

ABSTRACT

A monetary regime can be defined as a set of monetary arrangements and institutions accompanied by a set of expectations – expectations by the public with respect to policy makers' actions and expectations by policy makers about the public's reaction to their actions. This thesis will take into consideration the period between 1959-2009 and analyse the two different monetary rate regimes prevalent during this period in USA and thus compare the macroeconomic performance between the regimes. The thesis aims to show that monetary authorities need to reemphasise the goal of low inflation and stability of the economy.