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# MEMMT Proposal for Poland

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# The Currency is a Public Monopoly

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- Everyone believes the central government has to get zloty by taxing to be able to spend
  - And what it doesn't get through taxes it must borrow, leaving the debt to future generations
  - This is complete nonsense!
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# The Currency is a Public Monopoly

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- The zloty to pay taxes come from central government spending or lending
  - Zloty bank deposits are created by government regulation of bank lending
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# The Currency is a Public Monopoly

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- The central govt. spends by instructing is central bank to credit a member bank's account
  - The central gov't can't run out of zloty!
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# Central Government Taxing

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- Payment of taxes causes the central bank to debit the appropriate reserve account
  - The central government neither 'has' nor 'doesn't have' any zloty
  - The central bank is best thought of as 'scorekeeper' for the zloty
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# The Currency is a Public Monopoly

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From inception:

- The central government must spend or lend first, before it can collect taxes
  - The central government must spend or lend first, before it can borrow
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# The Currency is a Public Monopoly

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- The economy needs the central government's spending and/or lending to be able to pay its taxes
  - The central government's spending is the only source of net savings of zloty financial assets
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# What is the Deficit?

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- The deficit is when spending is higher than tax receipts
  - When the central government spends, those zloty are either used to pay taxes or not used to pay taxes
  - If they are not used to pay taxes they are 'saved' somewhere in the economy
  - The govt. deficit = the (net) savings in the economy
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# The Example of Ghana

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- The British wanted labor for their plantations
  - Offering traditional payment to the existing population wasn't effective
  - The British imposed a 'hut tax' payable in money no one had
  - Huts would be burned for non payment
  - The British then offered work
  - The existing population then worked in the plantations to earn the funds to pay the tax
  - They also worked to get money to save
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# Provisioning Government

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- Create a tax payable in its currency of issue
  - This causes what we call unemployment-people seeking the funds to pay the tax
  - People offer real goods and services to get the funds needed to pay the tax
  - The government can then spend its otherwise worthless currency to hire those that taxation caused to be unemployed
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# Unemployment

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- Unemployment is a monetary phenomenon
  - Unemployment is people looking for paid work who can't find it
  - When the Federal Government doesn't spend enough to cover the need to pay taxes and the desire to net save, the evidence is unemployment.
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# Central Government Borrowing

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- Government spending adds balances to reserve accounts at the central bank
  - Government securities are alternative accounts at the central bank called securities accounts
  - When the central bank debits reserve accounts and credits securities accounts that is said to be 'government borrowing'
  - When the central bank debits securities accounts and credits reserve accounts that is said to be 'paying off the debt'
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# Proposals for Poland

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- Relax fiscal policy as needed
  - Central govt. funded transition job for anyone willing and able to work
  - Permanent 0% rate policy
  - No govt. securities
  - Narrow banking
  - Full bank deposit insurance
  - Unlimited central bank liquidity for the banking system
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# Euro Zone Considerations

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- 3% deficit and 60% debt/gdp restriction results in high levels of unemployment
  - Without and ECB guarantee funding of member nation deficits is highly problematic
  - There is no sign of the members reversing the current austerity policies
  - The ECB has interest rate policy backwards
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