

Dovish and Hawkish Stance- Monetary Policy

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In News

In the monetary policy literature a specific jargon has been coined: a “dove” is a policymaker who likes to implement active monetary policies, including inflationary ones, while a “hawk” is a policymaker who dislikes them.

Features of Hawkish Stance

- A hawk, also known as an **inflation hawk**, is a policymaker or advisor who is **predominantly concerned with interest rates** as they relate to fiscal policy.
- A hawk generally **favors relatively high interest rates** in order to keep inflation in check.
- Hawks are **less concerned with economic growth than they are with recessionary pressure** brought to bear by high inflation rates.
- High interest rates make borrowing less attractive. As a result, consumers become less likely to make large purchases or take out credit. The **lack of spending equates with lowered demand, which helps to keep prices stable and prevent inflation.**
- High interest rates carry a great deal of economic advantages. While they make it less likely for people to borrow funds, **they make it more likely for them to save money.**
- High rates dissipate risk, making banks potentially more likely to approve borrowers with less than perfect credit histories.

Features of Dovish Stance

- A dove is an economic policy advisor who promotes

monetary policies that usually **involve low-interest rates.**

- Doves tend to support low-interest rates and an **expansionary monetary policy** because they **value indicators like low unemployment over keeping inflation low.**
- If an economist suggests that inflation has few negative effects or **calls for quantitative easing**, then he or she is often called a dove or labeled as dovish.
- Critics argue that a **dovish monetary policy left unchecked could overheat an economy** and result in runaway inflation.
- When consumers are in a low-interest rate environment created through a dovish monetary policy, they become more likely to take out mortgages, car loans, and credit cards.
- This **flurry of spending affects the entire economy.** Increased consumption can help create or support jobs, which is often one of the main concerns of the political system from both a taxation and a happy voter perspective.