



INSTITUTE OF
INTERNATIONAL
MONETARY RESEARCH

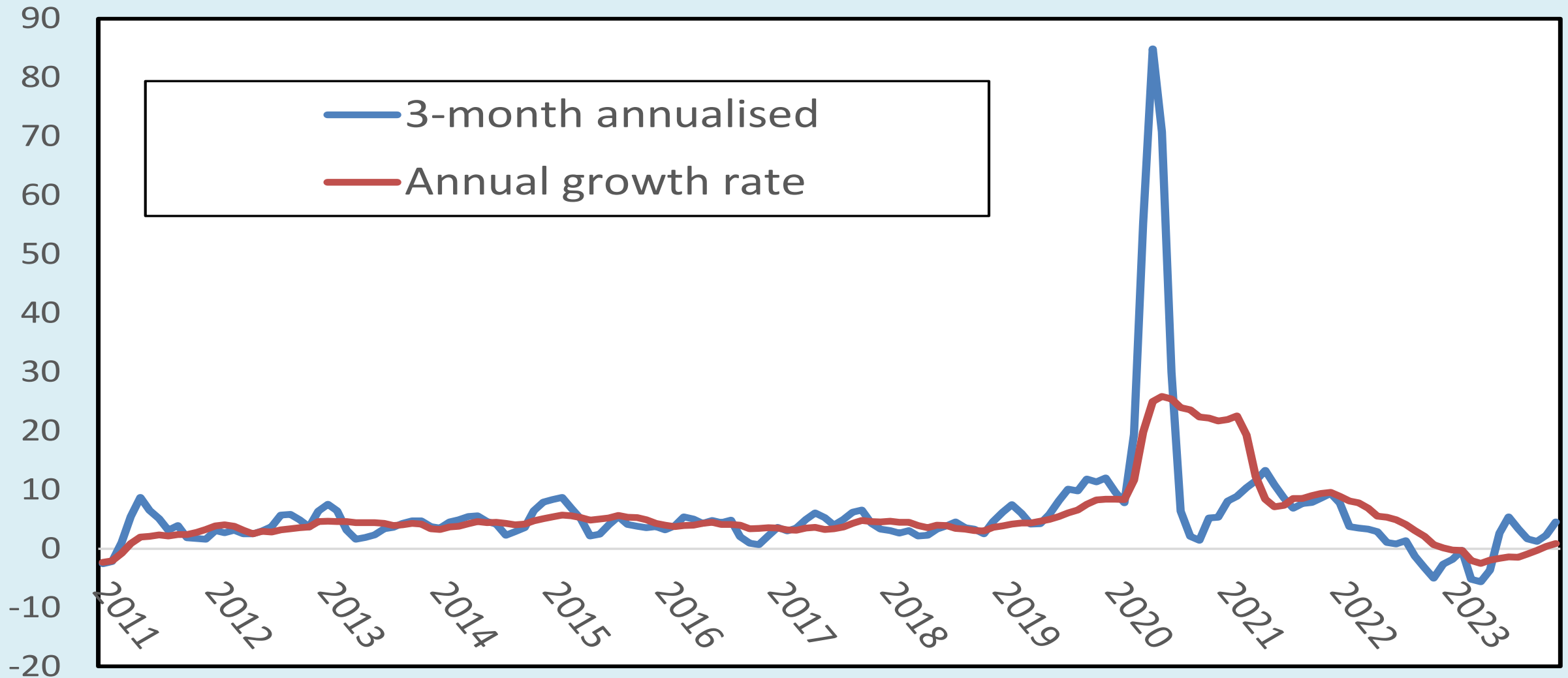
Analysis and insight into trends in money and banking,
and their impact on the world's leading economies

Is US money growing picking up? Is the Federal deficit being monetized?

*A presentation by Professor Tim Congdon CBE,
Chair of the Institute of International Monetary Research,
in February 2024*

US money growth trends since the Great Recession

Chart shows % rates of change, using the M3 measure prepared by Shadow Government Statistics (to whom our thanks) - December 2023 last value



US banks' balance sheet expansion

- US banks can grow their balance sheets – and hence their deposit liabilities (which are money) – by increasing their claims on
 - the US public sector (i.e., the Federal government, mostly), and
 - the US private sector, with such claims mostly taking the form of loans and securities issued by companies.
- Since “loans and leases in bank credit” fell in December, **this was clearly not the reason for the increase in the quantity of money seen in the month.**

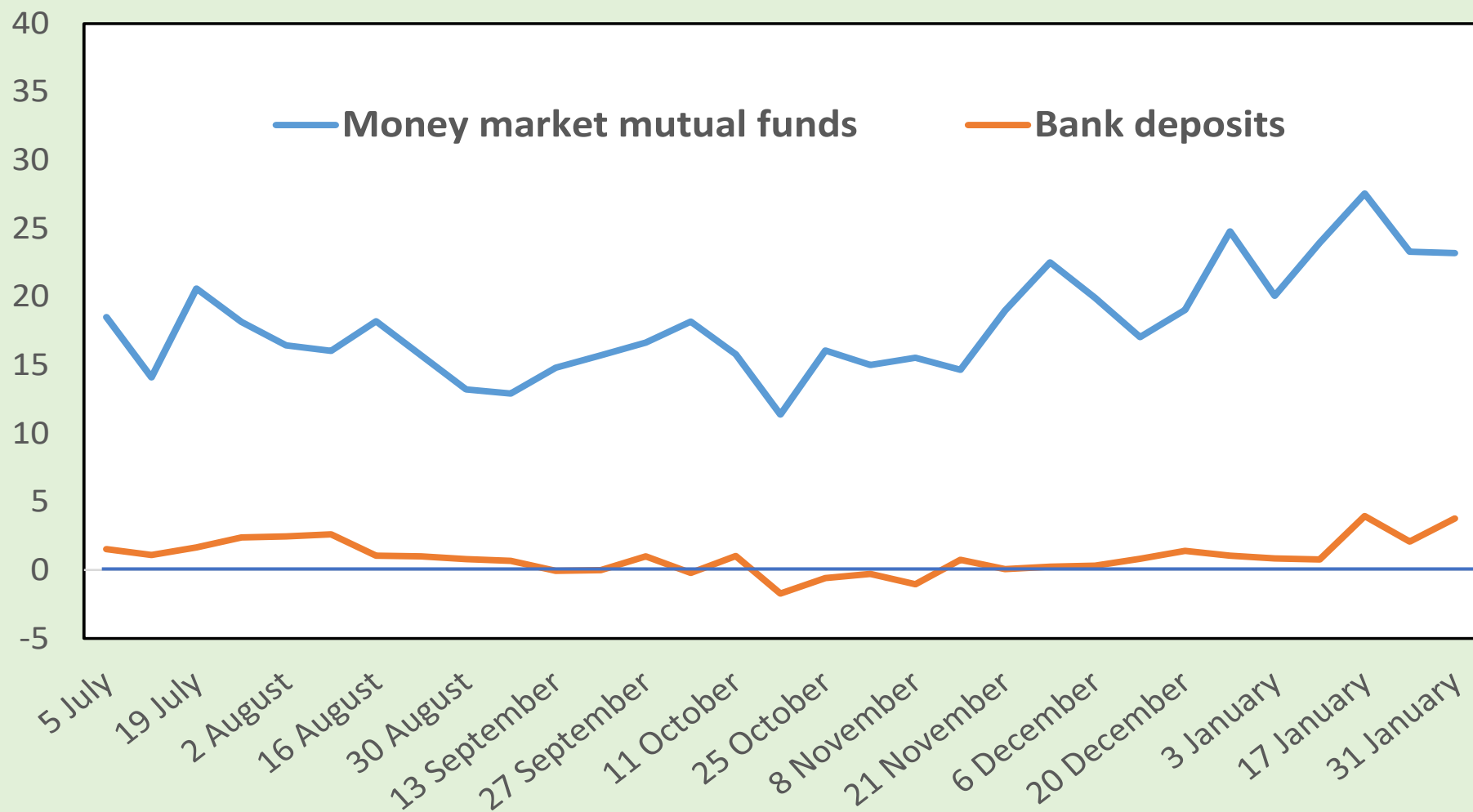
Change in US commercial bank assets in four weeks to 27th December 2023

Cash	+\$62.1b.
------	-----------

Treasury securities	+\$67.4b.
---------------------	-----------

Loans and leases in bank credit	-\$287.5b.
---------------------------------	------------

**Two parts of the US monetary sector
in late 2023 and January 2024 -
*3-month annualised growth rates %***



Bank deposits started to grow again in late 2023, but were more or less flat for most of 2023. By contrast, MMMFs have been booming.

	The continuing boom in MMMFs		
	Average weekly value of money market		
	mutual funds, in \$m., in		
	- November 2023	5,748,080	
	- December 2023	5,885,125	
	Increase between months , \$m.	137,045	
	Increase between months , %	2.4	
	The annualised rate of growth % in		
	the month was 32.6%.		

**The
annualised
rate of growth
of MMMFs in
December
was 32.6%.**

The importance of money market mutual funds to financing the US budget deficit

- In the final quarter of 2023 US nominal GDP was probably almost \$28,000b. (or \$28 trillion). (In Q3 it was \$27,610b., according to the Bureau of Economic Analysis.)
- The Federal deficit was \$,2,262.6b. in the year to July 2023, but somewhat lower at \$1,766.8b. in the year to January 2024. **The underlying deficit is widely believed to be over \$2,000b. (\$2 trillion) and perhaps as much as \$2,250b. (i.e., about 8% of GDP).**
- The value of all money market mutual funds at present is about \$6 trillion, with the bulk of this (about \$5 trillion) taking the form of Treasury MMMFs. Treasury MMMFs can hold only Treasury liabilities due for redemption in the next 12 months.

The importance of money market mutual funds to financing the US budget deficit

- The value of all money market mutual funds at present is about \$6 trillion, with the bulk of this (about \$5 trillion) taking the form of Treasury MMMFs. Treasury MMMFs can hold only Treasury liabilities due for redemption in the next 12 months.
- **In this context – if Treasury MMMFs grow by about 20% a year (as they were doing in late 2023) – they absorb about \$1 trillion of the Federal deficit, which is obviously very substantial relative to the overall budget imbalance.**
- **But MMMFs are really “money” – and the process therefore illustrates the monetization of the budget deficit which is found – all too often – in high-inflation societies.**