The 7 DIF and the History of Thought

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The story of Pompei:

Soft Currency Economics (1993)

The currency is a tax credit

Government debt functions as interest rate support, and not funding

The Source of the Price Level

The currency is a public monopoly

Monopolists are necessarily ‘price setters’

Monopolists set two prices- how the item exchanges for itself (the own rate), and how it exchanges for other goods and services

For a currency the own rate is the interest rate which is set by the CB

The price level is necessarily a function of prices paid by government when it spends, or collateral demanded when it lends

The Cause of Unemployment is Taxation

The government desires to provision itself

The government levies a tax to cause people to offer real goods and services for sale in exchange for that which is necessary to pay taxes

That currency is a tax credit

The government can now provision itself by spending its otherwise worthless currency to hire those the taxation caused to seek paid employment

Unemployment is necessarily the evidence that government spending is insufficient to hire all of the unemployed that were created by its tax liabilities.

The Public Debt

When government spends its currency, those funds are either used to pay taxes, removing them from the economy, or not used to pay taxes and retained by the economy.

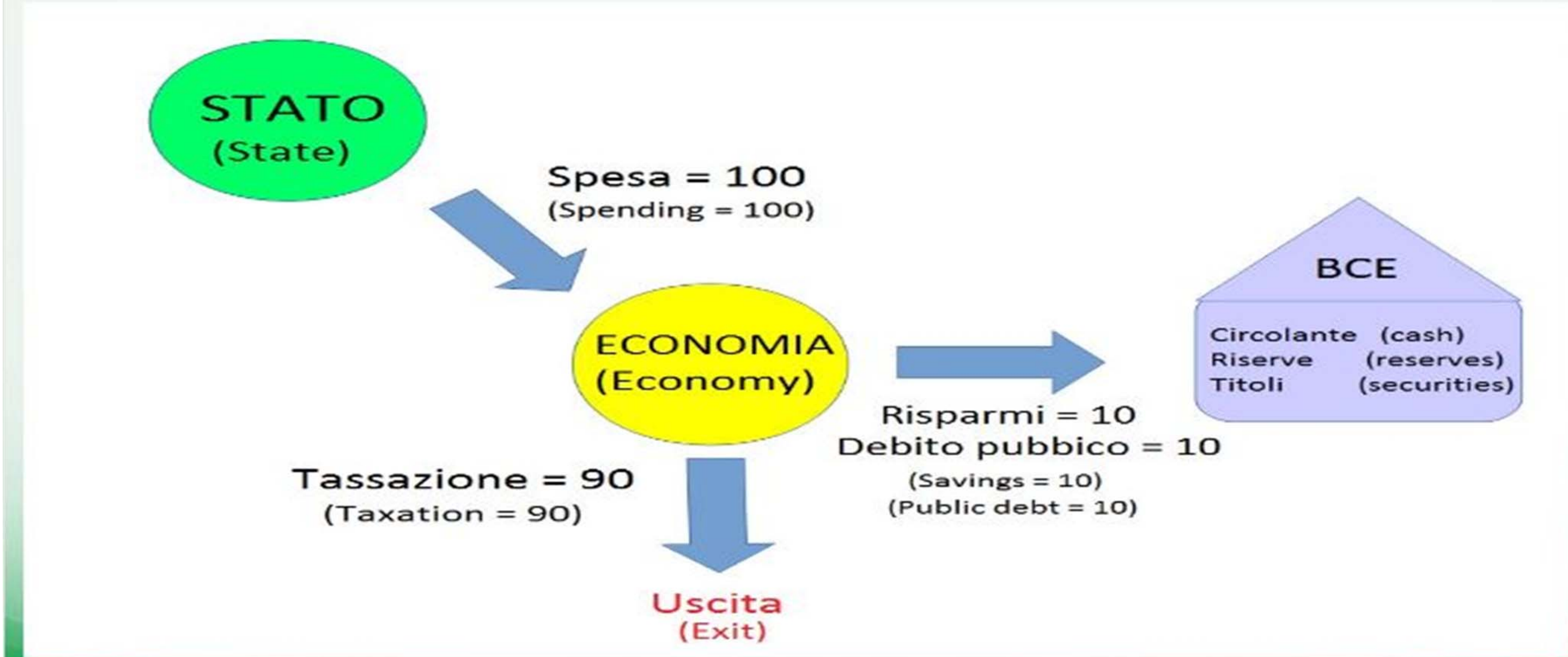
The public debt is the sum spent by the government that has not yet been used to pay taxes

The public debt is the accounting record of the net savings of tax credits retained by the economy

It's called debt because tax credits outstanding are classified as government liabilities for accounting purposes.

The public debt is a component of what can be called the money supply

Debito pubblico = Risparmi dell'economia
(Public Debt = Economy Savings)



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The Neutrality of the Currency

Taxation is necessarily coercive

The presence of taxation obviates any notion of neutrality of the currency

The government is the single supplier of that which it demands as payment for taxes

A single supplier obviates neutrality

Real resources are coercively moved from private to public domain

Unemployment is a consequence of a monopolist withholding supply

Keynes vs the Classics

Trade

Domestic credit funds foreign savings

Floating exchange rates assure continuous equilibrium

Resurrecting Underconsumption Theory

There is that scattereth, and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty. The liberal soul shall be made fat: and he that watereth shall be watered also himself. — Proverbs 11:24–25

Barthélemy de Laffemas, 1598 in *Les Trésors et richesses pour mettre l'Estat en Splendeur*

Adam Smith, "What is prudence in the conduct of every private family can scarce be folly in that of a great Kingdom"

Unemployment is always an unspent income story

Paradox of thrift

Savings and investment

Sector balance analysis

Postscript

Critique of the following:

"The withdrawal of the state from many areas of social life in recent years -- housing, health, social services, etc. -- has produced growing despair in the most deprived sections of the population; the dismantling of public welfare in the name of private enterprise, flexible markets and global competitiveness is increasing the misery of those who have suffered most."