the money supply to influence interest rates and, thus, the total level of spending in the economy. The goal of monetary policy is to achieve and maintain price-level stability, full employment, and economic growth. This chapter now connects the ideas of the previous two and explains the tool of monetary policy as a stabilizing influence in our economy.