

Re: Simple Question: How does the Fed control interest rates?

Source: <http://sci.tech-archive.net/Archive/sci.econ/2004-09/0395.html>

From: Lantern (gchand4059_at_aol.com)

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bc76 wrote:

>What I got from reading through that site is this:

>The fed controls the interest rate by controlling the money supply>

You are very astute. Excellent post. One small suggestion: instead of "money supply" use the term "credit supply"..it may lead to more insight. For example: "The fed controls the interest rate by controlling the credit supply." (The currency supply is just a matter of inventory control which is a routine matter.)