

You can't do money without double entry

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I was reading Steve Keen on Minsky yesterday, as you do on Boxing Day. This is from his PDF on Minsky without formulas, [which is available as a download](#). I think:

Professor Steve Keen

Modeling with Minsky

www.patreon.com/profstevekeen

4 If you don't want to model: "Minsky for Dummies"

This is a very technical book, for the simple reason that it explains how to build economic models using a mathematical program. But a lot can be done with *Minsky* without doing mathematical modelling, because many of the issues in dispute these days in economic theory and policy come down to "How are you going to pay for it?"

To really answer that question, you have to understand the dynamics of our monetary system—and that means you have to understand double-entry bookkeeping, because that's the way banks and governments create money, and keep track of financial transactions. *Minsky* was built to do that, with its unique feature of "Godley Tables". You can use the Godley Tables alone to answer many of the questions that dominate political debate today:

- Is there a "magic money tree"?
- Do banks create money?
- What are Reserves used for?
- What do taxes do?

And so on. In this chapter I'll show how to pose and answer questions like these using *Minsky*, without having to write a single equation. Instead, I'll just use the unique feature of *Minsky*, its "Godley Table" (see Figure 8).

What follows thereafter is entirely comprehensible if you do know double entry and have some familiarity with modelling on a computer. For the rest of the world? It will be hard going.

However, I share the quote for a reason. Steve rightly says:

To really answer [the question 'How are you going to pay for it?'] you have to understand the dynamics of our monetary system—and that means you have to understand double-entry bookkeeping, because that's the way banks and governments create money, and keep track of financial transactions.

For that reason, I am going to have to explain the double-entry of banking in the forthcoming book. But nothing like the way Steve does with a Godley model. That's not to say they are wrong because they are not. It is because most people will not follow them, and everyone has a right to know this.