

Understanding the myths that need to be tackled

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I have now done some analysis on all the answers to the [question I raised last weekend](#) on the economic, and other, myths that need to be tackled on a persistent basis.

What I have tried to do is group them. My suggested groups are as follows:

Banking myths

- * Full reserve banking
- * Banks create 97% of money
- * There is a fixed quantity of money that we might have
- * Banks are intermediaries
- * Money is inherently valuable
- * Money has asset backing

The household analogy (the myth needing to be tackled most of all)

- * The government is like a household

Modern monetary theory myths

- * There is no magic money tree
- * MMT is indifferent to inflation
- * Tax can't contain inflation
- * We need unemployed people to control inflation

The party political myth

- * The Conservatives borrow less than Labour

Borrowing and tax and spend myths

- * Governments borrow
- * Taxes and bonds raise money for the government
- * Taxes pay for spending
- * The government cannot run an overdraft with the Bank of England
- * The debt has got to be repaid
- * Our grandchildren will have to pay for this
- * We have to repay the national debt
- * Deficit = debt
- * We have to balance the budget
- * Government debt is bad
- * Governments can't print money
- * We need more taxes
- * We must live within our means
- * We have maxed out the credit card
- * We can run out of money
- * We're in hock to the bond markets
- * The government has to pay interest on debt that it owes itself
- * QE debt will be resold to the market
- * We'll go bust if the government borrows
- * We can't borrow all the money that we need
- * Debt is growing proportion of national GDP
- * We can't afford the interest on the national debt

Tax and spend myths

- * Governments spend taxpayers money
- * We tax and spend
- * There is taxpayers money

The inflation myth

- * We're going to be like the Weimar Republic

The austerity myths

- * Austerity was necessary
- * Tax increases are bad for the economy
- * Austerity stimulates growth
- * The state crowds out the private sector
- * The hard choice is we cannot afford to save jobs
- * We can't afford to be green
- * The benefits system is funded by taxpayers
- * Privatisation was necessary
- * The state cannot be trusted with our pensions
- * We can't afford The NHS / pensions / social care / education / benefits etc

Governance myths

- * The central bank is independent
- * The OBR is independent
- * The Institute for Fiscal Studies is an objective commentator

Economic myths

- * Increasing interest rates controls inflation
- * Markets allocate money efficiently
- * There is no multiplier
- * The quantity theory of money is true
- * Economics is rational
- * Externalities do not matter
- * There is an invisible hand
- * Wages reflect a person's worth
- * GDP measures wealth

- * Migrants take our jobs
- * The private sector is more efficient than the state sector
- * Red tape is killing business
- * The market always knows best
- * The state is inefficient
- * There is perfect information
- * There is no asymmetry of information
- * There are no monopolies
- * There are no monopsonies
- * No one is a price maker
- * Equality does not matter, growth does

Green myths

- * There is no climate crisis
- * We have to grow
- * Growth isn't green

Rich myths

- * The rich pay for public services
- * The top 1% pay 25% of all taxes
- * The rich will leave the country
- * Tax cuts for the wealthy stimulate growth
- * CEOs need high pay

Abuse myths

- * Benefit fraud is rampant
- * Tax avoidance is the big issue in tax abuse
- * Tax havens are crippling our tax system

Pay myths

- * Low paid workers are not deserving
- * UBI is unaffordable
- * Income inequality is a good thing
- * The wage rate and unemployment are related

The Scottish myths

- * GERS is a fair reflection of Scotland's income
- * Scotland can't survive as an independent country

The development myths

- * Capitalism has lifted millions out of poverty
- * Outsourcing benefits those now on \$3 a day

So, thoughts, yet again?

Suggestions for more, better groupings and where to start are welcome.

In the meantime, I am moving on to addressing some of these.