

Funding the Future

Infographic: The arguments against MMT

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I am often asked to post the infographics separately, so I will:

**The arguments against MMT –
and why they are wrong**

① What is MMT? • MMT explains how money works in a modern economy. • The UK government creates the pounds it uses when it spends. • That means it never needs to tax or borrow before it spends. • But that does not mean it can spend without limit. • The real limits are the people, skills, energy and materials available to buy.	② "MMT says governments can print money forever" • Creating money does not create more doctors, houses, food or energy. • If resources are available, government spending can put them to use. • If government spends too much when resources are scarce, MMT says prices can rise. • The country can run out of things to buy, even if the government cannot run out of pounds.
③ "MMT would let inflation run out of control" • MMT says inflation is one of the most important limits on government spending. • Inflation can happen when too much money chases too few goods and services. • Government can reduce spending or raise taxes to take spending power out of the economy when inflation happens. • The danger is that politicians might fail to act soon enough. Good fiscal rules can require them to act when inflation becomes a problem.	④ "If government creates money, why do we need tax?" • Tax does not provide the government with the pounds it needs to spend. • Tax does instead take money out of the economy, helping control inflation. • Tax can also reduce inequality and discourage things we do not want, such as pollution. • Government creates money when it spends and takes money back through tax. That is the government cash flow cycle.
⑤ "MMT would make the pound collapse" • MMT describes the monetary system we already have. It does not create a new one. • The pound's value depends on many things, including what Britain produces, what it buys and sells abroad, and whether people want to hold pounds. • Bad political and economic management can damage a currency, whatever economic theory a government follows. Brexit proved that. • MMT does not say exchange rates do not matter. It says the normal processes of creating money very rarely make a currency collapse.	⑥ "MMT is left-wing" • MMT describes how the monetary system works. It does not tell governments what policies to choose. • A right-wing government might choose tax cuts or higher defence spending. • A left-wing government might choose more investment in public services. • You cannot "do" MMT any more than you can "do" gravity. You can understand it or misunderstand it.
⑦ "Won't government debt become unsustainable?" • Government borrowing does not provide the pounds the government needs to spend. • The government creates pounds when it spends. It can then offer bonds as a way for people and organisations to save those pounds. • What we call government debt is therefore also financial wealth owned outside government. • Government debt in pounds cannot force the UK government to run out of pounds.	⑧ "MMT would turn us into Zimbabwe or Weimar Germany" • In both countries, the economy could no longer produce enough of what people needed. • Germany also had huge debts that had to be paid in money it could not create. • Printing more money could not create the missing food, goods and resources, so prices exploded. • The UK creates pounds, and almost all UK government debt is owed in pounds. The comparison with these places, Greece, Argentina and others does not hold.
Conclusion The UK government creates the pounds it uses, but it cannot create unlimited people, skills, energy, materials or things to buy. Those are the real limits on what we can do and are what we should manage most of all. MMT asks us to understand those limits and use the resources we have wisely, so that people can thrive.	

funding the future | Funding the Future <https://www.taxresearch.org.uk/Blog/> | Richard Murphy's Funding the Future blog on political economy.

And:

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AI use

I wrote these infographics. I used AI to create the final image.