Monetary Policy Using Macroeconomic Variables

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Monetary Policy Using Macroeconomic Variables
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The Federal Reserve has one of the most important tasks in the United States. How does the Federal Reserve use macroeconomic variables in determining the appropriate Fed Funds Rate? By using trend analysis, this study will examine which macroeconomic variables are important to the Federal Reserve board’s interest rate decision making process. Graphs will be used to show how macroeconomic variables and the Federal Funds Rate fluctuate with one another. The ten variables that will be examined will be: GDP, Consumer Spending, Inflation, Trade Deficit/Surplus, Government Spending, Unemployment, Value of the Dollar, Consumer Sentiment, Oil Prices, and Productivity. The information will come from many sources and websites including: www.federalreserve.gov, www.census.gov, www.stat-usa.gov. Data from each district branch of the Federal Reserve will also be utilized. The findings will help identify which economic indicators are important in the determination of the Federal Funds Rate.