The ornithology of macroeconomic policy: India's new monetary policy framework

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No one is free, even the birds are chained to the sky.
– Bob Dylan

The hawks have landed

Hawks, doves and owls – some even speak of seagulls – but what have birds got to do with macroeconomics? At first, such ornithological labels seem an apt way of describing personalities of individuals. Indeed, to an extent, they are. But there is something more significant in these ornithological tags that may often be overlooked; a discerning categorization of the diverse schools of macroeconomic thought that individuals in key positions subscribe to, with far reaching consequences.

In the Indian context, Governors of the Reserve Bank of India (RBI) have often been subject to ornithological labelling for their stand on inflation. Going back to the not-so-distant past, Y. V. Reddy, in spite of having raised interest rates sharply during the boom prior to the Great Recession of 2008, was never unequivocally labelled an "inflation hawk"; in fact, to describe him as one was considered "unfair"[1]. His successor D. Subbarao was more definitely "hawkish" although *not always* categorically considered a "hawk" since there were times when it seemed he had not raised rates sufficiently to tame inflation[2] and other times when it seemed he was willing to compromise, albeit just a little[3]. It was, however, Raghuram Rajan, who earned the title of a true "inflation hawk". Not only was he able to propound his views on inflation as an economist but was able to utilize his overwhelming personal aura to win support of the popular media and, at the same time, exert pressure on the government to pay heed to his strong views. Institutionally speaking, success came close to the very end of his tenure[4], in August this year, when the government notified the Lok Sabha of the retail inflation target of 4% (±2%) as the anchor for monetary policy until 2021. Being able to implement parts of the Urjit Patel committee report – that made inflation targeting the primary objective of monetary policy – was no small victory for Rajan. The hawk may have lost the battle with Subramanian Swamy, but had won the monetary policy war.

A new framework for monetary policy is now clearly emerging in India; an inflation target approved by the government along with a Monetary Policy Committee (MPC) that will set interest rates. Based on the recommendations of the Urjit Patel Committee, the MPC will consist of six persons, three from the Reserve Bank including the Governor and three appointees of the government, with a decisive vote granted to the Governor in case of a tie. But why would a central bank want to limit its powers in favour of an MPC? When the announcement first appeared, many economic commentators reacted adversely, especially on the strength and composition of the MPC, arguing that the RBI's autonomy was being compromised by the government.[5] However, once the dust settled, a more balanced picture emerged[6]; in fact, Rajan himself considered the formation of the MPC as one of his unfinished tasks at the RBI.[7] But why would a hawk want to propose and accept any dilution in autonomy over the setting of interest rates? The answer is not obvious. The inflation target along with an MPC that decides on interest rates makes monetary rule-based rather than discretionary, which, as we will see, ultimately constrains fiscal policy. An inflation hawk is essentially also a (fiscal) deficit hawk and is aware that binding the central bank to rules will shift the burden of inflation control to the Ministry of Finance and the Union budget. In his last public speech as the Governor of the RBI, Rajan made a very candid remark that went unnoticed in most newspaper reports;

> The *inflation objectives recently set for the RBI* by the government are an example of what is needed. Critics can lambast the RBI if it fails continuously to meet the objectives, but if they want it to lower interest rates even when the RBI barely meets its objectives, they should instead petition the government to change the objectives … For example, with *an inflation focused framework*, the RBI's ability to be accommodative depends on fiscal prudence from the centre and states.[8]

In spite of these strategic successes in institutionalizing a new monetary policy framework, or perhaps because of them, Rajan's term at the helm of the RBI was not renewed. But even in his exit, he scored a victory over his opponents when the government appointed Urjit Patel as the new Governor of the RBI. With this decision, the government had indicated its desire to maintain continuity in Rajan's policy initiatives. Unlike many of his predecessors, Patel leaves little room for doubt; he is both an inflation[9] as well as deficit hawk. This is evident from the fact that he is not only the architect of inflation targeting in India but also the one who paved the way for the Fiscal Responsibility and Budget Management (FRBM) Act of 2003 with a 3% of GDP deficit target.[10]

When doves dare

Let us change course from individuals to the underlying macroeconomics of these ornithological descriptions. Inflation and deficit hawks have a clear agenda; low and stable inflation that brings down inflation expectations as a precondition for low interest rates, which would, in turn, kick-start private sector investment and consequently, strong and sustainable economic growth. An expanding government sector cannot bring about long lasting economic progress. To the contrary, unsustainable budget deficits are the root cause of inflation that necessitates high interest rates to curb private sector consumption and investment spending, or what is commonly referred to as the "crowding out effect". Years before becoming the Governor of the RBI, Rajan as Chief Economist of the International Monetary Fund (IMF), had expressed the position of deficit hawks;

> India's huge fiscal deficit, according to Rajan, is a "big problem" and it is probably "crowding out private sector credit".[11]

Even in recent times, Rajan clearly articulated the views of an inflation and deficit hawk;

> Ahead of the Budget, RBI Governor Raghuram Rajan today warned against generating economic growth through additional debt [fiscal deficits] saying that any deviation from the fiscal consolidation path will hurt the stability of the economy.[12]

> RBI Governor Raghuram Rajan had said that the Budget would be a key determinant of monetary policy.[13]

Unlike the natural world, hawks in economics can be attacked by doves; the latter includes those who give primacy to growth and unemployment – through lower interest rates – over inflation. In recent months, we have watched this spectacle unfold in India. Subramanian Swamy, an inflation dove (although this ornithological characterization may not fit his personal disposition), systematically undermined the arguments of the inflation hawks, referring to their theories of controlling inflation through interest rates as "outdated"[14]. He unconditionally insisted that, Rajan "was harming the Indian economy by raising interest rates and making it impossible for small and medium industries to take loans from the banks."[15] Nirmala Sitharaman, Union Minister of State for Commerce and Industry, also exemplified the position of a typical inflation dove when she recently called for a drastic cut in interest rates by 2% to boost SMEs and create jobs.[16] Although Sitharaman faced an immediate and adverse reaction from households who fear lower rates on savings, there is a more difficult issue for the doves to resolve *given the new monetary policy framework* already put in place.

"Inflation doves" should actually be called "interest rate doves" because they take a firm stand on interest rates rather than on inflation *per se*. A popular definition of (inflation) doves is provided by Investopedia:

> Dove refers to an economic policy advisor who promotes monetary policies that involve low interest rates, based on the belief that low interest rates increase employment.[17]

While interest rate doves (we continue calling them inflation doves) believe that increased aggregate demand from lower interest rates will be matched by increased aggregate supply so that inflation need not accelerate[18], there remains some gaps in their arguments. What if, for argument sake, a cut in interest rate augments demand but supply (especially food products) lags and the economy experiences accelerating inflation? Can the Governor of the RBI then be held answerable for the failure to meet the inflation target? There are two ways for these doves to overcome this dilemma; either (i) abrogate the inflation target[19] or (ii) pass on the responsibility for inflation to fiscal policy by constraining the government to leverage its fiscal space that may otherwise be utilized to achieve broader growth and developmental objectives. With the second option, a fundamental corollary emerges; interest rate doves could end up as deficit hawks when monetary policy is rule-based and where the government actually adheres to the 'low and stable' inflation target it has set for itself.

When interest rate doves are not in favour of constraining the fiscal deficit, they must realize that more than the interest rate (a number), it is the inflation target that needs to be debated first. But calls for relaxation in the inflation target will be stonewalled by the edifice of neoliberal economics and aggression of inflation hawks. Inflation is the

dreaded bogey in the free market capitalist narrative, distorting the functioning of the price mechanism in many ways including uncertainty over exchange rates that adversely affects international capital flows, difficulty for firms to distinguish changes in relative prices from changes in the general price level so that use of lower priced inputs may not take place, rising interest rates as lenders incur losses on capital lent and need for risk premium, aggravating distortionary effects of the tax system, leading people to hold more cash, and eroding purchasing power of fixed income earners especially in the informal sector (European Central Bank, nd). It is considered the "duty" of the central bank to intervene and confine inflation to low and stable (predictable) levels using interest rate as the instrument. With inflation and inflation expectations suppressed, an efficient market system would propel an economy on to a path of long-term growth in an environment of competition and innovation. Rajan embodied this inflation-centric view when he told the media and analysts, "Our [RBI's] job is to give people confidence in the value of the rupee, in prospects of inflation and having established that confidence, create longer-term framework to take good decisions …"[20] Another remark made by him was even more definitive; "We must take advantage of the circumstances [including low global commodity prices] to bring inflation down *once and for all*[21] and it is at a mild cost to output."[22]

A transposition of macroeconomic goals and instruments

Inflation hawks have slowly and subtly changed macroeconomic policy discourse through a transposition of goals and instruments. From elementary Keynesian theory, we know that the state has two key macroeconomic goals - high output (growth) and a low and stable inflation.[23] Fiscal policy consisting of government expenditures and taxes, targets output, while monetary policy through the instrument of interest rate,[24] targets inflation. Figure 1 below presents a schematic representation of the assignment of targets to goals. What must also be specifically highlighted here is that while there is a specific inflation target (say, 4% ±2%), no such specific target exists for output, growth or unemployment. This is essentially what gives the government a "degree of freedom"; the inflation target can be met even without recourse to high interest rates by instead curbing the fiscal deficit and dampening aggregate demand. At the same time, low interest rates would enhance growth in real output by kick-starting or augmenting private sector investment and consumption demand.

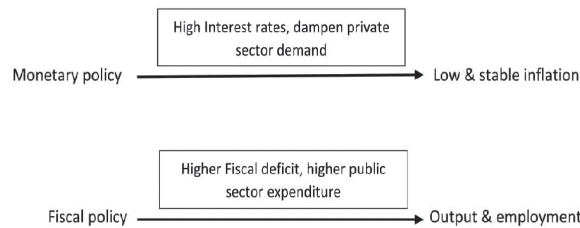

Figure 1: Macroeconomic instruments and targets

The reversal in the role of instruments to achieve the goals of policy depicted in Figure 2 succinctly captures the trap into which interest rate doves are lured (inadvertently perhaps) unless they are willing to question a specific (low) inflation target. It is therefore imperative for them to make their position on the inflation target and the fiscal deficit explicit.

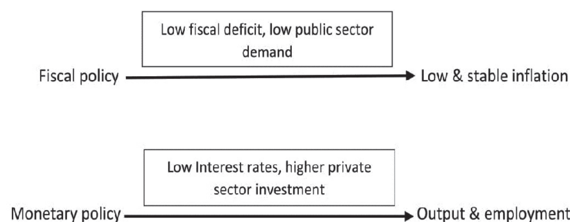

Figure 2: Neoliberal macroeconomic instruments and targets

To a large extent, the history of macroeconomics is the shift in focus of macroeconomic policy from stabilization of output at full employment levels to stabilization of price level and inflation. Ever since the stagflation crisis of the 1970s, a new wave of economists began scripting a full return to free market capitalism. Keynesian state intervention in active management of the economy was seen as more of a hindrance to sustainable growth and development than a necessity. The new macroeconomics effectively altered not only the goal of macroeconomic policy but also the role of the state in managing the economy. First, fiscal policy was "proven" incapable of affecting output and employment not just in the longer-term but even in the short-term and second, attempts to use fiscal policy to achieve full employment only led to inflation.

But is the fear over inflation really justified, especially for a developing country like India? It wouldn't be out of place to mention, though not as proof of replicability, that during the two decades beginning in the 1960s, South Korea sustained close to double digit annual growth rates with annual inflation rates between 15% and 20%. The results of more recent empirical studies are at best tentative; while some show a threshold of up to 17% before GDP growth in developing countries turns negative (Epstein, 2007), others claim that low inflation enhances growth rates (Mohaddes and Raissi, 2014). While there can be no doubt that inflation hurts the poor and fixed income earners severely and quickly, there still remains a larger concern which cannot be ignored; what is the "acceptable" inflation rate? Is it 2%, 4% or 9%? Arjun Jayadev (2007), for instance, found that the working class is more likely to prioritize combating unemployment rather than inflation. These results were, however, for OECD and eastern European countries, not the developing world. Nonetheless, the preference for inflation control over unemployment across different income classes cannot be taken for granted.

The acceptable inflation rate, just as the "acceptable" unemployment rate or growth rate, is ultimately a political question, a challenge that must be confronted by political parties; are people willing to settle for higher growth of output and employment opportunities with more flexibility on inflation? Political parties in a democracy are sensitive to perceptions of people to inflation and will be extremely cautious in taking chances with a higher inflation rate, let alone an accelerating one. At the same time, elected representatives are also in a better position to judge the aspirations or perhaps desperation of people at the grassroots for jobs and economic opportunities. The decision on the extent of sacrifice that people are willing to make or can be convinced to make, must be taken by elected representatives, which will ultimately depend on whether majority of the population perceive their standards of living or real wages as improving or deteriorating. While it is true that under the new monetary policy framework the inflation target is now approved by the government, it is being decided in a context where the fiscal deficit is increasingly being held responsible as the root cause of inflation and has come under intense scrutiny of global pro-market forces. Any failure to live up to its deficit commitments can unleash the wrath of international rating agencies as one report categorically declared:

> International credit rating agency Standard & Poor's (S&P) on Friday failed to enhance the credit rating on India's sovereign debt, currently just one level above '*junk* bond' status … What's more, S&P once again *warned* of a possible ratings downgrade … the agency said the *main drag* on India's rating is a high fiscal deficit and heavy Government borrowing.[25]

The headline below is an open display of the pressure that rating agencies apply over macroeconomic policy:

> Fitch warns India on weak fiscal, says may cut credit rating if deficit target not met: *Last fiscal, govt massively cut expenditure to meet deficit target on warnings by rating agencies*.[26]

This global trend has also taken firm roots in India too, which has bought into the neoliberal view of inflation targeting and with it, the clamour for less government and low fiscal deficits. Soon after this year's central budget, Jayant Sinha, who was Minister of State for Finance at that time, declared:

> If we don't provide that monetary policy space by generally a tighter fiscal policy, we cannot expect monetary policy to loosen up … that is the kind of environment we have tried to create on the macro side [in the Budget].[27]

The previous government was not necessarily different. A remark by the ex-Finance Minister, P. Chidambaram, after presenting the 2013 Union Budget, makes this clear:

> The main message to give out is that India is following a path of fiscal prudence.[28]

Given this macroeconomic perspective, the new monetary policy framework that has bound the government to a specific inflation target, will further push it to compromise its fiscal space. By implementing a range of supply-side structural reforms, especially of the legislative kind like the land bill, labour reforms, the goods and services tax (GST) reform and

relaxation of environmental norms, the government is hoping to let the private sector fuel economic growth. At the same time, it would prioritize spending by focusing on the supply-side while cutting back social sector spending[29] to keep inflation in check. The Finance Minister, Arun Jaitley, summarized this in an interview;

> Now there will be a lot of public spending which is going to be scaled down. The revenue indications seem to be fair, so we are going to spend a lot more on infrastructure, we are going to spend a lot more on irrigation, we are going to have a lot more stalled projects takeoff and these are sectors that we are going to support.[30]

An internal trilemma of macroeconomic policy

With inflation targeting in place, any move to dilute the deficit target will result in a (internal) trilemma for the government (see Figure 3). In other words, it cannot achieve all three parameters that it would ideally hope for, all together - low inflation, low interest rates and greater fiscal space (higher deficits). As seen earlier, it is the interest rate doves that are especially prone to encounter this trilemma and must explicitly state which objective they are willing to relinquish. If private sector investment were to remain sluggish along with consumption slack due to a fall in nominal incomes of households (due to lower interest incomes), would it be acceptable for the government to give up on fiscal consolidation? But the government's adherence to austerity could result in a significant impact on an already sluggish economy.

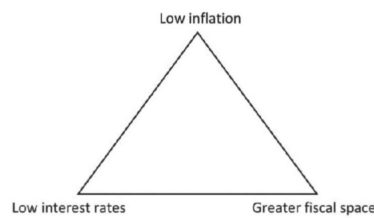

Figure 3: An internal trilemma

Inflation hawks *do not* face this trilemma. Low fiscal deficits, low interest rates and low inflation are what every hawk thinks the government must strive for so that the private sector can do the job of boosting growth. The first point on the list of ten policy prescriptions in the Washington Consensus (Williamson, 2004) was fiscal discipline and adhering to it was seen as the key to both, low inflation and avoiding a balance of payments crisis. The European Commission (2015) has also articulated the three pillars of social and economic policy as fiscal responsibility, structural reforms and investment, which together act as a virtuous cycle that can ensure growth and jobs. In his 2015 budget presentation, despite postponement, India's Finance Minister underscored the government's commitment to reaching the fiscal target of 3% of GDP by 2017-18 as per the FRBM Act.[31] The number itself, like the inflation target, is ultimately arbitrary and non-discretionary, and is not derived from economic theory (Sivramkrishna, 2015). In fact, the origin of the 3% deficit target (and 60% of GDP for public debt) can be traced to the European Union.

Not all birds of a feather flock together

Our ornithological analysis of macroeconomic policy has brought to the fore the interrelationship between inflation targets and deficit targets. While inflation hawks are usually unequivocally deficit hawks, the position of interest rate doves remain ambiguous. Are interest rate doves always easy on inflation and deficit targets? Or do they think that growth and employment can be left to the private sector if interest rates are kept low, which would, at the same time, keep inflation low due to increased supply of goods and services. In this way, tight deficit targets could still be maintained or, in other words, inflation doves could still be deficit hawks.

Now if there are deficit hawks, there must be "deficit doves". But why haven't we used the term so far? The term actually became prominent in the aftermath of the Great Recession of 2008; it refers to those economists like Paul Krugman and Joseph Stiglitz who believe that an expansionary fiscal policy and deficits are necessary to smooth the business cycle, but not after economic recovery. The signatories of the "Stimulus Now" petition submitted to the U.S. Government unequivocally stated the position of deficit doves.

> We recognize the necessity of a program to cut the mid- and long-term federal deficit but the imperative requirement now, and the surest course to balance the budget over time, is to restore a full measure of economic activity.[32]

The deficit doves believe that deficits funded through borrowings are sustainable as long as yield on government debt is low; this is taken to mean that the private sector is willing to lend to the government on easy terms. This would, however, change at some point of time when the government debt needs to be reined in. In pure economic terms, the difference between deficit hawks and doves is that for the latter, fiscal policy is effective during crisis while for the former, it is ineffective in stimulating sustainable growth. When the concern is more about long-term growth than short-term stabilization, the position of deficit doves would be subsumed by the inflation/deficit hawks.

The worldview of the owls

Owls are known for their capability to rotate their heads to get an almost 360 degree view; macroeconomic owls are no different. First, let me dispense with the term "inflation owl" that gained traction in India when Rajan remarked that "we are neither doves nor hawks … but owls."[33] Using owls as a symbol of wisdom, Rajan was not comfortable with the labelling of his stand as hawkish. The term "owl" was, however, used long before Rajan by Richard Fisher of the Federal Reserve Bank of Dallas in a speech delivered in early 2008.

> … I like neither the term "hawk" nor "dove." I like to think that all FOMC members are best metaphorically described in ornithological terms as "owls"—wise women and men seeking to achieve the right balance in carrying out our dual [inflation and employment] mandate.[34]

Going by Fisher's definition, inflation targeting contradicts what owls stand for. Let me, therefore, define an inflation owl as one who leaves it to elected representatives to decide on an appropriate inflation rate and make a choice between inflation and growth (or employment) rates based on ground realities.

Coming to fiscal deficits, the "opposite" ends of the deficit spectrum do not belong to hawks and doves, but to hawks and doves on one side and the "deficit owls" on the other. The term "deficit owl" must be attributed to Stephanie Kelton of the University of Missouri at Kansas City (UMKC) from where a relatively new but provoking post-Keynesian macroeconomics has emerged - Modern Money Theory (MMT). Although specifically relevant to the context of recessions and depressions, MMT does raise important questions on macroeconomics as disseminated by textbooks and in particular, the financial space available to the state.

An exploration of MMT is beyond the scope of this paper; however, we briefly discuss some of its important tenets to introduce the reader to the fundamental differences in the perspective of "deficit owls". Drawing upon Abba P. Lerner's theory of functional finance, the objective of the fiscal policy must be full employment. The government must, therefore, spend adequately to reach full employment, especially when the economy is operating at levels with significant surplus capacity. With inadequate government spending due to fiscal discipline, the economy could experience an immediate slowdown resulting in weak tax revenues. The inability to meet fiscal targets would set the vicious circle of austerity policy in motion; cuts in expenditure, slow growth, lower tax revenues and inability to meet deficit targets. It is, therefore, not surprising that the world has begun questioning the logic of austerity.[35] In India too, prior to the central budget earlier this year, industry had in fact asked the government to stop fixating on the deficit and spend more to kick start the investment cycle.[36] There are growing calls for fiscal stimulus now given the slow progress in structural reforms.[37]

At the core of MMT is the way we look at the state and its financial constraints; as a monopoly issuer of state money, **the government does not face a budget constraint like households or firms as is often assumed**. Many economic commentators wrongly make this assumption and then go out to draw prescriptions from their study.

> For families, a budget is a statement of income and expenditure. Even though many do not draw up a budget, when they do it, it is just about tallying up income and expenditure items. There are not too many sources of the former and there are too many claims on the latter side. Hence, for families, it is mostly about prioritisation, postponement and discipline.
>
> Most of these considerations apply to institutions, corporations and to sovereigns. The first two, in most cases, have the ability to borrow more than individuals have. A sovereign state has the ability to levy taxes and hence, has more leeway on expenditure than households, corporations or institutions have (Asher *et al*, 2014).

Such a flawed understanding of how the macro economy works actually finds wide publicity in the media. Commentators and even experts begin to repeat the same argument without ever questioning where these ideas come from. The proposition that the government needs our money to spend is incorrect, at the very core. This is true even of mainstream economics where a government budget constraint (GBC) is incorporated into DSGE (dynamic stochastic general equilibrium) models. As Wray puts it,

> …so long as state liabilities are demanded, they can be supplied by the state (central bank plus treasury) in its spending (and lending). There is no limited supply of either private[38] or state IOUs—so long as either is willing to issue IOUs, they can be supplied. The problem, as Minsky said, is to get them accepted. In other words, the limit is on the demand side." (Wray, 2014, p. 28).

Deficit owls do not think deficit numbers are a problem *per se*, in the short or in the long-term. Moreover, government deficits are a liability of

the state but at the same time, financial assets of the private sector. If we begin with the fundamental macroeconomic accounting identity:

$$S + T + M = I + G + X$$

or

$$(S – I) = (G – T) + (X – M)$$

then for a country with current account deficits (i.e. $X – M < 0$), for private net savings ($S – I > 0$), we must have $G – T > 0$, i.e. budget deficits. It is important to understand that although net private sector savings may be negative in the short-run, they cannot be sustained indefinitely. Only the state can sustain liabilities indefinitely. It should be of no surprise that India has never had a budget surplus since Independence. Even the US has run surpluses rarely, and not for an extended period of time.

We must be careful in understanding the MMT argument; while it postulates that there are no budgetary constraints on a government, it does not mean that an unlimited supply will not have adverse effects on an economy. Inflation and depreciation of the domestic currency vis-à-vis foreign currencies could indeed be the outcomes of issuing state money, especially when the economy is already operating at full employment levels. Nonetheless, these aspects should not be conflated into GBC.

MMT also recognizes that money is hierarchical and its total supply is endogenous (McLeay *et al*, 2014). A significant portion of money creation happens by commercial banks; reserve money (created by the central bank) is however required for inter-bank settlements. While the central bank is obliged to provide adequate reserve money to the commercial banks, the former can control the price at which this is made available through the repo rate. Government spending puts state money (reserve money) into circulation while taxes and the sale of bonds by the central bank drain reserves from the system. In other words, when the government spends (injects reserve money into the banking system) to achieve its growth objectives, the central bank drains excess liquidity (the injected reserves) from the system through open market operations and by providing liquidity (reserve money) to the commercial banking system at the stipulated repo rate. Furthermore, the reverse repo rate, i.e. the rate at which commercial banks can park excess liquidity with the central bank, effectively increases the opportunity cost of lending against excess reserves held by commercial banks. This, in turn, dampens private sector credit demand for investment and consumption, thereby suppressing imminent inflationary pressures. If interest rates are not set at sufficiently high levels, excessive credit demand may lead to a breach in the inflation target or else, fiscal policy will have to reverse course. It is true that tax revenues act as an automatic stabilizer so that as government spending and incomes rise, so will tax revenues (for any given tax rate). This will partially drain out reserve money from the system. The question, however, is whether this will be adequate to contain inflation. If not, monetary policy can do the job.

In the context of growth and development, from an MMT perspective, economists must not only question the need for strict numerical fiscal deficit targets but also debate the inflation target number, politically. This is the fundamental attribute of deficit and inflation owls.

Free birds?

An ornithological overview of macroeconomic discourse is presented in Figure 4. While there is clarity emerging in the position of the owls and hawks, this cannot be said about the interest rate doves; more importantly, the latter is where most politicians and political commentators find themselves and therefore, need to articulate their choice on inflation and deficits.

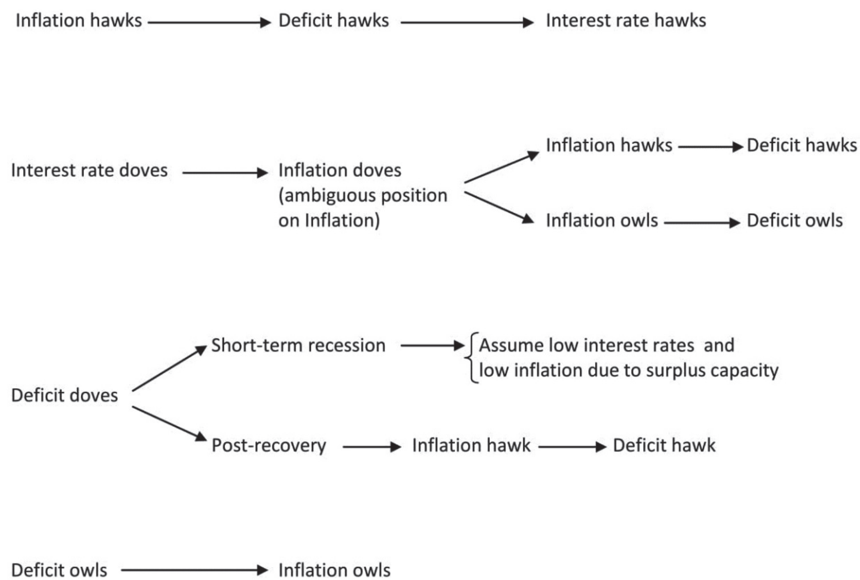

Figure 4: An ornithological overview of macroeconomic policy positions

Economists, however, need to understand that India, unlike Greece or Spain, is an economically sovereign country issuing its own fiat currency. The Indian government must realize that it is not constrained by the want of revenues. Compromising on critical issues like education, health, food security and employment generation in order to achieve fiscal deficit target numbers may prove to be an unjustifiable obsession. While the Indian state cannot face a threat of bankruptcy, it could face the danger of inflation and a depreciating rupee; it is therefore imperative that any increased government expenditure comes with greater attention on governance and raising output and productive capacity of the nation so that the long-term objectives of macroeconomic policy are realized. But some acceleration in inflation rates – in particular, food inflation – at least in the short-run, is an imminent possibility; will the government be willing to relax the inflation and deficit targets in favour of growth? Or will they stick to a neoliberal stand that once inflation is under control, the market system and private sector will do the job? The appointment of Urjit Patel seems to suggest that neoliberal policies have taken root in India but we must wait and watch the composition and functioning of the MPC. Meanwhile, more than discussions on instruments and target numbers, we need to refocus greater attention on the larger goals of macroeconomics policy and in particular, employment rather than inflation alone.

Economic birds are not free. They are chained to specific viewpoints about how the macro economy works. To set themselves free, economists must open up debate with other paradigms and question their “beliefs” of how the market system works and how to set it right.

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