

# Should Macroeconomics Monetary Policy Objectives Prioritize Price Stability or Include Economic Growth and Employment Generation: Theoretical and Comparative Underpinnings from the Central Bank of Nigeria.

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## ABSTRACT

Macroeconomic policy tools are broadly divided into two; and they are the fiscal policy and monetary policy. While fiscal policy denotes the use of taxes and government expenditures to redirect the economy; monetary policy involves the use of monetary instruments to fine tune the economy. The central bank is the macroeconomic institution for every country that is responsible for the monetary policy. The main focus of this paper is to examine whether macroeconomics Monetary Policy objectives should prioritize price stability at the expense of other macroeconomic policy objectives like economic growth and low unemployment or not by using the central bank of Nigeria (CBN) as a case study. The study adopted a doctrinal research method. The primary sources of data include relevant statutes and legal instruments that establish and govern the activities of the CBN and other selected central banks, while the secondary sources of data were experts' opinions in the relevant areas of economics, finance, banking and development studies in published books, journal articles as well as in prints and electronic media. The study scrutinized the CBN Act as well as other related laws affecting the operations of monetary policy in Nigeria and found that economic growth and employment generation are not included in the objects of the CBN, and consequently the CBN monetary policies has been geared towards price stability to the detriments of other macroeconomic policy objectives. Again, the study reviewed the activities and operations of the apex bank in Nigeria so far and made comparison with major central banks like the Federal Reserve System, European Central Bank, the Bank of England as well as some central banks in sub-Saharan Africa, like the Bank of Ghana, Central Bank of Kenya and South African Reserve Bank; and found out that in the legal instruments that established these aforementioned central banks, economic growth and employment generation are among the key policy objectives of the apex banks. In which the paper recommends amongst others that the CBN Act should be amended as to include economic growth and unemployment generation among the objectives of the CBN, whereas even before the proposed amendment, it is further recommended that the activities of the CBN should incorporate employment generation, and rapid economic growth as part of the monetary policy directions of the central bank of Nigeria.

**KEYWORDS:** Macroeconomics, Monetary Policy, Interest Rate, Jobless-Growth, Employment Generation, Price Stability, Economic Growth.

## 1. INTRODUCTION

Macroeconomics studies the behavior of the economy as a whole. According to Abel and Bernanke (2001), "macroeconomics studies the structure and performance of national economies and of the policies that governments use to try to affect economic performance; as it seeks to offer answers to such questions, which are of great practical importance and are constantly debated by politicians, the press, and the general public." It examines the forces that affect firms, consumers, and workers in the aggregate. In the words of Samuelson and Nordhaus (2011), 'two central themes run through the basic concepts of macroeconomics, and they are; the short-term fluctuations in output, employment, financial conditions, and prices that is called business cycle; the other one is the long-term trends in output and living standards known as economic growth'. The major macroeconomic goals are a high level and rapid growth of output, low unemployment, and stable prices. Thus, macroeconomics is much interested in the sources of persistent unemployment and high inflation as well as output growth.

A nation's economic performance depends on many factors, including its natural and human resources, its capital stock, its technology, and the economic choice made by the citizens, both individually and collectively. Another extremely important factor affecting economic performance is the set of macroeconomic policies pursued by the government. Governments have certain policy instruments that they can use to affect macroeconomic activity. A policy instrument is an economic variable under the control of government that can affect one or more of the macroeconomic goals. 'Macroeconomic policies affect the performance of the economy as a whole; and political leaders all over the world use the macroeconomic policy tools of monetary and fiscal policy to reduce unemployment and stimulate economic activities. Thus, by changing monetary, fiscal, and other policies, governments can avoid the worst excesses of the business cycle or increase the growth rate of potential output' (Abel and Bernanke, 2001). The two types of macroeconomic policies are fiscal policy and monetary policy.

Fiscal policy which is determined at the national, state, and local levels denotes the use of taxes and government expenditures. Government expenditures come in two distinct forms. First, there are government purchases which comprises of spending on goods and services like purchases of vehicles, constructions of roads, salaries of government employees, etc. In addition, there are government transfer payments, which usually increase the incomes of targeted groups such as the elderly or the unemployed. 'From the macroeconomic perspective, government expenditure also affects the overall level of spending in the economy and thereby influences the level of gross Domestic Products (GDP). It is also the government spending that determines the relative size of the public and private sectors of the economy. The other part of fiscal policy, taxation, affects the overall economy in two ways; taxes affect people's income. By leaving the households with more or less disposable income, taxes affect the amount people spend on goods and services as well as the amount of private savings. Whereas private consumption expenditures and savings have important effects on investment and output in the short and long run. In addition, taxes affect the prices of goods and factors of production, and thereby affect incentives and behavior' (Samuelson and Nordhaus, 2011). Many provisions on the tax laws have an important impact on economic activity through their effects on the incentives to work and save.

The second major instrument of macroeconomic policy is monetary policy, which the government conducts through managing the nation's money, credit and banking system. Monetary policy determines the rate of growth of the nation's money supply and is under the control of a usually government institution, the central bank. According to Onwudinjo (2024), "the term monetary policy may be interpreted in broad and narrow sense. In the *broad sense*, it refers to the monetary system along with the measures taken to manage the money and credit supply in the economy. This includes the steps taken from time to time to regulate and control the interest rates. It also includes non-monetary measures such as wages and price control, budgetary operations, etc., which indirectly influence the monetary activities in the economy. In its *narrow sense* monetary policy refers to the steps taken by the government and the banking authorities to regulate the money, credit and interest rates. Thus in the narrow sense, non-monetary measures are not included". Monetary policy is the tool that countries most often rely on to stabilize the business cycle, although some scholars argue that it becomes less potent in deep recessions. Historically, the central banks raised interest rates when inflation threatened to rise too high. This led to reduced investment and consumption, causing a decline in Gross Domestic Product and lower inflation. Also, in the long run, monetary policy employed to stimulate the economy cannot keep increasing output beyond its potential for long. This is because if the central bank holds interest rates too low for long periods of time, the economy will overheat and inflationary forces will take hold.

The monetary policy of every country is the responsibility of the central bank of the country. Thus, the central bank is a key macroeconomic institution for every country, that's why the United States, Japan, Britain, Russia, China, and the countries of the European Union all have powerful central banks. In an 'open economy'; that is, one whose borders are open to goods, services, and financial flows, the exchange rate system becomes an essential part of a central bank monetary policy. Thus, usually central banks, like the central bank of Nigeria (CBN) affect the economy by determining the short-term interest rates. This statutory task is always accomplished by the central banks through the Monetary Policy Committee (MPC) primarily by setting short-run interest rates targets and through buying and selling government securities to attain those targets. Through its operations, the central banks influence many financial and economic variables, such as interest rates, stock prices, housing prices, and foreign exchange rates. These financial variables affect spending on investment, particularly in housing, business investment, consumer durables, and exports and imports.

Ashraf Khan (2017) in his study titled 'Central Bank Legal Framework in the aftermath of the global financial crisis', published in the IMF working paper of May 2017, studied the constitution of the 142 International Monetary Fund (IMF) member countries and found out that many central bank laws have undergone changes in objectives, decision making, accountability, and data collection. The widened cross-country survey illustrates the common occurrence of *price stability* in central bank objectives, and varying practices in defining financial stability, 'independence' versus 'autonomy' and who within the central bank determines monetary policy. However, even as discussions on the mandates of central banks, and the functions they would perform, are ongoing, and while price stability is at the central focus of many central banks, many major central banks of the world are emphasizing the objects of stimulation of economic growth and employment generation, which together with the price stability are the key mandates of every macroeconomic policy goals. Specifically, the Federal Reserve System, Bank of England, European Central Bank, People's Bank of China; and even some central banks in sub-Saharan Africa like the Reserve Bank of South Africa, Central Bank of Kenya, and Bank of Ghana have all provided for economic growth and employment generation as among the objects of their central banks in the legal instruments establishing the Banks.

However, in Nigeria, the economic growth and employment generation mandates are conspicuously missing in the legal framework that established the central bank of Nigeria. Hence, the main focus of this study is to analyze whether the central bank of Nigeria's Monetary Policy Objectives should Prioritize Price Stability or should it incorporate Economic Growth and Low Unemployment in the statute and activities of the CBN. Following this introduction, section 2 dealt on the theoretical framework, section 3 made a comparative analysis of the subject matter in other central banks of the world, section 4 dwelled on the central bank of Nigeria policy objectives, while section 5 concludes the paper and offered some recommendations.

## 2. THEORITICAL FRAMEWORK

Obviously, all market economies show patterns of expansion and contraction known as business cycle. Inflation is the persistent rises in the prices of commodities in an economy. Every market economy uses prices as a yardstick to measure economic values and conduct businesses; and when the prices are rising, the price yardstick loses its value. During periods of high inflation, people get confused about relative prices and make mistakes in their spending and investment decisions. Hence, history has shown that high inflation imposes many costs to the economy; some visible and some hidden. With high inflation, taxes become highly variable, making the tax burdens to rise, together with the erosion of the purchasing powers, as households on fixed incomes find that inflation is eating away at their real incomes. Also, the real values of people's pensions are eroded, and people spend real resources to avoid depreciating their currencies. On the other hand, declining prices (deflation) are also costly. Hence, most nations seek the golden mean of slowly rising prices as the best way of encouraging the price system to function efficiently. Thus, price stability is very important to any economy because a smoothly functioning market system requires that prices accurately convey information about relative scarcities.

On the side, from time to time countries experience low unemployment as well as high unemployment; and of all macroeconomic indicators, employment and unemployment are most directly felt by individuals. People want to be able to get high-paying jobs without searching or waiting too long, and they want to have job security and good benefits. In macroeconomic terms, these are the objectives of high employment, which is the counterpart of low unemployment. Unemployment tends to reflect the state of business cycle; when output is falling, the demand for labour falls, and the unemployment rate rises. Globally, unemployment reached epidemic proportions during the Great Depression of the 1930s, when as much as one-quarter of the workforce was idled.

Monetary policy has a rich past history and in the pre-Keynesian days it was the single established instrument of macroeconomic policy. Before the publication of Keynes 'General Theory' in 1936 when many countries were under gold standard, monetary policy was aimed at maintaining fixed exchange rates against other currencies. In the old quantity theory of money, which emphasizes on how changes in the aggregate money supply affected the general price level rather than output and employment, monetary policy occupied a dominant role. However, the great faith placed on monetary policy in the nineteenth century was lost during great depression of 1930s'. This was due to the failure of monetary policy to prevent depression. The fiscal policy oriented by Keynesian revolution was another reason for the fall of monetary policy and the emphasis was shifted to fiscal measures. However, in the early 1950s, monetary measures were revived due to the development of inflationary pressures all over the world. Monetary economists then believed that monetary policy influences the economy through its effects on the availability and cost of credit; and ever since then, the scope of monetary policy has been considerably widened and it is being recognized that both monetary and fiscal policies together regulates the

level of output and the price level in the economy. Both policies are complementary and support each other. Monetary policy taken alone may not be effective to regulate the economy, say controlling inflationary or deflationary situations. That is why monetary policy these days is implemented along with fiscal and debt management policies. Below is the critical analysis of the contributions of the various schools of thoughts in economics on the macroeconomic policies.

### **2.1: The Emergence of Global Keynesianism.**

Keynesianism emerged in the 1930s as part of the effort by Lord John Maynard Keynes, the so called last knight of capitalism, to come to grips with the difficulties posed for the world economy in general and western economies in particular, by the Great Depression. In his path-breaking and seminar work which he titled the 'General Theory of Employment, Interest and Money', Keynes (1936) focused his attention on the contradiction, inherent in capitalism, between savings and investment. He sought to demonstrate that in situations where savings were low relative to the demand for investments, what was likely to result was an increase in price level or inflation. This is because consumers would tend to spend most of their incomes on immediate consumption, and thus leave insufficient funds for investment. Conversely, in a situation where savings were high in a relation to a decrease in the demand for investment, depression or unemployment was likely to result since consumers would be spending less on immediate consumption, thereby leaving a lot of idle money which entrepreneurs, because of their unsold stocks of goods, would be incapable of converting into investments. On the basis of this analysis, Keynes came to the conclusion that *laissez faireism* which rests on independent competing units based on rational self-interest would not always be able, by itself, to strike the correct balance between savings and investment. What was needed was a government intervention that would be able to tackle the problem of market failure by for example, regulating the level of demand through fiscal and monetary policies. The interventionist argument was to form a principal focus of the critique of Keynesianism by the monetarist school (Olukoshi and Nwoke, 1994).

In the context of the economic realities of the 1930s which, as a consequence of the Great Depression, were characterized by job losses on a stupendous scale, Keynes, not surprisingly placed greater emphasis in his analyses on the problem of unemployment and the fiscal policies that could help to tackle it. Most of the post-war attempt to apply Keynesianism was to follow in his footsteps by concentrating on the fight against unemployment as opposed to inflation, which required the articulation of the fiscal weapons as against the monetary policies. For many monetarists, this was one of the original sins of Keynesianism. In line with the Keynesian fears of the possibility and consequences of market failure, various forms of state interventionism were developed in all parts of the capitalist world in the post-war-period. The aim was to ensure that through the state's regulatory role, employment generation and enterprise profitability based on a fairly rapid turnover would be assured at reasonable levels. In almost all parts of the West, vigorous efforts were made to promote one form or the other of Keynesian social democracy through the erection of various welfarist programmes.

Historically, in the colonial world, what Ann Phillips described as "the ideology of development", which entailed some level of deliberate planning by the colonial state for the purpose of raising the level of development of the productive forces, also began to take hold in line with the Keynesian outlook of the time (Phillips 1977). In addition, at the global level, an attempt was made through the Bretton Woods system, to promote global Keynesianism through the dismantling of the discriminatory trade and monetary blocs of the inter-war years, the creation of a regime of fixed exchange rates, currency convertibility, and the establishment of the World Bank and the International Monetary Fund (IMF) charged with ensuring the stability of the world economy. It was, indeed, the heyday of the Keynesians and under their influence, that the world capitalist economy underwent a period of first, general recovery, and then unprecedented growth and almost full employment. This growth period was to last until the late 1960s when the Bretton Woods system went into crisis and eventually collapsed.

Suffice it to note that the price which the Western countries had to pay for the post-war boom which they enjoyed was inflation and in the course of the 1970s, questions began to be asked as to whether the high level of inflation that was afflicting the world capitalist economy was a price worth paying for the gains that had accrued to the system from the application of Keynesian principles. These questions became even more pointed as some of the advances that were made in the post-war years in the area of full employment, for example, began to be undermined.

## 2.2: The Monetarist Argument.

Monetarism emerged into prominence in the 1970s as a radical New Right critique of Keynesianism and all it stood for. Their considerations aimed primarily at fighting inflation which, in the new economic climate, was considered as the chief problem of the time. That was the era of the conservative economic New Right and Milton Friedman and his colleagues at the Chicago School were the pioneering advocates. It is noteworthy to state that the idea from which monetarists draw their theory pre-date the 1970s, going back as far as the time of Adam Smith, J.S Mills, and the Marginal Utility School of the 1870s. Even the most recent monetarist ideas date back to the 1960s, but it was in 1970s that they really began to make their political mark.

One of the primary issues to which the Monetarist economists who came into prominence in the course of the 1970s have devoted much of their attention is the question of inflation. For the monetarists, inflation is, by far, the most important challenge facing the world economy and it is, by far, more important than the problem of unemployment to which the Keynesians devoted much of their energies. At the heart of the inflationary spiral that bedeviled Western economies in the late 1960s and during the 1970s was the failure of governments to regulate the supply of money in their economies. The unregulated supply of money in the post-war years translated itself into excessive state expenditures through the almost unbridled expansion of the public sector borrowing requirement and the printing of excess money. The expansion of public expenditure encouraged workers to make claims for higher wages since they saw money all over the place. The monetarists therefore accuse the Keynesians of allowing workers to grow strong through the expansion of government expenditure.

The inflationary spiral arising from the expansion of public expenditure adversely affects the payments position of many states and increases the level of unemployment. Rates of economic growth also fall as the increase in money supply results in workers' demand for higher wages which in turn spurs other groups to demand higher wages and salaries. The combined effect of the increased expenditure on incomes eats into the profit margins of industrialists who are left with less capital to invest. This, in turn, leads to a slackening of growth rates and unemployment. For the monetarists then, inflation was the chief problem that must be tackled and defeated if countries are to make economic progress.<sup>o</sup>

Given the primacy which the Monetarists attach to the monetary problem, and in the context of their criticism of the soft and pliant state which they claim succumbed to workers' interests through an expanded social expenditure programmes and thereby fuelled the inflationary pressures in the economy; they argue that what is now needed is for the entire Keynesian apparatus to be dismantled in order for the forces of the market to be given free rein. In practical terms, this means the retrenchment of the state which in their view has become too large, unfit, and inefficient, and is excessively interventionist. As part of the effort to reduce the size and role of the state, they call for the withdrawal of the host of subsidies that were introduced at the height of the Keynesian revolution; the elimination of subventions to public enterprises and the privatization of the enterprises; and the jettisoning of the regime of fixed exchange rates which the Keynesians had constructed as part of their strategy for introducing order and predictability into the international financial system and its replacement by a system of free floating exchange rates in which currencies find their levels. The monetarists also call for the introduction of measures aimed at reducing and regulating money supply in the domestic economy as well as the deregulation of interest rates so that market forces can play a more central role in the determination of their levels (Friedman, 1953).

Although monetarist ideas had already made their mark on the intellectual landscape by the middle of the 1970s, it was only in the second half of that decade that the stage began to be set for their globalization. This process was aided by the rise to power towards the end of the 1970s and in the early 1980s of conservative governments dedicated to the cause of monetarism in the leading Western countries that dominate the world capitalist economy. The most prominent of these governments were those of Margaret Thatcher in Britain, Ronald Reagan in the United States, Helmut Kohl in West Germany, and, later, Brian Mulroney in Canada. For a brief period, the conservatives held power in France although they had to share responsibility with a socialist President. Japan then was already under the firm grip of the politically conservative but economically interventionist Liberal Party. These governments then, to varying degrees, shared a common commitment to the fight against inflation, the vigorous promotion of private sector activities as part of their effort to unfetter the forces of the market, the retrenchment of the state, the curtailment of the influence of the trade union movement, the encouragement of rugged individualism, and the reduction or freezing of public expenditure levels particularly on welfare programmes.

One fallout of the emergence in the West of right wing governments dedicated to monetarism was the re-orientation which it led to in the dominant outlook within the International Monetary Fund (IMF) and the World Bank. Both institutions rapidly shed off their Keynesian origin and outlook and embraced the new monetarist agenda that was rapidly gaining momentum in the West. The consequence of this re-orientation in World Bank/IMF thinking has been quite far-reaching for Third World countries which are the chief customers of the two institutions, looking to them for policy and financial support in their quest to come to terms with the crisis in the world economy. The leading Western countries that dominate the Fund and the Bank not only ensured that the two Bretton Wood institutions fell in line with the new economic thinking in their countries but also encouraged them to make the acceptance and implementation of market reforms pre-conditions for financial assistance. And since, for many of the countries, there was neither the desire nor the will to resist this conditionality for any appreciable length of time, monetarist ideas began to spread in applied forms to the Third World from the beginning of the 1980s under the rubric of IMF/World Bank-sponsored Structural Adjustment Programmes.

Prior to that period, it was only in Chile under the dictatorship of Augusto Pinochet that an attempt had been made to implement Friedmanite ideas in a Third World context. Towards the end of the 1980s, as the crisis of socialism deepened and many of the communist parties of Eastern Europe lost their power base, free market ideas began to make an entry into policy thinking in some of the Soviet bloc countries. The age of monetarism seemed to have arrived. Monetary expansion brought about changes in relative prices such that imports are encouraged and exports discouraged. This way, unfavourable capital movements are induced.

The primary factor responsible for excessive monetary expansion is the large public sector fiscal deficit which many governments at that time run. Since the monetarists treat the balance of payments of a country as a monetary phenomenon, money plays a pivotal role in both disturbances and adjustment. A discrepancy between the supply and demand for money leads to an imbalance between expenditure and income or, to put it in another way, an imbalance in the market for goods and services. An increase in domestic credit creates a divergence between the demand for and supply of money which, in turn, leads to a decline in net international reserve, as the public would be unwilling to hold the additional money created. These amongst other reasons influenced the monetary authorities of most Third World countries to prioritize price and monetary stabilities at the expense of other goals of macroeconomics in their objects and functions.

### **2.3: Taylor Rule:**

Empirically, the *Taylor rule* named after Prof John Taylor of Stanford University explains some of the behaviours of some of these macroeconomic variables more especially as the relationship between the inflation and output growth quite well. According to him, 'interest rates are changes to reflect deviations of both inflation and output from their underlying target'. Practically, it is always difficult to distinguish between a central bank that actually cares about output as well as inflation and a central bank that cares about current and future inflation, and uses output gaps as one means of forecasting future inflation. For whichever reason, a Taylor rule works well in capturing empirically how central banks actually behave in setting interest rates. Thus, the central assumption of Taylor Rule is that the central bank of every nation should not pursue price stability at the detriment of output growth, but ought to be mindful of setting the interest rate that strikes a balance between the two goals of macroeconomics.

Despite the fact that its behaviour is largely explained empirically by a Taylor rule, for example, the European Central Bank (ECB) describes its monetary strategy as pursuing two intermediate targets the '*twin pillars*'. The first pillar is a *monetary target*, the growth rate of the M<sub>3</sub> measure of normal money. The second pillar is *excepted inflation*. The ECB insists that it takes both pillars into account in setting interest rates in the Eurozone. However, it is precisely the volatility in both money *demanded* and the money *supplied* behaviour of commercial banks, which has made most central banks abandon monetary targeting in favour of flexible inflation targets or Taylor rules. The ECB continues to insist that monetary targets have an important role because it wants to emphasize *continuity* with the German Bundesbank, which uses monetary targets. But, countries such as United Kingdom and the United States engaged in substantial *quantitative easing*, sharply increasing the supply of narrow money in order to prevent a collapse of the banking multiplier inducing a corresponding fall in broad money. Traditionally, Germany's fear about the consequences of printing money inhibited the ECB response to the crisis, at least until 2012, when a new governor of ECB, Mario Draghi, led a sharp change in ECB policy.

### 3. COUNTRIES' EXPERIENCIES.

Different countries of the world, past and present have tried in one way or the other to employ the aforementioned theories in the objects of their central banking functions and activities. Thus, even though there are as many central banks in the developed nations as there are advanced nations of the world, here, we are going to concentrate on some of the major central banks of the world which are the Bank of England, the Federal Reserve System, and European Central Bank (ECB). Founded in 1694, the Bank of England was not nationalized until 1946. The Federal Reserve System, the US Central bank, was not set up until 1913; while the European Central Bank, established by the October 2, 1997 Treaty of Amsterdam is in charge of the single monetary policy of the Eurozone.

#### 3.1: Bank of England:

The Bank of England started life as a privately owned joint stocked company in 1694, mainly to provide loans to meet the needs of the Crown; it eventually became the government's bankers for all purposes. It was taken into public ownership under the Bank of England Act 1946 when it was nationalized, although the Treasury had for many years been able to control its policies. Under the 1946 Act, the Bank of England remained a separate institution from the Treasury and it is not a government department. Previously, by *Section 4* of the Bank of England Act 1946, the Treasury may issue formal directions to the Bank. Thus, unlike the detailed Constitutions of some of the other central banks, the 1946 Act did not accord the Bank of England stated duties and responsibilities. Instead, it was an apparently simple Act by which the Treasury merely assumed stock from the Bank's Proprietors, made arrangements for the Crown to appoint the Governors and Directors, and gave legal support firstly to the ultimate authority of the Treasury over the Bank in matters of policy.

However, that position of the Bank of England had been substantially reformed by the Bank of England Act 1998. Thus, on May 6, 1997 with the above conviction, the newly elected labour government of Tony Blair decided to delegate the power to set interest rates to the Bank of England with effect from June, 1997, and the new arrangement was embodied in the Bank of England Act of 1998. The Constitution of the Bank of England is now governed by the Bank of England Act 1998, which makes a number of radical changes to the functions performed by the bank.

Consequently, by section 11 of the Bank of England Act of 1998, the Bank of England is responsible for monetary policy within the objectives set out in the Act; these are to maintain price stability and to support the economic policy of the government including its objectives for growth and employment. Thus, the legal framework governing the Bank of England as of today expressly included economic growth and employment on its objectives.

#### 3.2: Federal Reserve System.

The central bank of the United States of America is known as the Federal Reserve System (FED). Historically, during the nineteenth century, the United States was plagued by banking panics. These occurred when large numbers of people attempted to convert their bank deposits into currency all at the same time. After the severe panic of 1907 in particular, agitations and discussions led to the Federal Reserve Act of 1913, whose purpose was 'to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial papers, to establish a more effective supervision of banking in the United States, and for other purposes.' That was the beginning of the FED.

From inception, the Federal Reserve System has *multiple objectives*. Under the Federal Reserve Act, the FED is directed to "promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates. Today, this is interpreted as a dual mandate to maintain low and stable inflation along with a healthy real economy, and this is how the FED sees and implements its role today. In addition, the FED's objectives include economic growth in line with the economy's potential to expand; a high level of employment; stable prices (that is, stability in the purchasing power of the dollar); and moderate long term interest rate.

During the Great Depression, the money supply fell by 25 percent from 1929 to 1933, during which time, the unemployment rate rose by 3.2 percent to 25.2 percent. Many economists of that time blamed the deflation for the severity of the Great Depression. They argue that the deflation may have turned what in 1931 was a typical economic downturn into an unprecedented period of high unemployment and depressed income. This fact provides the motivation and support for what is called the money hypothesis, which places primary blame of the depression on the Federal Reserve for allowing the money supply to fall by such a large amount. The best known advocates of this interpretation are Milton Friedman and Anna Schwartz, who defended it in their treatise on U.S. monetary history. Friedman and Schwartz argue that contractions in the money supply have caused most

economic downturns and that the great depression is a particular vivid example. Keynes on his own part blamed lack of Aggregate Demand (AD), and prescribed government intervention to use its fiscal policies to stimulate AD, and thus regenerate employment in the system.

Thus, the 1930s and the outcome of the Great Depression marked the first stirrings of the science of macroeconomics in the United States(US) and the world; and the evolution of Keynesians founded by John Maynard Keynes, as he tried to understand the economic mechanism that produced the Great Depression. After World War II, reflecting both the increasing influence of Keynesian views and the fear of another depression, the US Congress formally proclaimed federal responsibility for microeconomic performance. It enacted the landmark Employment Act of 1946, which stated that: “the congress hereby declares that it is the continuing policy and responsibility of the federal government to use all practicable means consistent with its needs and obligations ... to promote maximum employment, production, and purchasing power”.

The economic reforms from 1933 to 1937 in the United States also saw substantial legislations and administrative actions which includes amongst others, the ‘New Deal’ from the Roosevelt Administration in the 1940s; the FED was also reorganized and the Federal Deposit Insurance Corporation (FDIC) was established to insure deposits and supervise banks. A number of other regulatory agencies were also created, most notably the Security and Exchange Commission (SEC), which regulates the securities industries. The latter’s purposes was to prevent speculative excesses that were thought to be largely responsible for the stock market crash. Recall that the Keynesian emphasis on fiscal policy and its downplaying of the role of money was challenge by Milton Friedman and his co-workers during the 1950s. They emphasized the role of monetary policy in determining the behavior of both output and price.

During the Kennedy-Johnson years (1961-1968), the US economy performed optimally, on the mantle of the expansionary government policies of the two Presidents. Specifically, President Johnson brought Keynesianism to the White house. The policies were successful in reducing the output gap experienced then, but did so at the cost of building up inflationary pressure. The first Nixon administration (1969-1973) inherited this inflation problem and decided to fight it by tight policies that led to recession. Specifically, in August 1971 President Richard Nixon instituted a set of wage and price controls in an attempt to reduce US inflation. These strong measures were taken even though the inflation rate was only 5 percent at that time. But, immediately, after that in 1972-73, highly expansionary monetary policies of the FED led to recovery and even over-employment. In the 1973-74, tight policies together with huge increases in oil prices threw the economy into a deep recession; but again, recovery in the 1976-79 period was too fast and led to sharp increases in inflation. Thus, during the late 1970s, when the US inflation rate approached ‘double-digits’, surveys of voters found that inflation was a public enemy number one. This is because the costs of inflation is usually heavy on the people, businesses and the economy; and depend primarily on whether consumers, investors, workers and firms are able to predict the inflation before it occurs. One victim of the public’s fear of inflation then was President Jimmy Carter, who lost his re-election bid to Ronald Reagan in 1980 in part because of his perceived inability to control inflation and stagflation.

Paradoxically, just as the monetary experiments succeeded in rooting inflation out of US economy, changes in financial markets undermined the monetarist approach; as during and after the monetarist experiments, velocity of money became extremely unstable. Careful economic studies have shown that velocity is positively affected by interest rates and cannot be considered to be a constant that is independent of monetary policy. Velocity growth was relatively stable in the 1960-1979 in the United States, leading many economists to believe that velocity was predictable. But, velocity became much more unstable after 1980 as the high interest rates of the 1979-1982 period spurred financial innovation, including money market accounts and interest bearing checking accounts. That made some economists to believe that the instability of velocity was actually produced by the heavy reliance on targeting monetary aggregates during this period. As the velocity of money became increasingly unstable, the FED gradually stopped using it as a guide for monetary policy. By the early 1990s, the FED began to rely on macroeconomic indicators such as inflation, output, and employment to diagnose the state of the economy; and interest rate, not the money supply became the major instrument of monetary policy.

For most central banks today, monetarism is no longer a useful macroeconomic theory. Indeed during the recession of 2007-2009, the Federal Reserve did not include monetary quantitative among its objectives; but this did not diminish the importance of monetary policy, which continues to be a central partner in macroeconomic policy around the world. However, when the monetary policy becomes difficult to use in stimulating the economy like in a situation of liquidity trap; the fiscal measure is always employed. For instance, Paul Samuelson captured the point vividly. For Samuelson (2011), an even more important situation is when the

economy in a liquidity trap and the central bank has no further room to lower the short rate interest rate. This was the case during the 2007-2009 recessions. In its effort to revive the economy, the Obama administration worked with the congress in the early 2009 to pass the largest fiscal stimulus package in US history. While most people worried about the long term impact of the fiscal stimulus on the government debt, most macroeconomists believed that fiscal policy was the only feasible way to reduce the depth and the severity of the downturn in this circumstance.

Thus, the United States monetary authorities put the three major objectives of macroeconomics namely; output growth, price stability and employment generation in their legal instruments and implement same accordingly.

### **3.3: European Central Bank:**

The European Central Bank (ECB) coordinates Eurozone monetary policy including setting interest rates and controlling the supply of the euro common currency. ECB's primary mandate is price stability. It usually targets 2% inflation over the medium term as a buffer against the risk of destabilizing deflation. ECB manages the euro and implements the European Union (EU) economic and monetary policy. Its main aim is to keep prices stable, thereby supporting economic growth and job creation. The ECB carries out specific tasks in the areas of bank supervisions, bank notes, statistics, macro-prudential policy and financial stability as well as international and European cooperation. Thus, the ECB has in mind economic growth and job creation in its activities and operations.

Recall the convergence led to a high degree of uniformity in terms of price inflation, money supply growth, and other key economic factors. The *specific convergence criteria* set up by European Union as mandated by the *Maastricht Treaty* include, *Sound public finances*: mandating that the budget deficit in any prospective member should be at most 3 percent of GDP; the other one being that the outstanding amount of government debt should not be more than 60 percent of a year's GDP.

European monetary policy making has always been a dialogue between the German tradition, informed heavily by the need not to repeat the hyperinflation in Germany of 1922/23 and the activist-tradition often including France, Mediterranean countries and sometimes the United Kingdom which stressed the need to *prioritize economic growth and low unemployment*. The initial design of the ECB was heavily influenced by German success. It stressed price stability and monetary responsibility. Its first president, Wim Duisenberg (1999-2003), was a Dutch politician and central banker, whose leadership of the Dutch Central bank had displayed caution and responsibility. He encountered 9/11 and the dot.com crises but was comfortable with the Germanic approach.

His successor, Jean-Claude Trichet (2003 - 2011), was an eminent French civil servant, having run the French Treasury in a tough and orthodox manner. He has to navigate the global financial crises and the sovereign debt crisis in its early days. The Duisenberg-Trichet years of the ECB were just as trusted with price stability as the Bundesbank of Germany had been. In 2011, Governor Trichet was succeeded by Mario Draghi, who had long experience of European financial diplomacy, then recently as Governor of the Bank of Italy. In the 1970s, Draghi had been one of a gifted generation of Economics PhD at the Massachusetts Institute of Technology (MIT), his peers included Ben Bernanke (the former Chairman of the United States Federal Reserve System), Olivier Blanchard (the chief economist of the IMF), Paul Krugman (Nobel Laureate in economics) and Ken Rogoff (Harvard Professor, and former chief economist of the IMF). *The MIT economics tradition has always emphasized the importance of the real economy as well as monetary orthodoxy.*

The ECB watchers were unsurprised when Draghi accomplished a change in ECB policy shortly after taking office. In 2011, despite economic stagnation, the ECB under *Trichet had twice raised interest rates to mitigate the effects of imported inflation from higher world commodity prices*; in contrast to the FED and the Bank of England, which had cut interest rates almost to zero. Under Draghi, the ECB quickly followed suit and reduce interest rate, and again in December 2011, Draghi oversaw a 500 billion Euro loan to troubled banks within the Eurozone. Such measures were controversial, since the ECB is not allowed to put the European tax payers' money at risk. Draghi judged that such measures were likely to help economic recovery in Europe, assist the banking system to begin lending again and weaken self-fulfilling prophecies that banks were doomed.

The activities and operations of the ECB as a monetary union was best captured by the Nobel Laureate, Robert Mundell. In 1999, the Chicago professor, Robert Mundell won the Nobel Prize in economics for helping invent open economy macroeconomics. He was the first to realize that openness in output and factor markets creates powerful pressure for monetary union. He also shows what it would be likely for small country to try to hangout

to monetary sovereignty when international capital mobility is high. Mundell and economists, who came after him, identified three attributes that might make countries suitable for a common currency. Firstly, countries that trade a lot with each other; secondly, the more similar the economic and industrial structure of potential partners, the more they will face common shocks that can be dealt with by a common monetary policy. Thirdly, the more flexible are labour markets within the currency area, the more easily any necessary changes in competitiveness and real exchange rates can be accomplished by changes in the price level. Thus, Nigeria and other West African counterpart should consider an optimal currency area, a group of countries better off with a common currency than keeping separate national currencies.

The single monetary policy in Eurozone is now set in Frankfurt by the ECB, however, their National Central Banks have not been abolished, but, the Board of the ECB sets the interest rate on the Euro. ECB mandate says its first duty is to ensure price stability, but it can take other aims into account provided price stability is not in doubt. The ECB officials have emphasized that their interest rate decisions should be interpreted largely as the pursuit of price stability. But neither the financial markets nor academic economists are entirely convinced. The ECB behavior since inception proves that the central bank equally pay attention to output gaps and employment generation.

### **3.4: CENTRAL BANKS IN SUB-SAHARAN AFRICA.**

The legal instruments establishing some selected central banks in sub-Saharan Africa as well as their activities and operations are equally discussed as they concern the subject matter. The selected central banks in the region are the central bank of Kenya, the South African Reserve Bank and the Bank of Ghana, and they were discussed as below.

#### **3.4.1: The Central Bank of Kenya (CBK).**

The mandates of the CBK are provided under section 4 and section 4A of the CBK Act which set out the bank objects as follows: “to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices; to foster the liquidity, solvency and proper functioning of a stable market-based financial system; and to support the economic policy of the government including its objectives for growth and employment. Other objects of the Bank include, to formulate and implement foreign exchange policies, and at best promote the establishment, regulation, and supervision of efficient and effective payment, clearing and settlement systems, and to serve as banker and adviser to, and as fiscal agent to the government, and to issue currency notes and coins; and subject to subsections (1) and (2), the Bank shall support the economic Policy of the Government, including its objectives for growth and employment.

#### **3.4.2: South African Reserve Bank.**

SARB is the oldest central bank in Africa, and was only the fourth central bank established outside the United Kingdom and Europe; the others being the Federal Reserve Bank of United States, Bank of Japan, and the Bank of Java. The SARB opened for business on 30 June 1921; while the first banknotes were issued to the public by the bank on 19 April 1922.

The primary object of the SARB is to protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic. While the SARB’s primary focus is on price stability, there is ongoing discussion about whether its mandate should be expanded to include other economic objectives like growth and development. The SARB is governed by a 14-member Board, with a governor, three Deputy Governors, three Directors appointed by the South African president, and seven Directors elected by shareholders, representing the major sector of the economy. Recall, that South Africa is a member of the G-20 and inter-continental economically integrated union called BRICS, and acronym for Brazil, Russia, India, China, and South Africa; and as such works closely with other members for the implementation of international best practices in financial and market regulations. Consequently, the SARB operates under a legal framework that emphasizes its independence in pursuing price stability, while also ensuring accountability and consultation. The legal framework aims to protect the SARB from undue political or other external influence, allowing it to make decisions based on economic considerations.

#### **3.4.3: The Bank of Ghana (BoG)**

The Bank of Ghana which is the central bank of Ghana was established on March 4 1957, just two days before the Ghana’s declaration of political independence. The British Parliament passed the Bank of Ghana’s Ordinance (No.34) of 1957 to make it official. Shortly after Ghana gained independence, it was tasked with managing the newly introduced Ghanaian currency, Cedi, by managing its stability both domestically and internationally, and also playing a crucial role in the nation’s monetary policy and financial system. Other

functions of the bank include formulations and implementations of monetary policy, regulating the banking and credit system, and managing Ghana's external financial services. The Bank of Ghana Act, 2002 (Act 612), as amended by the Bank of Ghana Act, 2016 (Act 918), currently governs the bank's operations. The primary objectives of the BoG as stipulated under section 3 of the Bank of Ghana Act 2016 (as amended) is to maintain general level of price stability. In addition to price stability, the Bank is enjoined to ensuring the efficient operation of the banking and credit system, and supporting overall economic growth. These objectives are crucial for a healthy and stable economy. To support economic growth, the BoG's policies and actions are intended to foster a favourable environment for economic growth. This can include measures to promote investment, encourage exports, and manage the money supply to support sustainable development. These objectives are interconnected. For instance, a stable price can encourage businesses to invest, which in turn lead to economic growth. Similarly, a sound banking and credit system is essential for channeling funds to productive sectors of the economy, and thereby contributing to economic growth and development.

#### 4. A LOOK AT CENTRAL BANK OF NIGERIA (CBN).

By Section 2 of the CBN (Amendment) Act 2007, the principal objects of the bank shall be to:“(a) ensure monetary and price stability, (b) issue legal tender in Nigeria, (c) maintain external reserves to safeguard the international value of the legal tender currency, (d), promote a sound financial system in Nigeria, and (e) act as banker and provide economic and financial advice to the federal government”.

It is obvious that the legal instrument establishing the central bank of Nigeria and its numerous amendments since the maiden Act, being the CBN Act of 1958 to the most recent, the CBN (Amendment) Act 2007 never mentioned economic growth or employment generation as part of its objects or functions. Thus, the CBN Act concentrates on monetary and price stability as well as other related and ancillary functions like control and supervision of banks and other non-banks financial institutions, printing and maintenance of the national currency, maintenance of external reserves, and acting as the banker and financial advisers to the Federal Republic of Nigeria. However, from the activities and operations of the CBN so far, the inclusions of the other macroeconomic developmental goals like that of economic growth and employment generation reflects as discretion of a particular management and Board of Directors governing the central bank at a particular point in time.

For instance, Onwudinjo (2022) captured the points vividly, as he decried the non-inclusion of the developmental functions in the CBN and other African central banks charter when he maintained that:

“in a developing country like Nigeria, the role of the central bank should go beyond mere monetary policy to providing stewardship to the entire economy. Thus, the CBN should not only target to maintain price stability, it must have development functions in other to grow the real sector, stimulate the investment and thus generate employment, and indirectly reduce poverty. Given the stage of African development, the Central banks in the continent must have development function as well. For instance, the Federal Reserve System in USA had to include the reduction of unemployment as part of its role. However, when Godwin Emeifele was appointment as the Governor of the central bank of Nigeria, he included job creation as one of the key objectives the Bank will pursue under his watch. Hence, the development function of the central bank is crucial if the continent must reverse the trend of underdevelopment”.

Thus, the integration of the developmental functions of the macroeconomics is a matter of choice and discretion of the management and Board of the central bank management in power in Nigeria; and thus, it not a rule, but rather discretion.

The first attempt to this fact in the last 20 years in Nigeria was during the era of Prof Charles Soludo as the governor of the central bank of Nigeria; when Soludo pursued Bank Consolidation exercise. At a Bankers' Committee meeting in Lagos, few weeks after taking over the saddle of the CBN as the governor, Prof Soludo announced the 13-point agenda designed to usher in a world class financial sector in Nigeria. Of all the 13 issues on the agenda, one stood out and that was banking consolidation aimed at increasing banks' capitalization from a paltry ₦2 billion to ₦25 billion within 18 months. By December 31, 2005, the number of banks dotting the sector has shrunked from 89 relatively weak banks to 25 stronger banks. This saw the emergence, for the very first time in Nigeria history of Mega banks. It also helped increase the total capitalization of banking sector from N315 billion in 2004 to N7.8 trillion in 2008. The number of bank branches also rose from 3,247 in 2004 to 5,247 in 2008. Presently, about 16 Nigerian banks are among the top 1,000 banks in the world; but there was none in 2004, while three of them are on Forbs list of exclusive 2,000 top global firms. Indeed, before Soludo's

tenure, foreign banks in Nigeria such as Citi bank saw themselves as the elite of the Nigerian financial sector. This does not only strengthen the Nigerian financial system, but created massive employments as well as contributed meaningfully to the real sector of the economy in the form of mobilization of massive resources and credits and financial instruments that did not only enhanced overall productivity, but also expanded employment opportunities in the economy.

After, the Soludo era, part of the policies pursued by Mallam Sanusi Lamido who succeeded Soludo as the governor of CBN was on the macroeconomic developmental objectives. Sanusi came out with several policies that would ensure access to long term finance at single digit interest rate for operators in the real sector of the Nigerian economy. To this end, the CBN under Sanusi launched a number of international funds which include the small and medium enterprises credit guarantee scheme (SMECGS), the commercial agricultural credit scheme (CACS), the refinancing and restructuring facility(RRF), and the power and airline intervention fund(PAIF). In view of this, the CBN under Sanusi was involved in many developmental roles geared towards revamping and growing the economy. They included the establishment of N200 billion SMECGS to provide credit to SMEs, the establishment of N200 billion CACS fund in collaboration with the federal ministry of finance and the ministry of water resources to finance agricultural value chain, the provision of N200 billion RRF, to create credit and support for the development of the real sector; and the establishment of N500 billion, PAIF, a facility for intervention in the debenture issued by the bank of industry. The CBN under that regime also came up with the initiative to float the Nigeria incentive-based risk sharing system for agricultural lending (NIRSAL). This was aimed at de-risking the sector by re-packaging agriculture to become a real business that could guarantee security, create employment, supply needed raw material to the industrial sector as well as serving as a rentable vehicle for wealth creation and conservation of foreign exchange. NIRSAL primary goal was to increase agricultural lending by 3.0 billion U.S dollars within 10 years. That was expected to increase total lending to agriculture from 1.4 percent to 7.0 percent of Nigeria's total bank lending. All these were expected to have multiplier effect on Nigerian economy through its positive impact on enhanced productivity in the real sector of the economy as well as the massive employment that will accompany the positive impact on the economy.

Coming to the era of Godwin Emefiele, who succeeded Mallam Sanusi Lamido, there were speculations that Emefiele just like Dr Joseph Sanusi who governed the CBN from 1999-2004 doesn't seem to be well grounded in macroeconomics issues. As one crucial factor to consider while assessing Emefiele's performance as the CBN governor is an evaluation of the country's output growth that came as a result of CBN activities under his watch. Macroeconomics has three major concerns for it; which included the increases in GDP and employment as well as prices and exchange rate stability. Many economists and economic analysts argued that CBN under Emefiele's watch did not manage these basic macroeconomics objectives satisfactorily. For instance, under Emefiele, the commercial banks became oligopolistic; and that together with the issue of recurring bad debts by the banks were blamed on the failure of corporate governance as well as breach of due diligence emanating from supervisory laxity not only on the part of the banks but also on the part of CBN. For instance, the Monetary Policy Committee (MPC) under Emefiele increased the Bank rate to 17.5% and above together with the Cash Reserve Ratio (CRR), whereas under Sanusi era the bank rate was about 13% or less. With this sustained increase, there was less money to lend out; while the increase skyrocketed. Since then in Nigeria, interest rate charged by the commercial banks to the private businesses is hovering in-between 20% to 30% and even more. This is not good for a growing economy like Nigeria, an economy that is supposed to be private sector driven. Business operators shouldn't be struggling with that kind of lending rate if businesses are to thrive, boost productive capacity and create jobs.

Dr Cardoso, the incumbent Governor of CBN was appointed as the apex bank governor on October 2023 to succeed Emefiele. Since then, the CBN under Cardoso is embarking on institutional reforms meant to support the aspirations of the Federal Republic of Nigeria under President Bola Ahmed Tinubu to hit a one (1) trillion naira USD economy by 2030. Among the reforms being embarked by the CBN under Governor Cardoso is recapitalization of Nigerian banks. This new recapitalization policy was made known to the public by the CBN Governor at the 58<sup>th</sup> Chartered Institute of Bankers of Nigeria (CIBN) dinner held in Lagos on November 2023. However, the formal policy pronouncement was made in a circular titled "Review of Minimum Capital Requirements for Commercial, Merchant, and Non-Interest Banks (CMNIBs) in Nigeria" dated March 2024. The CBN outlined the new capital requirements which vary by bank type and authorization. As shown in the policy document, the new capital requirement for international commercial banks in Nigeria is now 500 billion naira from previous 50 billion naira; National banks will now be capitalized with the minimum of 200 billion naira from the previous 25 billion naira; while for regional banks, it will now be 50 billion naira as against 10 billion. On the other hand, the merchant banks in Nigeria is now N 50 billion from 15 billion, while the Non-Interest

Banks (National) is N20 billion from N10 billion, and Non-Interest Bank (Regional) is now N10 billion from previously N5 billion. The CBN has mandated March 2026 as the deadline for the recapitalization exercise in order to strengthen the Nigerian Financial System amidst challenges. Thus, this particular reform is a work in progress.

## 5. CONCLUSION

The primary function of the central bank monetary policy is the maintenance of price and monetary stability; however, most central banks of the advanced nations are going beyond the price stability function to include job creation and sustainable real GDP in their central bank monetary policy functions. Even though, most economists agree that predictable and gently rising price level provides one of the best climate for healthy economic growth; however, in order to forecast prices and monetary growth properly in micro and macro markets of every capitalist economy, one must first master the analysis of the demand and supply. Thus, the central bank of Nigeria monetary policy should go beyond mere price and monetary stability and implement monetary and financial policies that will engender real growth in the economy and save the country from jobless growth and over 70 percent poverty rate. This discovery and appreciation, if properly applied of can reduce business cycle volatility and led to the economic moderation in the country.

As findings revealed that the CBN is over-focused on fighting inflation for a long time at the detriment of job creation and economic growth, thinking that growth and employment generation should emanate from the fiscal side; it is also recommended that in a developing country like Nigeria, the role of the central bank should go beyond mere monetary policy to providing stewardship to the entire economy. Thus, the CBN should not only target to maintain price stability, it must have development functions in order to grow the real sector, stimulate the investment and thus generate employment, and indirectly reduce poverty.

Again, that the African Central banks should emulate their counterparts like the Federal Reserve System, Bank of England and even the European Central Bank that included employment generation as well as increase in real GDP as part of their roles. Thus, the central bank in Africa need to address the issue of investment climate as well as the issue of the welfare of the citizens, vis-a-vis their economic and demographic settings, as well as the foundation that was laid for economic reform in the various countries. For instance, the high lending rate in Nigeria and Africa does not favor the real sector, and this may be responsible for the paradoxes in African economy like: Growth without development; disparity between economic growth and standard of living of the people etc. Thus, the central banks in Africa should think outside their box to bring down the lending rates to single digit, as this will help to revive the almost comatose real rector in some of the countries in the continent, thereby creating jobs for the people and enhancing overall productivity in the region.

Specifically, Nigerian economy has always been plagued with the paradox of jobless-growth; a situation partly responsible for the high poverty level in the country. The apex bank should implement policies that would boost the economy as the state of the economy is predicated on how well the monetary policies of the central bank are implemented. The apex bank of Nigeria is thus charged with the task of stimulating the economy from poverty to income and employment generation. Thus, it is further recommended that the CBN Act of 2007 should further be amended as to include economic growth and unemployment generation among the objectives of the apex bank, whereas even before the recommended amendment, it is further suggested that the activities of the CBN should incorporate employment generation, and rapid economic growth as part of the monetary policy directions of the central bank of Nigeria. Thus, CBN must introduce growth, to its function and work for a balanced monetary policy that can curb inflation and at the same time support growth.

Finally, there is need for proper coordination between the monetary and fiscal authorities in Nigeria. So, that whenever the CBN does its bit; what then is remaining is a complementary and accommodating fiscal policy that would ensure sustained growth and inclusive development in the economy. Fiscal policy is a complement, and not a substitute to a monetary policy; and every economy needs both at every point in time. Thus, this paper ends by calling for a stronger monetary-fiscal realignment.

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