



## MMT Let's give it a thought;

MMT is based on the fact that since the end of Bretton Woods, and \$/gold convertibility at 35\$/ounce money is no longer attached to any commodity. No need to have commodity (gold) or dollar reserves to exchange with the rest of the world, exchange rates float as per supply and demand. So Government sector can print money at will without any revenue constraint to purchase the goods and services that it needs to run society's needs as the people decide democratically (but only 50% plus on vote!). MMT then say Fiat money of the government is for taxing but there is no need to tax first to spend; government can spend at will by creating money ie. today crediting banks' accounts and the latter crediting households and businesses with loans. Thus government purchases goods and services from the private sector which become common goods and services in the form of education, health and care services, security, justice, infrastructures needed for the economy and so on.... MMT says that budget deficits fuel the economy by giving \$ per \$ equivalent revenues to the private sector... and in the end all is in the pockets or bank accounts of individuals and households. See my model here adapted from one found in MMT by Bill Mitchell <http://bit.ly/2hrJT0Q>

We in France have chosen a big public sector that extracts 56.4% of GDP for public services as mentioned above. There is surely scope for increasing the productivity of supplying these services. But are productivity gains to be used to decrease the size of government sector or to increase its services and their quality? again a choice of society. In the US choices are different.

The other question to MMT for which I find no satisfying response is: for how long and how far can budget deficits grow and accumulate as debt in bonds. Given bonds are financial assets of the private sector (national and foreign), with interest paid, they are its savings. I find a post which says Government deficit should pay for the excess savings of the private sector ie. savings which prevent the economy from running at full capacity with no unemployment. Who has any clue to my question?

Finally, the euro zone is a disaster! Convergence of the economies was the word, but divergence is the outcome; today our french euro is overvalued by some 10-15% whereas the german euro is undervalued by some 20-25%. No wonder the Germans again are at the top of the ladder. A euro that removed our sovereignty and imposes 3% deficit and 60% debt is a cause of our problems.