OPEN ACCESS Freely available online

Journal of Stock & Forex Trading

ISSN: 2168-9458

Opinion Article

Objectives and Current Exchange Rates of Monetary Policy

Bresel Etensel*

Department of Business Administration, Shaheed Benazir Bhutto University, Shaheed Benazirabad, Pakistan

DESCRIPTION

The actions performed by a nation's central bank to manage the money supply to maintain economic stability are referred to as monetary policy. For instance, policymakers use instruments like interest rates, reserves, and bonds to manage the flow of money increase employment, GDP, and price stability. To ensure price stability and public confidence in the value and stability of the country's currency, the monetary authority of a country adopts a policy known as monetary policy. This policy aims to control either the money supply or the interest rate payments made for very short-term borrowing, which refers to borrowing by banks from one another to reach their short-term needs.

These policies are put into effect *via* a variety of instruments, including changing the supply of money in the economy, buying or selling government assets, and adjusting interest rates. By altering interest rates or eliminating surplus reserves, monetary policy can increase the amount of money in circulation or decrease it. Fiscal policy, in contrast, focuses on government spending, taxation, and borrowing as tools for a government to control economic cycle phenomena like recessions. To stabilize the economy at full employment or potential production levels, monetary policy involves adjusting the quantity of money stock and the rate of interest. This is done by affecting the level of spending.

But regardless of how it may seem, it usually comes down to changing the amount of money available in the economy to stabilize output and control inflation. To fulfill the Constitutional mandate of maximum productivity and stable prices, it is part of its responsibility to implement monetary policy. The Federal Open Market Committee (FOMC), the Fed's decision-making body for monetary policy, carries out this "dual mandate" by meeting eight times annually (occasionally more) to discuss and determine the position, or stance, of monetary policy to steer employment and price levels in the desired direction.

Importance of Fiscal Policy

Another key tool that can be used to further macroeconomic policy goals is monetary policy. It is important to remember that the monetary policy of a nation is developed and carried out by the central bank of that nation. In some nations, like India, the government employs the Central Bank to carry out its directives and general policies. The Reserve Bank serves as the Central Bank of India.

In order to stabilize the economy at full employment or potential production levels, monetary policy involves adjusting the quantity of money stock and the rate of interest. This is done through affecting the level of aggregate demand.

Objectives

Currency exchange rates

The exchange rate is the cost of one currency in comparison to another. When nations employ gold or another maintain a normal, and each money is valued a particular amount of the commodity or other standard, the exchange rate is "fixed." An abbreviation for the country's currency it represents is used when quoting an exchange rate.

CONCLUSION

Money supply changes caused by monetary policy can have a significant negative influence on the economy. The use of open market operations for addition and subtraction is preferred for small changes in the money supply. By altering the reserve requirement, the money supply may need to be multiplied and divided in order to accommodate significant changes. The Fed will cut the discount rate when institutions are not lending money even though they are legally permitted to (raising banks' profit margins and enticing them to lend more).

Correspondence to: Bresel Etensel, Department of Business Administration, Shaheed Benazir Bhutto University, Shaheed Benazirabad, Pakistan, E-mail: breseletensel@adu.com

Received: 30-May-2022, Manuscript No. JSFT-22-18523; **Editor assigned:** 01-Jun-2022, PreQC No. JSFT-22-18523 (PQ); **Reviewed:** 16-Jun-2022, QC No. JSFT-22-18523; **Revised:** 22-Jun-2022, Manuscript No. JSFT-22-18523 (R); **Published:** 30-Jun-2022, DOI: 10.4172/2168-9458.22.9.208.

Citation: Etensel B (2022) Objectives and Current Exchange Rates of Monetary Policy. J Stock Forex. 9:208.