

Week 6 (May 23 2022): Context for Chapters 7 & 8

- Chapter 7: "The Deficits That Matter"
- Chapter 8: "Building an Economy for the People"

This is the final session in this course so in today's session we will cover the two final chapters in Stephanie Kelton's *The Deficit Myth*. Those chapters are #7, "The Deficits That Matter", and #8, "Building an Economy for the People."

As was the case in our previous five sessions, I'm going to provide some introductory remarks for no more than ten minutes. Then we'll work through the discussion questions for chapters 7 and 8. Then we'll open the floor up for your summing-up thoughts.

Methodology

To begin with, I'm going to mention one area where my own approach to MMT differs somewhat from that presented by Kelton in Chapter 8 -- and in doing so I'll be anticipating one of the pre-assigned discussion questions.

In Chapter 8, Kelton draws a distinction between the *descriptive* and *prescriptive* sides of MMT. MMT is characterized as being "first and foremost" a *lens* through which we look at the way monetary production economies work. MMT describes contemporary capitalist economies with a particular focus on the economies of monetarily sovereign nations. We should be able to describe the way such economies work even if we disapprove of the way they work.

Once we have the description down, we can articulate our own social and political values and use them as the basis for recommendations as to how those economies might be modified to reflect those values. We move from description to prescription, or from macroeconomic theory to macroeconomic policy. Note that by allowing for people who agree on a common, MMT-based description of modern economies to have different values, we also allow for the possibility of different policy recommendations from those people.

The metaphor of MMT as a lens is one that other MMT scholars such as Bill Mitchell have often used. It's good enough as far as it goes, but I think it has a shortcoming which becomes apparent when we look at the way various MMTers discuss the Job Guarantee. On the

one hand you will have some MMT advocates state that the Job Guarantee is an "inherent" part of MMT. They will staunchly criticize other MMTers who place less of an emphasis on the Job Guarantee. But the Job Guarantee is clearly a macroeconomic policy recommendation which has so far not been implemented in any of the monetarily sovereign nations which are the focus of MMT's attention. So does that mean that the Job Guarantee is an "inherent" part of the prescriptive side of MMT? If it is, does that mean that all MMTers do or must share the same political and social values?

I believe that the two-way distinction between description and prescription is too rigid and that we're better off with a three-way distinction. Yes, MMT is a lens through which we view contemporary capitalist economies. So the descriptive side of MMT is first and foremost. However, when we look at the economy through the MMT lens, we see the economy not only *as it is* but also as *as it can be*. We see the *potential for change* and evolution within the economy and draw inferences about its future development. Our ability to draw these inferences does not depend on our own value systems or whether we find these potentialities desirable. Then, once we articulate our social and political values, we can make policy recommendations that reflect our values and that are consistent with the potentialities already present in the system.

So between description and prescription I situate a logical stage of drawing inferences about the economy's potential for change. Recall that back in Week 1 of this course I asked you to keep three phrases in mind:

1. What *does* happen
2. What *can* happen
3. What *should* happen

These three phrases can be viewed as shorthand for the three-way distinction among description, potentialities and prescription which I've just described.

How does this apply to discussion of the Job Guarantee?

In a monetarily sovereign economy, if there are people in that economy who cannot find employment in the non-government sector and who are looking for work, the currency-issuing level of government can always offer to hire those people at a specified wage and engage them in

socially useful labor. Note that I use the verb *can* here. No monetarily sovereign nation currently *does* this, but any monetarily sovereign nation *can* do this. It's a potential line of evolution for such a nation and its economy.

So *should* the United States or any other monetarily sovereign nation implement a Job Guarantee? Well, to answer that question you have to specify your values. That's what politics is all about. So I would characterize the Job Guarantee as something that exists within MMT thought as both potentiality and prescription.

In Chapters 7 and 8 we encounter Stephanie Kelton's political and social values and the MMT-informed policy recommendations she makes for the United States. Other important MMT advocates such as Warren Mosler, Bill Mitchell and Randy Wray would agree with most of Kelton's recommendations, but not all of them.

At this point let me note that when the Henry George School announced this course on its website, the title provided was "*Do Deficits Really Matter?*" That phrasing was not mine. By this point in the course you should be able to see that what Stephanie Kelton wants us to consider is *which* deficits really matter. Let's now turn to what Kelton has to say about the real deficits which the United States faces.