

THE **IMPACT OF MONETARY POLICY ON THE ECONOMY**

ABSTRACT This paper examines the impact of monetary policy on the economy, focusing on the relationship between interest rates and economic growth. The study uses a panel data approach to analyze the effects of monetary policy on economic growth across different countries and time periods.



KEYWORDS Monetary policy, Economic growth, Interest rates, Panel data

1. INTRODUCTION The relationship between monetary policy and economic growth is a central issue in macroeconomics. This paper aims to explore the impact of monetary policy on economic growth, focusing on the role of interest rates.

The paper is organized as follows. Section 2 discusses the theoretical framework and the empirical literature. Section 3 describes the data and the econometric model. Section 4 presents the results of the empirical analysis. Section 5 discusses the implications of the findings. Section 6 concludes the paper.

The results show that monetary policy has a significant impact on economic growth. Specifically, an increase in the interest rate leads to a decrease in economic growth. This finding is consistent with the theoretical prediction that higher interest rates reduce investment and consumption, leading to lower economic growth.

The paper also finds that the impact of monetary policy on economic growth is heterogeneous across different countries and time periods. For example, the impact is more pronounced in developed countries than in developing countries. This finding suggests that the effectiveness of monetary policy may vary depending on the economic structure and the institutional environment of a country.