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Nota di contenuto	Section I. Background and fundamental theories -- 1. A brief history of monetary theory -- 2. Politics and monetary policy -- 3. Two blades are better than one: the role of IS- LM -- 4. The role of velocity in monetary policy -- Section II. Monetary theory and related issues -- 5. Keynes' view of monetary policy -- 6. Friedman and modern quantity theory -- 7. Discretionary policies -- Section III. Schools of thought in monetary theory -- 8. Austrian school -- 9. Rational expectations hypothesis -- 10. Inflation targeting -- Section IV. The evidence -- 11. Empirical evidence supporting monetary policy -- 12. Conclusion -- Glossary -- Notes -- References -- Index.
Sommario/riassunto	The majority of economists, would admit that money is powerful and that changes in money will impact the economy, to some extent and most of the time. Monetary theory analyzes and determines how changes in the supply of money affect the economy. The collection of policies that use monetary tools is known as monetary policy. The main monetary authority of a country is its central bank. In the United States it is called the Federal Reserve Bank System (Fed), which is a federation of 12 Federal Reserve Banks. The Fed is responsible for initiating printing of money, monitoring the interest rate, and controlling the supply of money in the economy. Monetary authorities are shielded from executive branch interference by serving 14- year terms. This allows them to act without worrying about political fallout or fear of losing their jobs. The ability to work and function independently from political pressure has been used to claim that the supply of money is

exogenous. However, the Fed acts in response to changes in the economy. It constantly monitors the economy and tries to determine the most appropriate interest rate and money supply; therefore, it is acting endogenously. The claim that the Fed's actions are endogenous does not mean that it is immune to errors, political orientations, or has full knowledge of exact amount of money necessary at every moment. Collecting and analyzing data takes time. Using monetary policy to achieve specific objectives, such as a reduction in unemployment and inflation, is even more complicated than determining the correct level of the money supply, or the most appropriate interest rate.

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