

Public Debt and Monetary Stability

Gordon L. Brady

Published online: 4 February 2015
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The plenary session consisted of four papers presented by Professors Jesús Huerta De Soto, Angelo Santagostino, Francesco Forte, and Dr. Gordon L. Brady. Professor Jesús Huerta de Soto Ballester is Professor of Political Economy at the Universidad Rey Juan Carlos in Madrid. He is also a Senior Fellow at the Ludwig von Mises Institute and member of the Mont Pelerin Society. His education includes a BA in economics (1978) and PhD in economics (1992) from the Universidad Complutense de Madrid. Professor De Soto is a major contributor to the Austrian school of economics and for his political commentary. He has been described as:

- “[O]ne of the great contemporary champions of the Austrian School of Economics. He has been a tireless advocate for the methodological, analytical, and ideological importance of the writings of Mises, Hayek, Rothbard, and Kirzner” (Boettke et al. 2010).
- “[. . .] a thoroughly inspiring man with the most exceptional intellect and passion for society” (Baker 2010).

His masterpiece *Money Bank Credit and Economic Cycles* (1998) focuses on the origins of the business cycle, identifies flaws in the monetary system and bank credit, and proposes major bank reforms. Professor De Soto also edited the seven volume Spanish language version of *The Collected Works of F.A. Hayek*, University of Chicago Press. He serves on the editorial board of *Quarterly Journal of Austrian Economics*, the advisory board of the Acton Institute, and the board of the Ludwig von Mises Institute. He is formerly distinguished Hayek Visiting Fellow at the London School of Economics.

In his paper entitled, “An Austrian Defense of the Euro and the Current Anti-deflationist Paranoia,” Professor De Soto argues that economists of the Austrian School are supporters of the gold standard because it serves to restrict arbitrary policies of governments and unprincipled rulers. He sees additional social benefits in that the gold

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standard augments transparency and truth in social relations. He argues the Euro has acted similarly to the gold standard and for this reason should be considered a proxy for the gold standard. The paper also discusses the anti-Euro coalition, analyzes fatal errors of Europe as well as the fatal error of the European Central Bank.

Professor Angelo Santagostino's paper is entitled "Einaudi, EU competencies, fiscal policy and the missing Maastricht criteria. He is Jean Monnet Professor of European Economic Integration at the Yildirim Beyazit University of Ankara, Turkey. Since 1997 he has held Jean Monnet professorships at several universities. Prior to the University of Ankara, he held the Jean Monnet chair at the University of Brescia in Italy. He has also taught at several European and Latin American universities. He was elected to the Mont Pelerin Society in 2012. Professor Santagostino's research combines liberal economic thought with the European perspective and traces the European integration process to its roots in classical liberal economic doctrine. He views European integration as having been successful when adopting classical liberal policies such as the single market and the monetary union. However, it has been unsuccessful when not based on classical liberal doctrine. He cites the EU's Common Agricultural Policy as an example of the latter and having produced widespread damages.

Professor Santagostino's paper entitled, "Einaudi, EU Competencies, Fiscal Policy, and the Missing Maastricht" paper examines European competences and argues that the list provided by Einaudi still holds true and does not need to be stretched. He next outlines Einaudi's proposals concerning taxes to be levied by the European Federation and his balanced budget principles. He concludes that the negotiators of the Maastricht treaty neglected the criterion that is indispensable for taming the Leviathan and reducing the size and scope of government.

Professor Francesco Forte's jointly-authored paper is titled, "On the Long-Run Negative Effects of Public Deficit on Unemployment and the Need for a Fiscal Constitution: An Empirical Study of OECD Countries (1980–2009)." Professor Forte is currently professor emeritus of Economics at Sapienza University of Roma. This being said, he is anything but retired. He continues to research and write with boundless energy to inform and shape public opinion through his professional writing, editorials, and commentaries about the economic and policy issues which confront Italy, Europe, and the world. In addition to his academic work he is senior editorial writer on economic matters and policy issues for *Il Foglio* and *Il Giornale*.

Professor Forte has written over thirty books and published more than 300 articles in both Italian and English. He has served in senior political and academic positions in Europe, the United States, and Africa (High Commission for Aid to Less Developed Countries, Italian Government 1985–1987).

Professor Forte holds a doctorate in Finance from the University of Pavia where he served as professor at the age of 22. He wrote under Benvenuto Griziotti (1884–1956) who was widely known as the father of Italian public finance. He has held many professorial positions including at the Law School, University of Milan; Economics Department, University of Urbino; Economics Department, University of Virginia; Public Finance (successor in the chair of Luigi Einaudi) and Law and Political Science School, University of Torino; Brookings Institution, Washington DC; University of California, Los Angeles; the International Monetary Fund; Sapienza University of Rome; Mediterranean University, Reggio Calabria, and Law School, University of Rome. He has held a number of executive positions including Eni S.p.A. vice president

and later president of the Eni's textile group. His public sector experience includes serving on many committees of the European Economic Community, the government of Italy, and major United Nations positions too numerous to mention.

Professor Forte has been a member of the Italian Chamber of Deputies; President of the Industry and Trade Committee, Chamber of Deputies; Minister of Finance, government of Amintore Fanfani (1983); and Senator, Italian Parliament from 1987 to 1994. He served as chair of the Finance and Treasury Committee of the Senate from 1992 to 1994. He was advisor to the Forza Italia (headed by Silvio Berlusconi) from 1996 to 2007. He continues as advisor to the Parliamentary Group of the People of Freedom (the party that replaced Forza Italia) and National Alliance, headed by Silvio Berlusconi, former premier of Italy.

Professor Forte has received many honors including: Honorary Doctorate, Buckingham University UK; Past President, International Atlantic Economic Society; Past President, Italian Society of Economics, Demography, and Statistics; Past President, European Public Choice Society; Honorary President, International Institute of Public Finance; and Past President, Italian Society of Public Economics.

In their paper, Forte, Fedelli, and Ricchi focus on the European Union fiscal compact as a set of fiscal rules requiring budget balance in the EU to limit the growth of the debt to gross domestic product (GDP) ratio. Forte, Fedelli, and Ricchi test the proposition that budget balance rules have an adverse effect on employment in the long run. They use panel data for 22 OECD countries (1980-2009) to examine the relationship between the Non-Accelerating Inflation Rate of Unemployment (NAIRU) as dependent variable, underlying net lending of government as a percentage of potential GDP (UNLG/potential GDP), and general government total receipts as a percentage of GDP. They find that the ratio of UNLG to potential GDP may be relevant in increasing the NAIRU in the long run, even if the inverse relationship is also true. In the short term they found no significant effect of these variables. They conclude that a simple balanced budget rule in the absence of rules on tax burden might damage the long-run employment level. They call for additional examination of the exogenous causes of a high NAIRU and the potential impact on the budget deficit.

Dr. Gordon L. Brady's paper is entitled, *Austerity in the European Union: Keynesian Stimulus Versus Fiscal Consolidation*. He has held a number of senior academic and political appointments. He studied public choice and law and economics under Gordon Tullock, James Buchanan, and Charles Goetz at Virginia Tech, and Guido Calabresi at Yale Law School. His professional training includes Masters in Law at Yale Law School, Ph.D. and MA in Economics at Virginia Tech; MA in Economics at the University of North Carolina in Greensboro and a BA in Economics at the University of North Carolina at the Chapel Hill. He has published three books and over 70 articles in refereed journals in public choice, law and economics as well as such topics as climate change legislation, monetary and fiscal policy, and budget and fiscal consolidation issues.

Dr. Brady held senior political appointments in the Carter, Reagan, George W. Bush, and Clinton administrations. These included Brookings Economic Policy Fellow at the Council on Environmental Quality; Chief Economist, National Commission on Air Quality; Senior Economic Policy Advisor at President Reagan's Council on Environmental Quality; Senior Staff Assistant to the Administrator of the Energy Information Administration, and Senior Advisor for Environmental Economics at the US State Department., and Member, Mid-Atlantic Fisheries Management Commission. His

academic and research appointments include Ford Foundation Fellow; Rockefeller Post-doctoral Fellow at the Law and Economics Center, University of Miami Law School; Brookings Economic Policy Fellow at the President's Council on Environmental Quality; Research Fellow, Yale Law School; Senior Research Fellow at George Mason University's Public Choice Center; Director of the Law and Economics Center at GMU Law School, Associate Prof and Director of Environmental Studies at Sweet Briar College, Wayne D. Angell Distinguished Professor in Economics, Ottawa University, and Senior Economist at the Joint Economic Committee of the U.S. Senate.

He serves on the Board of Trustees of the James Monroe Foundation and is a member of the Executive Committee of the International Atlantic Economic Society. He is a member of the Mont Pelerin Society and the Cosmos Club of Washington, DC. He was co-founder (with Gordon Tullock) of the Henry Simons Society, a dinner and discussion group in Washington, DC.

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