

Scotland needs an informed debate on modern monetary theory

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Gordon MacIntyre-Kemp is a columnist for The National newspaper in Scotland. I read The National because it is the only reliable pro-independence newspaper in Scotland, and I want to hear that point of view. Yesterday [he wrote about modern monetary theory](#), saying as his opening:

At the core of MMT is an accurate observation of how money works that any serious economist has been aware of since the end of the gold standard: the creation of free-floating currencies. This basis gives MMT credibility.

I agree. He then continued:

The premise of MMT is that a sovereign government with its own free-floating currency and central bank can never go bust as it can produce new money and spend as it likes.

Except that is not true. In fact, it's a total misrepresentation. The premise of MMT is that spending can take place until such time as full employment is achieved, after which time wage-driven inflation will follow. Spending should then stop when the desired level of inflation (and most economists agree some inflation is desirable) is reached. In other words, MMT does not say a government can spend as it likes. It says nothing of the sort.

And when MMT talks about the inability of a government with its own currency and central bank not being able to go bust it does so not do so to encourage fiscal irresponsibility, as no sane person would do, but to instead make clear that what is called the national debt is not, as it is popularly described, 'a burden in future generations', but is instead the absolutely essential money supply that lets an economy function. The point about not being able to go bust is true. But it is not something anyone would want to use. Rather like I hope to never try the airbags in my car, it's a safety feature to note, not something anyone wants to test, or to be candid, rely upon in normal use.

So MacIntyre-Kemp wholly misrepresented MMT and then said:

Wouldn't it be great if I could end this column here? Unfortunately, I can't because even though this is correct there are many real-life practical restrictions on spending and significant negative side effects with its use.

As I have just noted, MMT is well aware of the restrictions. It is MacIntyre-Kemp who knows no such constraint. He suggests MMT will permit 'government [to] spend what it wants [as] there is no restriction on unhinged leaders spending in a way that kills the planet'.

He mentions Trump's wall, before suggesting right wingers will abolish business taxes and left wingers will do the same for income taxes. Others might, he suggests, promote rampant military spending.

And all this, he predicts, will lead to the currency of any government that adopts MMT sinking like a stone as its economy spirals out of control whilst hyper-inflation runs riot. He assures his readers that MMT enthusiasts see no problem in this: their answer, he claims, is to just print more money.

As a result he claims that 'MMT is a good theory but a bad iconic mantra and it's certainly not the answer for an independent Scotland once it launches its own currency'.

As the person who did, perhaps, introduce Common Weal to MMT I have to say that is complete nonsense. There are three reasons for saying so, and I strongly suspect MacIntyre-Kemp knows them all.

First, if MMT is a good theory that is because it describes what actually happens. This is, in my opinion, and MacIntyre-Kemp's come to that, true. It would then be absurd to ignore it and use a bad theory instead because some might misunderstand the consequences of the theory to which they claim allegiance. MacIntyre-Kemp's logic is a bit like some people's reaction to social media, or alcohol. They claim that because both can be abused they should be banned. That's absurd. Responsible use is possible, and often beneficial. MacIntyre-Kemp simply has to call out those who do not really understand MMT and so abuse it, [as I have done](#), rather than reject it.

Second, MMT precisely explains how Scotland could use its own currency to assist its development as an independent nation, whilst also making clear what the constraints will be. What it says is Scotland can aim for full employment, sound investment, and a long-term economic view but it also has to be very aware that if inflation and a falling currency are to be avoided - as any responsible government would desire - difficult, and hopefully wise, choices will have to be made. This is the reality that faces Scottish politics. The alternative of running away from those decisions and using the pound instead is to wholly abdicate responsibility and let control stay with London, which is the last thing a new Scotland will need. 'Independence in name only' solves nothing,

But that is what retaining the pound would ensure.

Third, what MacIntyre-Kemp proves is the need for intelligent debate, as opposed to ranting based on misinformation or wishful thinking. MacIntyre-Kemp knows no one in Scotland is going to vote for parties who promote an arms race, or the abolition of swathes of taxes when it is obvious their revenues are necessary. And he knows no one is going to build a new wall. So his arguments are clearly absurd, and add nothing to debate. Saying which, [as I have already noted myself](#), some MMT enthusiasts do not help themselves by also making irresponsible claims. I would echo Common Weal's Robin McAlpine here by calling for better debate, and deeper understanding, on all sides if Scotland is to progress.

I would add a final note. What Gordon MacIntyre-Kemp and many in MMT ignore is the essential role of tax in that theory. MMT tends to underplay this. I think that an error. Many in the MMT community do not get this either. But the fact is that money creation and tax are the flip side of each other in MMT. Working hand in hand they create the economic stability matched with full employment that is the Holy Grail of economics. This is why Common Weal and I have put much thought into the role of a Scottish tax system, which needs to be radically different and much more economically and socially progressive than that which the UK has now. I [have written about it here](#).

Gordon MacIntyre-Kemp should respond to and partake in informed debate rather than post nonsense as if it was an argument. Scotland expects and needs that. Might it be granted what it requires?