

The Deficit Myth

Henry George School of Social Science

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Week 5 (April 29 2024) 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 (0).
- 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?