A love letter to the world's central bankers

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Valentine's Day is one of my favorite holidays. Who can say "no" to chocolate, flowers, and tiny candies with sweet messages written on them? One of the things I really like about Valentine's Day is that it's not just about romance – it's about love in every sense of the word. Schoolchildren give cards to their classmates and teachers. Parents give gifts to their children. (When I was a little girl, my mom always got me a Valentine's Day gift like a stuffed animal or a heart-shaped candle, and I have tried to carry on that tradition with my children.) Pet owners buy special treats for their pets (yes, I am guilty as charged). My female friends and I have even been known to celebrate "Galentine's Day," going out to dinner and spoiling ourselves. I would be remiss if I didn't give a shoutout to my husband, who is a sweetheart and always remembers to buy flowers for me, our daughter, and even my mom.

On this Valentine's Day in particular, there's another group of people who I think deserve some attention — central bankers. After all, by employing what was then experimental monetary policy, they helped economies emerge from the Global Financial Crisis. And by quickly easing financial conditions at the start of the COVID pandemic, these men and women helped save the world from what could have been a far worse version of that crisis. But their job isn't over yet — if they tighten too much, inflation could get out of control.

St. Valentine was reported to be a martyr, and there are times when central bankers must feel like martyrs too. Being a central banker is truly a tough job, as it often means being forced to employ "tough love," which can be very unpopular. And so I think they deserve some love letters. There are no ready-made greeting cards to express these sentiments, so here are my proposals — a mix of thanks, encouragement, and a little advice:

Valentine's greetings for the world's central bankers

Dear Chair Powell,

Thank you for reiterating last week the Federal Reserve's commitment to being data dependent. I'm hoping that, like me, you're not rattled by the last US jobs report. I'm sure you have some concerns about recent upward revisions to core inflation, but I'm optimistic Tuesday's inflation report will be a Valentine to you. I hope you only hike rates one or two more times and then hit a conditional pause this spring. It's OK if you don't cut rates later this year — I suspect the economy won't need it. Also, I want to congratulate you — you may actually be presiding over a "softish" landing, which I think is an accomplishment to be proud of.

PS: Don't pay attention if the ghost of Paul Volcker comes to you in your dreams. Consumer inflation expectations are in a far better place now than they were back in the early 1980s — necessitating a far less aggressive stance now. The future of the US economy is largely in your hands — please don't mess it up.

Recognizing central bankers

On this Valentine's Day, there's a group of people who I think deserve some attention — central bankers.

Expressing thanks

By quickly easing financial conditions at the start of the pandemic, central bankers helped prevent a far worse Global Financial Crisis.

Anticipating what's next

But their job isn't over yet — if they tighten too much, inflation could get out of control.

Dear Madame President Lagarde,

The eurozone economy has been surprisingly resilient, and you should get at least a little credit for that. Thank you for recognizing at the most recent European Central Bank meeting that there is a more balanced symmetry of risk. It's admirable that you are so vigilant on inflation, but I hope you recognize that a substantial portion of eurozone inflation is driven by energy, which can't be controlled for with tighter monetary policy. Keep speaking loudly and you might not need such a big stick; a firm hand at the tiller should prevent the public and the markets from getting ahead of themselves and expecting too easy a policy too soon.

Dear Governor Bailey,

Let's face it – this hasn't been an easy time to be the governor of the Bank of England. But thank you for your tough love. You've been among the most frank of central bankers in warning the people and the markets about the challenges ahead. The UK faces even more difficult challenges than other major economies – rebalancing trade and investment post-Brexit from the European Union to the rest of the world and perhaps the highest inflation and deepest productivity puzzle of major economies. And I certainly didn't forget what you did last summer when the gilt market started to melt down. Thank you for putting quantitative tightening on hold and buying up gilts in order to prevent a crisis from unfolding when the bond market fell out of love with gilts.

Dear Governor Macklem,

Thank you for being at the vanguard of Western developed central bankers. I'm happy that you recognized risks have become more balanced and that you therefore enacted a conditional pause at the Bank of Canada – I think that will be an important decision that hopefully other central banks will follow as they seek to end tightening without causing another inflationary flareup.

Dear Governor Kuroda,

Thank you for being so accommodative in coaxing and enticing the Japanese economy back toward animal spirits. I'm sure you lost some sleep over the Bank of Japan's yield curve control policy, but I admire how you held firm. You've earned a place among some of the most legendary central bankers of all time. Wishing you the best in retirement.

PS: If your successor is going to tighten monetary policy, please encourage him to go slow.

Dear Governor Yi,

When the rest of the world was tightening, you were easing. Monetary stimulus along with significant fiscal stimulus helped support the Chinese economy last year through the property crisis and a major wave of COVID, so the People's Bank of China deserves some of the credit for what appears to be a robust start to the reopening. I hope it is smooth sailing as you eventually begin tightening as the Chinese economy accelerates.

Happy Valentine's Day to you

I don't expect these notes to launch a new market for "central banker-themed greeting cards," but it was a fun exercise nonetheless. I also want to express my thanks and appreciation for my readers. Thank you for following this column, and I wish you a wonderful Valentine's Day with your loved ones.

With contributions from Arnab Das

Tightening is a monetary policy used by central banks to normalize balance sheets.

A basis point is one hundredth of a percentage point.

Core inflation excludes food and energy prices while headline inflation includes them.

UK gilts are bonds issued by the British government.

Brexit refers to the exit of the UK from the European Union.

The yield curve plots interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates to project future interest rate changes and economic activity.