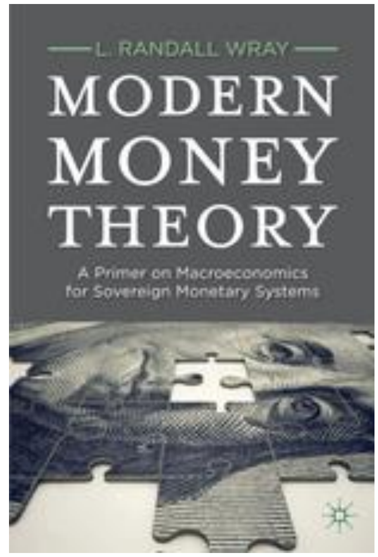
“Modern Money Theory:

A Primer on Macroeconomics for Sovereign Monetary Systems”,

Second Edition, by L. Randall Wray, 2015



This is a good book for students and others who want to understand how money is actually created and managed in today’s world. The many elementary examples and answers to frequently asked questions lift the veil of obfuscation spread by mainstream economic and political discourse, especially concerning the roles of taxes, the Fed, and full employment. However, the result is a bit repetitious, and the economic jargon, though explained, takes some getting used to. The powerful conclusion is that we have far better and more equitable ways to manage economies, such as the US economy, ways that have been blocked by ideologically generated misconceptions about money.

The historically accurate reality is that “taxes drive money”. That is, a government’s imposition of taxes and fees obliges residents to work for the currency to pay those taxes and fees. Then government spending comes before taxes, not after. And if a government, like the US, floats it foreign exchange rates, it always creates money “out of thin air” by crediting certain bank reserve account, without any “backing”, like gold. The actual constraints on money come from the government’s budget and from the monetary goals, such as for inflation and employment.

Wray’s primary monetary prescription is to achieve full employment by government as the employer of last resort, creating more money to do this in recessions and increasing taxes if necessary in booms. As a byproduct, most forms of “welfare” would be eliminated due to the substantial and sustainable wage increases that would result. These full employment programs, though nationally funded, could be locally administered and adapted to local needs and conditions. They could be supplemented by broad-based subsidies for housing, transportation, education, etc., as needed.

Reviewed by Dr. Dick Burkhart UUJEC Board Member