The Deficit Myth

Henry George School of Social Science

Spring 2024

Week 3 (April 15 2024) Discussion Questions

Chapter 2: Think of Inflation

- Explain the following terminology used by Kelton in Chapter 2:
  - Fiat currency
  - Cost-push and demand-pull drivers of inflation
  - Federal Reserve dual mandate
  - Functional finance
  - Automatic stabilizer
- In Chapter 2, Kelton discusses certain concepts from orthodox economics but is highly critical of them. In your own words, describe these concepts and Kelton's criticism of them.
  - Monetarism
  - Natural rate of unemployment
- From the MMT perspective, the political slogan, "Tax the rich to pay for the Green New Deal," is problematic. Why?
- In Chapter 2 Kelton introduces the concept of the the Federal Job Guarantee (JG).
  - What is the connection between the a federal Job Guarantee and the U.S.'s monetary sovereignty?
  - Why would the JG have to be financed by the federal government?
  - How would the JG stabilize inflation?
  - What would be the difference between the JG wage and current federal/state/local minimum wage laws?
- Kelton writes, "*The threat to our common well-being isn't the budget deficit. It's excessive inflation.*" (69) "*[U]nder current budgeting procedures, Congress doesn't have to consider inflation risk when it wants to spend more.*" (70) How would consideration of inflation risk be integrated into the federal budgetary decision-making process?