



Central Bankers Should Create The Best Economic Conditions Possible

By [Matthew Yglesias](#)

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The absolute worst idea in monetary policy today is what I think of as Discipline and Punish Central Banking, the idea that one downside to appropriate monetary policy is that inappropriate monetary policy encourages legislatures to enact good policies and so we should be wary of letting them "off the hook" with good monetary policy.

William Poole at the Cato Institute offers a [particularly explicit version of this peculiar idea](#):

In his press conference, Chairman Bernanke appropriately emphasizes the need for fiscal policies to stabilize federal finances. Yet, he is promising that the Fed can make a material contribution to bringing down unemployment. That promise reduces the pressure on Congress to act. Why should Congress deal with the tough political issues if the Fed can do the job, even if more slowly than if Congress acted?

This just proves much too much. Ben Bernanke could refuse to reduce unemployment until Congress acts to restrict greenhouse gas emissions or ban abortion or bomb suspected Iranian nuclear weapons facilities or anything else people think might be desirable. But that would completely subvert the purpose of having created an agency to which authority over monetary policy has been delegated. The idea is to set up a government where different institutions are responsible for doing different things. Those agencies ought to do the best possible job of doing the job they've been tasked with. The central bank should try to stabilize demand. Not because that solves every problem but because it solves the problems that monetary policy can solve. Having the central bank target *political outcomes* is a recipe for endless paralysis.