

Foreword

The Federal Reserve Bank of New York is responsible for day-to-day implementation of the nation's monetary policy. It is primarily through open market operations—purchases or sales of U.S. Government securities in the open market in order to add or drain reserves from the banking system—that the Federal Reserve influences money and financial market conditions that, in turn, affect output, jobs and prices.

This edition of **Understanding Open Market Operations** seeks to explain the challenges in formulating and implementing U.S. monetary policy in today's highly competitive financial environment. The book highlights the broad and complex set of considerations that are involved in daily decisions for open market operations and details the steps taken to implement policy.

Michael Akbar Akhtar, vice president of the Federal Reserve Bank of New York, leads the reader—whether a student, market professional or an interested member of the public—through various facets of monetary policy decision-making, and offers a general perspective on the transmission of policy effects throughout the economy.

Understanding Open Market Operations provides a nontechnical review of how monetary policy is formulated and executed. Ideally, it will stimulate readers to learn more about the subject as well as enhance appreciation of the challenges and uncertainties confronting monetary policymakers.

William J. McDonough
President