

13.6: Introduction to Monetary Policy

What you'll learn to do: describe monetary policy and the Fed's three main policy tools



In the last two sections, we have discussed how the Federal Reserve provides banking services to banks and the federal government, and how the Fed regulates the banking system. In this section, we will begin to discuss what is perhaps the Fed's most important responsibility: conducting monetary policy.

Along with fiscal policy, monetary policy is one of the two major tools governments can use to influence the course of the economy. While it is easy to confuse the two, monetary policy is very different than fiscal policy. While the goals of the two policies may be similar, in this section you will see that the mechanisms for achieving those goals are very different.

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