

## Get Over That 1920s Thing\*

**Fabio Ghironi**†

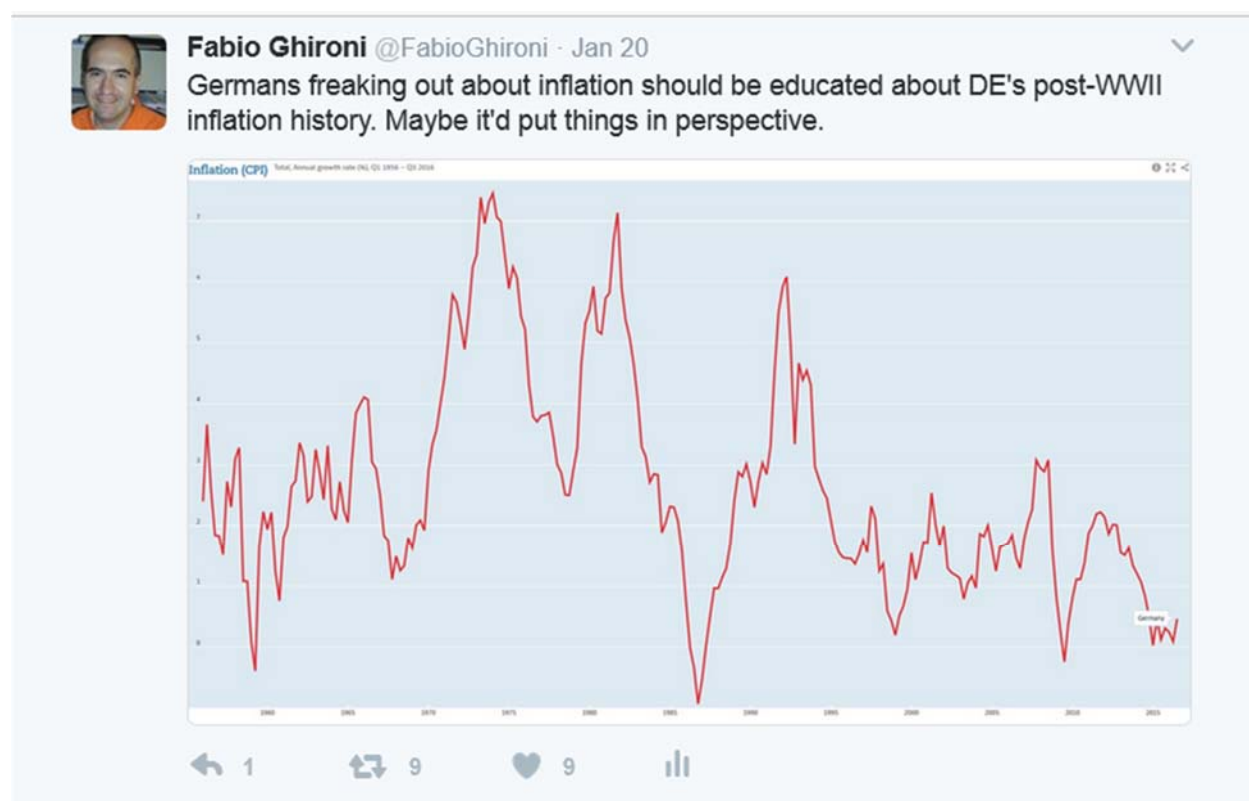
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January 22, 2017

I posted a tweetstorm on German inflation and policy cooperation in the euro area today. It expanded and clarified thoughts from a mini-storm I tweeted on January 20.

In case you are interested, here are the January 20 tweets:



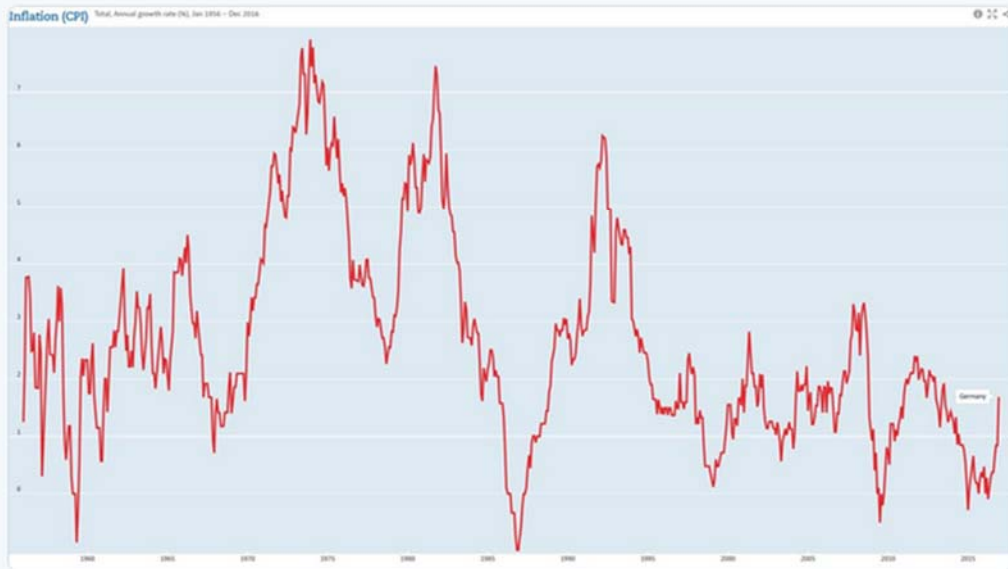
\* The views in this note are personal and do not reflect the views or policies of the CEPR, NBER, and the Central Bank Research Association.

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**Fabio Ghironi** @FabioGhironi · Jan 20

Even the uptick using monthly data doesn't look such a big deal. (Source: OECD.)



2 1



**Fabio Ghironi** @FabioGhironi · Jan 20

Instead, even people who should know better continue to stoke the "OMG-we'll-be-back-in-the-20s" psychosis with silly tweets, articles, etc.

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**Fabio Ghironi** @FabioGhironi · Jan 20

I'm all for remembering history, but, dear German friends, it's time for you to get over that 1920's stuff.

1 1 1



**Fabio Ghironi** @FabioGhironi · Jan 20

Otherwise it just seems you are using it strategically to perpetuate a policy balance that has hardly been successful for Europe.

1 1 1



**Fabio Ghironi**

@FabioGhironi

And that sucks. In many ways.

And here is today's storm:



The image shows a screenshot of a Twitter thread consisting of seven tweets by Fabio Ghironi (@FabioGhironi). Each tweet includes a profile picture, the user's name and handle, a timestamp, the text of the tweet, and icons for replies, retweets, and likes. The tweets discuss German inflation, the ECB's target, and international cooperation.

**Fabio Ghironi** @FabioGhironi · 15m  
I'm going to return to the topic of German inflation to expand and clarify some thoughts.

**Fabio Ghironi** @FabioGhironi · 14m  
So, many Germans are freaking out because inflation in Germany "jumped" to 1.7%.

**Fabio Ghironi** @FabioGhironi · 13m  
German friends: that's \*low\* inflation. The ECB's target is that inflation should be close to, but below, 2%.

**Fabio Ghironi** @FabioGhironi · 13m  
Even if the ECB were targeting just your precious German inflation (which it is not), well... at 1.7%, it would just be approaching target.

**Fabio Ghironi** @FabioGhironi · 12m  
(Let's leave aside the fact that the asymmetry of that close-to-but-below-2% target is its own problem.)

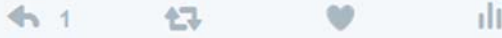
**Fabio Ghironi** @FabioGhironi · 11m  
And German inflation being a bit higher than in some other euro area countries is no good reason for shrill complaints either.

**Fabio Ghironi** @FabioGhironi · 11m  
It's called intl cooperation: It's cooperatively optimal in certain situations for some countries to have higher inflation than others



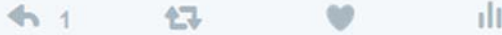
**Fabio Ghironi** @FabioGhironi · 10m

Euro area imbalances make it pretty clear that we are in one of those situations. We have been for quite some time.



**Fabio Ghironi** @FabioGhironi · 9m

And guess what: Cooperation (maximizing \*joint\* well-being) means that now it's \*optimal\* that your inflation is a bit higher than elsewhere



**Fabio Ghironi** @FabioGhironi · 9m

(I realize this is news for many of you: Cooperation does \*not\* mean always doing what you'd want, i.e., just maximizing \*your\* well-being)



**Fabio Ghironi** @FabioGhironi · 8m

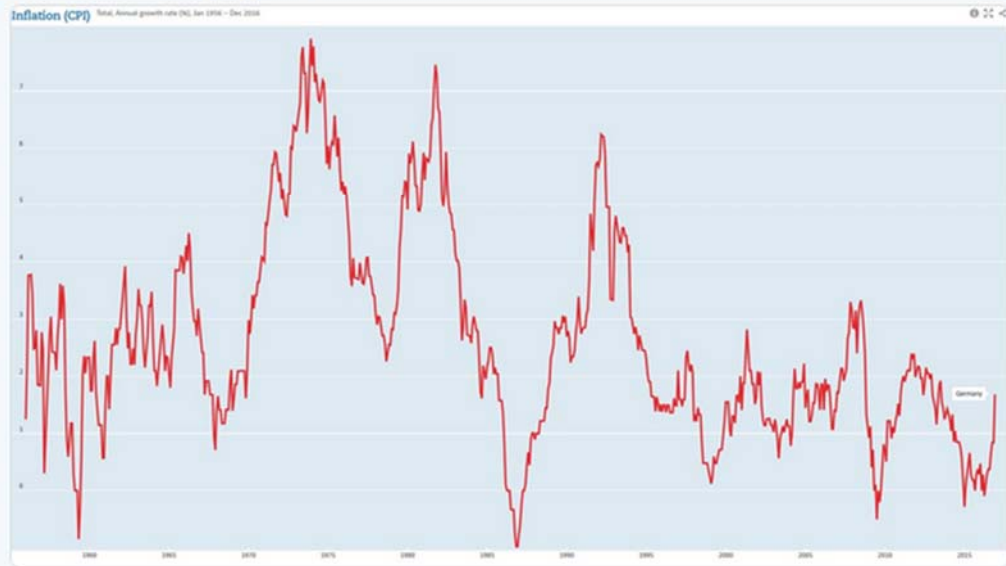
(BTW, cooperation would also call for more expansionary fiscal policy in Germany than elsewhere in the euro area...)





**Fabio Ghironi** @FabioGhironi · 7m

Besides all this, take a look at the diagram below. Does current German inflation seem historically high to you?



1 reply, 1 retweet, 1 like, 1 view



**Fabio Ghironi** @FabioGhironi · 6m

So, get over the 1920s paranoia and quit whining. It's really gotten annoying.

1 reply, 1 retweet, 1 like, 1 view



**Fabio Ghironi** @FabioGhironi · 6m

Especially when it comes from people who should know better, and who \*should be explaining these things to BILD readers\*.

1 reply, 1 retweet, 1 like, 1 view



**Fabio Ghironi** @FabioGhironi · 5m

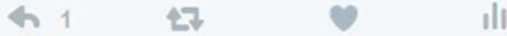
And if it's annoying for a pro-euro, pro-trade, pro-mkt flexibility guy like me...

1 reply, 1 retweet, 1 like, 1 view



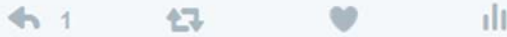
**Fabio Ghironi** @FabioGhironi · 4m

imagine how it sounds to the many who are less inclined to value European integration these days. (There are elections outside Germany too.)



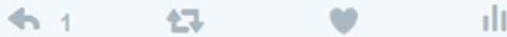
**Fabio Ghironi** @FabioGhironi · 3m

As @AdamPosen notes, your awful experience with hyperinflation in the 1920s is not going to come back: [americanacademy.de/home/program/p...](http://americanacademy.de/home/program/p...)



**Fabio Ghironi** @FabioGhironi · 2m

But continuing with your inflation+austerity-paranoia policy approach is best way I can think of to bring back other 1920s-1930s stuff.



**Fabio Ghironi** @FabioGhironi · 2m

Stuff that's even uglier than high inflation.



**Fabio Ghironi**

@FabioGhironi

Perhaps you & my German colleagues who stoke your fear of inflation to perpetuate that policy approach should consider that.

1:21 PM - 22 Jan 2017

