

# Hawkish policy stance and Dovish policy stance of Central Bank

December 5, 2020

The terms Hawkish and Dovish refer to whether central banks are more likely to tighten (hawkish) or accommodate (dovish) their monetary policy.

## Difference between Hawkish policy stance and Dovish policy stance

<b>Hawkish policy</b>	<b>Dovish policy</b>
Monetary hawk, or hawk for short, is someone who advocates keeping inflation low as the top priority	In contrast, dove policy emphasizes other issues, especially low unemployment, over low inflation. It is in favour of expansionary monetary policy.
Hawkish policy stances tend to favor "tight" monetary policy.	This stance is taken when the economy is not growing and the government wants to guard against deflation (decrease in the cost of goods and services). There is a need to stimulate the economy.

<p>In order to keep inflation in check, Hawkish stance favours high-interest rates. Because of the high-interest rates, borrowing (taking loans from banks) will become less attractive.</p>	<p>This policy stance involves low-interest rates. Low-Interest Rates would entice consumers to take credit (loans) from Banks and other sources.</p>
<p>Due to the dearth of money, consumers would not purchase or purchase less and also would stay away from taking credit (loans) from banks. This would lead to low domestic demand for Goods &amp; Services.</p>	<p>While this policy is in force people will have money in their hands, they would start spending more and thereby demand for the products and services would rise</p>
<p>Hawkish policy opposes quantitative easing, seeing it as a distortion of asset markets</p>	<p>Economists who recommend Dovish Monetary Policy Stance, typically believe that lower interest rates will lead to a hike in Employment and increase in Economic Growth.</p>
<p>Whenever RBI says that the Monetary Policy Stance is Hawkish, it means there would be a rate hike.</p>	<p>This policy may lead to weakening of country's currency</p>