

The Deficit Myth

Henry George School of Social Science

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Week 5 (May 16 2022) Discussion Questions

Chapter 5: "Winning at Trade"

- Explain the following terminology which Kelton uses in Chapter 5:
 - Structural reform
 - Gold standard
 - Currency peg
 - Competitive devaluation
 - Spectrum of monetary sovereignty
- Explain Kelton's contention that the U.S. benefits from a surplus of goods and services which is the logical corollary of its trade deficit.
- Explain why, in a three-sector model of the economy, the sum of the financial balances of the three sectors must be zero (θ).
- What would the federal Job Guarantee (JG) entail? What, per Kelton, would its benefits be?
- In the historical period in which the gold standard was operating, why did that standard create a recessionary bias in countries with trade deficits?
- Discuss the likely impact on developing countries of the U.S. Federal Reserve's plans to raise interest rates over the next year.
- Discuss Kelton's contention that "trade is not about competition among countries but about power relationships among specific interests within specific countries." (150-151)
- What are some policies that developing countries can undertake which would increase their monetary sovereignty, and how would they benefit therefrom?

Chapter 6: You're Entitled

- Explain the following terminology which Kelton uses in Chapter 6:
 - Entitlement
 - Earned entitlement
 - Dependency ratio
 - Means-testing
- Explain Kelton's contention that programs like Medicare and Medicaid will always be financially sustainable on the part of the U.S. federal government. What limitations might these programs face in the future?
- Why does Kelton believe that certain decisions made by President Franklin D. Roosevelt when setting up Social Security in the 1930s now work to politically undermine the program?
- Explain Kelton's distinction between the U.S. federal government's financial ability to pay Social Security benefits and its legal authority to pay such benefits.
- Kelton argues that the discussion about programs like Social Security and Medicare needs to include three distinct issues. What are those three issues?