

Money and Public Purpose

Week 5: Summary and

Self/Collective Test

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Summary and Self/Collective Test

The so-called cause for celebration

BREAKING FEDERAL BUDGET

Federal budget balanced for the first time since the GFC

The federal budget has returned to its best position in more than a decade on the back of soaring iron ore prices and a strong jobs market.



And the cost

BREAKING EMPLOYMENT

Unemployment lifts to 12-month high as full-time jobs fall

The nation's jobless rate climbed to 5.3 per cent in August after 15,500 full-time jobs disappeared across the country.



Melbourne (Aus.) Age, Sept 19 2019

Summary and Self/Collective Test

- Explain what is meant by a monetary production economy.

Summary and Self/Collective Test

- Explain what is meant by a fiat currency.
- Explain the difference between a currency issuer and a currency user.
- Explain why a fiat-currency-issuing government has to spend that currency into the economy and why people would be willing to accept that currency and provide government with labor and resources in return.
 - i.e., explain why spending precedes taxation.
- Explain why a currency-issuing government does not need to tax before it spends.

Summary and Self/Collective Test

- Explain what is meant by "functional finance."
- Explain the fallacy in the Household Budget Analogy.

Summary and Self/Collective Test

- Provide a basic explanation of the national income and product accounts, sector balances and the flow of funds.
 - i.e., explain why all sectoral balances must sum to zero.
- Explain the difference between stocks and flows and the concept of stock-flow consistency.

Summary and Self/Collective Test

- Explain why the economy will not self-equilibrate to a full-employment level of output.
- Explain the Paradox of Thrift and be able to explain why it suffers from a fallacy of composition

Summary and Self/Collective Test

- Explain the concept of the Job Guarantee and how it differs from:
 - An approach to unemployment which focuses on remedying "skills mismatches";
 - A Universal Basic Income program.

Summary and Self/Collective Test

- Explain how a fiat currency differs from a currency pegged to either a precious metal or a reserve currency.
- Explain the difference between fixed and floating exchange rates.

Summary and Self/Collective Test

- Explain the credit creation process from the MMT perspective ("loans create deposits").

Summary and Self/Collective Test

- Explain what are meant by the terms "monetary policy" and "fiscal policy".
- Explain why contemporary central bank monetary policy focuses on targeting the overnight interbank lending rate (federal funds rate in the U.S.).