

## CHAPTER OVERVIEW

### 7: Interest Rate Determination

Money is a critical component of a modern economy because it facilitates voluntary exchanges. What exactly money is and how it fulfills this role is not widely understood. This chapter defines money and explains how a country's central bank determines the amount of money available in an economy. It also shows how changes in the amount of money in a country influence two very important macroeconomic variables: the interest rate and the inflation rate.

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