Getting and spending: public expenditure, employment and inflation

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Low inflation and full employment are the cornerstones of monetary policy for the modern central bank. For instance, the U.S. Federal Reserve's monetary policy objectives are maximum employment, stable prices, and moderate long-term interest rates. The tradeoff between inflation and unemployment led economists to use the Phillips Curve to fine-tune monetary or fiscal policy. Since a Phillips Curve for a specific economy would show an explicit level of inflation for a specific rate of unemployment and vice versa, it should be possible to aim for a balance between desired levels of inflation...