



What Exactly is a Central Bank?

If you are like me, you've heard a lot about what's going on with the CBI* (Central Bank of Iraq), but I had to do a little research to learn exactly what a central bank was. Does the United States have one? Good question! More on that later.

Although duties vary from country to country, basically a central bank is a privileged public financial institution which guides its country's (or group of countries such as the European Central Bank) economy by controlling its nation's money. Central banks control the amount of money in circulation, with price stability as their main objective. In some countries, they are legally required to act in support of full employment. Central banks can issue currency and set interest rates on loans and bonds. They may raise interest rates to slow growth and prevent inflation and lower rates to promote economic growth and encourage consumer spending.

Central banks generally form their nation's monetary policy and regulate its member banks. They determine how much cash banks can lend to customers and how much they must keep on hand. They also guarantee deposits, loan money to banks and governments (sometimes acting as an emergency lender to struggling banks, etc.), and manage foreign exchange reserves.

Most importantly, what differentiates central banks from other banks is their legal monopoly status, which allows them to issue banknotes and cash. Though some are nationalized, many central banks are not government agencies. However, all central banks' privileges are established and protected by law. By design, they are inherently non-market-based, non-competitive institutions.

Back to the question of the United States. The Federal Reserve (The Fed), established in 1913 by the Federal Reserve Act, has been acting as our central bank. Unfortunately, the private entities who have controlled The Fed have not always looked out for our best interests. They removed the United States from the gold standard and printed money at their whim with only the good faith of our government to back it. This has led to unprecedented debt and inflation. Fortunately, that is changing. The United States has very recently returned to an asset-back monetary system (gold standard), and it appears The Federal Reserve will be dissolved and incorporated into the United States Treasury. All good news for us!

If you want to check facts and rates for the CBI, click here: <https://cbi.iq> Check the menu bar for the English version.

For a closer look:

<https://www.investopedia.com/terms/c/centralbank.asp>

<https://www.ecb.europa.eu/ecb/educational/explainers/tell-me/html/what-is-a-central-bank.en.html>