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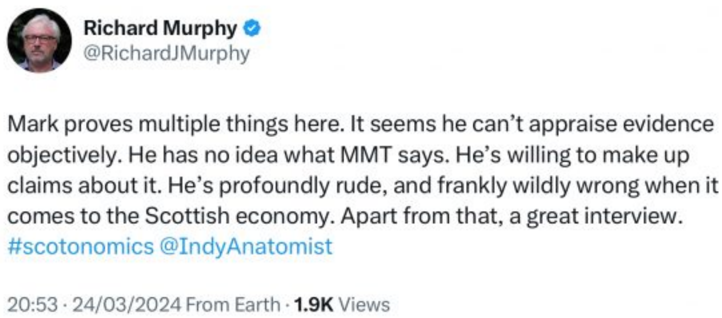
This tweet was posted over the weekend:

https://twitter.com/ian_fraser/status/1771572923913900112?s=61&t=fQEnD35XLiGihXLT1M1wyA

The interview was by Karin van Sweeden with Prof Mark Blyth of Brown University in the USA, where he is professor of international political economy.

I happen to know both participants, although not well in either case.

I was infuriated by Mark's comments and posted this last night in response to a typical comment supporting his position:



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Mark proves multiple things here. It seems he can't appraise evidence objectively. He has no idea what MMT says. He's willing to make up claims about it. He's profoundly rude, and frankly wildly wrong when it comes to the Scottish economy. Apart from that, a great interview. #scotonomics @IndyAnatomist

20:53 · 24/03/2024 From Earth · 1.9K Views

Mark's claim was that he wants to believe in MMT but can't because of the balance of payments problem that he claims it ignores. He summarised his argument on three ways.

First, he said Argentina has a sovereign government and currency and it has not avoided a debt crisis. This totally ignores that fact that Argentina is a still developing economy and is treated as such by much of the world. It also ignores the fact that it borrows in dollars, when MMT very strongly advises no country should borrow in any currency but its own. And ignores the fact that it has to do so because of its decidedly rocky history of political instability. To suggest that Argentina and Scotland are in the same place is, to be polite, crass in that case. Mark would have told any student of his that, I am quite sure. In that case to make the comparison in a public debate really was unwise.

Then he claimed MMT says a government can default on its debts, print some more money and carry on as before. This suggests Mark has never easy anything written about MMT. Anyone who is serious about it has never said such a thing, although no doubt some uninformed enthusiast on the web has. Mark should really be able to tell the difference, and not make such an absurd claim. It’s is unbecoming of a person with some stature to make claims that are very obviously untrue about an opponent’s arguments. Why is it that he and others think it acceptable to do so about MMT?

Third, he then utterly belittled Scotland, saying it had nothing to sell the world and as such its currency would be utterly worthless. As such he claimed that no one would accept a Scottish currency and as a consequence, the MMT argument that Scotland should have its own currency had to be wrong. This argument is utterly absurd, and it is easy to demonstrate why.

If, as Mark claims, Scotland would have nothing to sell in the world after independence (and that was his specific claim), then it follows that his claim that Scottish debts would have to be settled in either US dollars or sterling is the most incoherent position that he could adopt. As a matter of fact, if his argument is true, Scotland would have no means of acquiring those currencies after independence as, he claims, it would have nothing to sell in international markets, which is the only way to acquire them. It would, therefore, automatically default on all debts denominated in pounds or dollars because it would not have them.

On the other hand, it would never need to default on debts denominated in Scottish currency because it could always create that. So, rationally, anybody trading with Scotland in this situation would have their risk reduced by trading in a Scottish currency rather than in pounds or dollars, because at least then they were likely to be paid, which is a much better than not being paid at all, which is the position that he would apparently prefer.

Far from being smart, as he obviously thinks he is being, Mark is as a result actually putting forward the worst case argument that he could create for Scotland given the assumptions that he makes by suggesting it use a foreign currency. In the situation he describes only a Scottish currency could work for it.

But let’s also be honest and say the argument he makes is crass in any case.

Firstly, Scotland is an old country, with an old democracy, and a competent civil service, backed by a legal system with centuries of history behind it, which system is recognised to be stable and enforceable. It also, quite critically, has a strong and functioning tax system, which would, under an independent government, be capable of collecting even more tax than it does at present, and that is the true basis for the foundation of the value of a currency. In other words, every assumption that he makes about Scotland, which can be summarised by saying that he thinks it would be a failed state, is completely wrong.

It is also, very obviously true that his claim that Scotland will have nothing to sell after independence is quite absurd. Let’s ignore the fact that Scotland has, overall, over many recent decades on average run a trade surplus and instead note that Scotland has a greater capacity to create renewable energy in proportion to population than any other country in Europe, and this has to be the strongest foundation for its prosperity that it can have. I should also add that it has a lot of fresh water as well, and that is going to be an incredibly scarce commodity in the world, sometime soon. It also helps that it will have a very near neighbour who will be short of both. In other words, Mark’s claim that Scotland would have nothing to sell is ridiculous. There is in fact every reason to think that the Scottish pound will trade at a higher value than the English pound after Independence, for the reasons I note.

So let’s leave MMT aside for a moment, because Mark has clearly got no understanding of it. Instead let me just make the obvious point that what Mark said was that he thinks Scotland is too wee, too poor and too stupid to be independent, which is a standard Unionist argument that is both party patronising and downright rude. His claim that Scotland cannot pay is not in that case related to a currency question. It is related to his belief that Scotland will be a failed state.

MMT does not prevent states failing. Nor does it create failed states. All it does is describe how money works, more accurately than any other economic model that I know of. Doing so, it roots itself in reality. Indeed, no model is more rooted in the actual capacity of an economy than MMT because it recognises that physical capacity as the real constraint on activity.

MMT does, in that case, have nothing to do with then argument that Mark Blyth presented, which was based solely on wild comparisons between Scotland and Argentina and the absurd suggestion that Scotland creates nothing of value. Of course if you start from false assumptions, as Mark did, you get to absurd conclusions, as he did. But to then claim MMT had any part in that is absurd. It did not.

If an undergraduate student had offered the analysis Mark Blyth did they would have deserved to fail. It was embarrassing to see him make such a fool of himself. The SNP have appointed him as an adviser in the past. I sincerely hope they do not do so again. Someone who so clearly despises the country he left some time ago quite as much as he does really has no place helping the independence movement, in which he clearly has no belief.