



MODERN MONEY LAB

MODERN MONETARY THEORY AND INVESTMENT ANALYSIS

Six-Day Intensive Course

Facilitator: Dr Steven Hail

Author of *Economics for Sustainable Prosperity*, Palgrave Macmillan, 2018

Modern Monetary Theory (MMT) is a lens for the analysis of the macroeconomic environment and financial markets which has been developed by policy and academic economists and fund managers over the last 25 years.

It has gradually become widely accepted as a serious challenger to orthodox macroeconomic theory and is now widely discussed and applied by financial market participants, on Wall Street and globally.

According to GMO strategist James Montier, "For me an economic approach must help me understand the world and provide me with some useful insights (preferably about my day job — investing). On those measures, let me assure you that M.M.T. thrashes neoclassical economics, hands down."

MMT, Daniel Alpert, managing partner of the investment bank Westwood Capital has said, "successfully debunks 40 years of misassumptions of how markets and public credit work."

The 2020 Visiting Harcourt Professor at the University of Adelaide and former Chief Economist on the U.S. Senate Budget Committee, Professor Stephanie Kelton, is one of the world's leading modern monetary theorists. Dr Steven Hail of Modern Money Lab, an associate of Professor Kelton, is one of the leading modern monetary theorists in Australia.

The course Dr Hail has developed is a six-day intensive grounding in MMT for investment professionals. It is heavily discursive, designed to draw on the experiences of course participants to identify and illustrate the insights MMT can provide, with reference to the work of Professor Kelton and her colleagues, in particular

the book *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems* by Professor L. Randall Wray.

MMT economists were right about the vulnerability of the euro, the consequences of the Clinton fiscal surpluses and global financial deregulation, the potential for a great recession in the 2000s, the weakness of the recovery after 2008, and the consequences of quantitative easing, and moreover have been right about the subsequent prolonged period of low growth, low inflation and bond yields. They now predict a shift towards fiscal dominance in macroeconomic policy, and stress the importance of an understanding of the factors determining the fiscal space enjoyed by policy-makers.

The increasing prominence of MMT in public discourse and policy debates means all financial market professionals, senior public servants, business executive and others who need to make sense of today's economy will benefit from participating in Modern Monetary Theory and Investment Analysis.

Course Learning Outcomes

On successful completion of this course, students will be able to:

1. Identify and explain the three core axioms of modern monetary theory, and the main historical roots of modern monetary theory.
2. Identify and explain the main differences between orthodox macro and financial theory and modern monetary theory regarding the nature of money; the efficiency of financial markets; the role of the central bank; the relationship between fiscal and monetary policy; the limits of fiscal sustainability; the requirements of fiscal responsibility and financial stability; the management of inflation; and the choice of exchange rate regimes.
3. Apply modern monetary theory to derive insights into the behaviour of the credit, bond, foreign exchange and equity markets.
4. Apply stock-flow consistent monetary macroeconomics to generate contingent forecasts about future macroeconomic conditions, and to assess the validity of forecasts produced by treasuries, central banks, international agencies and private sector organisations.

Assessment

This course will be assessed using a variety of in-course tests, short assignments and marks awarded for active participation. Due to the intensive nature of the course, there will be no final written examination. Instead, participants will be graded based on continuous assessment.

Course Modules

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| 1 | Introduction to Modern Monetary Theory (MMT). | CLO 1. |
| | <p>Currency issuers and currency users.
Determinants of monetary sovereignty.
Basic macroeconomic accounting.
Axioms of modern monetary theory.
Historical roots of modern monetary theory.
Descriptive and prescriptive elements to modern monetary theory.</p> | |
| | <p><i>Case Study/Investment Insights 1:</i></p> | <p><i>UK.</i></p> |
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| 2 | MMT, Money and Modern Central Banking Operations. | CLO 2. |
| | <p>The development and nature of money.
Money and banking in economic theory.
Monetary policy in economic theory.
Modern central banking operations and the conduct of monetary policy.
Limitations of monetary policy.</p> | |
| | <p><i>Case Study/Investment Insights 2:</i></p> | <p><i>Australia.</i></p> |
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| 3 | MMT and Fiscal Sustainability. | CLO 2,3. |
| | <p>Fiscal policy in economic theory.
Fiscal sustainability in economic theory.
Principles of functional finance.
Fiscal sustainability in modern monetary theory.
Fiscal policy and the non-government sector.</p> | |
| | <p><i>Case Study/Investment Insights 3:</i></p> | <p><i>USA.</i></p> |

4 **MMT and Exchange Rates.** **CLO 2,3.**

Exchange rate regimes in economic theory.
Optimal currency areas.
Theories of money and the design of the euro.
Monetary sovereignty and exchange rate regimes.
Monetary sovereignty and sovereign debt.

Case Study/Investment Insights 4: *Eurozone.*

5 **MMT and Inflation.** **CLO 2,3.**

Inflation in economic theory.
Inflation targets and the Great Moderation.
Inflation targets post-GFC.
Potential causes of inflation.
Fiscal policy and inflation.
Causes of hyperinflation.
MMT and inflation.

Case Study/Investment Insights 5: *Japan.*

6 **MMT and Financial Instability.** **CLO 2,3,4.**

Minsky and investment theory.
Trigger points for financial crises.
Stock-flow consistency and financial fragility.
Financial regulation and financial crises.
MMT and stabilization policy.
Critics of MMT.

Case Studies/Investment Insights 6: *GFC.*

Recommended Pre-Course Reading

Two brief articles and one book. The book can be read during the course, if participants are not able to read it in advance.

Book:

Kelton, S. 2020. *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*. New York: Public Affairs.

Course Text

It is not essential to acquire this text in order to attend the course. However, participants are recommended to do so.

Wray, L.R. 2015. *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*, 2nd edition (1st edition from 2012 may also be used) New York: Palgrave Macmillan.

In Course Readings (access to be provided on-line)

Participants are not required to read all of these during the course. The modules will however draw on these references. Participants might like to download them, for further reading after the course.

Bell (Kelton), S. 2000. "Do Taxes and Bonds Finance Government Spending?" *Journal of Economic Issues* 34, no 3: 603–620.

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Connors, L., and W. Mitchell. 2017. "Framing Modern Monetary Theory." *Journal of Post-Keynesian Economics* 40, no. 2: 239–259.

Davidson, P. 1972. "Money and the Real World." *The Economic Journal* 82, no. 325: 101–115.

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- Godley, W. 1992. "Maastricht and All That." *London Review of Books* 14, no. 19: 3–4.
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- Lavoie, M. 2013. "The Monetary and Fiscal Nexus of Neo-Chartalism: A Friendly Critique." *Journal of Economic Issues* 47, no. 1: 1–32.
- Lerner, A. 1943. "Functional Finance and the Federal Debt." *Social Research* 10, no. 1: 38–51.

- Minsky, H. P. 1996. *Uncertainty and the Institutional Structure of Capitalist Economies*. Working Paper 155. Annandale-on-Hudson, NY: Levy Economics Institute of Bard College.
- Mitchell-Innes, A. 1913. "What Is Money?" *Banking Law Journal* 30, no. 5 (May): 377–408.
- Mitchell-Innes, A. 1914. "The Credit Theory of Money." *Banking Law Journal* 31 (January): 151–168.
- Mosler, W. 2010. *Seven Deadly Innocent Frauds of Economic Policy*. U.S. Virgin Islands: Valence Economics.
- Romer, P. 2016. "The Trouble with Macroeconomics." *The American Economist*.
- Ruml, J.B. 1946. "Taxes for Revenue are Obsolete." *American Affairs*, January 1946.
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