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Subject: Re: Modern Monetary Theory

Posted by [Rusty](#) on Sat, 11 Apr 2020 22:23:12 GMT

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The government 'spends' into the economy. Government debt is the private sectors savings and profit. Resources, (materials, labor) are simply what are utilized by the private sector, and are the only 'limiting factor' to what the government can spend towards before inflation accrues. The government has to spend before it can tax. I love Wrays example of the colonial American redemption taxes.

Quote:I like several things about this example. First, it is clear that the colonies spent the notes first, then collected them in taxes. They could not possibly have collected paper notes in taxes if they had not first spent them because there were no other paper monies around.

The Keynesian economists go apoplectic over the core of MMT.

Quote:If I say that the heterodox approach insists that injections are causally prior to leakages, you all recognize that from fundamental Keynesian theory.

And if I say that government spending is an injection and taxes are a leakages, everyone understands.

But when I say that government spending is logically prior to taxes, heterodox economists suddenly get all dazed and confused.

If I say government has to spend first before taxes can get paid, I'm called crazy.

Government spending cannot be financed out of taxes--it must precede taxes. It is one of the injections that creates income that can be used to finance leakages such as saving and taxes. The link given is a very good thumbnail sketch of what MMT is.

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