

Modern monetary theory really does describe how government...

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I have [already noted this morning](#) the imminent shutdown of the US Federal government as a result of Trump and Musk demanding that the US Congress block spending plans for 2025.

Now we know that [Trump's own plan](#), which was put to the House last night, has also been rejected. Mayhem will ensue. A pattern for the next four years is being set.

However, I wanted to note some other dimensions to this.

First, the House is effectively refusing to increase the level of US national debt. Doing so, it is acknowledging that US debt funds the government.

It is also acknowledging that money is created by the national debt.

And it is recognising that it is government-created money and not tax that funds US government spending.

In other words, it is noting that the US government works as modern monetary theory describes, just as the UK government also does.

There is little comfort in the mess that Trump is already creating, but this is nonetheless worth noting.