



Episode 1,116: Debate: Bob Murphy and Dylan Moore on Modern Monetary Theory (MMT)

Guest: Bob Murphy and Dylan Moore

WOODS: Our two debaters are here, and I will turn things over right now to Dylan Moore, who will speak for anywhere between five and ten minutes. Dylan, the floor is yours.

MOORE: Thank you very much, Tom. I really appreciate you having me on. I think it's an honor to come on your show. I have a lot of respect for both of you guys. And before I get started talking about MMT, I wanted to point out that I actually consider myself an ancap or an anarchocapitalist. I understand that the state has a monopoly on violence and that anything that it does uses that tool and that's fundamentally unethical, and that because it uses this tool, ultimately the public sector can never utilize resources as efficiently as the private sector. I'm totally there and I totally agree with that. And I come from an Austrian background myself, and when I came across it I found that the arguments were very self-evident, that resources are obviously more important than whatever imaginary money unit that we're using and it simply doesn't make any sense for the government to say, "I'm just going to print a bunch of money; therefore, we're all richer," if that didn't affect the resources somehow.

And in addition to that, I want to say I understand that MMT sounds like a bunch of socialist garbage. It just does. And when I first stumbled across it, that was my instant reaction. I'm like, this is socialist crap. And luckily, I had someone who was patient enough to sit down with me. It's the guy who I'm usually talking to on my channel. And what I realized is that, because MMT sounds like socialist garbage, it attracts a lot of socialists. And so when you look up MMT on the Internet, generally what you're finding isn't necessarily the MMT viewpoint; it's the leftist agenda of the MMT viewpoint. So what I'm been attempting to do with my channel or specifically with this series of my channel is give the opportunity to try to subtract out the socialist garbage from the MMT media and information out there on the Internet.

So getting into the MMT now, one of the things that while I was really into Austrian economics that never clicked for me was the actual nature of money, because I remember hearing a story something like this, which is that the money that we have now – and I'm referring specifically to the U.S. government and living in the United States. The money that we have now is worthless because it's not backed by anything and it's counterfeit because the United States government gave over its money-printing power to this private institution called the Federal Reserve. And I used to repeat this to people, but fundamentally I valued the dollar bills in my hand and everybody else around me valued the dollar bills in my hand and I wasn't willing to put my money where my mouth was and just throw it away because I really felt it was worthless.

And the MMT explanation to this I think explains it brilliantly, that the reason that money is valuable – and it doesn't matter what it's made out of, whether it's a commodity or an electronic digit or a piece of paper or whatever. The reason that it's valuable is because the government demands it in taxes. And what the money's "backed by," in quotes, is the fact that if you don't pay your taxes with it, the government comes, kicks down your door, steals your property, drains your bank account, and throws you in prison. So the backing is kind of the temporary remittance from state violence.

And the story that I heard from the Austrian viewpoint is that money fundamentally was used by the private sector however many thousands of years ago, and then the king came along with all his soldiers, took the money, taxed it, and then used that to feed his soldiers and go to war and whatever else. The MMT explanation, this is opposite of the case. And the first thing that the king does – the ruler, the chieftain, whoever's in the vicinity – demands a tax in some arbitrary token – again, it doesn't matter what it's made of – and says, "You owe me taxes in this token and only I can create it," and then everyone in the private sector looks at each other and they say, "Great, where do I get this token?" And the king says, "Oh, well, you can work for me and then I'll give it to you and then you can pay your tax." And this is diabolically brilliant, because instead of the king now having to go bust down doors to steal the resources that he needs, people will bring the resources to him voluntarily – in quotes, "voluntarily" – in exchange for these stupid tokens that he made out of nowhere with his face on it.

So what this means is the king has to spend the money into existence first before people can get taxed. The causality is backwards. And this is why MMT sounds so bizarre, is because households don't work this way. I can't spend the money before I earn it. I mean, I guess I can with a credit card, but you get my point. Governments have to work that way. They have to introduce money into the system because they're the monopoly issuer of money before they can tax it back. So what this means is that money in the system is what has been spent into the private sector minus what has been taxed out. And so this is the thing that really kicked me when I first really understood MMT, is that the government debt is the private sector money, and it has to be because the government is the monopoly issuer of money and there's no other place for it to come from.

So what this further leads to is that, because in a modern economy where we're actually using money and if we understand that the government is the monopoly issuer, whether they've got a treasury and a central bank and whatever bureaucracy stuff that they have going on in between, and you know, there's always 7,000 layers of bureaucracy mucking stuff up – in the end, the government prints money out of nothing and then demands it in taxes.

So what this means is that if the private sector doesn't have access to this money that the government's printed, they can't participate in the economy because there's simply no money to do it with. So when the government runs a surplus – this sounds utterly bizarre. When a government runs a surplus, that means they're taxing more money than they're spending into existence, so they're removing money out of the private sector. This is what causes the economic crashes. I understand this sounds like heresy. Government surplus causes the economic crash. But when you understand that government debt is the private sector net savings – does it make sense to say they're opposite of each other? Government debt is opposite from private debt. Government debt is the net private sector savings.

So the historical evidence actually backs this up. There's been seven – and again, I'm looking specifically at the United States. There have been seven federal government surpluses in the history of the United States. Six out of those seven were immediately followed by a straight-out depression, and one of those seven was followed by a recession, which is what we had in 2008. And if you look at the theory of MMT, it perfectly explains why this is the case, because it's simply removing money out of the system and the private sector simply has nothing to work with.

So the reason that I wanted to bring this up and give Austrians a chance to mull this over – because I was one of them – is because if this is true, and I think it is, the Austrian solutions that they offer for the economy, some of which include, *Hey, we can't have this massive debt; we've got to get control of the budget; we seriously have to look at things like austerity*, will actually cause the economic crashes they're hoping to avoid.

WOODS: Okay, and does that conclude your statement?

MOORE: That concludes my statement.

WOODS: All right, very good. So Bob, it is now all eyes are on you – well, let's just say all ears are on you right now.

MURPHY: Okay, thanks. Well, like Dylan, I want to thank Tom for providing this forum. I don't want to go so far as to say I respect Tom, but I think he's an all-right guy.

WOODS: [laughing]

MURPHY: So let me focus – so I was jotting down notes, of course, and I believe the structure of this debate will have a short rebuttal period to respond directly to the other person's opening statement, so let me hold back my specific responses to his opening and let me give some more just general thoughts on MMT. So I'll start with sort of the broad, big-picture view and then I'll home in on some specifics.

So the analogy I want to use – and I used this in my debate with Warren Mosler and I'll use it again here to try to capture what I think is both correct and then irrelevant or the non-sequitur in the MMT project. Because their big thing is to say – I've encountered this both with the direct people I was debating and in terms of people on the Internet commenting, like for example on the debate that I had with Warren Mosler – to say something along the lines of, *Look, we're just explaining how the modern monetary system works, and guys like Murphy, they're just whining that they don't like it. But hey, we're scientists here, or we're being objective and neutral. This is how the world works, and let's get used to it. You've got to have your theories tailored to how it works, not to some throwback to how things may have worked before World War I when countries were on the gold standard. This is the modern –*

So they're saying things along the lines of, "All this talk about, *Oh, gee, the budget deficit's so big*, that's all irrelevant now. That's a big non-sequitur because," the MMT proponent continues, "a sovereign government that issues its own currency cannot go bankrupt. It cannot become insolvent. They can always just print more money. There might be other consequences, don't get us wrong, but this focus on budgets, that's like a household thinking

or that's like old gold standard thinking when countries had to redeem their currency in gold. Nowadays under fiat money, sovereign governments that haven't foolishly joined like the Eurozone, or something where you're independent government has its own currency that it issues, they're free from such constraints, and so we've got to have terminology and a framework that acknowledges that." And they're saying it's not a panacea, but let's at least get up to speed here with how the world works nowadays.

So that's where they're coming from, and that's fine insofar as it goes, but then they seem to think that there's a lot more punch packed into that, that a lot of the policy conclusions that a typical economist or let alone an Austrian in terms of, *Oh gee, it's wasting resources if the government spends or we have to balance the budget because otherwise we're going to have a debt crisis* – all that worry and all the focus on so-called austerity they're going to say – and I'm glad that Dylan was saying this as well, because I didn't want to be arguing at cross-purposes. They will say that not only is that irrelevant, but in fact, it's arguably harmful.

Okay, so given that, let me just make a simple analogy to try to capture both the merit in that and then to show why really that's a big non-sequitur. So imagine you've got a husband and wife, and they're stressing over the family budget. They're at the kitchen table and they're, "Oh geez, man, we've got these bills and the kids have school. Oh man, and the car needs to get repaired and the furnace just went out. Your job, I suppose I could take up another shift at the diner." And then the husband has an epiphany. He says, "Wait a minute. We're sitting here thinking that we have to make our income at least as big as our expense, but no, we don't. That's old-school thinking. That's household thinking. Really, I could just put on a ski mask and go down to the 7/11, take out my shotgun, and rob the guy. I could do that. Now, don't get me wrong," he says, because he sees his wife snapping his head back in alarm. "Don't get me wrong. There would be consequences. If I do that too much, eventually I'm going to go to prison, and that's a bad outcome. So don't get me wrong. I'm not saying it's free and costless for me to go around holding up convenience stores at gun point. All I'm saying is let's acknowledge reality. Let's stop pretending that we have to 'make our budget balance.' No, we don't. I can go ahead and get more dollars if what we need is more dollars."

So in that kind of a context, can we all agree that yes, even though technically the husband isn't wrong in what he just pointed out, that he did come up with a way to bring in more dollars besides earning more income or to go borrow more, that that really doesn't change the fundamental economic problem that the household faces and that it would be very dangerous if they started thinking he had come up with some solution to their financial troubles? So if you're following me there, then I want to say, to me, that's basically my reaction when I hear MMT proponents talking. Yes, there are certain things that economists or other pundits say when they're talking about government finances that makes it sound like they literally cannot get out of a debt crisis unless they cut their spending, when in fact, no, they have the option of resorting to the printing press. But to me, that's not really a solution. That's just going to cause other problems that are far worse than what the original problem was. And moreover, it's not really actually solving the economic problem. All it's doing is transferring it to someone else. Just as in the household case, at best if you go around holding up convenience stores, it's not really that you've evaded the problem of economic scarcity; it's just that you've transferred resources from someone else against their will.

So likewise, with governments, yes, it is true that the United States government never needs to default on its outstanding treasury obligations. The U.S. government can always just create more dollars out of thin air in order to pay off people who turn in their treasuries and say,

"Hey, you said you owe me \$1,000. Pay up." The U.S. government doesn't even need to resort to taxation. It doesn't need to cut spending. It can just create more dollars. But is that really something that Austrians weren't aware of? I mean, haven't Austrians and others flipped out since Nixon went off the gold standard? You say why. Well, that's precisely why: because they said there's a danger of inflation, because now the last vestiges of that constraint on printing new dollars has been removed.

So I don't think this is some huge revelation. In fact, if you go listen to standard lectures like from Mises University, the economists there will at some point say, "Hey, there's only a few ways government can get revenue. They can either tax, they can borrow, or they can resort to the printing press." This is standard stuff. It's not like we were forced into saying that as a defensive position in light of the MMT advance upon our front lines. This is standard stuff that free market economists and Austrians in particular say, so this isn't some huge revelation that governments can print money in order to pay their bills. Again, that's why we were so alarmed at governments going off gold, because now we knew they would have the temptation to resort to such inflationary finance.

So to continue along this line, I don't think I'm attacking a straw man here when I try to say that the MMT proponents make it sound as if they're saying something profound, when really it's quite trivial. So for example, recently on *Contra Krugman*, Tom and I went through MMT and we were drawing on an article discussing MMT in a positive light. So this was taking it from people who believe in it, think it's important. And there was an economics graduate student they quoted, and the article was quoting the student approvingly, saying this is an example for you the reader to see how profound this is and why MMT is important. And the student said, "Macy's can't run out of Macy's gift certificates" – so making an analogy that the U.S. government can't run out of dollars, saying Macy's can't run out of Macy's gift certificates.

And I want to say yeah, that's true, and so what? Does that mean therefore Macy's is never in trouble because they can always just keep issuing more gift certificates? No, that has no impact on anything. If the shareholders of Macy's are worried about the company's profitability and someone says, "But you know, guys, why are you fretting? We can't run out of Macy's gift certificates," they would look at him like, *what are you talking about? That's completely irrelevant.*

So by the same token, if people are warning about, oh gee, a U.S. debt crisis might be imminent because look at how much the Obama administration and now the Trump administration's running up the debt, and someone points out, "But hey, we can always have the Fed create more dollars," that is a big non-sequitur. That doesn't give me any information. And the fundamental reason is that when – think through why is that. Why is it that creating new dollars doesn't do anything, doesn't help anything? It's because that's simply another mechanism for transferring purchasing power away from existing dollar holders. So if you agree that the U.S. government can't raise taxes or it's spending too much, that its spending is outstripping its ability to raise revenue through taxation and if it tried to borrow more, the debt markets would default and say, "No, we're cutting you off," then printing more dollars doesn't solve that. That also would make debt markets cut them off.

The last thing I'll say here for this opening remark is this idea that people value money because of taxation. Okay, number one, I don't think that's true historically. And I know anthropologists differ on this, but the Austrians can certainly tell a story that money arises in

the free market. Also, Dylan says he's an anarchocapitalist, so is he saying if he got his way and governments around the world disbanded that humans would no longer have money? That sounds like an implication, so in which case, I guess his anarchocapitalism would lead to the collapse of civilization, yet I don't think he believes that. And finally, there are plenty of people who use dollars who don't have to pay taxes. When Dylan was younger, he wasn't holding dollars in his hands and valuing them because he thought, *Oh, next April I have to turn them in*. No, you value money because of its purchasing power. This is standard stuff. All right, I'll stop there.

WOODS: All right, thank you, Bob. Okay, so at this point, Dylan will get a few minutes to respond to Bob's statement.

MOORE: I only get three minutes to respond to all that? That was a lot.

WOODS: You can carry it on in journals, as they say, or on the blogs.

MOORE: [laughing] Okay. Well, the point where I'd like to start is the analogy of the liquor store. And I want to say that the analogy isn't in accurate reflection of the situation, because if we look at the guy going, "Hey, I don't have any money. I'm going to go to the liquor store and steal it as opposed to getting another job and earning it there," the question I would have is: where did the liquor store and the other job get the money in the first place? If the government is the sole issuer of money, it's got the monopoly, it's got all the guns, and there's counterfeiting laws where you can't make money or else the government throws you in jail, where else is money supposed to come from if the government doesn't print it? So there's a fundamental category difference between the government and everybody else. For example, Bob brought up Macy's. If Macy's is going to print cards in order to get themselves out of whatever problem they got themselves in, well, Macy's can't force me to use the card. Macy's can't demand the card in taxes. And this is the fundamental difference.

And the revelation — I understand that from the Austrian viewpoint, they say, hey, the government's printing money and that's bad, well, the revelation isn't that I'm coming and saying, hey, the government can print money and that we can just pay for everything. The revelation I'm trying to bring is that without the government printing money, there isn't any, sans the fact we're in Ancapistan. I want to say something about that too. So in order for there to be a liquor store to rob, in order for there to have a job to go to to earn money, that money has to have been created in the first place, and the government is the only place to create it as of now.

So now when we're talking about anarchocapitalism and say, okay, at some point in the future I'd prefer no government. And it's like as Bob said, if you're saying money only comes from the government, then if there's no government, are you saying there shouldn't be any money? Well, no. What I'm saying is, up until now, money has only come from the government, and obviously we're disagreeing here about the anthropological evidence. But even if there was money from the private sector once upon a time, it doesn't exist anymore, although I think cryptocurrencies are making an attempt at attacking that, although there's no clear understanding of what's going on there yet. But I believe there is a private way of making money, of creating a currency; however, in order for us to do that properly, we're going to have to understand how the state has done it.

And in addition to that, because none of us are waking up in Ancapistan tomorrow or next year or ten years from now – normally when we talk about it, we talk about it in terms of centuries – nobody's going to live to see it. So all the decisions we are ever going to make are in the statist realm, so we need to understand what's going on in within the state? How am I doing on time?

WOODS: Well, in the spirit of wanting to disseminate information and opinion, I say take a couple more minutes.

MOORE: Thank you.

WOODS: See, if I said that to Bob, they'd say you're biased toward Bob. I'm going to try to be biased toward you, if anything.

MOORE: I appreciate that, Tom. You're a swell guy.

WOODS: [laughing] All right, go ahead.

MOORE: Okay, and when it comes to – Bob brought up about the government, it can resort to taxes, it could resort to borrowing, or it could resort to the printing press in order to pay for its bills. I'm saying there's nothing else other than the printing press. The private sector can never lend the government money. The government never has or doesn't have money. All it is is a scorekeeper for money. So when we have these things called bonds, it's not like the government needs to borrow more bonds or needs to get more taxes in order to pay the interest on these bonds. All they do is they type up a number in a bank account.

Now, I think it's a horrible idea. I agree that that is a method of transferring wealth from one group of people to another. And in fact, Nima, my friend, he's point out and I agree with this, that risk-free federal bonds are basically a basic income for the rich, that if you have enough money to buy these bonds and get your risk-free 1 or 2% or whatever it is, well, good for you. So again, I point this back to that the nature of money is fundamentally different from the Austrian description. And I'm not saying that the private sector can't do it. I'm saying it's never done it, and if it wants to figure out how, it better learn how the state has been doing it. There.

WOODS: All right, Bob, why don't you take about fivish minutes and give us your own response?

MURPHY: Okay. So I think Dylan made a big concession there when he agreed – and I mean, I think I backed him into a corner, so to his credit, he's trying to say – and I understand his position – that look, I'm let's say an Austrolibertarian on many issues; it's just I think they have this gaping blind spot when it comes to MMT and its contributions. And so if one is still going to say I pine for a world, maybe it's not going to come next Tuesday, maybe it's not going to come forever, but it would be better if humans lived in a voluntary world where we didn't have coercive political institutions, well, it would be awkward if that meant there'd be no money. So he admits that the market can produce money; he's just saying he doesn't think it's done so yet.

I would take a different view of history. I would say gold and silver clearly were money and that historically what happened is that the sovereign governments linked their own domestic currencies, like the French franc or the Italian lira or the U.S. dollar, to specific weights of gold and silver, and that's how people began accepting those things in commerce, and only over time did they then sever the link between the paper certificates issued by the governments and the precious metals.

But that doesn't even matter. Even if you think no, historically it's an open question and it's kind of murky back in the day what happened with Incan society or what have you – and I have gotten into arguments with anthropologists on this stuff – it doesn't matter. Dylan at least for the purposes of this debate is conceding that at some point in the future if we didn't have governments using force to issue currency, the private sector could do it. And so I'm going to say, all right, in that world then, how would we explain the purchasing power of money? It can't be because oh, thank goodness there's somebody in society who's willing to point guns at people and say, "You'd better give me some of that thing once a year or else we're going to kill you or throw you in a cage." So that's the sort of perverse implication that comes out of listening to standard MMT people talk. It's that, thank goodness there's at least somebody in society who's pointing guns at people and making them pay us this stuff; otherwise, money wouldn't work. And so he's admitting that wouldn't happen.

It might sound like I'm merely complaining and wringing my hands over the immorality of it, and that's certainly a factor; don't get me wrong. But what I'm saying is: no, would economists be able to explain the purchasing power of money in that world? Yes, they would, and they would use the standard tools that Ludwig von Mises and other economists developed when it came to explaining money in the framework of subjective value theory.

So I'm not going to go into that now, but my point is the fact that right now most money is issued by governments that rely on taxation, that's just an interesting datum in order to incorporate into the explanation, but it's not that that fact is critical in order to explain why do people hold money. There are plenty of people right now who hold U.S. dollars in their cash balances who aren't U.S. citizens, who don't pay U.S. taxes. There are plenty of Americans who don't pay income tax, for example. They don't qualify. They don't make enough income. And yet, they hold dollars. And so if you want, you can say, well, it's only because ultimately there is this residual that there are some people that need to pay the U.S. federal government every year and so they provide the base. But by the same token, I could say, well, there are some people that really want those dollars to buy TVs from Best Buy and that's the base. There's really no reason to prefer one over the other in terms of the argument.

So another point. Look at the hyperinflations throughout history: interwar Germany, Zimbabwe. Okay, those things, it's not because those countries foolishly abolished taxation. The Zimbabwean government still had taxes, and yet its currency collapsed. So this notion that it's taxation that fundamentally undergirds and pins up the value of a currency I just think is erroneous. You can see it's wrong. Historically it's been disproven, and then theoretically you can explain the purchasing power of money using other techniques.

Okay, so I've got about a minute left here. Let me walk through why is it wrong to think that we need the government to spend money into existence, and gosh, imagine if the government ran a surplus; that would be horrible, because they would be siphoning net wealth out of the hands of the private sector. Okay, for one thing, it makes the nominal real

mistake. If the government just gave everyone an extra \$1,000, we would have more money in the private sector, but that wouldn't make us wealthier. That would just make prices in general tend to go up. And so that right there should be a key that, to the extent that you believe that proposition that government needs to spend money into existence, that doesn't prove what the standard MMT proponent thinks it does.

On the other hand, to say if the government runs a deficit, now the private sector's holding treasuries, therefore, that's a net asset of the private sector, how is the government going to pay that back? They're going to point guns at you, tax it from you, and then give it right back. That's not an asset in any legitimate sense. To say, "Good thing I'm owed money as the private sector that the government is going to take from us at gun point," that's not a legitimate asset.

WOODS: All right, now we get to what some might call the fun part, where Dylan, I'll turn things over to you and you can ask Bob any question you want to ask him and he will have, let's say, two to three minutes to respond.

MOORE: Man, I really wanted to respond to that, though.

WOODS: Well, at the end, you're certainly free in your final statement to say anything you like.

MOORE: Okay. Hold on, let's see here. So going aside from where the money could come from, my biggest question is — and this is a part that I seem to be confused about — is when we're in a system where the government monopoly on the money, there's no other place it could come from, if the government doesn't print it, where does it come from? That's the question.

MURPHY: Okay. Well, yes, I agree that if the government doesn't issue more dollar bills, then there are no more sources for legal dollar bills. And —

MOORE: Sorry, I just want to be clear. I'm not saying more dollar bills; I'm saying the first dollar bill. Where did any money at all come from from the beginning in terms of let's look specifically at the U.S. government.

MURPHY: Okay, again, I would say the people that came over to what we now call the United States were using gold and silver as money. I don't know the exact historical date of what happened, but at some point, the U.S. government or the authorities were issuing things that came to be called dollars and they were redeemable in gold and silver, and that's how people came to know what its purchasing power was. And then the first major point of departure of that was under FDR when U.S. citizens could no longer redeem their dollars for gold, and then ultimately in 1971, that's when even central banks could no longer turn it in. So I think that that's my answer as to how is it that right now so many people are using dollars.

WOODS: All right, then now, Bob, if you're finished, it's your turn to ask Dylan a question.

MURPHY: Okay, so it seems that the MMT proponents put a lot of weight on the fact that the U.S. government right now is the only institution with the ability to issue new dollars and that we're supposed to derive a lot of conclusions about the way the world works and this is

supposed to have a huge impact on policy debates. So my question is: suppose the U.S. government were to say to Wal-Mart, you also now have the ability to issue dollars in whatever quantity you want, and they will gain legal currency status. We're allowing you to go ahead and issue dollars. Or if you prefer to say: you tell us, Wal-Mart, how many extra dollars you want us to print up and hand over to you, no strings attached, for you to do with as you please. Would you now say that, ah, Wal-Mart, it would be good if they just spent that money into the economy – would that be a good thing, or at least would that change our notion of budgets and surpluses? Would you support that, I guess, and what would be the ramifications of that proposed change if now Wal-Mart could issue dollars as well?

MOORE: So I would say that would change the ramifications of everything; however, I don't support it. I think it would be a horrible idea. But essentially the government already does this with banks. Banks have a sort of money extension power that is – I mean, to call a bank private is kind of really missing the point, that they really have license from the government to extend that money. The difference is with a bank, if a bank extends a loan – let's say \$100,000 or whatever – and they create that loan out of nothing but they just right it into your account and then they trade with other banks with this stupid ledger that they wrote into their account, that has to get paid back. So when I pay back the principle of my loan, because it's a financial instrument, once the asset side meets the liability side, it cancels itself out and the money goes away. With the government, because it has this printing power – and it doesn't need the money. It does not need to point guns and take people's money in order to pay off bonds. It points guns and takes people's money in order to give the money value in the first place.

And to address the issue real quick of not everybody pays taxes, they kind of do. There's sales taxes. Businesses are charging taxes on people, and there's a lot more taxes than just income taxes. I mean, personally I think if you really did the math, about 90% of the money that we work with is just devoured in taxes between the local and federal levels.

But the reason that the bank issuing money is different from the government issuing money is the government doesn't actually need it back. That's why the emphasis on that the government debt is the private net sector savings. If you add up all the liabilities and if you add up all the assets – financial, not real – assets of the private sector, all the bank-extended money is going to cancel out to zero. The government money is going to be what's left floating over, and that's the private net sector savings. So what I'm saying is if the government doesn't print it, there's no other place for it to come from. And I'm totally not saying that's a good idea. Like I said I'm an ancap. I think it's a horrible idea that we have this thing called the state and it bullies everybody around, but that's what it is. And if that's the case, if there's no money in the system, the system has no choice but to crash.

WOODS: All right, now it's my turn to ask each of you a question. And I generally ask a pretty juicy one, but this time, I don't know, I guess I'm in a more [00:37:02] mood today. But let's start with my question for Dylan. This is really a question at seeking clarification. MMT proponents say that they are not claiming that there are no real constraints on government spending. They're claiming that some people think there are certain kind of constraints that don't actually exist, but there are other kinds of constraints. So in other words, the government can't just spend infinitely or print its way out of problems or always be safe from inflation or whatever. What are the real constraints on the level of government spending, according to MMT?

MOORE: Well, I want to start his by – I remember Bob's debate with Warren Mosler, that he gives this example of the bank CEO that wastes away all its employees' pensions, and then when he gets caught, his response is, "Well, it's simply a policy decision to fix all of this, so what's your constraint?" And technically that's true. The government could come and say, "You know what? You screwed this all up but we don't care. We'll just print the money and give it to you." So in terms of the constraint that someone has with a gun, they can shoot anybody they want.

What I'm saying and what I feel the MMT view is – I think my MMT view is a little bit different from most of the rest of the MMT views out there – is that when we talk about constraint, there's kind of two versions of it. There's constraint on what can Congress actually do, like robbing the liquor stores. All they do is rob liquor stores. That's the only thing they do. All they do is point guns and move resources around. I completely agree. However, again because of the monopoly, we have to have that money. So there's the constraint of whatever Congress can do is whatever cocaine crazy addicts, crazy idea that they can come up with, yes. But in terms of having a functioning economy, what constraints are on that is the private sector needs a certain amount of net savings to operate.

And there's two ways to do that. There's more, but there's two main ways. Which is you can increase spending – and that's the leftist MMT view. They jump up and down and say now we need to have socialized health care, we have to have free education for everybody, and universal basic income, blah, blah, blah, whatever, they think they've found their magic money tree. And my response to that is just because you can afford it doesn't mean you should buy it. And the other way to increase the deficit, which is essentially increasing the money for the private sector, you could also lower the taxes. And that's where I'm coming from, where it's like, okay, we've got this system, I don't necessarily like it, but while I'm in this system that I don't like, I don't want economic armageddon to happen, and I think the best way for that to occur is to lower the taxes and let the private sector get back to its job.

WOODS: All right, Bob, now my question for you. I was reading some critics of yours who are critical of what you've had to say about MMT, and one of their criticisms – they have many, but one of them is: "Murphy keeps conceding everything. He keeps saying we're right. He keeps saying, well, this is technically true and that's technically true. So what's the deal? If he's going to concede the whole thing, where's his opposition?" That's part of the question. Then the other part of the question, which I think is somewhat related because it just has to do with the overall understanding of what MMT is, people will say: MMT is purely descriptive. It's just saying this is how fiat money operates. So no wonder Murphy says I agree that of course this is correct, because that's all we're trying to do here. We're just saying that if you have a fiat money system, this is how it works. So if that's what this is all about, Murphy, then explain yourself.

MURPHY: Sure. And I agree, it is kind of frustrating and I will admit that in the debate I had with Warren Mosler, when I made the analogy of the household scratching their head and thinking about robbing liquor stores, when he then proceeded to his own analogy to illustrate his perspective, he said something along – I'm paraphrasing here, but he said something along the lines of, "Yeah, imagine if I gave out tickets in this room and I demanded that you perform valuable services for me to get the tickets, and you'd say, 'Why would I do that?' But then I inform you that there's a guy standing outside the auditorium with a gun and if you don't show him a ticket on your way out, he's going to kill you." And so it's not that there was some huge qualitative difference between our two scenarios.

And so when I say yes, I agree with them insofar as they are describing the modern world, what I mean is I'm agreeing that the U.S. government legally, the way the world works right now, can create new dollars, and so there's no reason the U.S. government ever needs to say to bond holders, "Oh, gee, sorry. We know that you lent us money and we promised that we'd give you \$1,000 back on this date, and we just don't have it, because if we tried to raise taxes there'd be a revolt and we don't want to do this, so the easier option is for us to default." I agree the U.S. government never needs to do that. It can always just have the Fed create more dollars and then buy bonds and then they can use that revenue to pay off existing bondholders. I mean, they might need to fudge the statutes and what not, but certainly there's nothing constraining them from doing that. And the typical household doesn't have that privilege right now. So that's the sense in which I'm saying I agree with them.

Where I disagree is MMT proponents certainly lead you to believe that that insight, that description of the world has policy relevance, that it means when we're worrying about how we're going to deal with the entitlement prices, how are we going to pay for Medicare and Medicaid and Social Security when we have these unfunded liabilities. Oh boy, and what are we going to do, and the military – People worried about that stuff listening to the MMT camp, you would think that that's all silly because, hey, don't worry, we just need to print money.

And so what I'm saying is there is where I strongly disagree, that I think the average MMT proponent thinks there's some wiggle room. They agree that, yeah, if we just helicopter-dropped a billion dollars in cash to every household in America, it's not that we would all be billionaires. It's just prices would go through the roof and we wouldn't be any better off. I think most of them would agree with that statement, but yet they think there's a middle ground whereby if the government just ran bigger deficits knowing we have the ability to print dollars down the road, so there's no cause for concern in terms of the debt per se, that we could really ease the economy.

And so there, that's not an accounting principle. That relies on economic theories to say what is, for example, the optimal amount of dollars to create next period and so forth. The MMT people I think flip back and forth. They think they're relying on truisms from accounting definitions, but then they're actually relying for their policy proposals on a theory of how the economy works, and there I think they're just wrong.

WOODS: All right, well, we have reached more or less the end, so now it's time for each of you to take some time to sum up or – and in this way I'm going to depart from traditional debate rules, where I think the rule is in the closing statement you're not allowed to come out with brand-new arguments that haven't been raised before. But why not, right? No rules around here. Anything you want to say –

MOORE: Rules suck. What constraints?

WOODS: That's right, exactly. No constraints here. So I'm going to give each of you five minutes to say whatever you want to say. So Dylan, starting with you.

MOORE: Okay, the first thing I want to say is Bob brought up something that was a massive concern for me as well when I first bumped into MMT, and I see no MMTER discussing this except for me and my friend. And I'll talk about that in a second. Is that if taxation, if MMTERS are saying that taxation is what gives money value, are you trying to tell me that a society can't figure out a currency system without pointing guns at people? And this was exactly my

question, and this was kind of why when I learned about it, my first reaction is very much discomfort because I felt like I was giving credence to statism.

And my friend Nima Mahdjour is the one who actually came up with this idea, and as far as I know, me and him are the only two people talking about it, is that somehow if we want to make a private currency that isn't based on people pointing guns at each other, there has to be a way that the currency creates its own demand, that the issue of the currency creates its own demand.

And he pointed this out with bitcoin. And this isn't a full argument. Just listen to how this breaks down and I'll move on to why I think it becomes a fully argument — is that the reason bitcoin is valuable is because it mimics the taxation of government making its fiat money valuable. Bitcoin miners are the only way for you to get access to the blockchain. They're the ones that put stuff into the ledger and keep track of things. And the only way they will do that for you is if you give them bitcoin. They only accept bitcoin in order for that to happen. So his argument thus is that bitcoin is driving its own value by this access to the blockchain. Now my response to that is: sounds great, but what's the value of this blockchain? I understand that it's cool technology, but I'm not jumping up every morning being like, oh man, I can't wait to do X because I have access to the blockchain.

Well, personally, I think there's one cryptocurrency that's out right now — t's called STEEM, and it's used at Steemit and it's used at DTube — which is authentically beginning to mimic the value creation — or not value creation, but the reason that the coin is valued in the first place, because the STEEM is used to give you better media presence both on Steemit and on DTube. DTube is supposed to be a replacement for YouTube, and Steemit is a place — it's not quite a Facebook replacement, but it's a place you could make media where theoretically you can't get censored. And so the STEEM token is a way to influence your power within those networks. And I've got a bunch of different cryptocurrencies, and the only one that I'm holding that simply isn't speculative is STEEM, because I'm like, hey, I want this because it gives me value in this network.

And the way that the circle is completed is the fact that if I want to promote, say, an article or a video, I can literally spend my STEEM out of existence — it just disappears — and get my service, which is make my media more prominent within the network. Now, personally, I don't think media is enough for us to create a system where — or it's enough to create a currency where we're all going to use it in our daily life and it's going to be stable. I don't think that's the case. But I think we're seeing signs that the cryptocurrency world is starting to figure out how a currency works, because it's starting to mimic taxation and why that gives fiat money value. And again, I don't think the Steemit creators know this. I think they stumbled upon it by accident.

So I first want to say that Bob brings up a brilliant point that I don't think any MMTers are addressing, except for me and Nima, that if taxes are what give money value, then how are you going to give money value without taxes if we want Ancapistan? Excellent question. I love talking about it.

One other thing I want to say is that Bob and I clearly have a disagreement on the historical nature of money, like whether there was a money that people came and taxed or the tax came first and that's what created money. I would say if we look to Sumer, the evidence really points to that there's a credit-based system going on with the people between each

other and with the government, and you really don't start seeing gold coins until you get to like the Mediterranean – gold and silver coins in the Mediterranean Greek era. So credit money is way older than commodity money. And on top of that, I would also say that it was the stamp on the gold coin that gave it value, not the gold itself.

And I just want to end with: the historical evidence backs up what I'm saying, which is every single crash, whether that was the six depressions or the one recession in United States history was preceded by a federal government surplus, and if we look at the MMT theory of why that's the case, it completely makes sense. So I'll end on that.

WOODS: All right, and before we go to Bob's final statement, I'd like both of you to tell people how they can find out more about what you do. What would be a link you would direct them to? Dylan, you first.

MOORE: Yes, so I have a YouTube channel called the Volitional Science Network. Can I give you the link to –

WOODS: Yeah, sure.

MOORE: Yeah, I mean, just look for Volitional Science Network. I don't have a website yet. I do stuff on Steemit too, but that's linked in the YouTube videos. So yeah, Volitional Science Network, and particularly MMT – I do more than MMT. The MMT series is called "MMT for Conservatives," because like I said, I wanted to be able to subtract the socialist garbage out of the MMT conversation for people.

WOODS: All right, and Bob, what's a link for you?

MURPHY: For me, I write stuff all over the place, but sort of the clearing house is my personal website, so that's at ConsultingByRPM.com.

WOODS: All right, I'm going to of course link to both of these on the show notes page, which for this episode is TomWoods.com/1116. All right, Bob, the floor is yours.

MURPHY: Okay, so I thought it was very interesting in the period where we ask each other questions – I had asked Dylan: suppose there's a proposal to allow Wal-Mart to also issue dollars and they have full legal tender status, they're indistinguishable from dollars that either the Federal Reserve system or the treasury, depending on how you want to classify, gets to issue new dollars. And he said that would be horrible if they did that and he would be totally against it. Okay, so I think also in conjunction with his other comments, we could take him to be saying if we started out in a world where it was just all voluntary and there were private issuers of money – and we can remain agnostic for the moment as to how that would work – and then someone came along with a proposal and said, "Hey, why don't we replace this system with one where there's monopoly issuers of currency that are fiat and they're backed up by men with guns," I'm guessing he would also say, "No, no, I would oppose that move."

So in the grand scheme, we're really not that far apart, even on his own terms, that we're right now living amidst a series of regimes around the world that have monopoly issuance of currencies and they rely on men with guns – and women too. Let's not exclude them –

pointing them at people, and that's part of the way the system works. And I think this is a horrible system. And I explained how a voluntary system would work, and I think he agrees with that. So even on its own terms, we're actually pretty close. Where I think we disagree is the issue of how could money be issued privately.

So I like all the stuff he stated about cryptocurrency and that's fascinating, but I think he's getting too caught up in the appeal of his MMT view of history. So look, on his own terms even, no, bitcoin does not at all work the way taxation does. A much better analogy would be with Macy's, and say Macy's issues gift certificates and why would anyone want them? Well, because if you liked the stuff you could get with a gift certificate voluntarily in a Macy's store. Bitcoin miners can't force anybody to take bitcoins. It's only if you wanted to use the service that's tied to this thing that you would accept it in the first place.

Also, what bitcoin was explicitly modeled on was not taxation. They didn't call them IRS agents in terms of who the miners – they called them miners. Why? Because clearly they're harkening back to the gold and silver era, where people would go and mine new gold or new silver. So when Dylan's asking me, "Without the government taxing and spending and so forth, where would new money come from?" well, in a private sector, historically I would say it came from gold and silver mines.

And if you run the accounting, it actually is kind of mind-boggling at first when you think about it. But yeah, the way you would run the accounting in terms of – let's say the whole world accepted gold as the money and you owned a mine of gold, then yeah, you would produce new money and you would spend it into existence, and that's where your revenues would come from. It's not that you would sell your product to someone else in exchange for green pieces of paper with Alexander Hamilton on them. No, you would actually be creating new money. Or if you prefer, money would be buried under the ground and you'd be bringing it to the surface and then selling it to a mint, perhaps, and they'd stamp it into coins and so forth. So this idea that we need to hope that maybe down the road the private sector can invent a technology that would allow us to catch up with where coercive governments have gotten us I just think is completely backwards and misconceives the nature of money.

Okay, beyond that, I think one of his strongest points – well, let me tackle – I think I've got a minute and a half here. Let me tackle this notion – because I think what we're ultimately disagreeing about then is the issue of: given right now, the system we have, we're not going to have Ancapistan next Thursday clearly, so given the system we have right now, what can we say about policy? And here we do have a disagreement. I think governments should be paying down debt – I mean, they could default too. That would be even better, I would say. But rather than running up bigger deficits, I think it would be better if they paid off their debt and didn't spend as much and if anything used their incoming revenues to retire debt. He thinks that history has shown that would lead to a crash.

So for one thing, I just question his timeline. There clearly was no large government surpluses before the '08 crash. In fact, people were flipping out that the George W. Bush administration was engaging in reckless tax cuts for the rich while they were starting a war in the Middle East. Now, it is true that in the '20s there were a string of budget surpluses under Coolidge and in the late '90s under the Clinton administration there were budget surpluses, at least looking at the narrow cash-flow accounting, and then we had of course the Great Depression and the dotcom crash, respectively. But there I would just say that's a mistake of correlation for causation, that it was loose Fed policy that caused the big bubbles in the '20s and the late

'90s that also led to budget surpluses. And I think Coolidge was actually pretty responsible fiscally, so I wouldn't say that the one caused the other.

And again, last point I will make here is: yes, there's an accounting tautology that says if the government runs a deficit, the private sector gains net assets. There's a sense in which that's a true statement. But think about what that means. It's just saying – if you owned bonds issued by the government, it's saying we will down the road give you money, either through printing it – in which case, how is that making us wealthier in a real sense? It's just more people have more dollars, prices go up – or by taxing you and then giving the private sector that money back that we just taxed. Either way, that's not the same sense as having a real asset the way that having a bond issued by a corporation would be.

WOODS: All right, and with that, we are going to declare this complete, and I'm going to thank Dylan Moore and Bob Murphy for their time and for enlightening us here. The show notes page once again is TomWoods.com/1116. You can get links to both of these gentlemen and their work, and I hope you will in fact do so. Thanks again to both of you very much.

MOORE: Thanks, Tom.

MURPHY: Thanks, Tom.