

MMT and tax: the reality is that there is much more to ...

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I was trolled from the left and right on modern monetary theory and tax yesterday. The right wing turned up here. The left used Twitter. All claimed I did not understand the literature on this issue.

So, for the record, first of all would they please read these two papers on tax and tell me what I got wrong? One is in the [Real World Economic Review](#) and the other in [Social Policy and Society](#). Constructive criticism I am happy with.

Second, note that there is very little literature on this. MMT has not developed a coherent theory of how tax fulfils the withdrawal function to control inflation it has prescribed to it, hence the papers by me and me and Andrew Baker. Hence too why we are also planning to develop this, considerably. We are seeking to develop theory on how tax does simultaneously have this withdrawal function, which does not fund spending but is an explicit part of the overall funding cycle, whilst simultaneously having a strong function in delivering social, economic and fiscal policy.

Two points though (and quick ones as I have presentations to make to PWC on tax justice and the EU parliament on the abuse of secrecy jurisdictions today, and some preparation to do). The first is that tax as a withdrawal function only controls inflation if it is demand pull inflation. We do not have that right now, excepting amongst the products the wealthy buy, and so it cannot be used to control most inflation at present, excepting for the impact that those with high incomes and wealth have. Tailoring theory to policy in the situations we actually have is intelligent political economy. Sticking to dogma whether useful or not is the exact opposite of that.

And second, to address the MMT zealots, it is undoubtedly true that tax does not fund spending. So there is no tax and spend. But to opened there isn't spend and tax if inflation is to overall be controlled is absurd, but that seems to be what some are suggesting. Learning a tiny little bit of MMT and then shouting that it must be obeyed as a mantra for all time just discredits the MMT cause. I am bored by those who want to do that.

MMT is not a fully developed theory when it comes to tax. And in current circumstances blind adherence to its usual presentations would be as crass as Bank of England policy is right now. Exceptional times require exceptional thinking. Sticking to rules written for other occasions is not exceptional thinking. It is instead crass stupidity. I don't endorse that.