U.s. federal reserve system

US Federal Reserve System " The central banking system of United s was created in 1913 byUnited States congress in order to provide safer modes of monitoring and a flexible banking system" (Philadelphia, pp. 2). The Federal Reserve System is a government institution developed to monitor country's economic policies including employment, supply of money and interest rate. Federal Reserve System operates like an independent entity to control public and private aspects and comprised of seven members elected by the senate and president on 14 years agreement (Plossers, pp. 1-2). Moreover, the system is operating in United States to provide exchange benefits among different regions, to control the money supply and demand fluctuations, to control arising systematic risks in financial market, to fulfill liquidity needs and to manage and supervise banking institutions (News Events, 2009). However, its primary aim is to strengthen country's economy by taking various active measures. The perfect monitory policies, measures taken to achieve national economic goals will lead to successful economic growth. Moreover, it requires different tools such as discount rate and open market operations in order to influence reserves of private financial institutes. It works as a government's body and it is associated with several functions. First, it serves as a bank for bank, it involves in various transaction of banks. Whereas, financial institutions borrows money in case of shortage of money. Secondly, it works as a regulatory in buying and selling of securities in an open market and as a government's bank, it issues U. S currency. Thirdly, as a regulatory agency, it monitors that the rights of consumers are protected, and ensures that things run smoothly in banks. However, the current economic policy is focusing on unemployment and does not include plans to raise interest rates (Plossers, pp. 1-3). Moreover, the current monetary policy is not working well the decline of dollar is problematic for businesses. Due to the fact, investments are drastically decline whereas; foreign investments are speaking out and divesting (Philadelphia, pp. 2).

According to personal opinion, I agree, because Federal Reserve System has extended its lending programs and open market operations by enlarging reserve securities, agency debts, mortgages, and by increasing maturity transformation on balance sheet. Therefore, monitory policies affect economic activities badly. Federal Reserve System focuses on unemployment which is also a major factor but high interest rates attracts investments and increases cash inflows which later on, will increase country's economic condition.

The monitory is not working well in a sense that bad debts has increased on high extents which badly affects on unemployment and became the prime cause of economic world crisis. Conclusively, Federal Reserve System is a primary resource in solving different panics among banks. It is the main source to provide funds to banks in case of shortage in money supply. It works as a helping body for all financial institutions in case of emergencies. Whereas, it is major purpose is to maintain and table a smooth banking system by avoiding bad debts and to regulate smooth policy in all institutions in order to boost country's economy. Monetary policy plays an essential role in making any country's economy and strengthens banks policies ad actions.

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