U.s. federal reserve monetary policy

Government

The United States is one of the few industrialized country in the world. It is a country that is admired by many. The Americans have managed their finances quite well. The Federal Reserves system of the United States is one institution that handles financial fraction of the United States of America. It is the central bank of this developed country that was created by the Congress in 1913 to aid in having a safe, flexible and stable monetary and financial system (http//www. federalreserve. gov).

To keep up with the mission of the Federal Reserve, they have created Monetary Policy. This policy is about all the actions taken by the Federal Reserve System regarding the cost and availability ofmoneyas well as in promoting economicgoals. The Monetary policy is a very powerful tool; it can make or break the status of economic variables like employment and prices of goods and services. This is aresponsibilityis very crucial for the economic status of the country since their decisions dictates the would be trend. The task of handling monetary policy lies in the hand of able team members of the Federal System, the Federal Open Market Committee. This committee includes the Board of Governors of the Federal Reserve System and the Reserve Bank presidents (http//www. federalreserve. gov).

Making monetary policies is a task that requires close scrutiny and careful examinations of data at hand. The Federal Open Market Committee has tools that aid them in making sound decisions about the policies that will be made by them and implemented country-wide. These three tools are open market operations, discount rate and reserve requirements.

An open market operation is one tool used for monetary policies. This tool of monetary policy concerns controlling the supply of money by a buy and sell of U. S. Treasury and federal agency securities. They guide their decisions from the current status of the country’s economy regarding exchange rates or interest rates. The decisions are also based on an objective that is set by the Federal System. This objective is stipulated by the Federal Open Market Committee (FOMC). The objective that is set by Federal Open Market Committee each economic year varies accordingly (http//www. federalreserve. gov). Though there is one thing that is constant is that they base their assessment on how to maintain the stability of prices in the market to encompass a sustainable growth. An open market operation has also change through time. Nowadays, it can also be done electronically.

The discount rate is the second tool of monetary policy. The federal system has regional banks and they also give loans to other commercial banks and institutions. The interest rate charged to these intuitions is the discount rate (http//www. federalreserve. gov). This is not given to just any bank or any depository institution though. They have to still meet a specific set of requirements to be able to loan and on what level of credit scoring from the federal system.

Reserve requirements are the third tool in creating a monetary policy. The Board of Governors has the exclusive right to amend a change regarding these requirements (http//www. federalreserve. gov). This dictates the minimum reserve regarding customers’ deposits and notes. This year, the recorded reserve requirements in America is ten percent on transaction deposits and zero on time deposits and all other deposits.

The booming field of informationtechnologyhas helped lift the economic conditions in the country. In 2005, it has recorded 12. 41 trillion dollars as its gross domestic product (GDP). GDP is one of the measures used to indicate how good the economy of a country is doing. This rate will include the measures of all finished products created and services produced (Wikipedia).

It is wise that companies and businesses in the United States have the flexibility to adapt innovations in the field of information technology to make them more profitable. Koznar (2005) has said in his speech that the current stability in the economy is also because of the labor markets contribution. He has attributed some qualities of the American economy that makes it successful. These qualities include flexibility,   trade liberalization, and

The monetary policy of the United States has been into ups and downs but the Federal Reserve team members are determined to succeed and to maintain a high standard. They are aiming on a more efficient and effective operation by having just a few locations. Federal Reserve is an independent entity, it is neither under the government's jurisdiction nor is it to be called a private institution.

They make sure that the monetary policies that they implement are in accordance to what the economy needs to succeed by careful deliberating the information presented and analyzing diverse views of the team members. Each of the monetary policy council member also its own team help them in formulating their positions for the economy. The team is complete from an economist and a financial analyst to translate the trends in the market, a payments system expert to check if the policies will an advantage, to an attorney to make sure that every policy is in accordance with the law thus it will not be questioned.

Success is nothing if you can not measure it. In an international trade scene, economies of scale will play a critical role in determining the unit cost that will increase returns. Better organizational skills are needed by a management team that is gearing towards success. These factors include how we perceive theenvironment, time, power, structures and space; the emphasis we place on relationships or tasks, on individuals or the collective; how we think and communicate. Productivity within a team needs to be established for this is critical regarding the success of a company or an institution. Each component contributes to the behavior of the system. No component has an independent effect on the system. The behavior of the system is changed if any component is removed or changed.

Reference:

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