

Modern Monetary Theory - Week 1

James E Keenan
lerner.minsky@gmail.com
irc.freenode.net: #mmt: kid51

Henry George School of Social Science
November 9 2020

Press N for the next page, B for back.

What Is Modern Monetary Theory?

- We'll answer that in the next five weeks
 - But first, a charming story
-

Once Upon a Time ...

- There was a hedge fund guy named Warren Mosler



Warren Mosler and His Children

- Mosler who wanted his children to do chores around the house

continued...

Warren Mosler and His Children

- Mosler who wanted his children to do chores around the house
- As an incentive, he offered them business cards when chores were done

continued...

Warren Mosler and His Children

- Mosler who wanted his children to do chores around the house
 - As an incentive, he offered them business cards when chores were done
 - His children ignored him at first
 - They had no use for his business cards
-

Daddy Responds

- But Daddy was in charge
 - In that house, he was the sovereign

continued...

Daddy Responds

- But Daddy was in charge
 - In that house, he was the sovereign
- Daddy imposed a tax, payable in his business cards

continued...

Daddy Responds

- But Daddy was in charge
 - In that house, he was the sovereign
 - Daddy imposed a tax, payable in his business cards
 - Without chores, no business cards
 - Without business cards, no way to pay taxes
 - Without taxes, kids grounded
-

The Children Ponder Their Situation

- Did the tasks, were rewarded with business cards
 - Saturday was tax day
 - But they had business cards left over after paying the tax
 - Used them to trade among themselves
 - Daddy tore up business cards after receiving them as taxes
 - Issued new cards each week
-

How the Story Ended

- The kids grew up and lived happily ever after

continued...

How the Story Ended

- The kids grew up and lived happily ever after
- Daddy went long on the Italian lira ...

continued...

How the Story Ended

- The kids grew up and lived happily ever after
- Daddy went long on the Italian lira ...
 - ... made a boatload of money

continued...

How the Story Ended

- The kids grew up and lived happily ever after
- Daddy went long on the Italian lira ...
 - ... made a boatload of money
 - ... invented Modern Monetary Theory (MMT)

continued...

How the Story Ended

- The kids grew up and lived happily ever after
 - Daddy went long on the Italian lira ...
 - ... made a boatload of money
 - ... invented Modern Monetary Theory (MMT)
 - ... eventually retired to the Virgin Islands
-

November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

And Now, Back to Our Regularly Scheduled Presentation

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

What Is Modern Monetary Theory?

- Better described as: "Modern Money Theory"
 - Heterodox school of macroeconomic thought which asks:
 - To what degree is your country monetarily sovereign?
 - How does that impact the economic policies your country is able to pursue?
-

What Is a "Monetarily Sovereign Nation"?

- Issues its own currency
 - Does not peg currency's value to precious metal or any other currency
 - Does not take on debt in any other currency
-

Which Countries Are Monetarily Sovereign -- and Which Are Not?

- Sovereign: U.S., Canada, Australia, U.K., Japan
 - Not: Eurozone countries (Germany, France, Italy, Greece, etc.)
 - Not: CFA countries (Senegal, Ivory Coast, etc.)
-

Why Is Monetary Sovereignty Important?

- Shapes how governments can respond to crises
-

"We Just Don't Have the Money!"

- What politicians, economists, pundits say when government action is needed

continued...

"We Just Don't Have the Money!"

- What politicians, economists, pundits say when government action is needed
 - At end of course, you will be able to reject this as `false`
-

November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

Can We Go Have Dinner Now?

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

What Will We Learn (1): Myth Busting

- We'll bust some myths, including as presented in Stephanie Kelton's new book:

The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy

'The tools we desperately need to build a safe future for all.
Read it - then put it to use' NAOMI KLEIN

The
**DEFICIT
MYTH**



*Modern Monetary Theory and
How to Build a Better Economy*

**STEPHANIE
KELTON**

The Deficit Myths

- `Myth`: The federal budget should budget like a household

continued...

The Deficit Myths

- `Myth`: The federal budget should budget like a household
- `Myth`: Federal government deficits are evidence of overspending

continued...

The Deficit Myths

- Myth: The federal budget should budget like a household
- Myth: Federal government deficits are evidence of overspending
- Myth: Federal government deficit spending will burden the next generation

continued...

The Deficit Myths

- Myth: The federal budget should budget like a household
- Myth: Federal government deficits are evidence of overspending
- Myth: Federal government deficit spending will burden the next generation
- Myth: Deficit spending will crowd out private investment and limit long-term growth

continued...

The Deficit Myths

- Myth: The federal budget should budget like a household
- Myth: Federal government deficits are evidence of overspending
- Myth: Federal government deficit spending will burden the next generation
- Myth: Deficit spending will crowd out private investment and limit long-term growth
- Myth: Deficit spending will make the U.S. dependent upon foreigners

continued...

The Deficit Myths

- **Myth:** The federal budget should budget like a household
 - **Myth:** Federal government deficits are evidence of overspending
 - **Myth:** Federal government deficit spending will burden the next generation
 - **Myth:** Deficit spending will crowd out private investment and limit long-term growth
 - **Myth:** Deficit spending will make the U.S. dependent upon foreigners
 - **Myth:** Entitlement spending poses a long-term fiscal crisis
-

What Will We Learn (2)

- U.S. government does not need to raise taxes or borrow before spending money

continued...

What Will We Learn (2)

- U.S. government does not need to raise taxes or borrow before spending money
- U.S. federal government needs to spend before people can pay taxes to the federal government
 - Spending precedes taxation

continued...

What Will We Learn (2)

- U.S. government does not need to raise taxes or borrow before spending money
- U.S. federal government needs to spend before people can pay taxes to the federal government
 - Spending precedes taxation
- U.S. government needs to spend before people can lend money to the government by buying Treasury bonds
 - Spending precedes borrowing

continued...

What Will We Learn (2)

- U.S. government does not need to raise taxes or borrow before spending money
 - U.S. federal government needs to spend before people can pay taxes to the federal government
 - Spending precedes taxation
 - U.S. government needs to spend before people can lend money to the government by buying Treasury bonds
 - Spending precedes borrowing
 - Taxation drives the currency
-

What Will We Learn? (3)

- Given: non-government sector (households and firms) tends to not spend all its income ...
 - Government sector must run a budget deficit

continued...

What Will We Learn? (3)

- Given: non-government sector (households and firms) tends to not spend all its income ...
 - Government sector must run a budget deficit
 - Federal government is currency-issuer ...
 - ... not a currency-user
 - Households, firms, state governments are currency users
-

What Will We Learn? (4)

- U.S. government is monetarily sovereign
 - ... as are Australia, Japan, U.K.
 - ... but not Eurozone or CFA-zone
-

What Will We Learn? (5)

- Federal Reserve cannot regulate the size of the money supply in the U.S. economy

continued...

What Will We Learn? (5)

- Federal Reserve *cannot* regulate the size of the money supply in the U.S. economy
 - Federal Reserve *can* regulate the "price" of the money supply -- interest rates
-

What Will We Learn? (6)

- No "tradeoff" between unemployment and inflation on the "menu of policy choices."

continued...

What Will We Learn? (6)

- No "tradeoff" between unemployment and inflation on the "menu of policy choices."
 - Capitalist economies inherently tend to create unemployment, but ...
 - Level of unemployment in a monetarily sovereign capitalist nation is policy choice
-

What Will We Learn? (7)

- Government spending is no more inherently inflationary than spending by either consumers or businesses
-

What Will We Learn? (8)

- Banks do not lend from their reserves
 - Lending is not constrained by volume of reserves
 - Banks make loans when making loans looks profitable
 - Loans create deposits

continued...

What Will We Learn? (8)

- Banks do not lend from their reserves
 - Lending is not constrained by volume of reserves
 - Banks make loans when making loans looks profitable
 - Loans create deposits
 - Banks are licensed by the government to make loans -- to extend credit
 - Bank loans create money
 - Repayment of bank loans destroys money
-

How the Class Will Work

- Online; non-credit
- Low tech
 - Stay muted unless we're in a Q & A break
- Periodic breaks for questions
 - Post questions in Zoom chat window
 - Raise hand in Zoom Participants window

continued...

How the Class Will Work

- Online; non-credit
 - Low tech
 - Stay muted unless we're in a Q & A break
 - Periodic breaks for questions
 - Post questions in Zoom chat window
 - Raise hand in Zoom Participants window
 - How well will this work out?
 - Who knows?
-

Learning Tools

- Email: `lerner.minsky@gmail.com`

continued...

Learning Tools

- Email: `lerner.minsky@gmail.com`
- 2 Google Group mailing lists:
 - `https://groups.google.com/forum/#!forum/mmt-at-hgsss-fall-2020`
 - `https://groups.google.com/forum/#!forum/modern-monetary-theory`

MMT at HGSSS Fall 2020

Modern Monetary Theory

continued...

Learning Tools

- Email: `lerner.minsky@gmail.com`
- 2 Google Group mailing lists:
 - `https://groups.google.com/forum/#!forum/mmt-at-hgsss-fall-2020`
 - `https://groups.google.com/forum/#!forum/modern-monetary-theory`

MMT at HGSSS Fall 2020

Modern Monetary Theory

- IRC (Internet Relay Chat):
 - Network: `irc.freenode.net`
 - Channel: `#mmt`
 - My nick: `kid51`
-

Take Notes!

- Exercise your muscle memory!
-

Review of Reading Materials

Reading List

- Malcolm Gaskill has written:

"Unlike other commodities and services, where typically the customer wants no involvement in the manufacture or delivery of their purchases, students get out of a degree what they put in."

Malcolm Gaskill

November 9 2020

Modern Money Theory: Week 1

Back Next

Pause for Questions

Home Last TOC

Copyright © 2020 James E Keenan

Back Next

November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

Some Definitions

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Political Economy

- Study of social relationships human societies establish while producing and consuming things we need to stay alive
 - ... not just the study of "markets"
 - Term preferred to "economics"
-

Macroeconomics

- What determines a country's overall levels of:
 - income
 - output
 - employment
 - prices

continued...

Macroeconomics

- What determines a country's overall levels of:
 - income
 - output
 - employment
 - prices
 - versus "microeconomics"
 - Economic behavior of individual agents
 - Prices of individual commodities
-

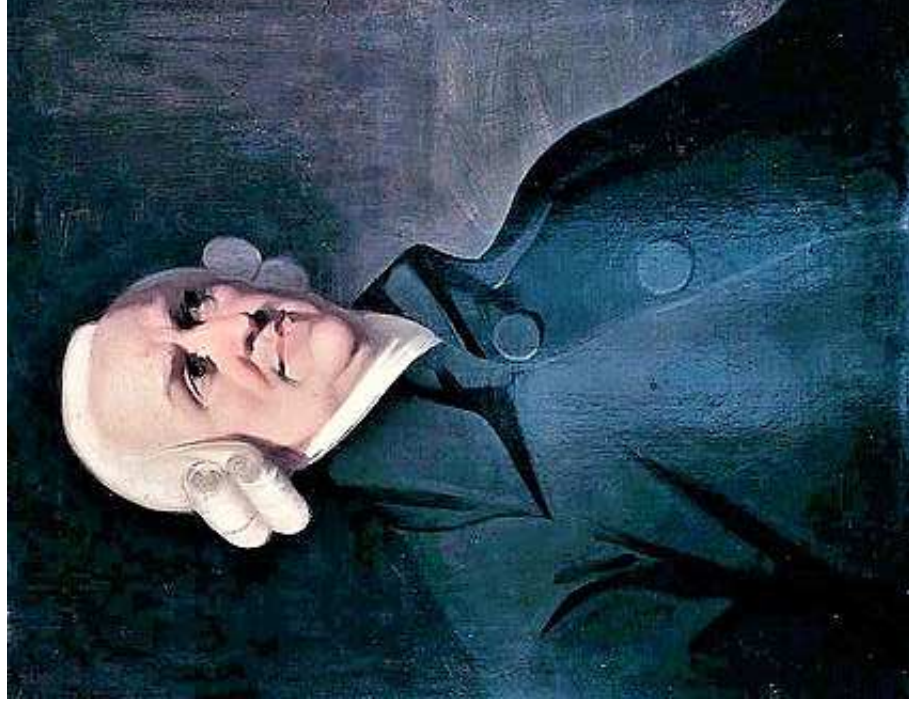
Orthodox and Heterodox Economics

- MMT would be classified as "heterodox," which is the opposite of "orthodox"
 - So what's orthodox economics?
-

What Came Before Orthodox Economics?

- Classical political economy
-

Adam Smith



[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

David Ricardo

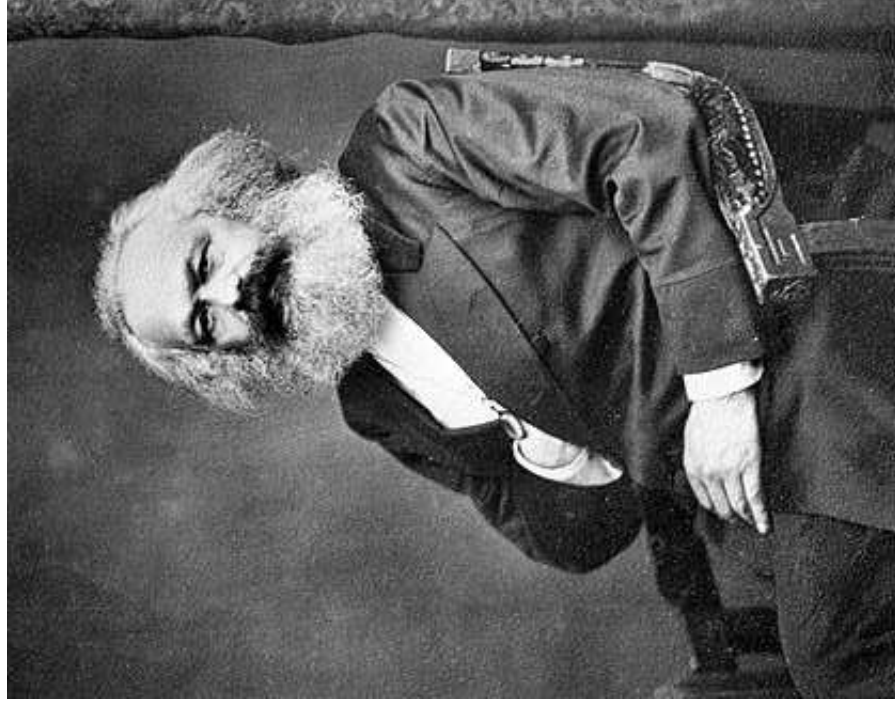


[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Karl Marx



[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

John Stuart Mill



[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Orthodox Economics?

- "Economics" of late 19th century
 - Alfred Marshall; William Jevons
 - Study of markets
 - Especially under "pure" competition
 - Full-employment equilibrium
 - Dominated academic economics up to Great Depression
 - ... and in many ways still dominates economics today
-

Heterodox Economics

- Other schools of thought:
 - Institutionalist
 - Marxist
 - Post-Keynesian
 - MMT
 - Henry George
-

John Maynard Keynes



- Most influential economist of the 20th century
 - Economic Consequences of the Peace (1920)
 - Treatise on Money (1930)

- General Theory of Employment, Interest, and Money (1936)
 - How to Pay for the War (1940)
-

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Keynes' Focus

- Why did the Great Depression last so long?
 - Why did "market forces" restore the economy to "full-employment equilibrium"?
 - Conclusion: capitalism was not self-healing
-

How Keynes Was Received

- Orthodox economics attempted to "de-radicalize" Keynes' thought

continued...

How Keynes Was Received

- Orthodox economics attempted to "de-radicalize" Keynes' thought
- Heterodox economists valued what was radical in Keynes
 - Hyman Minsky



November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

Pause for Questions

[Home](#) [Last TOC](#)

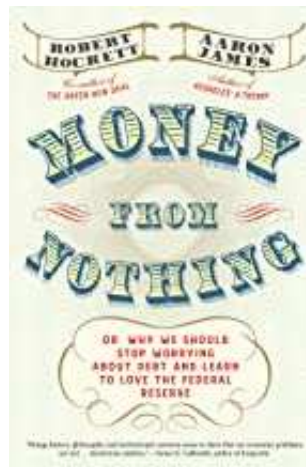
Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Promises, Promises: The Nature of Money

- Robert Hockett and Aaron James: "Money from Nothing"

Money from Nothing



Basic Money

- Hockett and James write:

"Every relationship, whether in work, marriage, or friendship, in a village or a large society, comes with debts and obligations. We owe things to others, they owe things to us." (26)

- We make promises to one another

- We incur obligations
- "I 'owe you one'"
- "I am in your debt"

continued...

Basic Money

- Hockett and James write:

"Every relationship, whether in work, marriage, or friendship, in a village or a large society, comes with debts and obligations. We owe things to others, they owe things to us." (26)

- We make promises to one another

- We incur obligations

- "I 'owe you one'"

- "I am in your debt"

- We satisfy our promises

- "We're even. I no longer 'owe you one'"

Debt and Credit

- Two sides of the same coin
 - ... even many centuries before coins were invented
 - We keep track of our obligations to others
 - "We hold each other and ourselves 'accountable,' keeping track of where things stand between us by our best bookkeeping." (26)
-

When the Relationships Become Many-sided

"Just agree that some item, which should be relatively easy to keep track of, counts as paying what's due or owed. Once enough people adopt the convenient arrangement, settling a wide range of debts and obligations in their daily business, they've got money." (27)

- Hence, money is a social relationship
 - ... which people establish amongst one another for resolution of obligations
-

A Social Relationship -- Not an Object

- If money is a social relationship, it is not a tangible object
- But it can be represented by objects of varying degrees of tangibility

"[A]lmost anything can be money -- tokens, scrip, coins, paper, checks, or, these days, bank credits. What a community is doing is representing its IOUs -- whether in clay tablets, scrawled-on napkins marked 'IOU,' or electronic marks on bank computers. ... [M]oney is 'that which pays' -- that which is counted as paying or settling debts, so as to facilitate a community's bookkeeping." (27)

"What is money, then? That thing, whatever it happens to be, that a community agrees to count as settling accounts between them. Whatever it is, that's their money." (27)

Basic Money: Formally Defined

- Hockett and James formalize their definition:

"A transferrable promissory claim or IOU that a large portion of a community will accept as settling accounts in fulfillment of a large share of market obligations, debts, or other liabilities." (27)

Four Features of Money

- Promissory claim (IOU/promissory note)
 - Transferable
 - Bill or coin
 - Endorsed bank check
 - "negotiable promissory note"
 - Widely accepted for settling accounts
 - Fulfills large share of market obligations, debts, or other liabilities
-

Modern Money

- Let's go back 6,000 years ...
 - Before then: tribal production; hunter/gatherers
 - Now: large-scale agricultural production
 - Centered in river valleys
 - Need for large-scale irrigation
 - Need for more complex social organization to maintain production
-

The State

- Emerged to organize irrigation and agriculture
 - State was sovereign over its subjects
 - State pursued the public purpose
 - ... however defined ... or by whomever
 - State mobilized resources in pursuit of public purpose
-

State Mobilization of Resources

- Plunder is not sustainable
 - State and subjects developed mutual obligations
-

State Makes Promises to Its Subjects

- Issues tokens of promises to citizenry
 - In exchange for goods and services which state needs to pursue the public purpose

continued...

State Makes Promises to Its Subjects

- Issues tokens of promises to citizenry
 - In exchange for goods and services which state needs to pursue the public purpose
- State then imposes tax on citizenry
 - ... payable in the tokens the state just issued
 - State can do this because it is sovereign

continued...

State Makes Promises to Its Subjects

- Issues tokens of promises to citizenry
 - In exchange for goods and services which state needs to pursue the public purpose
 - State then imposes tax on citizenry
 - ... payable in the tokens the state just issued
 - State can do this because it is sovereign
 - What's the promise?
 - I, the state, promise to accept these tokens from you, the citizens, in fulfillment of your tax obligations
 - Tokens of promises are "tax vouchers"
-

State Redeems Some of the Tokens of Its Promises

- State does not tax back all the tokens it emitted in purchasing resources
- Citizens can save or otherwise use the tokens not taxed back
 - Tokens become "financial assets" of non-government sector

continued...

State Redeems Some of the Tokens of Its Promises

- State does not tax back all the tokens it emitted in purchasing resources
- Citizens can save or otherwise use the tokens not taxed back
 - Tokens become "financial assets" of non-government sector
- Everyone has to pay taxes
 - ... so everyone has to acquire those tokens
 - "that-in-which-you-can-pay-taxes"

continued...

State Redeems Some of the Tokens of Its Promises

- State does not tax back all the tokens it emitted in purchasing resources
 - Citizens can save or otherwise use the tokens not taxed back
 - Tokens become "financial assets" of non-government sector
 - Everyone has to pay taxes
 - ... so everyone has to acquire those tokens
 - "that-in-which-you-can-pay-taxes"
 - Citizens can use those tokens to satisfy obligations amongst each other
 - Tokens can serve as medium of circulation
-

Modern Money: 6,000 Years Ago!

- "Modern" money is money issued by the state ...
 - ... in exchange for resources and ...
 - ... accepted back by the state in satisfaction of tax obligations
-

Back to Warren Mosler, His Children and His Business Cards

- Were his business cards "money"?
 - If so, were they "modern money"?
-

Business Cards as Money

- Evaluate them against Hockett and James's 4 features of money
 - Promissory claim
 - Mosler issues business cards to his children for chores
 - Promises to accept them back in satisfaction of taxes
 - Transferable
 - Children trade with them
 - Widely accepted
 - Here, only within the Mosler household
 - Fulfilled large share of obligations
 - Here again, only within the Mosler household
-

Business Cards Somewhat Like Modern Money

- Money within small part of society
 - Modern money, because ...
 - Issued by sovereign in exchange for resources
 - Accepted in settlement of taxes which sovereign imposes
-

The U.S. Dollar

- Examine a "dollar bill"
 - Assuming you haven't "gone cashless"
 - Officially: a "Federal Reserve Note"
 - A representation of a promise
 - Made by arm of U.S. government: Federal Reserve
 - A promissory note
-

Legal Tender for Public Debts

- Bill states:

This note is legal tender for all debts, public and private.

continued...

Legal Tender for Public Debts

- Bill states:

This note is legal tender for all debts, public and private.

- "Public debts" are your tax obligations
 - Government unconditionally promises to accept that note back for tax payments
 - Note is a tax voucher
-

Legal Tender for Private Debts

- Extension of state sovereignty
 - Not only will we, the government, accept this note to satisfy obligations ...
 - This note will satisfy any other private debts you may have within our territory
 - Can be used as currency on a legally sanctioned and enforceable basis
-

U.S. Dollar as Modern Money

- Modern money par excellence
 - Promissory claim issued by sovereign in exchange for resources
 - Accepted back in satisfaction of tax obligations
 - Transferable among the population
 - It circulates
 - Mandated to be acceptable and capable of fulfilling debts and other obligations
-

November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

Pause for Questions

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)

Two Stories about the Origin of Money

- Now, unconventional perspective: stories
-

The Barter Myth (As It Might Have Been Told by Monty Python)



A Village Fair in Merry Olde England

- The peasants have delivered meat, grain, produce to feudal lords
 - Payment in kind, not in currency
- They gather to trade their surplus potatoes, chickens and leather handicrafts.

continued...

A Village Fair in Merry Olde England

- The peasants have delivered meat, grain, produce to feudal lords
 - Payment in kind, not in currency
- They gather to trade their surplus potatoes, chickens and leather handicrafts.
- I grow potatoes; I want to bring home some chickens
- You raise chickens; you want to bring home some potatoes

continued...

A Village Fair in Merry Olde England

- The peasants have delivered meat, grain, produce to feudal lords
 - Payment in kind, not in currency
- They gather to trade their surplus potatoes, chickens and leather handicrafts.
- I grow potatoes; I want to bring home some chickens
- You raise chickens; you want to bring home some potatoes
- A Monty Python interlude riffing on "po-tay-toes" versus "po-tah-toes"

continued...

A Village Fair in Merry Olde England

- The peasants have delivered meat, grain, produce to feudal lords
 - Payment in kind, not in currency
 - They gather to trade their surplus potatoes, chickens and leather handicrafts.
 - I grow potatoes; I want to bring home some chickens
 - You raise chickens; you want to bring home some potatoes
 - A Monty Python interlude riffing on "po-tay-toes" versus "po-tah-toes"
 - We each make mental calculations of how many potatoes we should exchange for chickens
 - We make a deal
-

A Classical Political Economy Interlude

- This being a Monty Python movie, we now have a little animated episode
- Narrator asks, "How did those two guys determine the rate at which potatoes exchange for chickens?"
- Responds:
 - According to orthodox economists,
 - ... it's all just subjective preferences
 - ... expressed in demand and supply curves

continued...

A Classical Political Economy Interlude

- This being a Monty Python movie, we now have a little animated episode
 - Narrator asks, "How did those two guys determine the rate at which potatoes exchange for chickens?"
 - Responds:
 - According to orthodox economists,
 - ... it's all just subjective preferences
 - ... expressed in demand and supply curves
 - But according to earlier classical economists,
 - ... it's the amount of labor, direct and indirect, that went into the production of the two goods being exchanged
 - The labor theory of value
-

Back to the Village Fair

- I've still got more potatoes to trade
- I want leather booties for my little baby girl, Rosetta

continued...

Back to the Village Fair

- I've still got more potatoes to trade
 - I want leather booties for my little baby girl, Rosetta
 - The woman selling leather booties -- "Etsy" -- doesn't need potatoes
 - We lack the "double coincidence of wants" needed for barter
-

A Cry Comes Out from the Other Side of the Marketplace

- "They've invented money!"
 - Now we can use little round metallic objects as medium of exchange
 - I can give "coins" to Etsy and take booties home to Rosetta
 - Etsy can purchase a goat from Sam, the goatherd
 - Sam wants to buy potatoes, which I can sell him for "coins"
-

Money Sidesteps the Double Coincidence of Wants Needed for Barter

- Money "arises" to avoid limitations inherent in barter
- Sounds plausible, doesn't it?
 - And it's in all the economics textbooks!

continued...

Money Sidesteps the Double Coincidence of Wants Needed for Barter

- Money "arises" to avoid limitations inherent in barter
- Sounds plausible, doesn't it?
 - And it's in all the economics textbooks!
- One problem: It just isn't true.

continued...

Money Sidesteps the Double Coincidence of Wants Needed for Barter

- Money "arises" to avoid limitations inherent in barter
 - Sounds plausible, doesn't it?
 - And it's in all the economics textbooks!
 - One problem: It just isn't true.
 - More precisely ...
 - No strong evidence in historical/archeological record for this origin story
-

The Part of the Story That Got Dropped on the Cutting Room Floor

- King Arthur sets out on his quest for the Holy Grail, accompanied by:
 - Sir Bedevere the Wise
 - Sir Lancelot the Brave
 - Sir Galahad the Pure; and
 - Sir Robin the Not-Quite-So-Brave-as-Sir-Lancelot
 - They need horses and food for themselves and their horses
-

The King and His Knights Encounter Three Peasants

- They encounter three peasants who have horses and food: Moe, Larry, Curly



The King Offers "Coins" for Provisions

- King Arthur offers to give them a dozen little round metallic objects with his picture engraved on them

continued...

The King Offers "Coins" for Provisions

- King Arthur offers to give them a dozen little round metallic objects with his picture engraved on them
 - Peasants have no use for the King's silly "coins"
 - Moe spurns the king. "We don't need your stinkin' 'coins'."
-

Sir Robin Missteps

- Sir Robin the Not-Quite-So-Brave attempts to seize the food and horses by force
 - Stumbles over a rock and falls on his sword.
 - His guts pore out in Technicolor.
-

King Arthur and His Knights Restrategize

- Sir Bedevere the Wise whispers in the king's ear
- King Arthur re-approaches the peasants
 - "Look here, you filthy peasants. I am the king"
 - "I am the sovereign. I am imposing a tax on each of you"
 - "Each of you must pay me three of those little round objects with my picture on it"
 - "Or else -- off with your heads!"

continued...

King Arthur and His Knights Restrategize

- Sir Bedevere the Wise whispers in the king's ear
 - King Arthur re-approaches the peasants
 - "Look here, you filthy peasants. I am the king"
 - "I am the sovereign. I am imposing a tax on each of you"
 - "Each of you must pay me three of those little round objects with my picture on it"
 - "Or else -- off with your heads!"
 - Peasants become frightened
 - They don't have any of those little round objects with the king's picture on it
-

The Three Peasants Cut a Deal

- Larry says to Moe and Curly:
 - "Let's take them up on their offer to give us a dozen of those coins in exchange for food and horses"
 - "He's taxing us 3 coins each -- a total of 9 coins."
 - "We'll have 3 coins left over and still have our heads on our shoulders"
 - "Take the deal; we'll figure out what to do with the remaining 3 coins later."
-

The King and His Knights Proceed to the Next Village

- The deal is struck
 - King and remaining knights go to next hamlet, realize they can work the same deal there
 - Eventually, peasants throughout the kingdom have these "coins"
 - King and knights are fully provisioned to pursue the Holy Grail
 - Peasants can save leftover coins for future taxes -- or trade with them
-

November 9 2020

Modern Money Theory: Week 1

[Back](#) [Next](#)

Pause for Questions

[Home](#) [Last TOC](#)

Copyright © 2020 James E Keenan

[Back](#) [Next](#)