Preface

This book is about public debt within democratic political systems. A reader might reasonably wonder why we are adding yet another book to the high pile of volumes on public debt, fiscal crisis and related matters that have been written in recent years. Our answer is that most of those other books have significant flaws, and that our analysis corrects those flaws. Those flaws are of two types, both of which entail mythical or magical types of thinking that we replace with realistic thinking. It is pure illusion to treat a democratic regime as being indebted. Furthermore, it is pure mythology to treat so-called fiscal policy as the means by which governments manipulate public debt to promote systemic stability. These two flaws reflect a failure by economists to recognize the categorical distinction between democratic and monarchical regimes. Monarchies can be meaningfully indebted. Democracies cannot. Within a democracy, some people can impose debts on other people and describe the outcome as public debt. This common description, however, is but a piece of ideological mythology that promotes the interests of people who perceive that they gain from an expansion in public debt.

This book is an essay in deconstruction, the point of which is to explain how it is that concepts of public debt that are relevant for monarchical regimes are not relevant for democratic ones. This book explores these two types of flaw and sets forth an alternative orientation toward public debt within a democratic system of political economy. While our analysis incorporates several analytical tools not found in other works on political economy and public debt, it also recurs to some significant, mainly Italian forerunners. For one thing, our distinction between mythical and realistic thinking recurs to James Burnham’s (1943) examination of several seminal thinkers in The Machiavellians. Those thinkers started with Niccolò Machiavelli and included such Italian thinkers from the early-twentieth century as Gaetano Mosca, Roberto Michels and Vilfredo Pareto, all of whom treated politics realistically as a struggle for power, in contrast to treating politics idealistically and mythically as promoting some abstract notion of universal interest. In addition to the authors Burnham examined, we give special attention to some Italian theorists of public finance from the late-nineteenth and early-twentieth centuries, particularly...
Antonio de Viti de Marco. De Viti in particular set forth a framework for political economy and public debt that avoided the flaws that have infected contemporary thinking about public debt and political economy. Indeed, this book mostly entails revisiting de Viti’s body of work while integrating some contemporary analytical contributions and formulations into de Viti’s analytical framework. What results is the different understanding of public debt and political economy that we set forth here.

We develop our analysis in six chapters. Chapter 1 presents the conventional macro-theoretic framework within which fiscal policy and public debt is typically presented. There are significant points of controversy among macro-theorists, as illustrated by controversy among Keynesians and monetarists. All the same, those theorists all work within the same framework of aggregative economics to develop their claims about macroeconomic guidance. Chapter 2 explores questions regarding just who it is that supplies the macro guidance that is envisioned in the macro-theories. The answer to this question is highly relevant for a political economy of public debt. At one analytical extreme, guidance is provided by some anointed individual, perhaps a macro czar. At the other extreme, ‘the people’ provide guidance as a democratic platitude. In between those extremes lie the Machiavellian-inspired theories where the few dominate and guide the many. Chapter 3 asks the reader to think about whether an aggregate economy is better construed as an engine or as an ecological system. By treating it as an engine, economists can pretend to be mechanics. Once an economy is recognized to be a complex ecological system, the mythology of global governance gives way to the reality of multiple sources of local governance. For democracies there is no person who can reasonably be described as making choices for the regime. Instead, choices emerge out of processes of interaction among collections of people.

Chapter 4 establishes an analytical benchmark of a democratic system in which political outcomes reflect genuine consensus among the participants. This traces to de Viti, and should be regarded as a benchmark or basing point and not a description of reality. De Viti recognized that democratic regimes were not passive reflectors of individual preference orderings because they entailed relationships of domination and subordination. Chapter 5 thus moves from the benchmark condition of a cooperative democracy to a realistic treatment of democracy where there exist islands of political power within a relatively passive sea of generally modest democratic participation. This chapter explains that descriptions of democracy as entailing self-governance are typically mythical or ideological formulations that promote the purposes of those who work with such notions. Chapter 6 closes the book by exploring how public debt is a troubling practice for republican and democratic regimes because of
its ability to corrupt the language and practice of political economy. For instance, the idea of contract is a perfectly good and sensible concept to apply to the private ordering of economic interaction. When that term is extended to public ordering outside the hypothetical construction of a cooperative state, it becomes a piece of ideology that obscures the role of public debt in promoting the interests of politically dominant groups within society. This chapter concludes by giving brief consideration to some implications of our analysis for democratic reform, though our primary interest in this book lies in analysis and not in reform.