Twitter Thread by Alessandro Bonetti



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PUBLIC DEBT HYSTERIA IN ITALY ■■

Each passing day, I'm more and more astounded at the hysteria surrounding public debt in Italy. This hysteria has country-specific peculiarities. In Italy it's somehow different from the US, the UK or Germany. 1/18

This hysteria is due not only to ideology, but also to provincialism, pusillanimity, rancor towards the State and disregard for legitimate national interest. Let's analyse these issues. 2/18

IDEOLOGY. The Italian free-marketers ("liberisti all'amatriciana") are often a parody of their American and British counterparts. They seem to lack (or pretend to lack) basic understanding of the functioning of government bonds. 3/18

There's no such thing as a free market of government bonds. Or better: a free mkt of gov't bonds can exist only in a monetary union where the central bank doesn't guarantee that single national governments will not fail. We've seen the negative effects of such architecture. 4/18

However, thanks to PEPP, the @ecb implicitly prevents governments' failure. At least for the moment.
This means that the mkt for gov't bonds is controlled by a public authority:it's what usually occurs(and should occur) in every well-functioning modern economy(and democracy) 5/18

Italian free-marketers seem unable to grasp this. Being the mainstream in Italian media, academia and public debate, they deeply influence with their opinions the ideas of common people.
"Public debt is bad! It needs to be repaid! It's a burden on future generations!" FALSE
6/18

PROVINCIALISM. Italian free-marketers claim to be cosmopolitan and well-traveled, but they are filled with provincialism. They don't recognize that public debt hysteria is being abandoned in most foreign countries. 7/18

This international cultural shift has been happening for some years. Just try and listen to the likes of @ojblanchard1, Paul Sheard or even Warren Buffett!
Blanchard: https://t.co/XlmW8kdJ70
Sheard: https://t.co/cAuYmyY0A4
Buffett: https://t.co/9WgTO7HVPX 8/18

This shift has intensified during this crisis: https://t.co/2rrlnn61SO 9/18

Reasoning about g>r is not the purpose of this thread. What I want to stress here is that many are *discussing* about public debt and don't blindly believe anymore in Reinhart&Rogoffology. 10/18

PUSILLANIMITY. Abandoning outdated beliefs on public debt requires courage and intellectual independence. True, it is hard to repudiate what they taught you from the first undergrad microeconomics course. But Dante would have slammed these timid compatriots of his. 11/18

RANCOR TOWARDS THE STATE. The obsession with public debt in Italy is often the result of "hatred" or rancor towards Italian State, usually depicted as the main responsible for the Italian economic decline. 12/18

However, as @heimbergecon has clearly explained, the Italian government has never overspent at least for the last 30 years. If anything, it has underspent. 13/18
https://t.co/BHdDT1d8oC

> Politicians, economists and the media have been using distorted images of Italy and the Italian economy. How do we reduce these distortions? Niki Kowall and I make an attempt by writing about seven ("surprising") facts about Italy's economy. A thread: /1https://t.co/45xCF4xmVh pic.twitter.com/izjOGGIaOE
>
> — Philipp Heimberger (@heimbergecon) June 25, 2020

DISREGARD FOR NATIONAL INTEREST. Many Italian economists, policy-makers and intellectuals simply don't care about Italy and their fellow citizens. Their neglect for legitimate national interest is absurd. 14/18

@EuroBriefing has often underlined this. 15/18
https://t.co/ObFrc8JN6k

> Italy has a long record of accepting EU laws against its national interest, like fiscal compact. Now it opposes a good reform - the ESM backstop to the resolution fund. - https://t.co/VKWTz4IeXi
>
> — Wolfgang Munchau (@EuroBriefing) December 5, 2019

The neglect by many Italians for national interest leads them to see public debt and deficit spending as useless or even dangerous. They don't recognise them as means to promote full employment and economic prosperity at home, which would make their country stronger abroad 16/18

So, to understand the attitude towards public debt in ■■, one should take into account these issues:
-ideology
-provincialism
-pusillanimity
-rancor towards the State
-disregard for legitimate national interest
They all count. They all need to be addressed. 17/18

To conclude, claiming that obsession with public debt is outdated is not the result of a particular theory.
"After all, this is only the plainest common sense", to quote Keynes. 18/18