Twitter Thread by geoff tily



geoff tily
@geofftily

the absence of private demand makes government expenditure necessary. It repays itself by creating a stronger economy than would have otherwise been the case. For me that is the macro - non-household budget - reasoning. (1/13ish)

> I\u2019m not clear what you are arguing about the rate of interest\u2014you only mention it in passing here?
>
> — Jo Michell (@JoMichelI) December 3, 2020

Making G contingent on a ultra low government rate of interest (ULGROI) seems household budget thinking: lower expenditure on interest payments is being portrayed as permitting the higher expenditure on G. (2/13)

All fine that this is permitting those who think in a household budget way (OBR, IFS etc) to support spending (or rather not prescribe austerity) but it is not the macro of the situation. (3/13)

As an aside I'd rather call out the household budget mob for prescribing austerity last time, not least in the week that the OECD publicly acknowledged austerity was overdone. Parotting their present argument seems to let them off the hook. (4/13)

As you know the low rate of interest - in advanced economies on government debt - is not a matter of chance but a consequence of a decade of reliance on QE and a wider global retreat from risk. (5/13)

QE can fund the spending irrespective of the rate of interest. Though it seems more likely that the dominant factor in the present ultra low rate of interest is that the massive necessary spending is near overfunded by QE (i dont have the exact numbers to hand). (6/13)

I don't know if this is desirable and the ultra low rate sensible. (7/14)

For one when central banks reign in QE, rates will start to rise and fiscal hawks will call a halt (and of course there are already steps in this direction, eg (8/13) https://t.co/waPYsjn2pc

your call for yield curve control gets round this, and would provide a more concrete basis for policy towards the long term rate. And would better align fiscal and monetary policy, likely taking back some initiative from the BoE (9/13)

But on top of this we have the wider questions about risk. As others have argued the complex interplay between ultra low government rates + QE is (or has been) fostering investment in riskier assets on a global basis. (10/13)

This is likely yet another - very big - bubble, and indicative of a wider global disarray - rooted in the underlying demand for high returns that has characterised global rentier capitalism for four decades - and this is far from resolved. (11/13)

Rather than celebrating the ultra low rate at home we should be regarding it as symptomatic of this disarray and be addressing the system as a whole. I regard dear money from the 1980s as fundamental to this disarray, but I hope you know that. (12/13)

Hence the linked piece yesterday, tho admittedly the relation was likely not obvious (am lazy on twitter). Hope clarified. Would like to debate properly. (13/13 - yay!)
https://t.co/J5ZKRi3wYZ