Everything they told you about money is wrong

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What if almost everything you've been told about government money is wrong?

Most people are taught that governments must tax before they can spend, that borrowing funds public services, that national debt is a burden on future generations, and that there is never enough money to do everything society needs. These ideas are repeated by politicians, journalists and economists so often that they are rarely questioned.

But what if those claims are not true?

Modern Monetary Theory, or MMT, challenges many of the assumptions that dominate economic debate. It argues that governments that issue their own currencies work very differently from households, that spending comes before taxation, that government borrowing plays a very different role from that usually claimed, and that the real limits on public spending are not financial but physical. The true constraints are the availability of labour, skills, technology, raw materials and the risk of inflation.

In this video, I explain why I created the MMT Source Book, a free 400-page guide to the ideas that have shaped much of my economic thinking over the last decade. The book brings together more than 100 topics covering money creation, government spending, taxation, inflation, interest rates, banking, public finance and the operation of the Bank of England.

I also explain why MMT sees tax very differently from conventional economics. Tax is not simply about raising revenue. It can control inflation, reduce inequality, tackle harmful activities, encourage beneficial behaviour and help create a fairer society. Understanding that changes the way we think about economics, politics and the role of government.

The MMT Source Book starts with the basics, but it also provides detailed technical explanations for those who want to explore the subject in much greater depth. It addresses many of the most common objections to MMT, including questions about financial markets, government borrowing, investor confidence, exchange rates and inflation.

If you have ever wondered how politicians should answer the question, “How are you going to pay for it?”, or why it makes no sense when governments claim there is no money available for essential services, or why economic debates often seem trapped within such narrow boundaries, this video is for you.

The book is completely free to download. Read as much or as little as you like. Explore the ideas, challenge your assumptions and decide for yourself whether conventional economics has been telling the whole story.

Download the MMT Source Book and join the discussion. The way you think about money, tax, government spending and the economy may never be quite the same again.

https://www.youtube.com/watch?v=aDel0t89sZo?si=TE6fecEj64rY6Hja

This is the audio version:

https://www.podbean.com/player-v2/?i=fkyva-1af1b8f-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

The Debate Ammunition for this video is available here.

This is the transcript:

We recently promoted my book on fifty economic thinkers here, and 2000 of you downloaded it as a result. And thank you very much for doing so, and if you made a donation, for doing that as well. But that made me realise something.

We have completely forgotten to promote another recent book of mine here, so it's time to put that right. I think you also need my MMT Source Book. In fact, you might need my modern monetary theory, or MMT, sourcebook even more than you need my book on fifty economic thinkers, so I want to talk about it.

The MMT Source Book only came out a few weeks ago, maybe a couple of months, and it's available, as is the book on economic thinkers, as a free download from my blog. We'll put a link in down below. We'll put a community post up as well. And although I talk about modern monetary theory quite a lot here, we've hardly mentioned this book at all, and that seems rather odd now, so it's time to make amends.

This book is something that I put together based upon my writing about modern monetary theory over the last 10 years or so, and that exists because, as a matter of fact, much of my economic thinking, which underpins this channel, is influenced by MMT. Regular viewers will already know that.

And they will also know that I do not agree with everything that MMT advocates. Nor do I agree with every modern monetary theory policy prescription. I try to keep an open mind on economics, but I think the core principles of MMT are right.

MMT says the government creates money when it spends. Taxes then remove that money from circulation within the economy to control inflation. Governments do not need to borrow to spend, and government bonds are better understood as banking or deposit arrangements. The conventional story on all of these things is wrong as a result. And at the same time, MMT also adds that interest rates should be kept as low as possible. Governments can spend while resources are unused, and inflation will not result. And so labour and productive capacity are what matter most when it comes to economic management, and real resources are the constraint we need to look at, and inflation is a warning sign that we're overusing the resources of the world, which then means the government should stop and reassess what it's doing.

All of this creates a framework for economic management that I think matters. It's a different type of economics, one in which the government need not live in fear of the City. And public policy gains much greater freedom. And the focus shifts to what can be achieved rather than what we cannot do for fear of upsetting financiers. And that changes almost everything.

And tax is one of those things that behaves very differently in an MMT world. It is no longer just about funding spending because it isn't about funding spending. That's not its purpose in MMT. Tax exists to take money out of circulation and to control inflation. And at the same time, it can do some other essential jobs.

It can redistribute income and wealth.

It can tackle market failure on things like alcohol, tobacco, carbon, and so on, those things that cause us harm.

At the same time, it can be used to stimulate beneficial economic activity by delivering tax subsidies, and those are a benefit.

And as a consequence, it can change behaviour in desirable ways whilst at the same time discouraging harmful activity; gambling, for example.

And all of that is the case because tax does not fund spending, but becomes an instrument for social as well as economic policy instead.

This is important, and most people have never heard this story. It's not what we are taught as children. It's not what the media tells us. It's not what politicians usually say, and familiar narratives say the exact opposite, and those narratives are deeply entrenched.

We are told that tax funds the government, we're told that borrowing funds the government, and all of that is, and let's use some technical language here, a load of old hogwash. Those are not true.

The fact is that we are told, because of those narratives, that government spending must be cut. And we are told that government must be smaller, and we're told that higher interest rates stop inflation, and they never have. And we're told that there is never enough money, and we must therefore ration ourselves. We are told that markets must be obeyed. And MMT challenges every one of those claims and shows why they are either wrong or can be in most situations.

However, these are the narratives that are known by journalists. They always repeat these stories, and we see that in almost every political interview. They define what is considered sensible, and they determine which questions are asked. And one question that appears time after time is "How are you going to pay for it?" And the fact is, almost no politician answers that question honestly or correctly.

They should say, "We'll pay for this item," whatever it might be, "by getting Parliament to approve the spending on it." Doing that authorises the government to create the money required. And that is possible because the government owns the Bank of England, and the law that passes the budget to allow this expenditure to take place, in turn, authorises the Bank of England to make the payment for it. We don't have to go and borrow from anybody. We don't have to tax first to be able to do this. We are allowed to spend under powers that have existed since 1866. But almost nobody says that because almost nobody knows that, and that's why we're in a mess, because people do not understand how government funding works.

My MMT Source Book explores all of those issues. That's what it's about. It provides a broad overview of MMT in around 100 sections over more than 400 pages, despite which it's entirely free.

It starts with the basics, and it contains detailed technical analysis as well. It explains government financial flows, and it explains how money moves through our economy.

It covers far more than I can here, and that's why I think you need it.

It also addresses many common objections to MMT, such as what if financial markets object? Or what if the foreign exchange market reacts adversely? And what if investors lose confidence? What would happen then? Those questions are answered directly and straightforwardly because they're all based upon a false understanding of how the economy works, and none of them talk about a crisis that will ever happen. MMT will stimulate our economy, and no investor has ever been put off by growth.

So, this book is designed to be used. It might include 400 pages, but the important point is it's highly searchable. It has an interactive index, and the links within the book should all be live. It's a PDF that you can download, and therefore you can stray far from the source material and go into the background elsewhere on my blog and in other areas as well. Finding material should be straightforward; that was my aim.

And the whole book is free of charge, so you can give it a go without any form of risk. You'll be asked if you want to consider making a donation; if you want to, we'd be delighted, but it's entirely optional. You can skip that stage, and you can have this book for free.

Take what you need from it. Whether you want to start with the basics or aren't frightened of complexity, there's going to be a lot to read. Go get it and enjoy it. Please give it a go. MMT is really important. Your world will be different when you understand what it says, and that matters because we need a new economy, an economy of hope based upon a politics of care, and MMT is the underpinning of all of that.

That's what I think. What do you think? There's a poll down below. Let us have your opinions. Please like this video if you do, and if you'd like to buy us a coffee instead of making a donation for the book, well that would be great as well.

Poll

[poll id="430"]