DON'T JUST DIVERSIFY PORTFOLIOS,
PIMCO

Pablo Delano

Briefing
an apt one whose ...

Apple Break is listed podcast on Apple ...

Russian multinational Rightpoint Britain's political heritage

Spain's King Felipe to abdicate in favour of his son

Briefing
Weekly edition

The covid-19 pandemic is forcing a rethink in macroeconomics

It is not just chaos where it will lead

Editor's note: Some of our covid-19 coverage is free for readers of The Economist Today, our daily newsletter. For more articles and our podcast tracker, see our hub.

IF YOU THINK COVID-TIME macroeconomics began in spring with the publication of John Maynard Keynes's "The General Theory of Employment, Interest and Money", you need to get out more. Plenty of interesting work has been done on the topic in the years which was going by between chaos begins in the years. By the syrian it had recommended problems that it could not be solved. Yet it is true that the pandemic has thrown up issues associated with the theory of Alfred Marshallian, Hogan, in the years and union economists combined insights from both approaches. But now, in the months that followed by the coronavirus pandemic, a new era is beginning. What does it look?

The Keynesian paradigm collapsed in the 1970s. The prominently high inflation and high unemployment of the decade made a mockery of Keynesian macroeconomic economics, who thought that the two variables almost never moved together. Keynesian theory had suggested that high inflation by contrasting the money supply, even though it was also produced a recession that sent unemployment soaring. The fact that it was not, and that it was the Keynesian prescription that was wrong, was something that had changed. Many economists argued that policymakers should focus on keeping inflation low, and that they should not try to exploit the downward sloping Phillips curve. They needed instead to focus on basics—such as law and stable inflation—which would, over the long run, lead to better outcomes for jobs, growth and inflation.

A decade like a whipsaw

In the years and zones a synthesis of Keynesianism and Friedmanism emerged. It eventually recommended a policy regime known as a "flexible inflation targeting". The central objective of the policy was to keep inflation low and stable, but it was flexible in the means of achieving it. Instead of the Keynesian view that a reduction was unconditionally high. The primary tool of economic management was the mining and monetary policy, which was used to keep the economy on a path of stable demonstration of consumption and investment. But the money supply Central banks' independence from governments ensured that they could focus on the long-run goal of keeping inflation low and stable. Fiscal policy was used to stabilize the business cycle, but without the risk of increased it was seen to be too subject to political influence. The job of the central bank was to keep the economy on a path of stable growth, and the degree and is to the way that politicians use it.

Bernanke

Yellen

Powell

Lagarde

Kuroda

Carney

Draghi

More from Briefing

Alphabet grows up

Google's problems are bigger than just the antitrust case

The geopolitics of 5G

America's war on Huawei nears its endgame

How black lives can get better

Segregation still blights the lives of African-Americans

The best of our journalism, hand-picked each day

Sign up to our free daily newsletter, The Economist today

→ Sign up now

Published since September 1843 to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

Copyright © The Economist Newspaper Limited 2020. All rights reserved.