



Centre of Full Employment and Equity

MMTed

Training the MMT trainers

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Two challenges for MMT ...

Education – polishing the lens

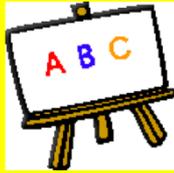


Cognition - overcoming dissonance



Our MMT learning roadmap

Quiz



Introducing a new currency



Demand for the currency



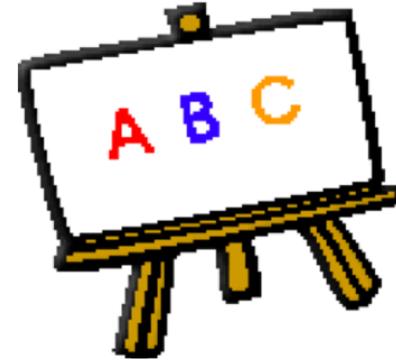
Simple sectoral balances

	Government	Non-government
Spending	100	100
Taxes	100	100
Financial transfers	0	0
Taxes	100	100
Fiscal Balance	-20	20
Bonds outstanding	0	20
Financial Wealth	0	20
Govt Debt	0	20
Health	0	20

Principles learned?



A little starting quiz ...



Question 1

- Just like a household, the government has to finance its spending.
- True or False

Question 1 FALSE

Primer:

- Unlike a household, the government is the issuer of its own currency.
- It has to spend first to collect tax revenue.
- Government spending is constrained only by what is offered for sale in exchange for that currency.
- All other constraints are self imposed.



Question 2

- Taxpayers fund government spending.
- True or False

Question 2 FALSE

Primer:

- Taxes function to create sellers of real goods and services that can subsequently be purchased by the government.
- Units of the currency *per se* have no value for the government as it issues them at will.
- The government is trying to transfer of real goods and services from private to public domain.



Question 3

- The UK Government borrows money from the private sector to fund the gap between its spending and its taxation revenue.
- True or False

Question 3 FALSE

Primer:

- The Government does not need to borrow in order to run a fiscal deficit.
- Learn that public debt is just prior deficits that haven't been taxed away yet.
- How does money enter the economy?
- Learn that bond sales just shift numbers between accounts at the central bank.



Question 4

- Government deficits place upward pressure on interest rates, which reduce spending on efficient private sector investment projects.
- True or False

Question 4 - False

Primer:

- Learn about reserve accounts.
- Learn why fiscal deficits actually put downward pressure on interest rates – liquidity management and system surpluses.
- Learn about the way the banks operate – loans create deposits.
- Learn that deficits increase the pool of saving via increases in income.



Question 5

- Running fiscal surpluses now will help build up the funds necessary to cope with the demands that the ageing population will place on health and personal care services in the coming years.
- True or False.

Question 5 - False

Primer:

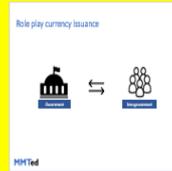
- The ability of the government to provide services in the future is in no way influenced by the current (or past) budget outcome(s).
- When the government runs a surplus it destroys money. There is no 'war chest' full of funds waiting to be spent.
- The issue of how much to spend is always a political decision.
- The only constraints on government spending are the available real goods and services that can be exchanged for currency.

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Demand for the currency



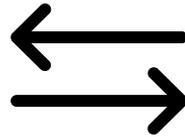
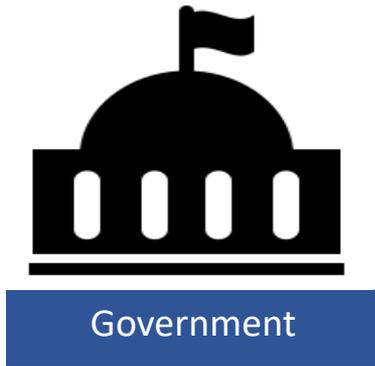
Simple sectoral balances

	Government	Non-government
Spending	100	100
Taxes	0	100
Financial wealth	0	100
Taxes	100	0
Taxes paid	100	0
Fiscal Balance	-100	100
Bonds outstanding	0	100
Financial Wealth	100	0
Govt	100	0
Non-govt	0	100

Principles learned?



Role play currency issuance



Provisioning the Government

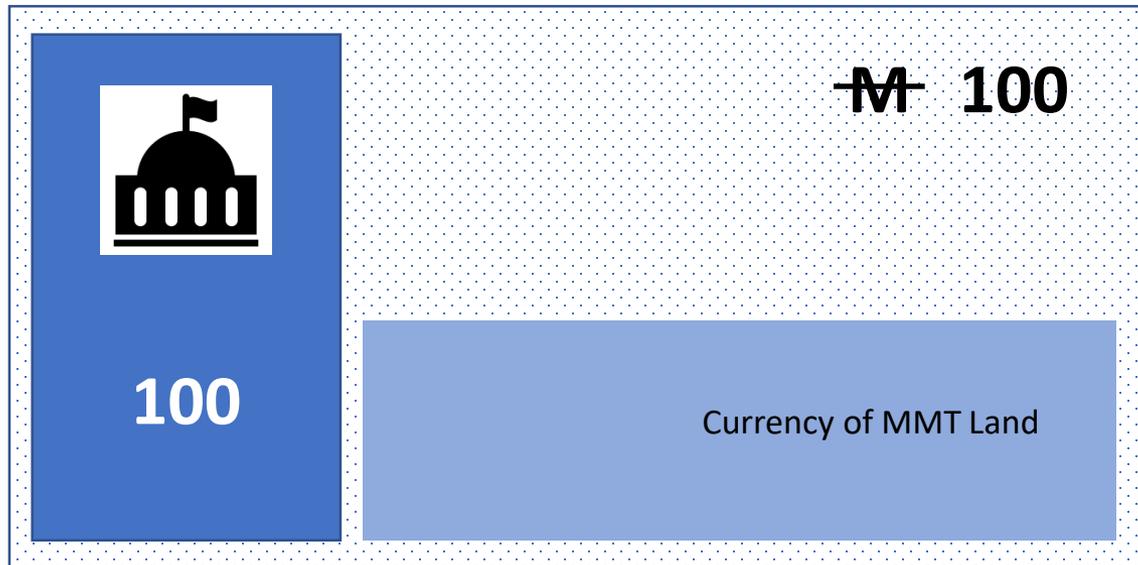
Government

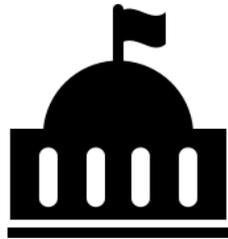


Non-Government



Introduce the new fiat currency





Government

M



Non-government

Why would anyone want to hold
this worthless currency?

Our MMT learning roadmap

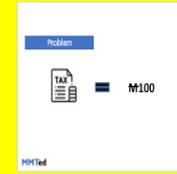
Quiz



Introducing a new currency



Demand for the currency



Simple sectoral balances

	Government	Non-government
Spending	100	100
Taxes	100	100
Financial assets	0	0
Taxes	100	100
Fiscal Balance	-20	20
Bonds outstanding	0	20
Financial Wealth	0	20
Govt	20	0
Non-govt	0	20

Principles learned?



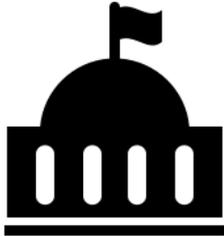
Problem



=

~~M~~100

Solution



Government

spends



Non-government

~~M~~ 100

Our MMT learning roadmap

Quiz



Introducing a new currency



Demand for the currency



Simple sectoral balances



Government		Non-government	
Spending	Income		
Government	Private		
Taxes	Taxes paid		
Financial wealth	Financial wealth		
Bonds outstanding	Financial wealth		

Principles learned?





Government

Year 1

Non-government



Spending

Wages

Interest payments

100

100

0

Income

Wages

Interest received

Taxes

Fiscal injection

Bonds outstanding

0

Taxes paid

Overall saving

Financial Wealth

0

Cash

0

Bonds held

0



Government

Year 1

Non-government



Spending

100

Wages

100

Interest payments

0

Income

100

Wages

100

Interest received

0

Taxes

Taxes paid

Fiscal injection

Overall saving

Bonds outstanding

0

Financial Wealth

0

Cash

0

Bonds held

0



Government

Year 1

Non-government



Spending

Wages
Interest payments

100

100
0

Income

Wages
Interest received

100

100
0

Taxes

100

Taxes paid

100

Fiscal injection

Overall saving

Bonds outstanding

0

Financial Wealth

0

Cash
Bonds held

0
0



Government

Year 1

Non-government



Spending

100

Wages

100

Interest payments

0

Income

100

Wages

100

Interest received

0

Taxes

100

Taxes paid

100

Fiscal injection

0

Overall saving

0

Bonds outstanding

0

Financial Wealth

0

Cash

0

Bonds held

0



Government

Year 2

Non-government



Spending

Wages
Interest payments

120

120
0

Income

Wages
Interest received

120

120
0

Taxes

100

Taxes paid

100

Fiscal injection

Overall saving

Bonds outstanding

0

Financial Wealth

0

Cash
Bonds held

0
0



Government

Year 2

Non-government



Spending

120

Wages

120

Interest payments

0

Income

120

Wages

120

Interest received

0

Taxes

100

Taxes paid

100

Fiscal injection

+20

Overall saving

+20

Bonds outstanding

0

Financial Wealth

20

Cash

20

Bonds held

0



Government

Year 3

Non-government



Spending

120

Wages

120

Interest payments

0

Income

120

Wages

120

Interest received

0

Taxes

100

Taxes paid

100

Fiscal injection

+20

Overall saving

+20

Bonds outstanding

40

Financial Wealth

40

Cash

0

Bonds held

40

Bond sale

Austerity mindset adopted ...





Government

Year 4

Non-government



Spending

80

Wages

76

Interest payments

4

Income

80

Wages

76

Interest received

4

Taxes

100

Taxes paid

100

Fiscal injection

-20

Overall saving

-20

Bonds outstanding

20

Financial Wealth

20

Cash

0

Bonds held

20

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Financial assets	0	0
Taxes	100	100
Fiscal Balance	-100	100
Bonds outstanding	0	100
Financial Wealth	0	100
Govt	0	100
Non-govt	0	0



Principles learned?

Spending drives taxes...

- * Taxes create the demand for government spending, not the other way around.
- * Until there is spending there is no capacity to pay taxes.

MMTTed

Spending drives taxes ...

- Taxes create the demand for government spending, not to raise revenue *per se*.
- Until there is spending there is no capacity to pay taxes.

Desire to save ...

- Non-government saving desire creates need for fiscal deficits.
- If the fiscal position is balanced there can be no net saving or net accumulation of financial assets.

Public debt is untaxed spending ...

- Bonds are just past fiscal deficits that have not yet been taxed away.
- The government borrows back some of the non-interest bearing currency it previously spent into existence.
- It provides an interest-bearing financial asset (bond) in return.

Accumulated non-government financial assets ...

- Accumulated public deficits equal the accumulated non-government savings.
- This in turn equals the accumulated stock of financial assets.
- Bond issuance has nothing to do with funding spending.
- Bonds are our wealth and interest payments are our incomes.

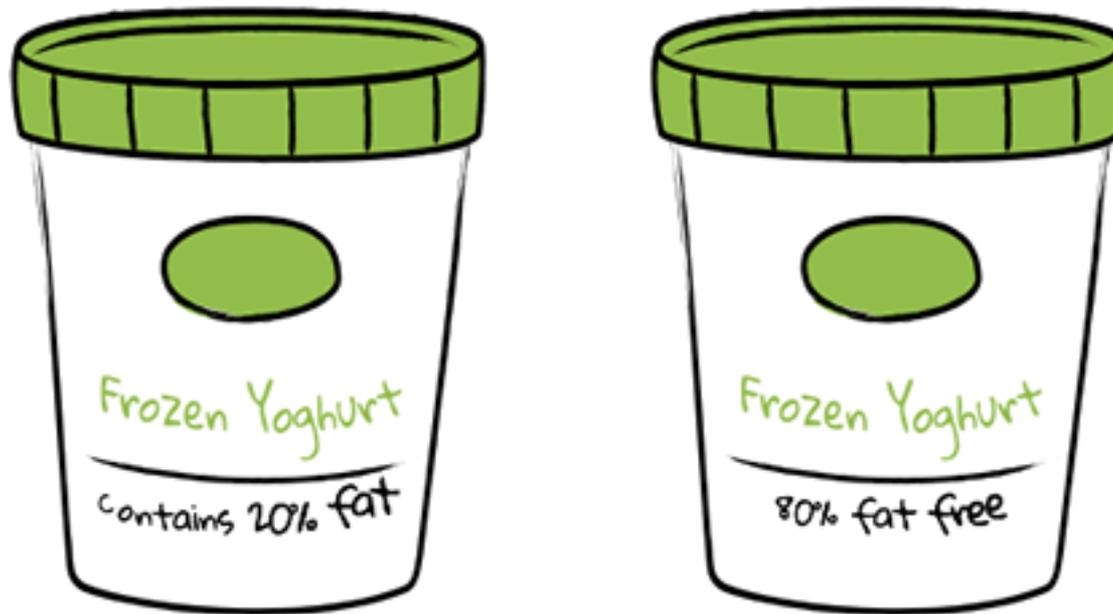
Fiscal surpluses destroy non-government wealth ...

- Surpluses squeeze non-government sector liquidity.
- Fiscal surpluses destroy private wealth.
- Government surpluses are not saving.

Austerity ...

- Neoliberal perspective - government is acting in an exemplary fashion:
 - Generating surpluses;
 - Retiring debt.
- But non-government wealth is being destroyed and employment and output is constrained.
- Those without wealth also face rising debts.
- Ultimately, causes recession.

Module 3: Framing and Language



Truth sandwich - Lakoff



1. Start with the truth (if you lead with the lie, you privilege it)
2. Note attempt to divert truth (note, rather than amplify, the lie)
3. Return to the truth the lie is designed to hide (don't allow the distraction/diversion to work)





Negating a frame reinforces it ...



Richard Nixon TV address
(November 17, 1973):

"I am **not** a crook".

- Everyone concluded he was a crook.

No tax cuts for the rich



Activates the frame



Tax cuts for the rich



Aspiration



Outcome: Success

The tax relief frame



The messaging conflict

The Left thinks 'taxes'
permit spending on
good things

The Right say taxes
take money from hard
work and give it to
those who don't work

Both frames reinforce the conservative frame.

“ Do not use their language. Their language picks out a frame – and it won't be the frame you want

Do not use their language ...

- Tell a new story:
- Interviewer: Are you in favour of tax relief?
- Answer: I'm in favour of having the government provide first-class public education and health care.

Overcoming cognitive dissonance ...

- MMT challenges the way we think about macroeconomic concepts.
- We require new frames and language.

Establishing progressive purpose ...

- **Never** start with facts.
- Start with a - **destination** - social purpose and aspirations.
- What do we want our economy to do for us?
- Government is our agent not a wrecker.
- Destination (social purpose) to be articulated and narrated to resonate with and activate frames in our brains that support progressive policies.
- Articulation of facts (operational reality) come after that.

Establishing progressive purpose ...

- Examples of broad purpose:
 - Zero waste of New Zealanders.
 - Our Youth, Our Future.
- Broad goals cannot be motherhood statements – they must be associated with concrete actions.
- Need to invoke **Event-Causation structures** (link to metaphors).
- For example:
 - Jobs for all! – desirable and everyone would agree.
 - Thus - free markets will grow the economy and create jobs.

Defining the appropriate action ...

- Progressives have to add the **appropriate action**.
- We want jobs for all – but that means “aggregate spending has to rise by x per cent to generate y million jobs”.
- Who is responsible for that? How does that happen?
- Event (jobs for all) – Causation structure - government deficits.
- So Purpose – Event – Causation – Action – statements.
- Progressive narratives tend to get lost in “value” statements.

Progressive language and metaphor ...

- **Purposes are Destinations** – we intrinsically want to achieve purposes - succeed when we reach a destination.
- So we must define destination – as people rather than an independent economy or a financial ratio.
- **Purposes are Desired Objects:**
 - Pointless to get locked into debates about financial ratios etc. These just reinforce frames about sacrifice, rectitude etc.
 - Always point to desired objects that relate directly to intrinsic frames.

Language

- Government **spent** x million dollars – gone, waste etc
- Alternative:
 - **Government invested x million dollars to enhance our purposes**
- The **More is Up** metaphor is invoked here:
 - “invest” – building up (invest) rather than using up (spend).
- Government ‘budget’ deficit is x per cent of GDP
 - **More is Up** works in reverse – deficit = bad.
 - Term “budget” triggers household metaphor.

Linking language and metaphor

- Can exploit the **More is Up** metaphor using an appropriate **Event-Structure** metaphor which links **More is Up** with **Purposes are Destinations**.
- Destination must be prominent.
- So:
 - **The government deficit rose and generated higher levels of wealth for households and firms.**
- This reinforces the concept of forced movement which is a way we understand metaphorical statements – nothing would have happened unless!

Linking language and metaphor

- **Causes are Forces and Causation is Forced.**
- So we want to disabuse the “natural” event-causation.
- Government action forces movement towards desired destination.
- Without that force there is no movement and no goal achievement.

Mainstream neo-liberal framing

Modern Monetary Theory framing

Focus of Attack/Focus of Attention	Metaphorical claim	Implied meaning	Metaphorical claim	Implied meaning
Government spending	The nation is living beyond its means	Excess spending requires sacrifice	Government spending puts money in our pockets.	Government spending increases non government's income.
		Cuts needed immediately	Government invests in the productive capacity of our nation.	Government spending increases our capacity to provide for the needs of our population.
	Nation has maxed out its credit card	Run out of money due to irresponsible spending	Government cannot run out of money; the true constraint is our nations' resources.	There is no financial constraint although there could be a resource constraint.
	Spending like a drunken sailor	Wanton irresponsibility and delinquent behaviour		
Fiscal balance	Budget black hole	Budget beyond human control like the collapse of massive star	Government deficits allow us to save.	Government deficits equal non government surpluses.
	Deteriorating state of the budget	Budget is like a body and is in state of ill health requiring emergency surgery, TINA	Government surpluses equal non government deficits.	Government surpluses reduces non government financial saving
	Mushrooming budget deficit	Budget is an organic entity and is out of control	The fiscal balance is largely determined by the economy's performance.	Fiscal balance outcome is not discretionary.
	The nation has run out of money, it is broke	Government budget is like a household budget; the economy is like us	The nation cannot run out of its own money.	Government 'budget' is NOT like a household budget.
Public Debt	The nation is bankrupt	Nation is a badly managed insolvent firm	The governments' debt is our asset.	Government debt provides a risk free financial asset to strengthen non government portfolios.
	The public debt mountain	Debt is dangerous and insurmountable		Government debt helps to stabilise the financial system.
	Burdening our grandchildren	Debt threatens fundamental unit of society and undermines future prosperity		
	Mortgaging the future	Current government debt compromises future spending		
Income support	Welfare dependency	Welfare net is like a drug for the populace, encouraging ill health and addiction	We take care of our own.	As our government faces no financial constraints, it uses its fiscal capacity to ensure resources are mobilised to care for its population.
	Dole Bludgers, Skivers	Unemployed are lazy and undeserving	A good nation supports its people.	Unemployment is always evidence of a policy failure, a failure to put resources to work.
			A good nation helps to support those in other nations who need help.	Rich nations help to mobilise resources needed by poorer nations.

Some research on social media use



Use of Twitter

- Not suitable for debating or point scoring.
- ‘Compassion fatigue’ - torrent of facts, tragedies etc
- Very suitable for leading a reader to a preferred destination – a Report or Article.
- Framing the Tweet carefully conditions the way the person approaches the destination once reached.
- For example ...

Use of Twitter

- “Local community faces 10 per cent unemployment, parents cannot feed their children. Tories to blame.”

Compared to:

- “Economy needs more jobs to bolster incomes and sales. Government stimulus created x million jobs during the GFC. see this article (link).”

Use of Twitter

- Structural versus individual frames.
- When poverty is framed structurally, people assign responsibility to society at large; when framed episodically, focusing on the circumstances of a specific poor person, people assign responsibility to the individual.

END OF TALK

An **MMT** Education Resource