Twitter Thread by Alberto Bagnai

Alberto Bagnai
@AlbertoBagnai

The assumption that public consumption is not expansionary is amateurish. A simple counterexample: wages in public education sector, i.e. INVESTMENT IN HUMAN CAPITAL, are classified as public “consumption”.

> Italy\u2019s first priority must be growth and employment - not fiscal consolidation per se. A fiscal stimulus might be helpful, IF spending is focused on those objectives, and not on public consumption. #in /1
>
> https://t.co/zLDWBlF96U via @financialtimes
>
> — Marcel Fratzscher (@MFratzscher) October 19, 2018

This simple accounting fact, routinely ignored in the debate, contributes to the explanation of these apparently “counterintuitive” results: https://t.co/ARDBbYvSiS

Another point is that, regardless of what most pre-Keynesian economists believe, demand and supply are NOT two distinct and separate worlds. Demand feeds back into supply, with some consequences: https://t.co/ne0fb6umev