

Eskoziari buruzko e-posta batzuk

UEUko heterodoxia izeneko blogean, zenbait sarrera daude Eskoziari buruz. Aspaldian artikulutxo bat idatzi nuen blog horretan aipatzen diren puntu batzuk baliatuz. Bi leku desberdinetara, eta data erabat ezberdinetan, bidali nuen artikulutxoa, baina azaldu ez. Dirudienez, gaia ez zen interesgarria, edo batek daki zeintzuk ziren arrazoiak ez argitaratzeko. Orain, artikulutxoa bere osotasunean hementxe segituan irakur daiteke.

Matematika, ekonomia eta independentzia

Matematika eta gizarte zientziak bereizi behar dira. Euskal Herrian, alta, sorginkeriatan bizi dira bat baino gehiago (<http://es.scribd.com/doc/57135711/Zientzia-sasi-zientzia-eta-sorginkeriak>).

Orain independentzia eta matematikari dagokie nahasketa. Eskoziari (eta EHri) buruzko fantasiako eredu matematiko batek (<http://newsnetscotland.com/index.php/affairs-scotland/3754-economic-model-predicts-scottish-independence>; <http://e-archivo.uc3m.es/bitstream/10ik016/4806/1/stability-breakup-nations.pdf>) zenbait bazter astindu ditu.

Zilegi bekit kanpoko lekukotasuna ekartzea. Izan ere, BBC-n zenbait iritzi artikulua azaldu dira Eskoziaren egoeraz. Hona aurreko modeloari erantzuten diona (<http://www.unibertsitatea.net/blogak/heterodoxia/bbc-eskoziaren-independentziak>):

“Eskoziaren etorkizuna ez datza ekuazioetan, haren boto emaileen bihotzetan eta buruetan baizik.” Gauza bera esan daiteke Euskal Herriaz, noski.

Eskozia independentearen monetaz, John Swinney-ren, Eskoziako Gobernuko finantza ministroak librarekin segitzea proposatu du. Hona galdera batzuk (<http://www.unibertsitatea.net/blogak/heterodoxia/eskozia>): (a) Zeinek jaulkiko ditu librak, Erresuma Batuko Banku Zentralak ala Eskoziako BZ-k? (b) Zeinek jarriko du libarren prezioa, Erresuma Batuak ala Eskoziak? (c) Zeinek jarriko du martxan politika fiskala? Berdina izango ote da bi estatutan? Bateratua? Desberdina?

Gogoratu estatu batek subirano izateko bi baldintza bete behar dituela: (1) Bere moneta propioa jaulkitzea. (Euroaren kasua desberdina da oso.) (2) Altxor Publiko eta politika fiskal independentea izatea.

Bestela, beste baten menpe egongo zara: zure moneta jaulkitzen duen beste estatu baten menpe edo/eta zure politika fiskala kontrolatzen duen beste estatu baten menpe.

Are okerragoak dira Jim Mather-ek, Eskoziako Enpresa ministro ohiak egin dituen adierazpenak, besteak beste, Nazioarteko Moneta Funtsa eta Mundu Bankua goraiapatuz (<http://www.unibertsitatea.net/blogak/heterodoxia/eskozia-2>).

Eskoziako zerga politika erabakitzerakoan, Erresuma Batuan moneta berbera egonik, arazoak sortu daitezke. Nor kontrolatuko du Eskoziako politika fiskala, zein neurriren bidez? Zer nolako lotura egongo litzateke Eskoziako Banku Zentralaren eta Altxor Publikoaren artean?

Hori guztia, eta gehiago, argitu beharko dituzte eskoziarrek! Batzuek dagoeneko zerbait plazaratu dute lehen aipaturiko BBC-n: (i) Scottish Labor-eko Ken Kacintish-en hitzez, *“Eskozia independente bateko moneta kontua oinarritzko eta funtsezko arazoa da... eta SNP-k ez dauka erantzun sinesgarririk.”* Honela jarraikiz, *“SNP-ko jendea jarrera absurduan dago orain moneta berari eusteko asmoz, baina beraren gaineko kontrol ekonomiko eta politiko guztiaz amore emanaz...”* (ii) Scottish Lib. Dem.-eko Willie Rennie-k, bere aldetik, honela interpretatzen ditu Ingalaterrako Bankuko, (Britainia Handiko banku zentralean), gobernadorean hitzak: SNP-k ez dauka inolako bermerik, *“Bere moneta gisa, Eskozia independente batek libra erabiltzeko.”* Honelakoa gehituz: *“SNP-k dio libra erabiliko dutela, baina ez dago horretarako inolako garantia idatzirik...”* Gainera, *“Argi dago ezen gainontzeko Britainia Handikoak onartzen baldin badu gurekin batasun monetarioa eraikitzeko, gastu muga gogorak nabarmenduko dituela monetaren sinesgarritasunerako. Eskoziar gobernu independente batek muga horietaz deus gutxi izango du esateko, gu ahalmenik gabe utziz.”*

Zer esaten da Euskal Herrian Eskoziari buruz? Ba ote dago iritzi kritikorik? Non? Non bultzatu da eztabaida minimo bat Eskozian proposatzen diren neurri ekonomiko eta monetarioei buruz?

Esan dezadan garbi: (i) *Politikoki* oso interesgarria da Eskozian gertatzen ari dena. Bera Europan baitago, gu bezala. (ii) *Ekonomikoki* Eskoziak zenbait hutsune dauzka, eta erabakitzeko funtsezko gai batzuk: monetaren eta politika fiskalaren menpekotasuna, tartean.

EHn Eskozia independentearen eredu ekonomiko eta monetarioa ‘inportatu’ nahi duten oro hausnarketa minimo bat egitera behartuki egon beharko lirateke. Bestela, independentzia politikoaren izenean porrot monetario handia ere ‘inportatuko’ lukete.

Susmatzen dudana hauxe da: aspaldian bezalaxe, hemen, alegia EHn, beldur ikaragarria diogu eztabaidari, kritika sendo eta zabalari. Noiz arte?

Beste aldetik, Islandia dugu. Islandiaz oso berri gutxi azaldu dira Europa ofizialean. Sarrera moduan hona hemen irizpide batzuk: (a) Politikoki oso interesgarria izan da Islandian gertatutakoa. (b) Islandia eredugarria da, demokrazia erabili duelako kapital espekulatuzailearen aurka. (c) Islandiak moneta propioa dauka, beraz haren Banku Zentralean jaulkitzailea da. Estatu subiranoa da. (d) Estatu subiranoa izanik, politika fiskal propioa eraman eta martxan jar dezake.

Baina estatu subiranoa izateak ez du bermatzen monetaren funtzionamendua ongi ezagutzea. Adibideak nonahi: AEBak, Kanada, Britainia Handia, Australia,... Suedia, Islandia bera. Alta, badago egon non ikas (<http://www.slideshare.net/MitchGreen/money-is-no-object>).

Elkarrizketa bat

Normalean ez dut kontuan hartzen erdaraz, espainieraz hobeki esanda, agertzen den informazioa. Baina noizean behin salbuespenak egiten ditut. Hona hemen salbuespen bat, argitaratutako elkarrizketa bat:

(Gorritz azaltzen dena nirea da. Iruzkin batzuk tartekatu ditut, gero lagun batzuei e-posta batean bidaltzeko.)

<http://www.gara.net/paperezkoa/20120808/356249/es/Es-esencial-que-tengamos-fiscalidad-para-impulsar-economia>

«Es esencial que tengamos nuestra fiscalidad para impulsar la economía»

Kenneth Gibson
Responsable económico del SNP

¿Si Escocia logra la independencia tras el referéndum de 2014, qué cambiará para la economía escocesa?

A día de hoy no podemos controlar nuestra propia fiscalidad; no podemos, por ejemplo, decidir ajustar la tasa sobre los carburantes o pedir préstamos a los mercados para financiar proyectos de desarrollo. Son competencias que no están en manos del Parlamento escocés. Por tanto, se interponen barreras para la prosperidad de nuestra economía, mientras que **un régimen fiscal independiente sería totalmente viable**. Hay empresas que han realizado recientemente inversiones importantes en Escocia, como (la especializada en energía eólica) Gamesa, que ha proyectado crear 800 empleos en Edimburgo. Esta atracción, que ya existe, se vería reforzada por una política económica y fiscal más coherente.

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Zeinek jarriko luke praktikan politika fiskal independente bat? Eskoziako Altxor Publikoa **ala Britainia Handiko Altxor Publikoa?**

Jar daiteke martxan politika fiskal independente bat Eskozian Britainia Handiko libra esterlinaren menpe? Nola?

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Pero hay expertos que prevén una deuda pública y un déficit presupuestario importante, y añaden que podría pesar mucho en una Escocia independiente.

La deuda británica será dividida atendiendo a la población, por lo que nosotros heredaremos un 8,4% de la deuda de Gran Bretaña. Ni más ni menos, pero yo no veo esto como un problema que genere inquietud. Las agencias de calificación atenderán a nuestra capacidad para crear riqueza: los beneficios del petróleo van a perdurar durante bastante tiempo y ya estamos trabajando en la diversificación. La creación de la banca (pública) de inversiones verdes en Edimburgo es una señal en esa dirección.

Sobre el problema de la deuda relacionada con **el rescate del Royal Bank of Scotland (por Londres** durante la crisis financiera), podemos imaginar un reparto ligado al reparto territorial de las actividades del banco, como ha sido **el caso con Dexia (rescatada conjuntamente en 2011 por Luxemburgo y los estados francés y belga)**.

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Bankuen erreskatea ala gizartearen erreskatea? **Ba ote dakite zertan ari diren?**

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Nada de esto es imposible de remontar: estos problemas financieros son utilizados por los unionistas para socavar la confianza de los escoceses. Hemos oído machaconamente que nuestro país es demasiado pobre o demasiado pequeño (para ser independiente), y es lo que repiten una y otra vez los políticos británicos. Pero realmente hay muchos ejemplos en Europa que prueban lo contrario.

¿Es concebible, en caso de lograr la independencia, imaginar que Escocia se sumara, a largo plazo, a la zona euro?

Si el futuro Gobierno escocés prevé una adhesión al euro, será en todo caso a través de un referéndum. Pero en todo caso no me parece el momento adecuado, teniendo en cuenta la crisis en la zona euro y lo que está pasando en España. **Nuestra idea inicial es mantener la libra esterlina, lo que no nos genera ningún problema, teniendo en cuenta que el Banco de Inglaterra es independiente del poder político.** Como ya sabrá, la República de Irlanda conservó la libra hasta 1967, ¡45 años después de lograr su independencia! En cualquier caso, y si hubiera un acuerdo (para llegar a la unión monetaria), **nosotros seguiríamos siendo maestros de nuestro régimen fiscal (sic), y eso es muy importante.** Eso no quiere decir, y es evidente, que aspiremos a una soberanía del 100%, algo que es imposible en la actual economía mundializada.

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Zeinek markatuko luke libra esterlinaren prezioa? Britainia Handiko Banku Zentralak. Hortaz, non geratuko litzateke Eskoziaren subiranotasun monetarioa?

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Elkarrizketa labur horretan, nahasketarik handiena bistan azaltzen da, argi eta garbi:

- a) **Politika fiskal independente bat Altxor Publikorik gabe, eta libra esterlinaren menpe, hots, Britainia Handiaren menpe**
- b) **Bankuak erreskatatu behar dira. Noski. Hori da garrantzitsuena, eta gainera ez da egongo inolako arazorik (sic)**
- c) **Neoliberalak diotena ongi ikusten dute: “..mantener la libra esterlina, lo que no nos genera ningún problema, teniendo en cuenta que el Banco de Inglaterra es independiente del poder político.” Ba ote dakite zertan ari diren? Benetan?**

Eskozia independente batean Kenneth Gibson-ek (Responsable económico del SNP) esaten duena praktikan jarriko balute, **Eskoziaren porrot ekonomikoa eta finantzarioa berehala etorriko lirateke**, hori bai, independentziaren izenean!

Eta EHn?

EHko jende askotxo liluratuta dago Eskoziarekin. Ni ere bai maila politikoan. Baina bat ere ez maila ekonomikoa eta finantzarioan. Alderantziz, baizik.

Zertan ari gara gu?

E-posta batzuk

2012ko abuztuaren 10an ondoko e-posta bidali nion Kenneth Gibson-i. (Kenneth Gibson SNP-ko erantzule ekonomikoa da¹.)

Dear Kenneth,

Let me introduce myself.

I am a PhD in engineering, professor of the Basque University.

Yesterday I read your interview in the Basque newspaper GARA:

<http://www.gara.net/paperezkoa/20120808/356249/es/Es-esencial-que-tengamos-fiscalidad-para-impulsar-economia>

First of all, congratulations since you will have the opportunity to use the right of self-determination.

As you know, we Basques aren't allowed to use it, at least for the time being. Spain and France are very centralized Jacobin states.

So, politically I really envy you.

What about economics?

I am dealing meanly with macroeconomics and finance. Here our blog (in Basque):

<http://www.unibertsitatea.net/blogak/heterodoxia>

My main sources are the MMT (Modern Money Theory) people:

Warren Mosler (<http://moslereconomics.com/>),

Randall Wray (<http://neweconomicperspectives.org/category/i-randall-wray>),

Bill Mitchell (<http://bilbo.economicoutlook.net/blog/>), ...

¹ Ikus <http://www.kennethgibson.co.uk/>.

(Here a very good introduction by Stephanie Kelton:
<http://www.slideshare.net/MitchGreen/money-is-no-object>)

I have learnt a lot with those MMTers. This is why I dare to ask you some questions related to the above mentioned interview in GARA:

- a) Will Scotland have a Treasury? What will be the relationship between the possible Scottish Treasury and the real British one?
- b) Will Scotland have a Central Bank? What will be the relationship between the possible Scotland CB and the real British CB?
- c) Is it possible to be sovereign in fiscal policy being under the British Treasury? HOW?
- d) Is it possible to be sovereign in monetary policy under the British BC, using the sterling pound? HOW?
- e) How is it that you want to rescue the banks? What about the Iceland example? Why not rescue the Scottish enterprises and the Scottish people?
- f) Do you know that to have an 'independent' Central Bank is what all the neoliberals are proposing? That it is the euro model where the European CB is 'independent'? That 'independence' is the source of all the euro problems!
- g) Do you know that all the CBs are under the political power of the Parliaments, except the European BC?
- h) So, why is it that you will try to use the sterling pound inside the politically independent Scotland?

Thanking you in advance for your attention, please keep working in the way to your independence.

Long live Scotland!

Best wishes.

joseba

While waiting for Kenneth's answer...

Abuztuaren 16an bigarren e-posta bidali nion Kenneth-i.

Dear Kenneth,

Here you have some notes about the Treasury and the Central Bank made by some MMTers.

As you know, the Scotland (and the Basque Country) independence is too much important to leave it in the hands of risky people (British people in your case, Spanish and/or French people in our case).

Projects must be discussed and practical models will be based on sound theories.

Hope you will get your independence soon.

Best wishes.

joseba

(joseba felix tobar-arbulu)

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Some notes about the Treasury and the Central Bank by MMTers:

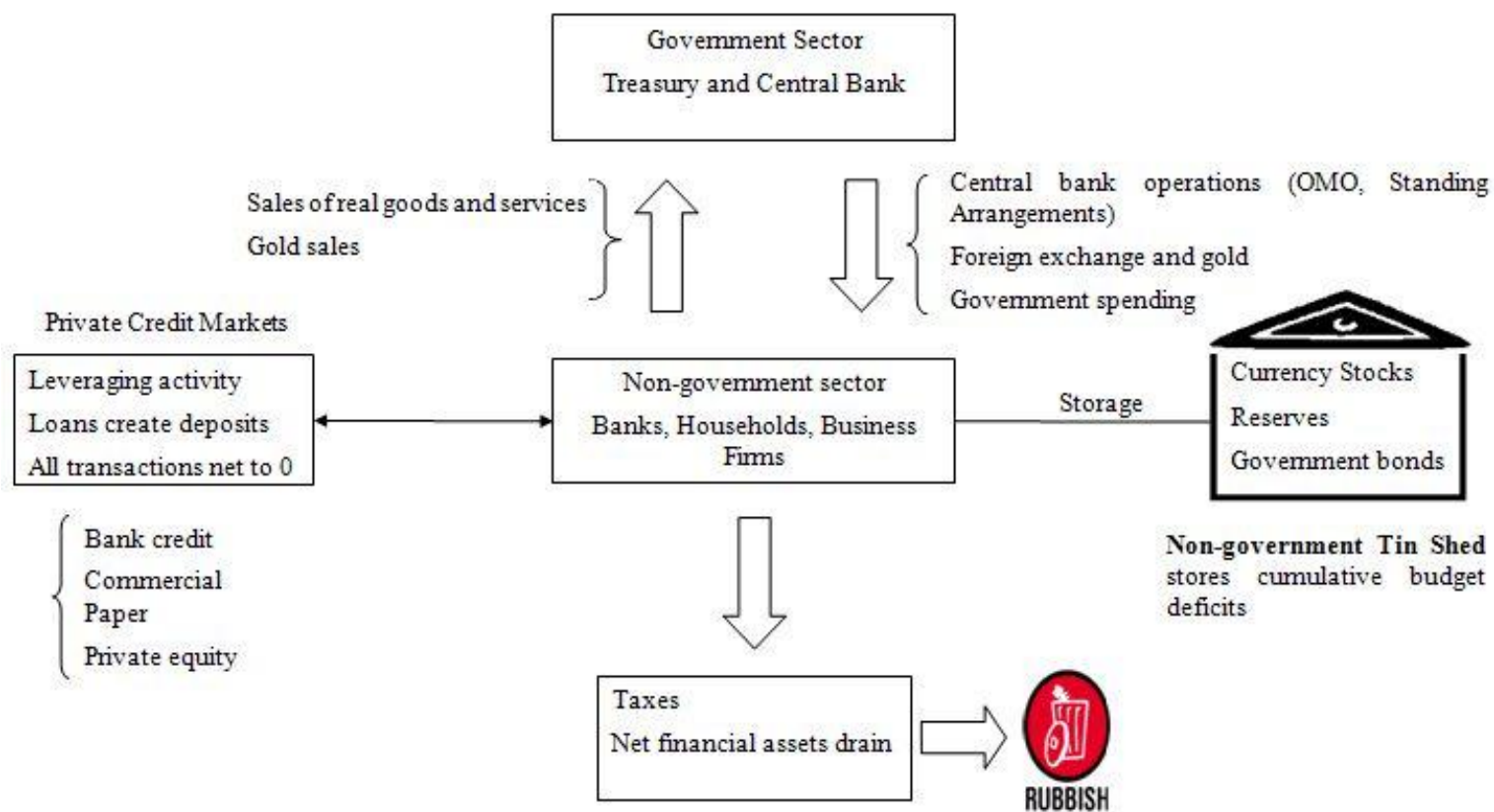
1) Bill Mitchell: <http://bilbo.economicoutlook.net/blog/?p=11218>

In yesterday's blog – [If only the citizens knew what was going on!](#) – I noted that it makes very little sense from a flow of funds perspective to consider **the central bank not to be part of a consolidated government sector along with the treasury**. The notion of a consolidated government sector is a basic Modern Monetary Theory starting point and allows us to **demonstrate the essential relationship between the government and non-government sectors** whereby net financial assets enter and exit the economy without complicating the analysis unduly. This simplicity leads to many insights all of which remain valid as operational options when we add more detail to the model. However, it still seems that readers are confused by this and somehow think that the consolidation is misleading. So for today's blog I aim to explain in more detail what this consolidation is about. It should disabuse you **of the notion that the mainstream macroeconomics obsession with central bank independence is nothing more than an ideological attack on the capacity of government to produce full employment which also undermines our democratic rights**.

Regular readers will have seen this diagram which appeared along with discussion [in the blog – Deficits 101 Part 3 – but](#) was originally presented in my book [Full Employment Abandoned: Shifting sands and policy failures](#) which was published in 2008.

You should also read the [blog – Deficits 101 Part 1 – to refresh your memory of the vertical relationship between the government and non-government sectors](#) whereby net financial assets enter and exit the economy.

The diagram sought to elaborate on the vertical transactions between the government and non-government sectors and to explain the importance of them for understanding how the economy works? It was intended as a vehicle to help people connect the pieces of the monetary system in an orderly fashion and to re-educate those who have been poisoned by mainstream macroeconomics textbooks.



The diagram sought to elaborate on the vertical transactions between the government and non-government sectors and to explain the importance of them for understanding how the economy works? It was intended as a vehicle to help people connect the pieces of the monetary system in an orderly fashion and to re-educate those who have been poisoned by mainstream macroeconomics textbooks.

You will see that this diagram adds more detail to the [diagram](#) presented in [Deficits 101 Part 1](#) – which showed the essential relationship between the government and non-government sectors arranged in a vertical fashion.

Focusing on the vertical train first, you will see that the tax liability lies at the bottom of the vertical, exogenous, component of the currency. **The consolidated government sector (the treasury and central bank) is at the top of the vertical chain because it is the sole issuer of currency** and the transactions that the treasury and the central bank make with the non-government are able to alter the net system balance (which I will explain presently).

The middle section of the graph is occupied by the private (non-government) sector. It exchanges goods and services for the currency units of the state, pays taxes, and accumulates the residual (which is in an accounting sense the federal deficit spending) in the form of cash in circulation, reserves (bank balances held by the commercial banks at the central bank) or government (Treasury) bonds or securities (deposits; offered by the central bank).

The currency units used for the payment of taxes are consumed (destroyed) in the process of payment. Given the national government can issue paper currency units or accounting information at the central bank at will, tax payments do not provide the state with any additional capacity (reflux) to spend.

The reason we take a consolidated approach to government in the first instance is because the two arms of government (treasury and central bank) have an impact on the stock of accumulated financial assets in the non-government sector and the composition of the assets.

The government deficit (treasury operation) determines the cumulative stock of financial assets in the private sector. Central bank decisions then determine the composition of this stock in terms of notes and coins (cash), bank reserves (clearing balances) and government bonds with one exception (foreign exchange transactions).

The diagram also shows how the cumulative stock is held in what we term the *non-government Tin Shed* which stores fiat currency stocks, bank reserves and government bonds.

I invented this *Tin Shed* analogy to disabuse the Australian public of the notion that somewhere down in Canberra (our national capital) there was a storage area where the national government was putting all those surpluses away for later use. This is a constant misperception that pervades the policy debate. Even the mainstream macroeconomics textbooks call budget surpluses “national saving”.

The reality is that there is no storage because when a surplus is run, the purchasing power embodied in the net outflow of financial assets from the non-government sector to the government sector is destroyed forever. However, the non-government sector certainly does have a *Tin Shed* within the banking system and elsewhere.

Any payment flows from the government sector to the non-government sector that do not finance the taxation liabilities remain in the non-government sector as cash, reserves or bonds. So we can understand any storage of financial assets in the Tin Shed as being the reflection of the cumulative budget deficits.

Taxes are at the bottom of the exogenous vertical chain and go to rubbish, which emphasises that they do not finance anything. While taxes reduce balances in private sector bank accounts, the government doesn't actually get anything – the reductions are accounted for but go nowhere.

Thus the concept of a fiat-issuing Government saving in its own currency has no meaning. Governments may use its net spending to purchase stored assets (spending the surpluses for instance on gold or in sovereign funds) but that is not the same as saying when governments run surpluses (taxes in excess of spending) the funds are stored and can be spent in the future. This concept is erroneous. Please read my blog – [The Futures Fund scandal](#) – for more discussion on this point.

Finally, payments for bond sales are also accounted for as a drain on liquidity but then also scrapped.

(...)

Foreign exchange transactions

The external position of a nation impacts on the monetary base if there is *official central bank* foreign exchange transactions.

A nation's currency is demanded in foreign exchange markets to facilitate the purchase of its exports by foreigners; to pay interest, profits and dividends to residents who have foreign investments; and to facilitate foreign direct investment in local companies.

Conversely, a nation's currency is supplied to foreign exchange markets to facilitate the purchase of imports from other countries; to pay interest, profits and dividends to foreign investors; and to facilitate lending to foreign companies.

Ordinarily, where there is a balance of payments deficit the demand for a nation's currency in foreign exchange markets will be less than the supply of that currency and there will be downward pressure on the exchange parities.

When there is a balance of payments surplus the demand for a nation's currency in foreign exchange markets will be greater than the supply of that currency and there will be upward pressure on the exchange parities.

So exchange rate movements can arise from the real sector and the financial sectors with the latter increasingly dominating in the era of financialisation. That situation is one thing that needs to be changed if we are to restore stable growth with full employment but that is the topic of another blog.

A floating exchange rate system allows these supply and demand imbalances in currencies to resolve themselves via exchange rate movements with no impact on the monetary base.

(...)

Government bond sales

The impact of national budget outcomes and central bank official intervention on the monetary base can be offset by government bond sales/purchases. Why would the government desire this offset?

The fundamental principles that arise in a fiat monetary system are as follows.

- The central bank sets the short-term interest rate based on its policy aspirations.
- Government spending is independent of borrowing which the latter best thought of as coming after spending.
- Government spending provides the net financial assets (bank reserves) which ultimately represent the funds used by the non-government agents to purchase the debt.

- Budget deficits (and official foreign intervention which adds to the monetary base) put downward pressure on interest rates contrary to the myths that appear in macroeconomic textbooks about 'crowding out'.
- The "penalty for not borrowing" is that the interest rate will fall to the bottom of the "corridor" prevailing in the country which may be zero if the central bank does not offer a return on reserves.
- Government debt-issuance is thus a "monetary policy" operation rather than being intrinsic to fiscal policy, although in a modern monetary paradigm the distinctions between monetary and fiscal policy as traditionally defined are moot.

To understand these points we need to understand the concept of a *system balance* which relates to the daily liquidity in the banking system. The system balance is another term for the monetary base. It is important to understand it because it impacts on the ability of the central bank to maintain its desired monetary policy stance – which involves setting a particular overnight interest rate.

Every day, official transactions are occurring (Items 1 to 3 in the Table above) and they impact on the system balance or the money market cash position.

Governments spend and tax continuously and the central bank regularly conducts official foreign exchange transactions. Further public debt matures regularly and the central bank may conduct repos and rediscount treasury notes before their maturity date is reached.

When the flow of funds that accompany the vertical transactions is in favour of the government sector, we say the system balance is in deficit (or the system is "undersquare") and vice versa (surplus or oversquare).

You can thus appreciate the particular transactions and balances that will deliver a system surplus or a system deficit.

A budget deficit, for example, will result in a system surplus or oversquare position. There will be excess reserves in the accounts held by the banks with the central bank.

If there is no support rate paid by the central bank on these excess reserves then the commercial banks will try to lend them on the interbank market. The possible borrowers will be other banks who lack reserves at the end of the day. But these horizontal transactions are incapable of clearing the overall system overall. All they do is shuffle which banks are carrying the excess.

In trying to chase a return on the excess reserves, the competition in the interbank market drives the overnight rate down to whatever support rate is in place (which might be zero). Effectively, if there was no central bank reaction, the official policy rate being maintained by the central bank would become irrelevant as the interbank rate fell.

The central bank can drain the excess reserves simply by selling government debt. Accordingly, debt is issued as an interest-maintenance strategy by the central bank. It has no correspondence with any need to fund government spending.

The analysis should be easily understood in the case of the impacts of budget surpluses and the impact of official foreign exchange transactions that add reserves and those that drain reserves.

Further, the idea that governments would simply get the central bank to “monetise” treasury debt (which is seen orthodox economists as the alternative “financing” method for government spending) is highly misleading. Debt monetisation is usually referred to as a process whereby the central bank buys government bonds directly from the treasury.

In other words, the federal government borrows money from the central bank rather than the public. Debt monetisation is the process usually implied when a government is said to be printing money. Debt monetisation, all else equal, is said to increase the money supply and can lead to severe inflation.

However, as long as the central bank has a mandate to maintain a target short-term interest rate and does not pay a support rate on excess reserves, the size of its purchases and sales of government debt are not discretionary. **Once the central bank sets a short-term interest rate target, its portfolio of government securities changes only because of the transactions that are required to support the target interest rate.**

The central bank’s lack of control over the quantity of reserves underscores the impossibility of debt monetisation. **The central bank is unable to monetise the federal debt by purchasing government securities at will because to do so would cause the short-term target rate to fall to zero or to the support rate.** If the central bank purchased securities directly from the treasury and the treasury then spent the money, its expenditures would be excess reserves in the banking system. The central bank would be forced to sell an equal amount of securities to support the target interest rate.

The central bank would act only as an intermediary. The central bank would be buying securities from the treasury and selling them to the public. No monetisation would occur.

However, the central bank may agree to pay the short-term interest rate to banks who hold excess overnight reserves. This would eliminate the need by the commercial banks to access the interbank market to get rid of any excess reserves and would allow the central bank to maintain its target interest rate without issuing debt.

From a MMT perspective it is far preferable to eliminate the debt-issuance machinery altogether and pay a support rate on reserves if the central bank wants to target a non-zero short-term interest rate. But even more preferable is to allow the short-term interest rate to drop to zero by not issuing public debt or paying a support rate on excess reserves. Then the interbank market will compete the rate down to zero each day and fiscal policy would become the principle counter-stabilisation tool and the most effective means of disciplining price pressures in specific asset classes.

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- 2) Stephanie Kelton: <http://www.netrootsmass.net/fiscal-sustainability-teach-in-and-counter-conference/stephanie-kelton-are-there-spending-constraints-on-governments-sovereign-in-their-currency/>

Stephanie Kelton - Slide 8

In contrast, **the government is the issuer of its currency. It is not like a household.** It doesn't have to raise money by borrowing or collecting taxes in order to spend. Those of us in the private sector have to earn or borrow dollars before we can spend. The government must spend first. And we say this, and sometimes people have a hard time understanding that. How can the government spend first? How can it not spend first? How could the government collect taxes, in dollars, first? It first had to have spent those dollars into existence. **The spending has to come before the payment or the collection of taxes. The government must spend first. Government spending is not (we use this term a lot) operationally constrained by revenues. It doesn't need tax payments and bond sales in order to fund itself. It is not operationally constrained.** The only relevant constraints are self-imposed constraints. We talked a little bit about this earlier, things like debt ceilings. That's a self-imposed constraint. **Rules that prevent the Treasury from running an overdraft in its account at the Fed. That's a self-imposed constraint. It is a constraint that is imposed by Congress. Rules that prevent the Fed from buying Treasury bonds directly from the Treasury, so-called monetizing the debt, is a self-imposed constraint.**

Stephanie Kelton - Slide 9

How does the government actually spend? It spends by writing checks on its account at the Federal Reserve Bank. What we see, and what we hear all the time is that the government is spending a hundred, taxes are ninety and it sells bonds equal to ten. So, what we see is an attempt to coordinate the government's spending with taxes and bond sales and it creates the illusion that what's happening is that the government is taking money from us and using it to pay for the things that it purchases. But that's not really what's going on. **As Warren likes to say, the government neither has nor does not have any money at any point in time.** It is simply the scorekeeper. So what happens when the government spends?

Stephanie Kelton - Slide 10

Let's suppose that **the U.S. Treasury issues a check for a hundred million dollars to Halliburton.** What happens? **The Fed marks down the Treasury's balance. It subtracts one hundred million from the Treasury's account at the Fed. Halliburton takes the check and deposits it wherever Halliburton happens to bank. I chose Bank of America. So Bank of America marks up Halliburton's balance by a hundred million dollars. The Fed marks up the size of Bank of America's reserve account** (this is some reserve accounting, hang in there; it's a little dry). **The Fed, in the clearing process, credits Bank of America with a hundred million dollars in its reserve account.**

So what's happened at the end of the day? What are the effects of government spending? The monetary base increases. We call that 'high powered money'. Those are the bank reserves. **The monetary base increases** by a hundred million. The money supply increases by a hundred million. The money supply is all the checking accounts and traveler's checks and a couple other things, but by and large, those are the deposits, ordinary everyday checking accounts. So the money supply increases. So what is the lesson from this? The lesson is that government spending creates new money, both high-powered money, bank reserves, and

the more narrow definition of money, M1. They both increase as a consequence of government spending.

Stephanie Kelton - Slide 11

How about when the government **collects taxes**? What happens there? Say you write a check for five thousand dollars to the IRS on your personal checking account, and you bank at Wells Fargo. Wells Fargo marks down the balance in your account, minus five thousand. The check gets sent from the IRS to the Treasury's bank. The Treasury banks at the Fed. The Fed marks up the Treasury's balance by five thousand, and the Fed marks down Wells Fargo's balance by five thousand. What happens at the end of the day? The effects of paying taxes (See, when you pay taxes, there's nothing there. Everything just disappears.) **The monetary base decreases**. Bank reserves go down by five thousand, so the base goes down. The money supply also goes down because you drew on your checking account. So, the money supply goes down by five thousand, the narrow measure, M1, and the monetary base goes down as well. Paying taxes destroys money. It doesn't give the government anything. It doesn't get anything. It eliminates those liabilities. They are, for all intents and purposes, destroyed.

Stephanie Kelton - Slide 12

That's if you pay with a check. What would happen if you actually sent the government your cash? Every once in a while it seems like you hear about some crazy person who does this in protest. They get a huge sack, usually of coins just to make it really offensive and difficult on some poor bean counter. Let's say you have a tax liability and it's a hundred dollars and you just mail in a one hundred dollar bill. Apart from the shock of opening the envelope, what are they going to do with this? What do we do with this? Send it to the Fed. That's where the Treasury banks. Goes to the Fed, and what do they do with it? They shred it. They shred it. Why would they shred it, I mean literally shred it, if they needed it to buy things, if they could use it to spend? Because they don't use it to spend and they don't need it to buy things.

Stephanie Kelton - Slide 13

So why bother collecting **taxes** at all, if the government doesn't need our money, and this came up earlier. Lynn raised this question. Why bother collecting taxes? When we pay our taxes, whether by cash or by check, **all we're doing at the end of the day, is returning to the government its own liabilities**. That's all we're doing. And they say, 'Thank you very much', and the transaction is done. They don't get anything that they can turn around and spend. They get their own IOU back from us. That's the end of the transaction.

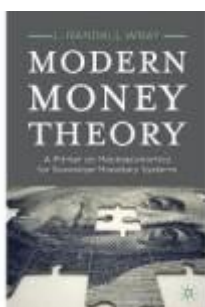
So, why do it? Two reasons. One is, and this goes back to the Modern Money Theory that I began with, one is **that taxes give value to the government's money**. If they were just to say, 'We don't need taxes in order to spend, so let's suspend all collection of taxes', that would undermine the value of the currency. It would take away the need that we have to acquire the government's money. Why would we work and produce things for the government? Why would the government be able to move resources from the private sector to the public domain if it can't get us to do that by virtue of the fact that we are willing to work and

provide things to get the government's liabilities? So, taxes maintain a demand for the government's currency – that's important – and the other thing they do, is they allow the government to regulate aggregate demand. Too much spending power can be inflationary, too little causes unemployment and recessions.

3) Randall Wray:

Some must reading:

- a) Book available since this August:



- b) Modern Monetary Theory, primer, on line:

<http://neweconomicperspectives.org/p/modern-monetary-theory-primer.html>

- c) Fiscal and monetary policy:

- 1) [Fiscal and Monetary Policy Operations in a Sovereign Nation](#)
- 2) [What About a Country that Adopts a Foreign Currency? Part One](#)
- 3) [What About a Country that Adopts a Foreign Currency? Part Two](#)

Ondorioak?

Euskal Herrian interesatzen ez dena, baliteke Eskoziako independentistei axola ez izatea. Ez dakit. Horrexegatik bidali ditut aurreko bi e-postak.

Independentziaren afera oso garrantzitsua da edozeinen esku uzteko. Proiektuak eztabaidatu behar dira eta modelo praktikoak teoriaraino oinarritu behar. Teoria sendoan, noski.

Gureari dagokionez, bagenekien: edozer gauza da posible Granadan, sorry Euskal Herrian.

Baina Eskoziari dagokionez? Zertan ari dira eskoziar independentistak?

donejurgi (joseba felix tobar-arbulu)