



Jonathan Newman  @NewmanJ_R · Oct 9



@BobMurphyEcon's chapter in Anti-MMT addresses this. He has a great analogy: a gangster borrows \$1,000 and promises to repay you with interest. Then when the debt matures, the gangster robs you at gunpoint, hands the stolen cash back, and declares the debt repaid. Was that IOU really a net financial asset for you?

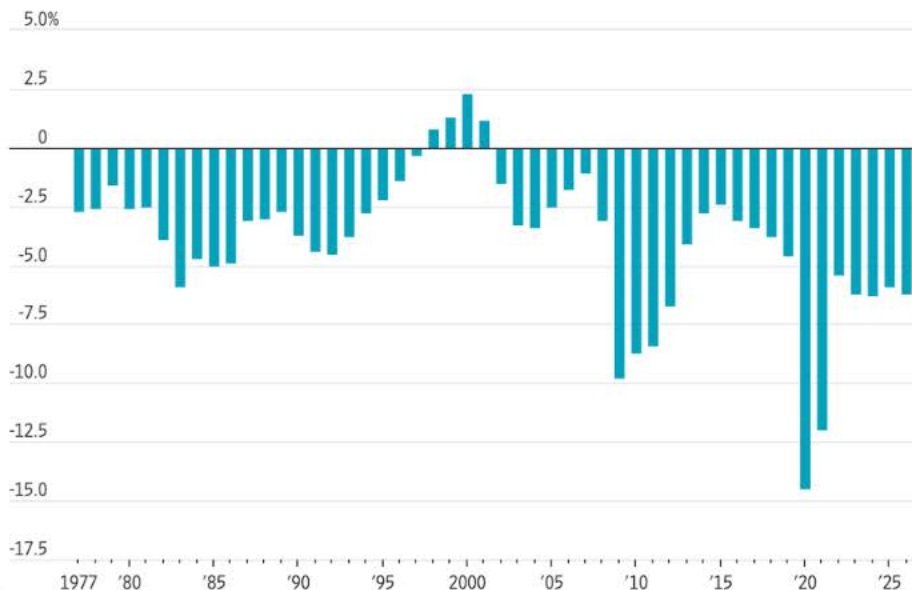


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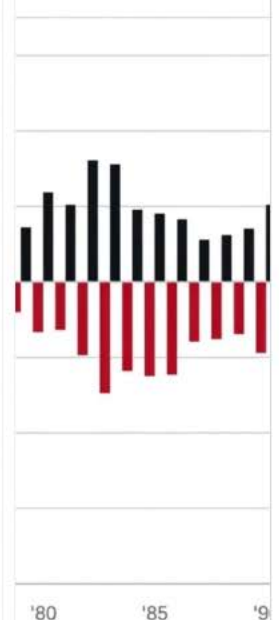
The @WSJ wants you to worry about the federal government's red ink. It would be nice if they bothered to show the black ink that spills onto the private sector's side of the ledger.

Federal Red Ink

U.S. budget deficit as a percentage of gross domestic product



udget balance, % of GDP



6

10

66

3.1K



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A horrible analogy actually. Weird you can't see why

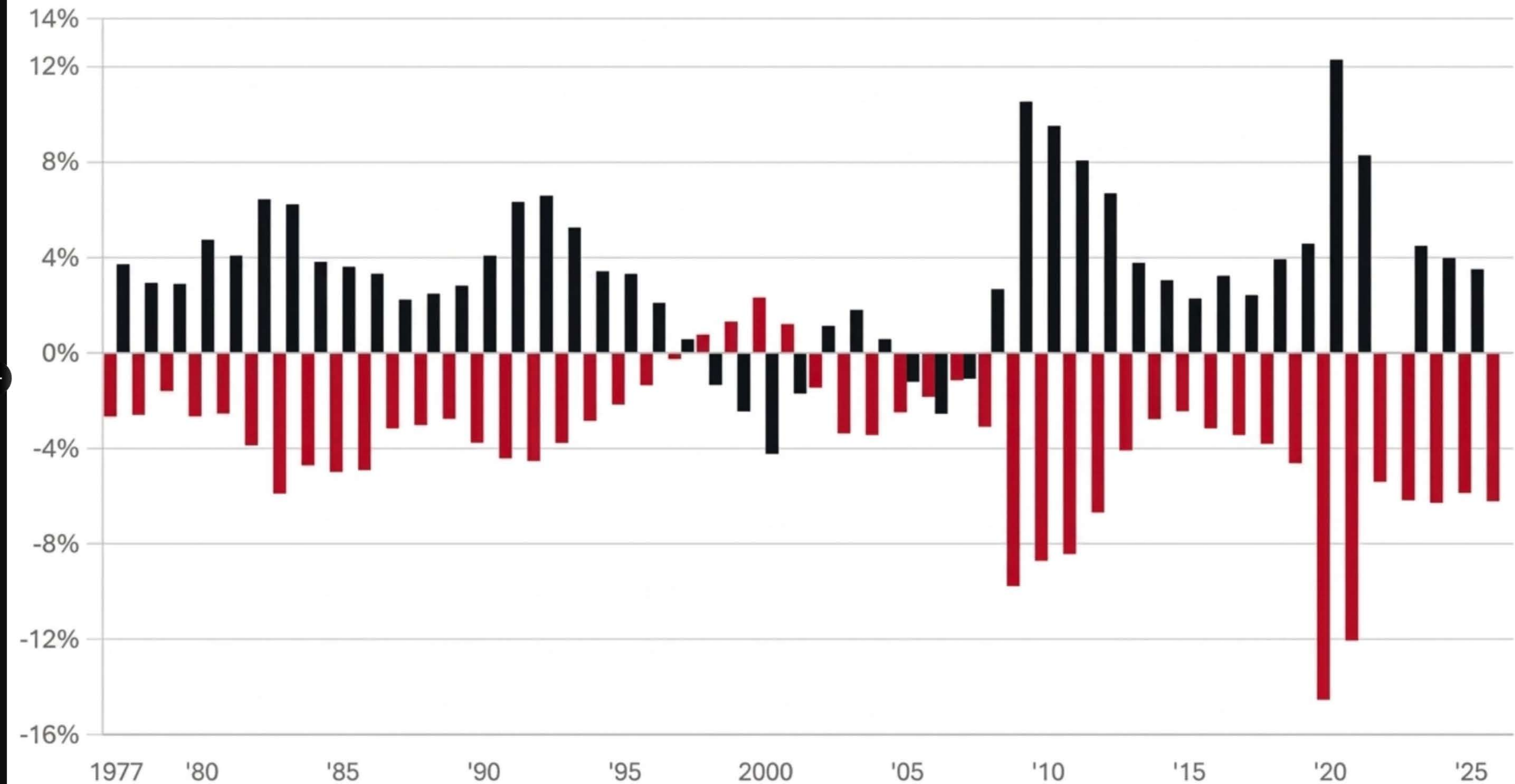
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50



■ Federal budget balance, % of GDP ■ Domestic private sector balance, % of GDP





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Let's dissect this one by one.:

First, he says "a gangster borrows \$1,000" - okay, how did you have that \$1,000 to begin with? Where did it come from? And this is the foundation to MMT, in my opinion identifying the origins of the currency.

Second "(The gangster) promises to repay you with interest. Then when the debt matures, the gangster robs you at gunpoint, hands the stolen cash back, and declares the debt repaid."

The debt is never actually repaid. We've run deficits something like 90% of the time since FDR and the debt still gets "repaid" and issued as it always will be.

The INTEREST payments is something I have an issue with. Why are we paying higher interest to begin with? We don't need to. And this is where the infatuation with Paul Volcker really needs to end. Volcker didn't end inflation with high interest rates and once you see that. you realize raising rates to "WHIP" inflation is just silly.

Lastly , "Was that IOU really a net financial asset for you?" Let's pretend that you, the taxpayer, actually have to pay the "gangster" back. The \$1000 the gangster borrowed from you has actually increased your net worth by a significant amount MORE than you borrowed AND your quality of life has improved immensely too.

Even if we log this graph we can see a similar growth trajectory.

Now, there are tons of arguments to be made against the MMT proponents, mainly their basically rich kids who think climate change is the biggest threat in the world.

But it'd be nice if the those on the right recognized there is some value in it and used it to expand our political power. As for the Austrians, their arguments get weaker by the day unfortunately.



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"how did you have that \$1,000 to begin with? Where did it come from?"

You have the 1000\$ because you worked for it. The origin of that 1000\$ being created by the govt is meaningless to the point being by the OP.



Josh Scandlen  @scandlenjosh · Oct 10



"the origin of the \$1000 is meaningless?"

Not in the least, my man. That's the whole point. The \$1000 didn't exist until it was created. Noone lent money to the government to create it. And as such the analogy is faulty from the very beginning.



Robert B. Murphy  @RobMurphyEcon · Oct 10

