

STEVE KEEN'S DEBTWATCH

Analysing the Collapse of the Global Debt Bubble

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Monetary Realism from the Bank of England

By [Steve Keen](#) | [March 18, 2014](#) | [Debtwatch](#)[Flattr this!](#)

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A couple of weeks ago I took a swipe at Bank of England over a speech by its Governor Mark Carney that was unrealistic about the dangers of a bloated financial sector ([Godzilla is good for you?](#) March 3). Today I'm doing the opposite: I'm doffing my cap to the researchers at [Threadneedle Street](#) for a new paper "[Money creation in the modern economy](#)," which gives a truly realistic explanation of how money is created, why this really matters, and why virtually everything that economic textbooks say about money is wrong.

The bank is going gangbusters to get its message across, with an introductory paper on [what money is](#), and [two short videos](#) on what money is and money creation, both shot in its gold vault. It clearly wants economic textbooks to throw out the neat, plausible but wrong rubbish they currently teach about money, and connect with the real world instead.

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About Steve Keen

I am a professional economist and a long time critic of conventional economic thought. As well as attacking mainstream thought in [Debunking Economics](#), I am also developing an alternative dynamic approach to economic modelling. The key issue I am tackling here is the prospect for a debt-deflation on the back of the enormous debts accumulated in Australia, and our very low rate of inflation.

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[koonyeow](#) March 18, 2014 at 5:58 pm

We can bet the farm that mainstream economists will resolve their cognitive dissonance through

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rationalization.

*TruthIsThereIsNoTruth* March 18, 2014 at 10:32 pm

I have to give myself some credit, since no one else will, for always arguing on this blog that I agree with the proposed mechanism for money creation but completely disagree about that it is unconstrained and the details of what I've said actually constrains it is also described in the BoE article.

But my hubris quickly turns to cynicism, about how economics is debated on mythical suppositions, with little consultation with people of whom surely there is plenty who actually know these things. Banks are run by people, plenty of people. Banks are the second largest bureaucracies after government. Lot's of people to talk to about how they do things.

Every scientific field of study focuses closely on what they are studying. In economics there seems a pervasive culture to take an extremely high level view where fantastical theories can float around untested, where reputation precedes facts and empirics are carefully chosen to suit the argument.

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