Subject: Re: Modern Monetary Theory
Posted by Wayne Parham on Mon, 15 Feb 2021 21:23:45 GMT
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Oh heck no, my friend! Please don't think I want you to stop writing on this subject or others!

I just thought I'd chime-in to your thread, both because I wanted you to know I was reading your posts and also because I wanted to say what I thought.

To be honest, I've always been intuitively laissez-faire minded. I'm a libertarian at heart. But I have studied Keynes a little bit, and I've also studied America from the times of the robber-barons forward.

As an aside - I say "studied" but what I mean more is that I enjoy watching documentaries and chatting with buddies of mine that are history majors with advanced postgraduate degrees. One such friend of mine comes over every week (even during this corona-weirdness) and we visit together for hours. So I guess maybe I should say I have pondered more than I have "studied" but at least I've pondered together with folks that are educated in the subject. I'm mostly a techie-geek, but I am interested in history and economics and the ups-and-downs of cultures over time.

Anyway, my point is that while I'm generally pretty fiscally conservative, I do see that things like Keynes described - things like stimulating the economy with spending on infrastructure, research science and technology - is beneficial both for a stalled economy and for the natural utility it brings. So it's a win-win, for example, when we build and improve roads, especially when the spending is done in times of economic hardship.

This does imply that we take on some debt to create those things. I suppose the road-building could be done by a state that had a budget surplus, but the way Keynes described it was to take on some debt to build the roads. I agree with that because it makes sense to me. It's like buying a car on credit, and then using the car to get to your job.

What I fear, though, is the country can get too spendy, and instead of building roads, we build all sorts of other silly things that are wasteful spending. That kind of debt is no good. It's like a kid getting their first credit card and going hog-wild buying everything and then finding themselves strapped with debt and no way to pay it down.

Right now, today, our national debt is $27 trillion. Our population is 330 million, so that's roughly $82K per person. Of course, at least half of our population doesn't work - children and elderly - so our workforce is probably half the population, around 165 million. That means each of us that are working would have to pay about $165K to pay off the national debt.

I know these are oversimplifications and that macro-economics are different than balancing the family budget. But I still worry that once we get too far in debt, the world will no longer see the American dollar as the reference standard. This is especially true if we print more money to pay debts to other countries.

I personally think that even macro-economics can't get past that basic "common sense" matter of trust: If you get too far in debt, you lose your ability to pay it down. And if you are perceived as less able to pay your debt, your credit rating goes down. People lose trust in your economy.
