Accounting for Sovereign Money

A Response to "ANNEX to Money and Banking: Assessing Overlaps and Differences Between SMR and MMT" by Maurice Höfgen

John Glazer, April 22, 2020

Introduction

The broad topic of this essay is how government spending can be accounted for under different scenarios. The transaction used in the illustrations is a simple one of a government contracting with—and paying—a vendor for cleaning services. The different scenarios illustrated by Maurice represent alternative payment methods for accomplishing this spending within the current monetary system. This essay provides brief analysis and commentary on Maurice's Illustration #1 while at the same time offering an alternative illustration of how government spending might be accounted for under the scenario of a "sovereign money" system.

One goal of this exercise is to shed light on similarities and differences between Modern Monetary Theory (MMT) and the sovereign money approaches to the monetary system. In this context, there are a number of issues at stake. Perhaps overarching is the question of how a government can pay for "what it takes" to solve huge social and environmental problems. The simple transaction of procuring a cleaning service pales as a case study for such spending in comparison to the spending required to address issues of climate change, poverty, health, education, infrastructure, etc., but it does promise clarity as a simple transaction to illustrate something as mundane as accounting practices.

The key issue at stake between MMT and the sovereign money approach is the difference between "debt money" and "asset money." The sovereign money approach asserts that, within the current monetary system, money (more precisely, nearly all money) is created as debt, and the sources of money for a government to spend are limited to either money collected as tax revenue (which itself originated as debt in the circulating economy) or money borrowed as government debt. Despite important similarities and shared goals and values, the sovereign money approach is concerned that MMT appears comfortable within the current debt money system and is devoted to finding alternative ways, within that system, to enable government spending on the scale needed to address pressing problems. While such workaround solutions can be both interesting and attractive, sovereign money's critique of the debt money system goes far beyond its constraints on government spending to address big problems. The sovereign money approach's disappointment with MMT is that its workarounds perpetuate the debt money system and fail to bring about the fundamental changes required to address broader concerns about the impacts of this system on the economy and society in general.

Therefore, one of the interests of this limited essay is to explore the connection(s) between MMT's alternative approaches to government spending and the larger system of debt money. At the same time, the essay offers an illustration of the accounting dynamics of government spending under a sovereign money system.

Overdraft at the Central Bank

This essay limits its attention to Maurice's first illustration for at least three reasons: (1) it is the one that comes closest to showing how money can be created in the present monetary system without creating debt, (2) the commentary on this illustration provides all the foundation needed for presenting the sovereign money alternative, and (3) similar commentaries on all the other payment systems illustrated in Maurice's ANNEX would be repetitive and exponentially increase an already too long response.

Maurice's first case illustration seeks to represent an accounting for government spending "absent all self-imposed constraints." He takes the absence of constraints to be a situation in which the government runs overdrafts at the central bank.

It is important to note that, from the point of view of sovereign money reform, this is not a case that is absent all self-imposed constraints since it takes place within the current monetary system, with all of its self-imposed rules and regulations. The components of this current monetary framework are self-imposed because they are not essential to the nature of monetary transactions, but instead represent current rules of the game in which monetary transactions take place. These rules stem from regulations which in a sovereign money system might be totally absent or at any rate very different.

Maurice's Illustration #1 (creating money by simply accepting overdrafts) presupposes the entire existing artifice of the current monetary system. It leverages the existing regulatory environment and is all about how "reserves" are accounted for when government spends by running overdrafts within the current system. Reserves are the creation of regulation, part of the rules of the present game, and are neither necessary nor intrinsic to monetary transactions. Therefore, the alterative accounting for government spending that would be truly "absent all self-imposed constraints", i.e., the spending of sovereign money, need not provide an accounting for how government spending impacts reserves.

For the purposes or this essay (viz., to illustrate accounting for government spending under a sovereign money system), the interest in Maurice's models is how his approach implements the requirements of double-entry accounting. Our hypothesis is that the essential difference between MMT and sovereign money is that the former retains the system of debt money and the later establishes a system of asset money.

On the surface, Maurice's first illustration does appear to succeed in showing how money can be created, within the present monetary system, without being created as debt. However, debt money is still very much in play: while crediting a reserve account is not itself debt money, without the debt money system there would be no reserve account to credit. The whole purpose of the modern system of reserve accounts is to support and regulate the debt money system.

Maurice in effect says that the central bank can create money by simply crediting a commercial bank's reserve account. In his illustration, that act of crediting the commercial bank's reserve account creates money (and increases the overall money supply). The act of government spending is completed by the commercial bank then transferring the money created in its reserve account to the account of the cleaning vendor as payment from the government for the cleaning service it purchased.

One can ask: where did the money come from that got credited to the commercial bank's reserve account? The answer provided by Table 1 is that this money was "transferred" from the Treasury's reserve account to the commercial bank. However, there was no pre-existing money in the Treasury's reserve account that could simply be transferred, and instead, what happened was that the Treasury's reserve account was reduced (into negative numbers) by the amount of the reserve credit. This deficit is the overdraft. The Treasury did not have the reserves it transferred, but it transferred them anyway thereby creating new money to circulate in the economy (going from the commercial bank to the cleaner), and accounted for it by simply posting a negative number which, in turn, reduced the Treasury's net worth by that amount. This is the essence of the deficit and of overdraft spending.

In this model, there appears to be no debt created. Money is created out of nothing by posting values less than zero. And, the negativity is absorbed in negative net worth: the net position of the Treasury drops by the amount credited that enabled the overdraft spending. However, while this overdraft model does not create money as debt, it presupposes, as a necessary condition for its operation, the entire debt money system since it entirely depends upon exploiting the regulatory role played in that system by reserves. In this sense, it is not true that the money created by crediting a commercial bank's reserve account is without debt. Without the debt money system by which money is created by lending, there could very well be no reserve accounts to play with in this manner.

Although Maurice appears generally comfortable with the overdraft spending, he does point out that there is at least one potential consequence of this overdraft method of creating money.

The effect that Maurice explores is that the central bank is sure to be concerned that its mission of maintaining targeted interest rates might be threatened by this transaction because the excess reserves thereby created in the banking sector might put downward pressure on the interbank rate which is the interest banks charge each other on the short term loans between financial institutions, most of which are for the purpose of banks complying with minimum reserve requirements, hence Maurice calls it the "price of reserves." He then goes on to point to options that the central bank has to deal with this concern. It is hard to see this as a genuine potential concern since the credit to the commercial bank's reserve account is entirely a pass through, resulting in no excess reserves nor increased lending capacity or any other benefit to the commercial bank which is operating in this instance as a simple payment system intermediary.

Key Objection to Overdraft Spending

Other than the fact that the overdraft spending solution presupposes the entire debt money system (and thereby partakes of all critiques and objections pertinent to the current monetary system), on its own merits what's wrong with the overdraft approach to the government spending problem?

Clearly, the elephant in the room would be concerns about the Treasury's increasingly negative net worth resulting from perpetual overdraft spending, especially at scale. There is something interesting and bold about MMT's implied position that this is nothing to worry about. It is attractive (and one might say appealing to a world increasingly comfortable with modern forms of nihilism) to be able to easily dismiss—by simply accepting—seemingly negative consequences like infinite debt never to be repaid (present and implied in other of Maurice's illustrations) or perpetually increasing negative net worth with consequences never to be felt.

Perhaps it is true that Treasury's net position trending toward infinite negative numbers is of no consequence with little-to-no practical negative impacts that can't be remedied by other means. This writer lacks the expertise to assess complications of a Treasury completely comfortable with perpetual insolvency, but here are some amateur observations about how counterintuitive infinite negative net worth feels:

- In my world, all the principals of sound financial management are violated by negative net worth. Ratios that measure financial strengths, capabilities, resiliencies, all go to hell with ever increasing net position deficits.
- In all our worlds, intentional overdrafts constitute fraud and are felonies punishable by law for individuals and companies. While it is true that the government's bad check will never bounce, it is an odd and authoritarian exercise of sovereign power to hold the government exempt from the laws that govern the rest of us. (The same is true for ever increasing debt at zero interest that never need be repaid, enabling language of debt that is not "borrowing," similar to overdrafts that do not "bounce.")
- There is an inescapable feeling (yet an open question requiring experts to weigh in) that perpetual overdrafts and ever-increasing negative net worth of the Treasury will have future consequences that one day will need to be addressed. The suspicion is that, sooner or later, newly created debt money will be needed to fix the problems created by the scaling of deficit spending and negative net position.

The underlying and overarching objection above to the overdraft method of creating money and enabling government spending is that it is a bad aesthetic. It is what British aristocracy might call "bad form." The language of overdrafts, deficits, and negative net worth and the image of a national economy digging increasingly deepening holes is disappointing and does not reflect the economic or cultural values that can underpin a government robustly building a better, more beautiful world.

*When I am working on a problem, I never think about **beauty***
*but when I have finished, if the solution is not **beautiful**, I know it is wrong.*
Buckminster Fuller

Granting itself permission for perpetual debt never to be repaid or infinite negative net worth never to amount to insolvency is not the expression of sovereign power that appeals aesthetically, and the culture it underpins would no doubt suffer multiple symptoms of moral hazard. A related point is that this type of MMT solutions to how the government might be able to spend for the public good is inelegant: not only does it begin with work-around solutions immersed in complexities of current system restraints, exploiting gaps and opportunities in the current system by conjuring carve-out strategies, but it also needs to offer band-aid fixes to unintended consequences and new complexities created by the ad hoc work-arounds. (In Thomas Kuhn's *The Structure of Scientific Revolutions*, as "contradictions" within a current paradigm multiply, "normal science" engages in auxiliary hypotheses and ad hoc explanations to deal with increasing anomalies until that current paradigm bursts and yields to a revolutionary new approach that explains previous puzzles, eliminates the mess of ad hoc explanations, and provides for a fresh start for a new scientific practice that advances knowledge. It feels as if MMT solutions are perpetuating a paradigm that needs to give way.)

These points about poor aesthetics and inelegant solutions may become sharper when we contrast sovereign money accounting with MMT's work-around solutions to the problem of government spending.

Sovereign Money Accounting for Government Spending: Asset Money

In a sovereign money system, the government creates money by spending into the economy. The money created in this way is created out of nothing by simply making account entries. While this is much like Maurice's crediting reserve accounts, conceptualizing sovereign money's ex nihilo account entries under a different paradigm yields a very different way of understanding government spending. One way to think about this—and provide an accounting of it—is to regard the sovereign created money in an investment framework. Sovereign money represents an investment by government into the economy. It is as if our economy is an enterprise, and the government's infusion of new money into the enterprise represents an equity investment in the enterprise. This language of investment provides not only a way of accounting for sovereign money but also for an aesthetic, cultural, and even political framework that is attractive, elegant, and worthy of support.

When the government creates new money, it would appear on the Treasury's balance sheet as cash on the asset side and equity on the liability side. When it is spent, cash and equity decrease.

Imagine all three of the following 'theoretical' steps collapsing into a single step: the government spends sovereign money that it creates as an asset for the Treasury by making an investment (albeit 'out of thin air') in the economy.

Government Contracts with Vendor for $100 of Cleaning Services					
Step 1: Paid-in Capital	Accounts	Treasury		Private Vendor	
		Assets	Liabilities	Assets	Liabilities
	Cash	100			
	Accounts Receivable				
	Accounts Payable				
	Net Worth		100		
Step 2: Contract for Services	Accounts	Treasury		Private Vendor	
		Assets	Liabilities	Assets	Liabilities
	Cash	100			
	Accounts Receivable			100	
	Accounts Payable		100		
	Net Worth		0		100
Step 3: Pay the Bill	Accounts	Treasury		Private Vendor	
		Assets	Liabilities	Assets	Liabilities
	Cash	0		100	
	Accounts Receivable			0	
	Accounts Payable		0		
	Net Worth		0		100

Practically speaking, when the government creates sovereign money through direct spending, it simply makes an entry for its purchases directly into whatever financial institution holds the vendor's deposit account.

Accounting for this on the Treasury's balance sheet is easy: it's a wash. Money in goes to cash (which in that instant increases net worth), and money out goes to the vendor (and in that instant decreases Treasury net worth, while increasing the vender's cash and net worth accounts.

Sovereign Money as Investment Capital

The above accounting for government spending of sovereign money is sufficient and stands on its own.

In what follows, a second layer of accounting is described, not as an alternative or replacement of the simple accounting offered above for Treasury spending of sovereign money, but an accounting of the sources of the capital that the Treasury spends. This is an accounting for the investors who support and enable Treasury spending.

To push the investment analogy, consider the Treasury to be a company operating in the general economy's supply chain. In this analogy, the Treasury is a supplier providing the economy with its key resource (money). It does this by manufacturing money and distributing it through spending on goods and services.

Of course, in this analogy, the Treasury is a very special kind of enterprise. Think of the Treasury as a social enterprise pursuing a double bottom line: it seeks to create public and social value while also exercising sound financial management, remaining financially solvent, always breaking even and with neither profits nor losses.

Next, consider the government and its taxpayers to be the external investors in the Treasury enterprise, providing the sources of the capital that enable the Treasury to operate. These investors are impact investors who primarily seek a social return on their investments. They are satisfied with their capital investments having maximal impact in creating a better, more beautiful world.

Nonetheless, they are also investors and, as such, are indeed interested in financial returns. These returns accrue not via dividends or direct financial returns as in private or venture capital investments, but by the success of government spending in creating a robust, vibrant, equitable, resilient economy that benefits all stakeholders and makes possible the way of life desired by these investors (who, ultimately, are us).

In the accounting that follows, this analogy is pursued to show how investment in the economy (via funding the Treasury) works. As investors, the government and taxpayers can be thought of as having equity stakes in the economy that the Treasury enables. In what follows, an accounting is offered, on this analogy, for what might be called the equity capital accounts representing investments in the economy by the government and its partnership in this regard with citizen taxpayers.

Equity Accounting for Asset Money as Investment

In a sovereign money system of asset money, the total money circulating in the economy represents the equity investment in the economy on the parts of the government (through its ex nihilo creation and spending) and its citizens (through taxes that actually get spent). From this point of view and in this sense, all money circulating in the economy is asset money and also "public money" (we, ours). The total enterprise value of the economy is the total of money circulating. (The societal value—the second bottom line—of the economy would be measured differently.)

There are two sources of money circulating in the economy: the government's ex nihilo investments created by direct spending into the economy and the taxpayers' contributions comprised of tax dollars that are spent into the economy.

Note that when the government spends tax dollars, this is money that had previously been created ex nihilo as sovereign money and had previously been spent into the economy where it has been circulating. Through taxation, this money is extracted from circulation (thereby reducing the money supply). Subsequently, when (and if) the Treasury spends the money it collected via taxation, this money is reintroduced into the economy (increasing the money supply).

Government spending of tax dollars is different from the original government spending that created the money in and by the act of spending. When the government spends collected tax revenue it is spending money that had previously been created ex nihilo but has since gone back to the Treasury from citizen taxpayers. Government spending of tax revenues can be seen as a re-investment of funds previously invested in the economy but harvested out of the economy (via taxation), but this time round the (immediate or direct) source of the new investment is not ex nihilo sovereign money creation. This re-investment comes from taxpayers, and in our investment analogy, this makes them equity partners in the social enterprise called the economy.

The government can control the money supply (investments in the economy) in three ways:

1. It can increase the money supply by creating money out of nothing and spending it into the economy, or
2. It can decrease the money supply by collecting taxes that pulls money out of circulation and back into the treasury. (Alternative inflation controls, e.g., slowing the rate of money creation and other methods, are of course available too.)
3. It can also increase the money supply by spending tax revenues into the economy representing money previously created ex nihilo by government spending and subsequently extracted from the circulating economy via taxation, and now re-introduced (re-invested) into the economy.

Let's do the equity accounting for each of these three activities in turn.

Suppose the government creates $100 in asset money for the Treasury to spend to buy the cleaning services illustrated previously. Suppose as well that the Treasury subsequently collects $100 in tax revenue. In #3 below, we'll suppose the Treasury spends that $100 in tax revenue to purchase additional cleaning services.

1. **Sovereign money** is created by direct government spending, and that spending represents an investment in the economy. As spending, the simple accounting provided in the previous section showed that it has no impact on the net worth of the Treasury. In this respect and with regard to the Treasury, government spending is a wash: in the same instant that it is created, it is spent, and the money-in and money-out of the transaction cancel each other resulting in zero impact on the Treasury's net worth.

   Now, however, we are turning to the investment side of sovereign money creation. For this, we will invent a new balance sheet which is not that of the Treasury, but instead illustrates the equity capital of the government as investor. We'll call this new balance sheet "Sovereign Capital" to be distinguished from "Taxpayer Capital" (presented in #2 below) both of which representing equity investments in the economy.

   For our stylized government spend to purchase services from our cleaning service vendor, the previously discussed Treasury balance sheet accounted for the spend and there is now the corresponding government financial statement accounting for the investment side of the transaction:

Accounts	Sovereign Capital	
	Assets	Liabilities
Invested (Paid-In) Capital	100	
Equity Value		100

2. **Taxation** is accounted for in three sets of financial statements: (a) in the Treasury balance sheet, (b) in the government's sovereign equity capital accounting, and (c) in the taxpayers' equity capital account as investors in the economy alongside government.

   a. For the Treasury, tax revenue increases cash (transferred from the income statement where the tax revenue was recorded as income), but in a sovereign money system, it might also be understood as increasing a liability account for the Treasury. The Treasury is holding taxpayer money for a later date when it will be spent back into the economy as a taxpayer investment. This liability account is a holding tank that records an obligation to be fulfilled at a later date.[1]

      Rather than increasing Treasury's net worth, collected tax revenue creates an obligation to taxpayers that we'll explain and clarify in (b) below. Meanwhile, the balance sheet impact of tax revenue is a 'wash' for the Treasury:

Accounts	Treasury	
	Assets	Liabilities
Invested (Paid-In) Capital	100	
Taxpayer Investment Holding Tank		100
Net Worth		0

   b. The second set of financial statements affected by taxation is the government's sovereign equity capital account. In these equity capital accounts, we are accounting for investments we make into the economy. So we need to show how taxation effects the investment the government makes through its creation and deployment of sovereign money.

      The point and purpose of the investment is to supply money for the economy. Since taxation takes money out of the economy, it is as if the government is withdrawing its investment capital. Therefore, we need an accounting that illustrates this withdraw and decreases the government's equity investment in the economy.

1 It might help to understand this "holding tank" balance sheet line item by noting that it is similar to other 'holding tanks' that are likely more familiar. For example, a company might take in cash as a customer deposit or an advance payment or a prepayment against goods and services to be delivered later. This increases the company's cash, but this cash is encumbered by the corresponding obligation to deliver the goods and services that have been paid for in advance. Another example, closer to the holding tank we are describing but more technical in nature is the notion of a contra-equity account, analogous to a "treasury stock account" in a private company representing the value of common stock that a company purchases back from investors and represented in the accounting statements as a deduction from total net worth.

Since tax revenue, extracted from the economy, is intended and available for later spending, the notion of a holding tank enables us to account for the reduction of the government's equity position in the economy. Just as the Treasury's balance sheet showed us taxes collected but not yet spent, so too the government's capital account has a liability: until tax revenue is spent back into the economy (i.e. re-invested), it is a claim against the equity position of the government and accounted for as a liability:

Accounts	Sovereign Capital	
	Assets	Liabilities
Invested (Paid-In) Capital	100	
Taxpayer Investment Holding Tank		100
Equity Value		0

c. The final set of financial statements affected by taxation is the taxpayers' equity account. If and when tax revenue is spent back into the economy (re-invested) then it will increase the money supply (which represents the total investment in the economy) but this investment in the economy now becomes an investment made by citizens and therefore represents taxpayer equity.

Therefore, until taxes collected are actually spent by the government, taxpayers' equity capital account is in a bit of suspended state:

Accounts	Taxpayers' Capital	
	Assets	Liabilities
Invested (Paid-In) Capital	100	
Government Right to Spend		100
Equity Value		0

3. **Government spending of tax revenue** completes taxpayers' investment in the economy. It re-introduces (re-invests) money into the economy that had been previously extracted from circulation (by the imposition of taxation) and in doing so replaces dollar-for-dollar the sovereign capital investment in the economy with a taxpayer capital investment in the economy. This increases taxpayers' equity investment in the economy.

   When Treasury spends tax revenue on cleaning services (or anything):

   - Treasury cash and "taxpayer stock liability" decrease.
   - The government satisfies its holding tank obligation, and it is as if its capital investment has been bought out or replaced by the taxpayer investment.
   - Taxpayers' equity investment in the economy increases.

Illustration

Suppose that the government creates sovereign money to buy $100 of cleaning services, then imposes a tax that extracts $100 from the economy and subsequently spends that $100 for a second cleaning service.

a. Treasury's income statement went through three phases:

Accounts	Paid-in Capital Treasury P&L		Taxes Collected Treasury P&L		Taxes Spent Treasury P&L	
	Revenues	Expenses	Revenues	Expenses	Revenues	Expenses
Revenues						
"sovereign money"	100		100		100	
tax revenue			100		100	
Expenses (Accounts Paid)						
Cleaning Service 1		100		100		100
Cleaning Service 2						100
Earnings (Equity Contribution)		0		100		0

Treasury's balance sheet went through three phases:

Accounts	Paid-in Capital Treasury Balance Sheet		Taxes Collected Treasury Balance Sheet		Taxes Spent Treasury Balance Sheet	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash						
"sovereign money"	100		100		100	
tax revenue			100		100	
Accounts Payable						
Cleaning Service 1		100		100		100
Cleaning Service 2						100
Taxpayer Treasury Stock				100		0
Net Worth		0		0		0

b. The government's equity capital account goes through three phases:

Accounts	"Asset Money" Sovereign Capital		Tax Revenue Sovereign Capital		Tax Spend Sovereign Capital	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash						
"sovereign money"	100		100		0	
Taxpayer Treasury Stock Claim				100	0	0
Equity Value		100		0		0

In phase 1, the government invested $100 of sovereign money in the economy. In phase 2, the government imposed a tax obligation upon its citizens and collected $100 of tax revenue thereby extracting its $100 investment from the economy and creating a claim on its original investment that was executed in phase 3 when the government spent the $100 of taxpayer money back into the economy and thereby impacted taxpayers' equity investment as shown next.

c. Taxpayers' equity account can be seen as also going through three phases:

Accounts	Pre-Taxation		Taxes Extracted		Taxes Spent	
	Taxpayer Capital		Taxpayer Capital		Taxpayer Capital	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash						
Taxes Paid	0		100		100	
Accounts Receivable (Taxpayer Treasury Stock Claim)		0		100	0	0
Equity Value		0		0		100

Summation and Concluding Remarks

The language of investment and notion of equity accounts provide a means of documenting and accounting for both sovereign money creation and the impacts of tax and spend:

- When the government spends sovereign money, it creates money ex nihilo and directly credits the accounts of its vendors, increasing its capital investment in the economy.
- When the government taxes and taxes are paid, money is extracted from circulation, increasing Treasury's cash but also creating a corresponding liability that holds taxpayers' money until such time as it is re-invested into the economy through subsequent government spending.
- When tax dollars are spent, that money goes back into circulation, but instead of representing (and increasing) the government's capital investment, it constitutes fulfillment of both the Treasury's and the government's liability to taxpayers whose money has been held, and the spend represents taxpayers investing in the economy with their own capital increasing taxpayers' participation in the sources of investment that provided the economy with its circulating money.

In this way, the sum of the two equity accounts—the government's ex nihilo capital and the taxpayers' capital that re-circulates previously-created money—represents the totality of the money supply and the totality of investment in the economy.

Note the Treasury never has a positive (or negative) net worth, nor deficits or debts (other than temporary accounts payable satisfied by government spending).

In measuring economic well-being, economists can take into consideration both the volume of money in circulation (the combined investment of the government and its citizens) and the velocity of money moving in the economy (the volume of goods and services produced). On at least one theory of inflation, balancing these two indicators is the key to stable prices.

Note the contrast that sovereign money and this language of investment provides to the machinations of MMT to find ways within the current monetary system to loosen constraints on government spending and enable solutions to costly problems. Because it presupposes the entire existing artifice of the current debt money system, MMT's work arounds do not address the issues, intrinsic difficulties, and extrinsic consequences of the existing monetary system. Sovereign money is not intended to simply provide a means for debt free government spending, but also to address a whole host of issues and problems stemming from the current monetary system in which banks create, by lending and as debt, the bulk of money circulating in the economy.

From the point of view of sovereign money, this is enough said: stopgap, work around solutions to problems of government spending within the current debt money system fail to address larger and more important problems. The conversation needs to turn to an inquiry as to how MMT would address these larger and more important problems.

In the end, this sovereign money accounting is tedious and trivial, but the big idea is relevant, material, and compelling: the government creates money ex nihilo and spends it into the economy (for purposes of creating public value) and uses both government money creation and taxation to adjust the money supply in alignment with needs for financing productive activity while controlling inflation, and citizens participate in this investment activity when their taxes are spent into the economy.

The enterprise value of the economy is measured by the volume of money circulating. The equity investments in the economy are shared by government and taxpayers as distinct sources of money circulating. The money supply represents the combined investment of both government sovereign money and taxpayer re-investments. The vibrancy and health of the economy is measured, in part, by the velocity of money changing hands in the economy in the selling and purchasing of goods and services.

The aesthetics of sovereign money and the language of investment eliminate the bad form of debt/deficit, overdrafts, workarounds, complex band-aid fixes, and contradictions of basic beliefs and values. It transforms the nation's economy from one where money is created to profit private financial entities (banks) to one where money is created to deliver public value. It transforms the money supply from constraints and austerity to opportunities and abundance. It frames government spending decision in terms of investments and opens public discourse on what are the desirable returns on those investments in terms of vibrant economic life, resiliency, social impacts, and the quality of life in communities. It enables money to be created and spent to solve pressing problems, create social and public value, and contribute to the creation of a better, more beautiful world.

I apologize for length, repetitiveness, and verbosity. I hope it bought clarity and simplicity.