Modern Monetary Theory? How About...End The Fed!

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SUMMARY

The discussion centers on the implications of Modern Monetary Theory (MMT) and the role of the Federal Reserve (FED) in maintaining the value of money. The speaker critiques MMT's premise that governments can print unlimited money without consequences, emphasizing the risks of inflation and the importance of stable currency for economic trust and growth.

- *MMT suggests that a government issuing its own currency cannot go bankrupt, but this leads to inflation if money is printed excessively.*
- *The conflation of government spending and money creation undermines democratic transparency and accountability.*
- *The speaker argues that the economy is fundamentally about fulfilling human needs and wants through production and exchange.*
- *Money serves as a medium of exchange, and its stability is crucial for planning and economic coordination.*
- *The speaker advocates for a return to a stable monetary system, such as a gold standard or private money, to prevent political manipulation of currency value.*
- *Deflation, particularly in consumer electronics, illustrates how stable money could enhance purchasing power and benefit consumers.*
- *The current education system fails to adequately teach these economic principles, leading to widespread misunderstanding.*

the most prudent reasonable sensible thing that all of us should want is for the FED to do its damn job and keep the value of that Medium of exchange constant welcome back friends fans and of course foes of dad Saves America I thought I'd take this Friday to dig back into the comments on some of our past videos and uh try to do my best to answer some of your concerns and criticisms but without further Ado let's

uh Jump Right In shall we on a prior video about modern monetary Theory the chiger buug I've actually got some triger bites on my ankles right now so you're triggering me Cher buug writes this I'm so tired of seemingly very intelligent people completely missing the point of Stephanie kelton's theories I mean really why straw man so hard as to say mmt thinks government spending can be infinite without consequences you know I know and anyone with moderate

intelligence knows that this is not what mmt says please dear God Almighty just watch the fing documentary you'll either be convinced or you won't be but at least you won't sound like an a-hole next time you try to summarize mmt oh you know the thing is you're you're mouthing off but it's it's not an unfair criticism I didn't dive into the complexities of modern monetary theory in full and to the extent I said it

could be without consequences you got me that's not entirely true modern monetary Theory does have a sense that there are consequences to just printing all the money in the world specifically inflation let me try to address this although what I can't do in an already you know extended video is break down all of the details of modern monetary Theory versus monetarism versus you know Austrian Theory and etc etc what I want to do in is touch on some of the points you're

raising and try to lay a foundation here that I think has been completely lost in our modern discourse about money and macro my understanding of modern monetary theory is that number one a government that issues its own currency can essentially never go bankrupt because it can simply print the money it needs to pay its debts that's treated in modern monetary Theory like some kind of magical aha like well you know the FED can just print the money that we need to

pay off the debt we don't need to run a deficit the Fed can just print the money I don't know why this is treated like some big special Insight of course the Fred can just print dollars and hand them to the treasury and say okay you can wipe out your debt that's not interesting that's always been true so long as we've been off the gold standard and there was no one that could come in and try to take our gold if they're

worried about their their dollars not being worth anything since 1971 that's been true but this is the reason why I say there's a sense in which the whole movement of mmt asserts so that you can just print as much money as you want if you do that you will create inflation money printing if it's in excess of the demand for the money creates inflation and that's the most basic problem with mmt what mmt actually does is it

attempts to collapse two entirely different things into one activity it tries to take government which is providing presumably some goods and services to its people with the maintenance of this very important product we call money and it tries to say no that can all be the same thing governments can print the money they need to buy goods and services and hire people and then just watch to see if people get upset about how much inflation's happening and then tax the

money out of the system to bring inflation down that is the actual claim that mmt tries to make what comes along for the ride and if you're being honest you have to admit this is fairly radically left fiscal policies such as a guaranteed employment policy that the government will hire anyone who's unemployed and just print the money to pay them to put them to work on something I don't know why they think that the government will come up with

something good to do we tried things like this with various stimulus bills and shovel ready projects for those of you that are old enough to remember this claim government's not good at picking winners and losers it's not good at deciding how to spend money that's why everybody's pissed off all the time about the way government operates rates there is a strong correlation between mmt and pretty big government social policy those two things don't have to be together I don't think it's a coincidence that they are and don't pretend that that's not true but why not say hey look these are all the same thing the government issues money the government does these other things it's all the same thing let's just collapse it all together problem number one with this is that it's fundamentally undemocratic and completely opaque so taxes we get to see we get to feel when a government tries to fund itself with

taxes it has to tax us we have to understand what the tax is we see the taxes come out of our paycheck that is transparent that is indicating what we're being asked to give up from our work to fund this thing called government and if it runs a deficit that is an important transparent description of the amount of resources the government has consumed beyond what we as a tax public have paid for someone's got to

pay for it it is real those deficits aren't just paper they're not just numbers on a ledger to be manipulated they are a reflection of real resources that have been used up by the government and we the people should know that we should be able to keep track of that we should understand what kind of Burden our government and our politicians choices are laying on our kids and our grandkids that's what a government using

taxes and deficits and debts as its accounting mechanism provides if you say no no no that's all fake because they can print the money so just let the government print the money the reason why that quickly turns into hyperinflation and disasters is because all that feedback loop is gone where did they get the money from they just printed it but that's not really even true because money isn't anything but a medium of exchange it is a kind of veil

over top of the real activity of the economy and this is maybe the most important thing that I hope I can provide to you dear viewer there is a lot of talk out there about the FED about money about interest rates about Bubbles and how everything's going to collapse or everything's going great or deficits don't matter this macroeconomic jargon tend to mask very fundamental things that I think we all both

understand and have been obscured profoundly by the failures of economic education in this country what do I mean by that what is the economy I think about this in pretty simple terms and I think they're useful the economy is us it's what we as the people are doing to try to improve our material lives that is what the economy is it has two components to it at the individual level I want things and I need things and I

ultimately want better things over time I need food shelter and uh occasionally medical care but I want nice food I want to go on vacation I want to have a decent car so I want goods and services so that I can live my life and actually live it comfortably and enjoy it as much as possible that is the goal of economic activity to satiate our wants and needs so how do we do it because when you're

born on this planet you're born naked and afraid we're born this naked helpless soft creature with nothing we're born poor and desperate and hopeless and sad and crying for our mommies the way we get stuff is by producing stuff that's the producing side and we all understand this that's why we work we work to earn the money so that we can buy the things we need but even that's not really true exactly the money fudges the facts of the matter what we do when we work is we serve other people like us with the needs that we can fill for them that's the medium of exchange part of money I run an organization and create videos I can't pay for my groceries with my videos not directly that would be a barter economy I go down the street and I say hey how much video for this bag of groceries the cashier will look at me like I have two

heads because you can't do it how much video will buy a full bag of groceries what if I add a couple Stakes into the mix do I need to make sure the video is in really great 4K if I want to get some Stakes that's why we have money we have money as this good that enables exchange between lots of different people it's a common denominator in the process of fulfilling our wants and needs for each

other as producers and workers and as consumers and users they come together with a single good called money it is the fundamental truth of all economic activity it's the reason why when people say Christmas is good for the economy is wrong Christmas is not good for the economy consumer spending uses up Goods on the shelves in order to have Goods on the shelves someone needs to produce the goods the reason that an economy can grow is because we get better at

producing more stuff that is how economic growth happens the mechanism for coordinating all the complexity I was talking about before the complexity of a modern economy the only way that works is if that common denominator that is money is stable in its value because what money ultimately is is a promise it's a form of trust it's a way of saying I am going to give you this for the work you did today and you can trust

that tomorrow it'll still be worth the number that's printed on its face when that's true everything works pretty well we can coord ordinate we can plan all sorts of prices rely on this all sorts of plans for the future rely on the stability of that promise called money and so the maintenance of the stability of our money is its own crucially important task that has nothing directly to do with what the government should do

and how much the government should spend to conflate these two things and collapse them into one activity to take the medium of exchange that sits on the side of every transaction we all get paid in dollars we all spend dollars to buy the stuff we want to take that thing that touches every single thing we do and put its value at the whims of the US Congress and its desires to spend money to pay for its next election cycle is

madness it is to subject us all in every single choice we make to the whims of the political this is why we shouldn't have a Fed at all we should have private money we should let money be a product like it has typically been throughout history it's never been perfectly a product but the classical gold standard worked really well I am a big fan of it that is where we should head back if we could or something like it if something

like Bitcoin that could deliver a political free money but we don't have that we don't have the classical gold standard that kept Canada out of the Great Depression functionally we don't have Bitcoin as a commonly used medium of exchange what we have is the good old Greenback and so the most prudent reasonable sensible thing that all of us should want is for the FED to do its damn job and keep the value of that Medium of exchange constant so that when

I get paid today I can trust that my paycheck will be worth that same amount tomorrow one more thing about this deflation can be awesome what do I mean by that there's one area where you feel this profoundly that is consumer electronics if you put $11,000 in your pocket to buy the next sort of medium range iPhone and decide I am going to wait I'm going to wait until the next iPhone version comes out to spend my

thousand bucks what happens next year that $1,000 buys you a better iPhone in fact if you wait two years you can buy an even better iPhone for less than $1,000 the value of your savings went up for the iPhone the value of that $1,000 in terms of iPhone went up this has been true for most of consumer electronics and the reason for that is improvements in productivity because of the nature of the technology consumer electronics have

gotten better faster cheaper so much faster than the rate of inflation that they give us a preview of what it would feel like if we had truly stable money if we had truly stable money we wouldn't need to be forced to speculate with our Savings in order to feel our wealth rise every person holding savings would benefit in real terms in purchasing power from the increased productivity of all of us every Improvement that makes producing things cheaper that enables us

to have more and do more with less would actually ultimately benefit all of us because it would increase the supply of goods relative to the supply of money and circulation that means prices would go down that is deflation it's what would call productivity Norm deflation or supply side deflation and it would be great instead of feeling crunched instead of feeling like you're running in place when you get a 5% raise cuz prices went up 5% you could actually earn more and

see your savings increase in their purchasing power year after year the government that the mmt crowd wants to empower with essentially total control of every aspect of our lives through its control of our money has wrecked this for us by creating an education system that demands that I try to explain this to you all instead of learning it in school that's the facts most people don't understand the world this way for one of two reasons either I'm a lunatic

and I know some of you think that's true or they're crooked liars I'm pretty sure it's the latter although maybe you think this is the finger left for me I hope this has been educational or at least thought provoking have a great weekend oh