

Macro Roundup Article

Headline: [Central Banks' New-Old Inflationary Bias](#)

Article Link: <https://www.project-syndicate.org/commentary/central-banks-inflation-bias-risks-an-other-inflationary-surge-by-kenneth-rogoft-2024-05>

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Tweet: [@krogoft](#) argues “The COVID-19 pandemic has revived central bankers’ long-dormant preference for inflationary policies,” favoring policy that makes inflation a more likely outcome than a recession or a financial crisis.

Summary: To be sure, inflationary surges do not happen every year. But another bout of inflation could occur sooner than markets expect. When faced with economic uncertainties, central banks may not aim for high inflation, but they will likely adjust their interest-rate policies in a way that makes such an outcome more likely than a deep recession or a financial crisis. Despite being well-known to economists, this inflationary bias has not been recognized by financial markets, perhaps because central-bank messaging has become exceptionally effective over the past few decades. Central bankers understand that as soon as markets doubt their intentions, interest rates will quickly reflect rising inflation expectations. Nevertheless, this realization is unlikely to help them resist pressures from politicians, who often focus only on the next election and may prioritize other issues over stabilizing short-term inflation.

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Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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