

Professional Practice in Governance
and Public Organizations

Dirk Ehnts

Modern Money Theory

A Simple Guide to the Monetary System

 Springer

April 2024

19.07.2024

Modern Money Theory

A Simple Guide to the Monetary System

July 17th, 2024

MMT conference

Leeds University

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Who am I?



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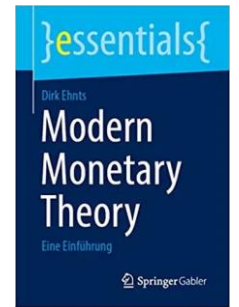
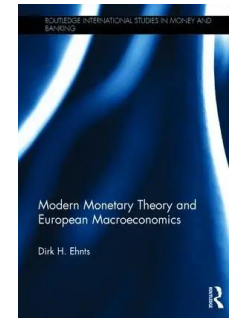
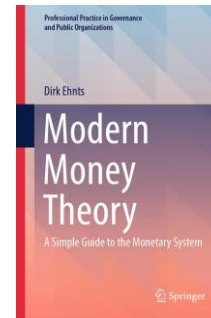
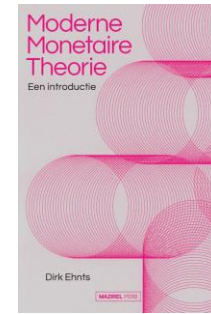
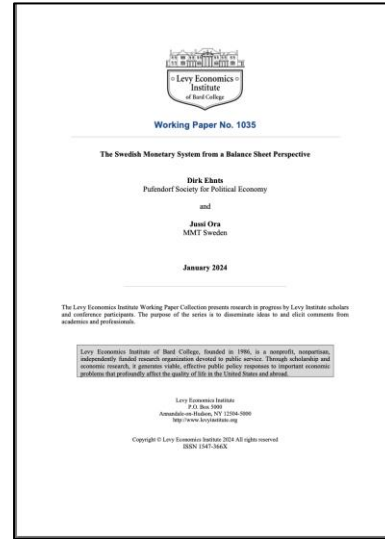
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There is no such thing as “secular stagnation”

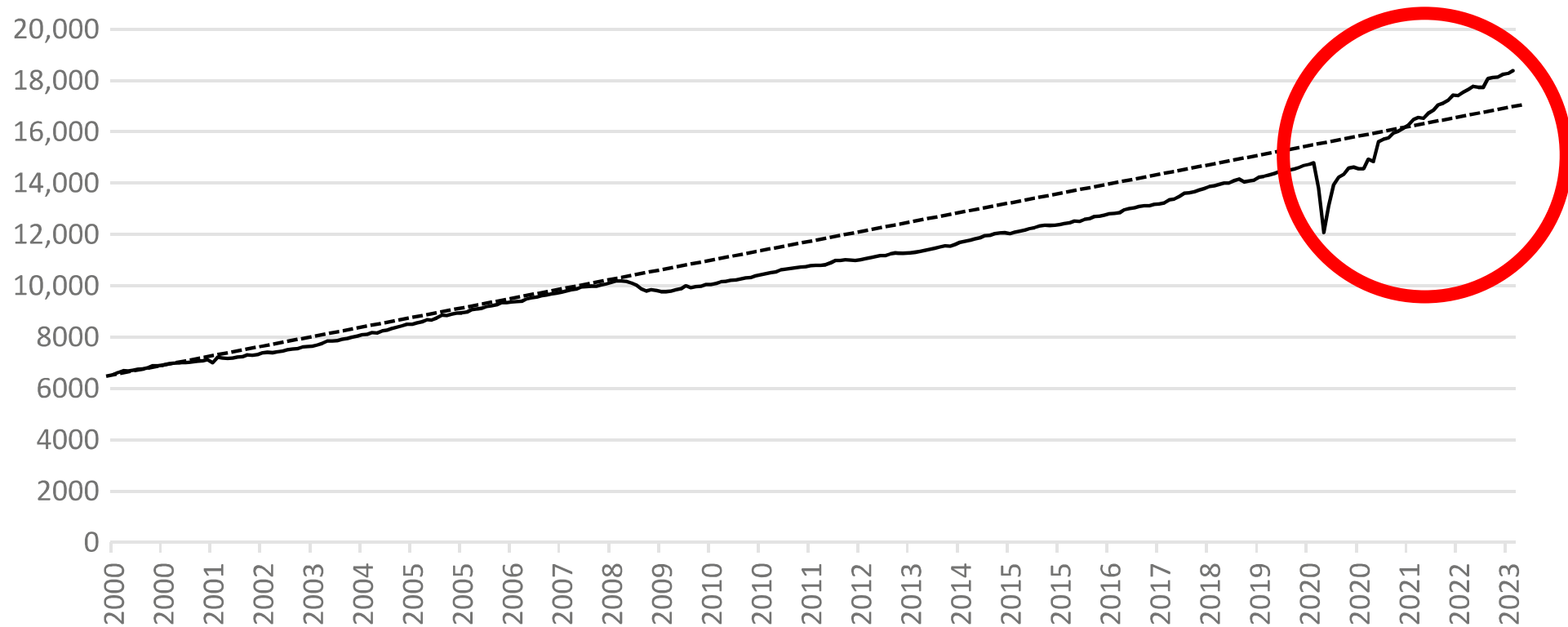


Fig. 2.1 Personal consumption expenditures in billions of dollars. Source <https://fred.stlouisfed.org/series/PCE>

There is no such thing as “unlimited spending”

2.2 Political Constraints of Government Spending

The US government, while not constrained technically, is constrained in its spending politically. First and foremost, there is the budgeting process. The federal government cannot spend US dollars on anything it wants. If it wants to spend, the spending has to be included in the federal budget, which is passed by the Congress. Only then can the Treasury instruct the Fed to make payments on its behalf. This, then, is the main political constraint with respect to government spending. However, there is more. The debt ceiling and the CUTGO rule make life harder for the federal government.

The debt ceiling

The debt ceiling, officially the debt limit, “is the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments”,

“The federal government cannot spend US dollars on anything it wants. If it wants to spend, the spending has to be included in the federal budget, which is passed by the Congress.”

Exchange rate down, inflation up?

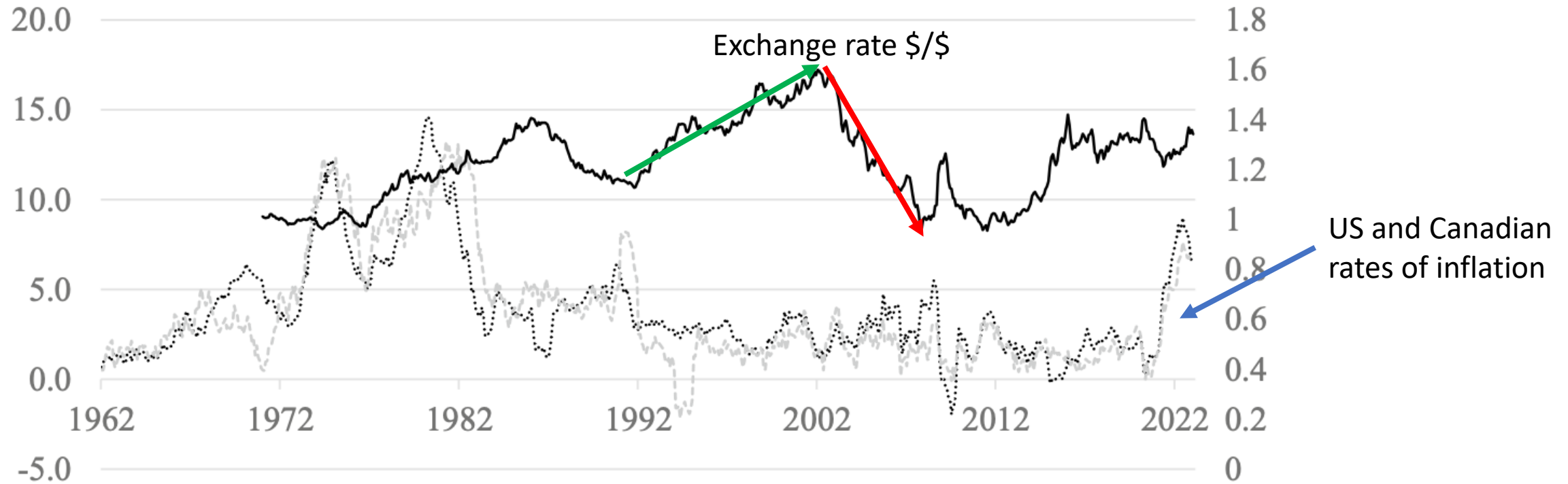


Fig. 4.4 US and Canadian dollar exchange rates (black line, right axis) and inflation rates in the USA (black dotted line) and Canada (gray dotted line). *Source* FRED.stlouisfed.org (BLS, Board of Governors, World Bank)

(Public) wages, unit labor costs and inflation

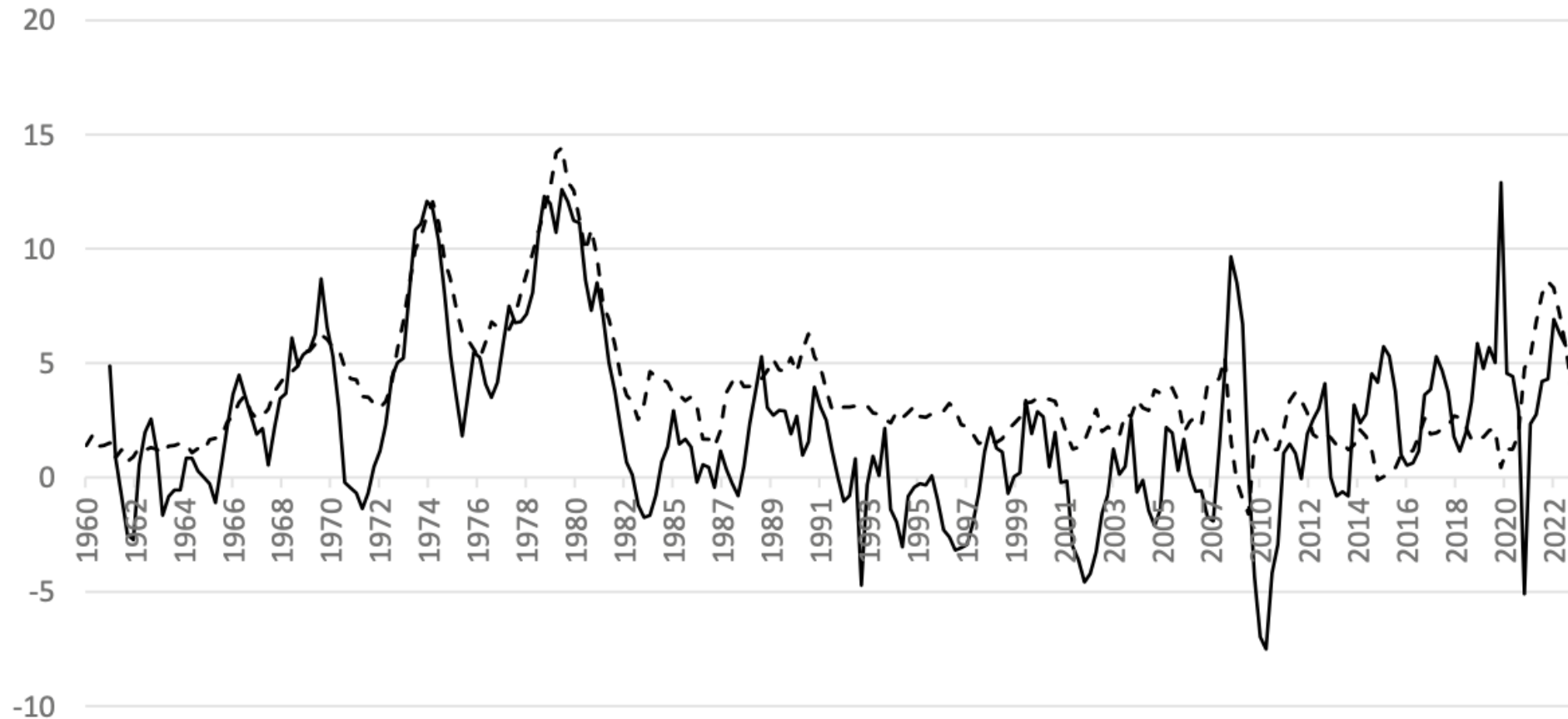


Fig. 6.3 Change in unit labor costs (striped) and inflation (black line), in percent.
Sources OECD (LCULMN01USQ661S) and BLS (CPIAUCSL)

Sorry, running out of time ...

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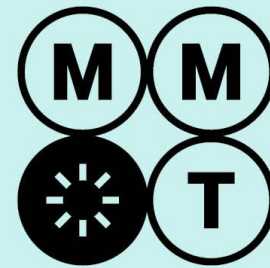


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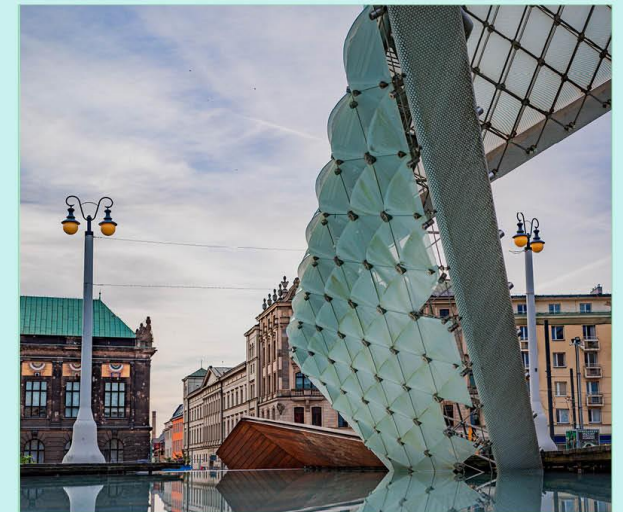
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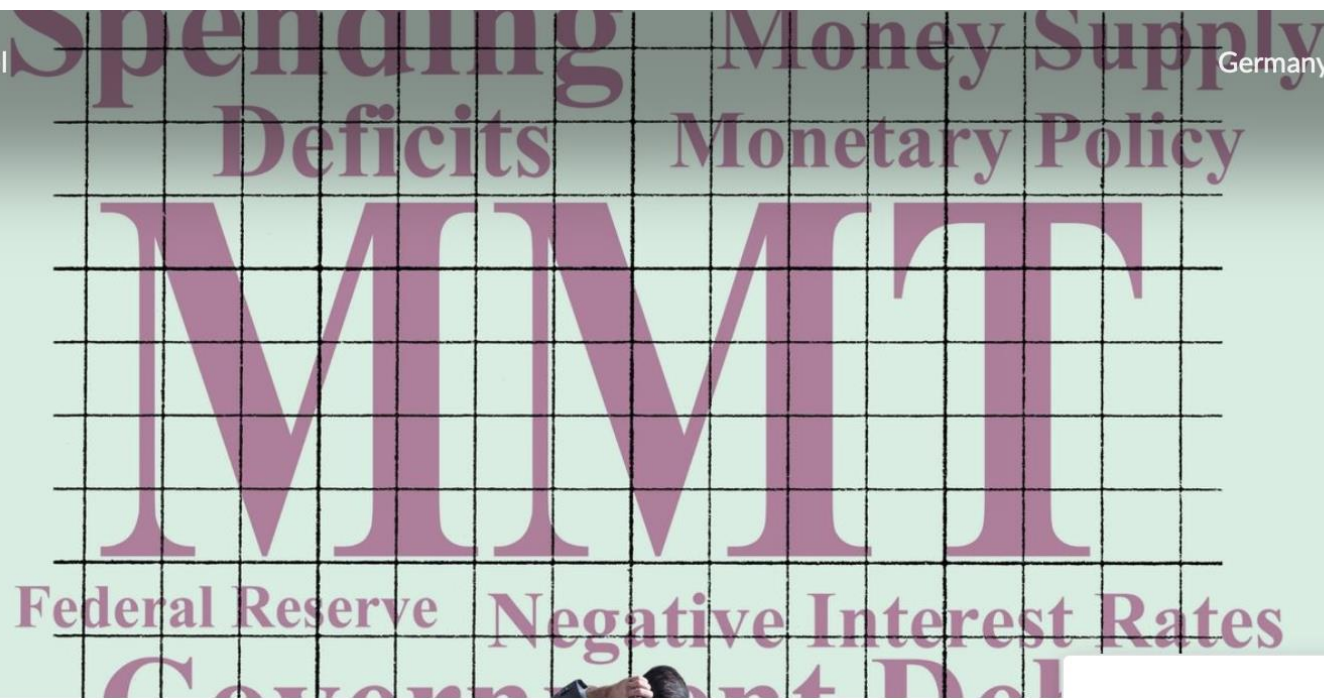
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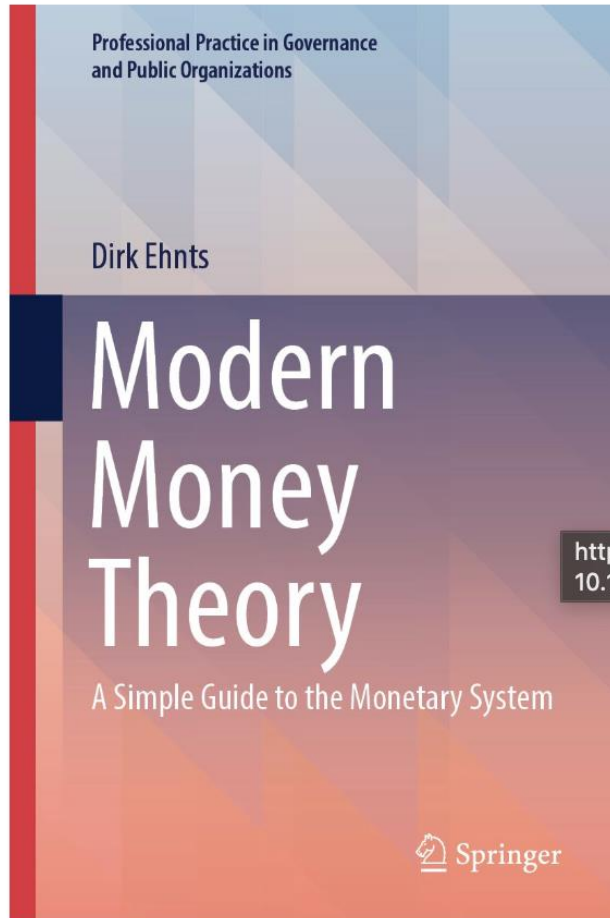
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Modern Money Theory

<https://link.springer.com/book/10.1007/978-3-031-53537-6> **guide to the Monetary System**

- Offers a comprehensive introduction to modern monetary theory
- Explains how central banks, banks and governments create money
- Written in an accessible style, without requiring any prior knowledge of economics

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“I very much enjoyed working with Dirk on a variety of segments of his latest book. It’s one of the very few that is fundamentally grounded in an understanding of monetary operations as practiced by all central banks, which gives the reader a sound basis for the analysis of today’s monetary economies.”

—Warren Mosler, *Inventor of Modern Money Theory*

“Ehnts’ no-nonsense introduction to MMT gets into the most up-to-date consequences of the COVID-19 crisis and government responses.”

—Maren Poitras, *Director “Finding the Money”*

“This compact introduction to all aspects of modern monetary theory is an exemplary work of popular science. The author, Dirk Ehnts, is a brilliant communicator, Europe’s answer to Stephanie Kelton, and the book is an accessible and comprehensive guide to the first major challenge to mainstream macroeconomics in 70 years.”

—Steven Hail, *adjunct associate professor at Torrens University Australia*

“Offering a sober analysis of the monetary system, this book should be on the desk of every public and government employee.”

—Stephanie Kelton, *professor of economics and public policy at Stony Brook University*