

Reinventing the Weal

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Government

- Collective action
- Public infrastructure for public purpose
- The Common Weal

Modern Monetary Theory

- The money story begins with a state that desires to provision itself.
- The state imposes tax liabilities payable in its currency- the tax credit.
- This results in sellers of goods and services seeking the state's currency in exchange.
- The state then makes its desired purchases.

Core MMT- Spending Precedes Tax Payments And Bond Purchases

- The funds to pay taxes come from the state.
- The funds to buy securities (bonds) come from the state.
- Therefore, necessarily, from inception, ***the state spends first, and THEN taxes can be paid*** and state securities purchased.

Core MMT Ramifications

- Public debt= funds spent that haven't yet been used to pay taxes
- The public debt already is 'the money' so 'paying it back' is inapplicable
- Crowding out is inapplicable
- Solvency issues are inapplicable
- Government sets interest rate on public debt

Unemployment

- Taxation causes people to need the state's funds to avoid penalties.
- Taxation causes people to seek paid work.
- People seeking paid work who can't find it are defined as unemployed.
- Therefore, taxes function to create unemployment, for the further purpose of government hiring them to provision itself.

Unemployment (cont.)

- Unemployment is the evidence that the government has not hired all the unemployed who were made unemployed by the government's taxes.
- If the government doesn't spend enough to cover the need to pay taxes and the desire to save, the evidence is unemployment.

The Job Guarantee

- Government should either hire the unemployed it created, or...
- Transition them back to private sector jobs.
- The private sector doesn't like to hire the unemployed.
- A job for anyone willing and able to work- the Job Guarantee- facilitates the transition from unemployment to private sector jobs.

What does Scotland Want?

- A comfortable standard of living?
- Economic opportunity?
- Full employment at reasonable wages?
- Social equity?
- Free public health and education?
- Retirement with dignity?
- The real resources are already there!
- That's why it can happen!

Why not Remain with the UK?

- The UK has the means to ensure those desires are achieved
- It would have to relax its fiscal policy and allow the public debt to increase accordingly
- It would have to fully and properly fund health and education
- It would have to provide retirement benefits

What if the UK Won't do that?

With its own new currency,
Scotland can and achieve and sustain
all of its economic goals

Implementation of the Kilt

- Require all taxes to be paid in Kilt
- All government employees get paid in Kilt
- The deed is done!

What Does NOT Change

- Nominal taxes and government wages are not altered
- Sterling bank deposits are not converted
- Sterling debt is not redenominated
- Non government private contracts are not required to be converted to kilts
- The ability to purchase imports remains

Government Contracts

- New government contracts are in kilt.
- Existing government contracts are renegotiated to kilt with mutual consent.

The New Central Bank of Scotland (CBS)

- The new CBS is a public bank
- There is no capital structure
- There are only kilt accounts
- Officers are appointed by Parliament
- Private banks each have one CBS account

The Current Bank of Scotland

- The government of Scotland retains all legally owned net assets, including any artwork, buildings, furniture, and gold.
- The remaining sterling balance sheet entries continue as property of the Bank of England.

Functions of the CBS

- Process government payments and receipts
- Process member bank payments and receipts
- Provide unlimited kilt deposit insurance
- Provide unlimited kilt bank liquidity
- Regulate and supervise member banks

Monetary Policy

- CBS accounts are non interest bearing
- Net government spending remains in member bank CBS accounts (no government securities)
- No interbank lending

Fiscal Policy

- CBS funded Job Guarantee
- Fiscal policy targets output and employment
- With a permanent 0% rate policy, there are no interest payments on the public debt

Trade

- Exports are real economic costs
- Imports are real economic benefits
- Imports minus exports are the real terms of trade.

Real Wealth

- Real goods and services produced domestically
- + real imports
- - real exports
- Full employment and optimized real terms of trade optimize real wealth

Investment

- Investment is a function of sales forecasts
- Investment necessarily ‘crowds out’ consumption in a market economy
- Savings is the accounting record of investment
- At full employment growth is equal to labor force increases and productivity increases

Taxation

- Taxations functions to create unemployment
- Taxation alters aggregate demand
- Transactions taxes function to reduce the targeted transactions
- Assets taxes moderate the demand for those assets
- Compliance is a cost of taxation

Public Infrastructure for Public Purpose

- Banking/Payments system
- Strategic goods and services
- Corporate structure including limited liability
- Public safety, health, and education
- Retirement income
- Support for those unable to work
- Job Guarantee for anyone willing to work!

Capitalism

- Sales drives output and employment
- Sales = wages + profits = total income
- Unspent wages or profits = unsold output
- Monetary policy doesn't increase spending
- Fiscal expansion offsets a 'spending gap'
- Unemployment is necessarily the evidence that the public deficit is too small!