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The Insanity Isn't the Deficit Spending; It's Claiming That the Government's Budget Is Like A Household Budget!

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It's a trope with our politicians, including the President, his likely Republican opponent Mitt Romney, and an emerging third party candidate [16] over at Americans Elect and NoLabels, Pete Peterson's long-time Sancho Panza, David Walker. The trope says that the Government is just a family, even though it's a very big one, and that, like any family, it has a ?household? budget, called the Government budget.

There's nothing to this, of course, The Government is not like a big household [17] or even the largest corporation. It is not the user of our national currency. It is the creator of it. **All of our dollars come from the authority of the Government to spend, and, in the act of spending to create dollars.** [18]

If the Government has debt, it can always pay that debt simply by marking up the accounts of its creditors. Also, unlike your household or mine, it doesn't matter how much is on the Government's credit card, it can always repay its debts whenever they come due, unless

Congress does something stupid to stop it from doing so.

In fact, its own constraints aside for a moment, the Government has precisely the same ability to repay its debts, however high those debts are, and however high its debt-to-GDP ratio is, so long as those debts are owed in the currency (USD) it has the authority to create. It doesn't matter whether the Government owes $14.3 Trillion, or $30 Trillion, or only $50,000. Its ability to pay, self-constraints aside, is exactly the same. It doesn't matter if its debt-to-GDP ratio is 0% or 10% or 100% or 300%, it's ability to meet its debt obligations is exactly the same, if it only decides to shed its self-constraints.

Now, the Mitt Romney campaign, is taking its turn at offering us the **?Government is just a big household, so we can't take on any more credit card debt, because if we do then one day we'll run out of money and our grandchildren will have to pay the price?** trope. But Romney's campaign has gone beyond words into an ?infographic? [19] to try to reinforce this myth of the austerians.

Even though they differ on details Romney, President Obama, David Walker, Pete Peterson, Erskine Bowles, Alan Simpson, other deficit hawks, as well as the deficit doves, would l all say they agree with the general picture presented by the infographic without, perhaps, agreeing on the specifics of the last two lines. But, again, this infographic, is as much a fairy tale as the corresponding verbal trope. So it needs an answer; one based on Modern Monetary Theory [20] (MMT), and the realities of sovereign fiat currency systems. [21] Here it is.

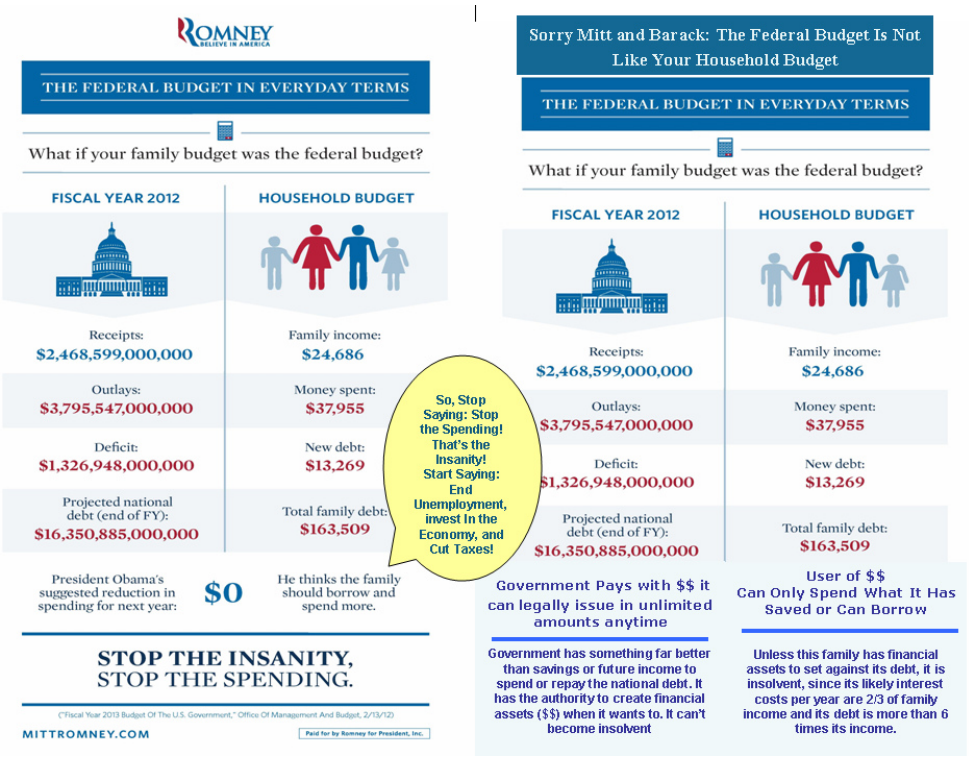

Figure 1: The Real Insanity Is Austerity. Stop It!

The bottom line is that there isn't a valid analogy between the Government and a family household, and that the insanity is to cut back on deficit spending when we still have 25-30

million wanting full-time work who can't find it.

Specifically, the Government pays with dollars it can legally issue in unlimited amounts at any time! Also, the Government can't become insolvent except as a result of Congressional, and unconstitutional [22], stupidity.

So, let's start telling the truth about the Government budget and its unlimited capacity to spend, and let's get full employment and Medicare for All, invest in the economy, cut regressive taxes, and solve the rest of our accumulating problems.

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