

## More MMT questions

Published: January 13, 2026, 2:39 am

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This question was asked by someone called Tim here last night:

*Your blog posts and answers to related comments are really helpful in explaining MMT. A couple of questions: 1) please could you explain how you would measure the surplus in your statement "Taxes would need to be targeted at those with surplus income or wealth, not those facing a cost-of-living crisis.", and 2) what do you refer to by the term "real resources" - I note that the UK is not self sufficient in most if not all physical resources? I'm interested in hearing more about political issues, economic risk mitigations and policy choices arising from the practical implementation of MMT.*

I offered this in response:

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Thank you, and let me address your issues:

### **1) What do I mean by "surplus income or wealth"?**

I am not using a moral or abstract definition when using this language.

A surplus exists where:

- \* spending power is not required for a decent standard of living, and
- \* where additional income or wealth is primarily saved, speculated with, or used to extract rents rather than meet needs.

In practice, this is observable. Indicators include:

- \* High savings rates.
- \* Ownership of multiple assets.

- \* Low marginal propensity to consume, and
- \* The ability to absorb shocks without cutting essential spending.

That is why taxes on higher incomes, accumulated wealth, land, monopoly profits, and excess corporate margins can reduce inflationary pressure far more effectively than taxing wages close to subsistence. The test is behavioural and macroeconomic: does taxing here reduce demand without causing hardship?

## **2) What are “real resources” in an open economy?**

Real resources are not just raw materials. They include:

- \* Labour
- \* Skills
- \* Time
- \* Energy
- \* Infrastructure
- \* Technology
- \* Land
- \* Ecological capacity, and
- \* Organisational capability.

The UK’s lack of self-sufficiency does not remove fiscal space; it changes its shape. Import dependence creates inflation risk if spending increases without expanding domestic capacity or securing supply. That is why MMT places such emphasis on what spending is for. Spending that reduces import dependence (energy efficiency, renewables, housing, transport, skills) increases real resource space over time.

## **On risks and politics**

The important point is that MMT does not deny risk; it relocates it. The risks are:

- \* Inflation.
- \* Supply bottlenecks.
- \* Distributional conflict, and
- \* Institutional failure.

What they do not include is insolvency.

Managing those risks requires democratic choices about:

- \* Taxation.
- \* Regulation.
- \* Industrial strategy, and
- \* Central bank coordination.

That is political economy, not technocracy.

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I thought this was worth sharing.

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