Moneta politika eta politika fiskala: bi eginkizun desberdin (II)

"… *both the left and the right as well as economists and policymakers across the political spectrum fail to recognize that money is a public monopoly*"

(Randall Wray, 2011)

(Segida)

Hasierarako, ikus *Moneta Politika eta politika fiskala: bi eginkizun desberdin* (I)[1]

9. Korporazio transnazionalez eta ezkerraz hitz batzuk

Jadanik gauza batzuk ikusiak ditugu:

(i) Mitterrand eta Britainia Handiko Alderdi Laboristako Jeremy Corbyn...

(ii) Britainia Handiaren erabaki aproposa, ERM (*Exchange Rate Mechanism* delakoa) utziz, eta azken finean, EMS (Europako Moneta-Sistema) 1992an abandonatuz.

(iii) Frantziak, *nahita*, EMSn segitzea erabaki zuenean.

Orain, TNC-z, korporazio transnazionalen aferaz ere zertxobait aipatuko dugu.

Horretarako, segi diezaiogun Mitchell-i[2]:

TNC direlakoek herrialdeak inbaditzeko armadak hornitu ezean, gobernuek beti izan dituzte politika erremintak eta egitura legalak TNCak diziplinatzeko.

Badago desberdintasun bat globalizazioaren (TNCen eta nazioarteko hornitze kateen hazkundea) eta ideologia neoliberalen artean (merkatu libreko ekonomiaren nagusitasuna, gobernuaren parte hartzea deabrutzea, ongizate estatua ezabatzeko eskariak eta hedaturiko finantzaren eta lan-indarraren merkatuen liberalizazioa).

Bi garapen horiek banagarri eta ezberdinak dira, nahiz eta azkenak nazio estatuetan lehenak inposaturiko mehatxuak indarberritzen dituen.

Mitchell-en iritziz, 'ezkerrak' bi garapenak nahastu ditu eta globalizazioa nazio estatuaren desagertzearekin parekatzen du. Ez da gertatu horrela. Ideologia neoliberalak funtzio hori bete du, eta hori aukera arazoa da.

1 Ikus http://www.unibertsitatea.net/otarrea/gizarte-zientziak/ekonomia/moneta-politika-eta-politika-fiskala-bi-eginkizun.

2 Ikus Bill Mitchell-en *Mitterrand's turn to austerity was an ideological choice not an inevitability:* http://bilbo.economicoutlook.net/blog/?p=31631.

Demokraziek erabaki dezakete nazio estatua hondatzea -kasurako, 'merkataritza libreko akordioak' sinatuz eta TNCrako zerga paradisuak sortuz eta lan-indarraren merkatuak liberalizatuz, TNCri permitituz haien mozkinak handitzeko, populazio lokalaren kaltetan.

Ez dago ezer ezinbestekorik horren guztiaren inguruan.

Argudioak zerikusirik dauka Tobin zergarekin, edo finantza zerga globalekin.

Politika oso popularra da, 'ezkerrak' nonahi aldarrikatu duena, baina era berean akatsez beteta erabat[3].

Irtenbidea?

> "*All governments should sign an agreement which would make all financial transactions that cannot be shown to facilitate trade in real good and services illegal. Simple as that. Speculative attacks on a nation's currency would be judged in the same way as an armed invasion of the country – illegal.*
>
> *This would smooth out the volatility in currencies and allow fiscal policy to pursue full employment and price stability without the destabilising external sector transactions.*
>
> *A single nation could also take unilateral action in this regard*."

Eredua? Argentina[4].

Eta Mitterrand? Mitterrand-ek aukera bat egin zuen, ez zegoen inongo ezinbesterik.

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3 Ikus Mitchell-en *A global financial tax?* Honela dio Mitchell-ek: "*First, it assumes the government needs revenue in order to spend, which we all know is false. Second, it begs the question: Why do we want to allow these destabilising financial flows anyway? If they are not facilitating the production and movement of real goods and services what public purpose do they serve? It is clear they have made a small number of people fabulously wealthy. It is also clear that they have damaged the prospects for disadvantaged workers in many less developed countries because governments have promoted a neo-liberal ideology at the same time the TNCs were becoming more important. More obvious to all of us now, when the system comes unstuck through the complexity of these transactions and the impossibility of correctly pricing risk, the real economies across the globe suffer. The consequences have been devastating in terms of lost employment and income and lost wealth. So I don't see any public purpose being served by allowing these trades to occur even if the imposition of the Tobin Tax (or something like it) might deter some of the volatility in exchange rates*."

4 Ingelesez: "*Take the example of Argentina as a guide. When it defaulted on its international debt obligations, the threats were thick and fast that it would be declared a pariah by the so-called investment markets and starved of global funds. It didn't take those threats seriously and instead embarked on a program of domestic expansion and within a few years it was fighting an appreciating currency. Why? Because international capital was flooding back in to take advantage of the profit opportunities available in a growing economy. (...) International finance does not have an ideology even though the 'left' assumes it does. The only motivation is profit and a semblance of certainty.* The Argentinean example *also showed that the notion of capital flight is somewhat overrated. The 'hot money' shifts but if it is invested in real productive capital (plant, equipment, buildings etc) it cannot shift. The people then have options if the investor wants to bail out*."

Zaltasunak hauexek ziren:

(a) Frantzia EMSko kidea izatea; (b) Frantziako libera Alemaniako markoari lotzea; EMS-ek murriztea gobernuaren ahalmena politika monetarioa egokitzeko, herrialdearen beharrizan makroekonomikoak betetzearren.

Frantziako Alderdi Sozialista markatuaren agente bat bilakatuz, Mitterrand-ek iraganeko historia ahantzi zuen, gobernuek defizit fiskala erabiltzen zituztenean ekonomia suspertzeko, jarduera ekonomikoa hobetzeko eta enpleguaren hazkundea indartzeko.

Arazoa hauxe zen: hazkundeak kanpoko mugari aurre egin zion, zeina gogorra baizen Alemaniaren eta Europako gainontzeko herrialdeen arteko esportatzeko sendotasun desoreka zela eta.

Are gehiago, Mitterrand-ek boterea lortu zuenean, AEBk politika monetario oso murriztailea zeukan (interes tasak altuak), zeinak Europako herrialdeen esportazio merkatuak hondatu baitzituen.

Frantzian masa langabezia handia zegoen eta aukera handiak erabili gabeko baliabide horiek erabilera produktibora eramateko, baldin eta gobernuak bere 110 Propositions pour la France martxan jarri izan balitu.

Beste arazo osagarri bat zegoen: Mitterrand-en erregimena ideologia monetarista/neoliberalaren menpeko bilakatu zen, zeinaren panazea liberalizazioa, defizit fiskalak moztea eta Bundesbank-eko inflazioaren aurkako politikak inposatzea baitzen[5].

Ondorioa

Aurreko lanean aipatutakoek[6] aparteko garrantzia daukate Alderdi Laboristako lidergo borrokarako.

Jeremy Corbyn-ek hartutako jarrerak desafio egiten dio ondoko ikuspuntu 'ezkertiarrari': "*aukera politiko keynestarren desagertzea ezinbestekoa zela, kapitalaren globalizazioa zela eta*" dioen ikuspuntuari.

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5 Honela dio Mitchell-ek: "*Membership of the EMS forced the nations to heel to the Bundesbank oppression. The Deutschmark dominated and no member state could break out with its own domestic spending plans without risking a major currency problem. Mitterrand was seduced by his "Finance Minister (and future European Commissioner) Jacques Delors to adopt "strong franc" policy at the expense of rising unemployment. It suited the neo-liberal ideologues to weaken the state.*"

6 Ikus *Defizit fiskala, berriz: Grezia eta Britainia Handia*: http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/16/defizit-fiskala-berriz-grezia-eta-britainia-handia/; *Defizitaz, behin eta berriz*: http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/17/defizitaz-behin-eta-berriz/; *Gobernuek ez dituzte behar aberatsen aurrezkiak, ezta haien zergak ere!*: http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/19/gobernuek-ez-dituzte-behar-aberatsen-aurrezkiak-ezta-haien-zergak-ere/; *PQE (politika fiskala) eta QE (politika monetarioa)*: http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/20/pqe-politika-fiskala-eta-qe-politika-monetarioa/ eta *Europako ezkerraz, gehigarria:* http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/22/europako-ezkerraz-gehigarria/.

Corbyn-ek zuzen ulertzen du, alde batetik, TNCen garapena eta nola horrek ekonomiak ireki dituen, merkataritza fluxuak handitzeko eta, bestetik, ideologia neoliberalaren nagusitasuna (merkatu libreko konkurrentziazko modeloa, estatu parte hartze minimoarekin, aldarrikatzen duena).

Mitchell-ek dionez,

> "*The development of the TNCs didn't undermine the capacity of currency-issuing nation states. That has been accomplished by the imposition of the neo-liberal ideology and is reversible if the politics can be won*."

Hori del eta, Mitchell Corbyn-en alde azaldu da. Are gehiago, datorren abuztuaren 27an Londres-en egongo da hitzaldi bat emateko, Corbyn-en bi aholkulari ekonomikorekin batera[7].

10. DTMren erroak ez dautza Keynes-engan

Bill Mitchell-en artikulua: *The roots of MMT do not lie in Keynes*[8]

Ideia batzuk:

(i) Defizit fiskal orekatuak?[9]

(ii) Abba Lerner-ek defizitei buruz[10]

(iii) Keynes eta defizit publikoak[11]

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7 Ikus *Date for your Diary (Event on Modern Monetary Economics)*: http://think-left.org/2015/08/20/date-for-your-diary-event-on-modern-monetary-economics/.

8 Ikus http://bilbo.economicoutlook.net/blog/?p=31681.

9 Ingelesez: "*… the real sticking point against Keynes was his view that fiscal deficits should be balanced over the business cycle and that would allow governments to pay back debt incurred in the deficit years. That view has crippled progressive thought ever since and is antithetical to MMT. The debate also has resonance with the current leadership struggle within the British Labour Party about fiscal deficits and the claims by the 'socialist' candidate, Jeremy Corbyn that he will "balance the budget" when unemployment is low so as to avoid inflation. This view derives from the adoption by progressives of Keynes' views, whether they know that or not. It is a mistaken view and retards progressive policy development*."

10 Ingelesez: "*In his 1961 book article (page 139) – The Burden of Debt – the founder of Functional Finance –* Abba Lerner *opened with the following parable:*

> *"But look," the Rabbi's wife remonstrated, "When one party to the dispute presented their case to you, you said 'you are quite right' and then when the other party presented their case you again said 'you are quite right', surely they cannot both be right?" To which the Rabbi answered, "My dear, you are quite right!"."*

11 Ingelesez: "*In correspondence to Sir Richard Hopkins (July 20, 1942) – which is recorded in his Collected Works, Volume 27, Keynes wrote:*

> *… the ordinary Budget should be balances at all times. It is the capital Budget which should fluctuate with the demand for employment.*

(iv) 'Urrezko araua' [12]

(v) Mitchell-en jarrera[13]

(vi) Britainia Handiari dagokionez[14], "*a continuous fiscal deficit is indicated*"

(vii) Gobernuei egindako gomendioa[15]

This is the precursor to the modern concept of the 'golden rule', which limits fiscal deficits to the rate of public investment in productive capital. The 'golden rule' essentially means that over some defined economic cycle (from the peak of activity to the next peak) the government deficit should match its capital (infrastructure) spending. All 'recurrent' spending (that is, spending which exhausts its benefits within the current year) should be 'funded' through current revenue (taxes and fines, etc.). The 'golden rule' is considered equitable across generations because the current taxpayers 'pay' for the public benefits they receive now, while the future generations have to pay for the benefits that the infrastructure delivers to them in the years to come. Thus, day to day spending that benefits the current taxpaying public should be covered by taxation revenue and capital infrastructure should be funded through debt. The fiscal balance would thus always be zero net of public investment spending. The 'golden rule' reflects the mainstream economics view that governments have to 'fund' their spending just like a household."

12 Ingelesez: "*So in Victorian times, the 'golden rule' was that in good times, the current 'budget' should deliver a surplus, which would then allow the government to repay the debt incurred in bad times, when it was running deficits. This reasoning then lef to the conclusion that balanced 'budgets' as a principle was dangerous and that 'budgets' should, rather, be balanced over an economic cycle*."

13 Ingelesez: "*The point is that I depart from the view espoused by many Modern Monetary Theory (MMT) proponents who suggest that Keynes is one of the important precursor economists to the development of MMT. As I explained in this blog – Corbyn should stop saying he will eliminate the deficit – there is no foundation in the idea that fiscal balances should ever be balanced much less over the course of some discrete economic cycle (peak to trough to peak).*

Keynes' views in this context were relatively conservative and mistaken.

1. Issuing debt to match fiscal deficits does not reduce the inflation risk of the initial spending, whether that spending be government or non-government.

It just swaps one financial asset – a saving balance (deposit) for a government bond. Moreover, the latter carries an income flow which is likely to be larger than the former.

2. There is no reason to believe that continuous fiscal deficits will be inflationary. Extending Keynes' own logic, deficits are required when non-government spending is insufficient to generate sales that would justify firms fully employing all available labour.

As long as firms can continue to respond to nominal demand growth through increased output growth, there is no major likelihood of an inflation breakout.

In other words, a deficit could easily be a 'steady-state' policy position to support full employment when the other sectoral balances (external and private domestic) were in particular states."

14 Ingelesez: "*For a nation such as Britain, we note the following:*

1. A fairly sizeable external deficit which drains domestic spending in net terms (more cash flows out via imports than flows in via exports) and is not going to go away anytime soon and is not a problem anyway, given it means the British people enjoy advantageous real terms of trade (foreigners are willing to send them real goods and services in exchange for bits of paper – financial assets).

2. The private domestic sector is already highly indebted and cannot be expected to sustain even higher debt levels.

3. There is considerable idle capacity – unemployment, underemployment etc.

In this context, a continuous fiscal deficit is indicated."

(viii) Zergen afera[16]

(ix) DTM[17]

(x) OMF (*Overt Monetary Financing)* delakoa, Moneta Finantzaketa Irekia[18]

(xi) Gehigarria[19]

Ondorioak:

(1) *Progressives should abandon the notion that they attribute to Keynes that the fiscal balance should be zero on average over the course of the economic cycle*.

(2) *In this regard, the work of Abba Lerner in the 1940s on Functional Finance is much more seminal to the development of MMT than was Keynes' offerings, which I believe a antithetical to the foundational blocks of MMT.*

15 Ingelesez: "*Governments should not follow fiscal rules like a 'balanced budget rule over the cycle'. Rather, they should be guided by evaluations which show the impact of different fiscal policy parameters on the well-being of the population. If there is a need for the private domestic sector to have less purchasing power,then a tax increase is indicated. Not to generate revenue for the government but to reduce purchasing capacity of households and firms*."

16 Ingelesez: "*The tax increase is serving a specific function – to deprive the private domestic sector of purchasing power, presumably, because the government wants extra real resource space available to pursue its own socio-economic mandate and/or exports are booming. It needs to create the extra resource space because if the taxes weren't increased there would be incompatible claims on those real resources from all the claimants (households, firms, government, foreigners) which would result in inflation*."

17 Ingelesez: "*... no rule can be devised to automatically ensure that these functional decisions will be made effectively. It is the art of the policy maker that rules rather than a rule driving the policy. Keynes did not take into account the sectoral balances. MMT makes them a central part of the macroeconomic evaluation and policy development framework. Understanding them in an accounting sense is only the first step. The art is to understand what drives these balances and how they interact. So a 'balanced budget over the cycle' rule would mean the private domestic sector has a deficit equivalent to the external deficit on average over the same cycle. Why is that desirable? It implies that the private domestic sector will be accumulating ever-increasing debt levels, which eventually will become unsustainable. MMT focuses on the private debt dynamics and considers the public debt dynamics to be passe. It goes further and recommends that governments break the nexus between debt-issuance and fiscal deficits.*"

18 Ingelesez: "*In this sense, governments should use Overt Monetary Financing rather than going through the pretence that they are being funded by private bond holders. The bond sales are made possible by past deficits, which generate net financial assets for the non-government sector. Further, they are just an example of corporate welfare, which is totally unnecessary. There is some progressive argument that the debt helps pension/superannuation funds provide safe returns to workers in retirement. My solution would be to national superannuation funds, eliminating the managerial fee grab of workers' savings, and using the government's currency-issuing capacity to fund workers' retirements. That is pure MMT but very non-Keynes*."

19 Ingelesez: "*... you might also like to reflect on David Colander's article in the Journal of Economic Literature (December 1984) – Was Keynes a Keynesian or a Lernerian? – which mounts the argument that Keynes shifted ground in the 1940s and considered Lerner's Functional Finance to be a sound framework.*"

(3) *Progressive narratives should aim to educate the public as to the need in normal times for continuous fiscal deficits. Then we would start getting somewhere*.

Iruzkina[20]:

Warren Mosler says:
Tuesday, August 25, 2015 at 18:26

Totally agree!
Go Bill!

11. Defizit publikoaz, berriz, hitz pare bat

Defizit publikoa da gaia. Gai teorikoa eta praktikoa. John Maynard Keynes eta Abba Lerner. *Modern Money Theory*, hots, Diru Teoria Modernoa eta defizit publikoa. Ondorioz: Britainia Handia, Eskozia, Katalunia, Euskal Herria, ...

(1) **Afera teorikoa**

John Maynard Keynes eta Abba Lerner:

Gobernuek ez dituzte behar aberatsen aurrezkiak, ezta haien zergak ere!

http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/19/gobernuek-ez-dituzte-behar-aberatsen-aurrezkiak-ezta-haien-zergak-ere/

Keynes, DTM eta defizit publikoa:

DTMren erroak ez dautza Keynes-engan

http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/25/dtmren-erroak-ez-dautza-keynes-engan/

(2) **Afera teoriko-praktikoa**

DTM eta gastu publikoa:

a) *Diru teoria modernoa, hasiberrientzat*
http://www.unibertsitatea.net/blogak/heterodoxia/2011/08/04/diru-teoria-modernoa-hasiberrientzat/

b) *Bill Mitchell Finantza Ministro(a)z ari*
http://www.unibertsitatea.net/blogak/heterodoxia/2015/02/06/bill-mitchell-finantza-ministroaz/

c) *Stephanie Kelton: defizitak eta superabitak*
http://www.unibertsitatea.net/blogak/heterodoxia/2015/02/09/stephanie-kelton-defizitak-eta-superabitak/

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20 Ikus http://bilbo.economicoutlook.net/blog/?p=31681&cpage=1#comment-40885.

(3) **Britainia Handia eta defizit publikoa**

Jeremy Corbyn eta defizit publikoa:

Defizit fiskala, berriz: Grezia eta Britainia Handia

http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/16/defizit-fiskala-berriz-grezia-eta-britainia-handia/

(4) **Ondorioak**

(a) Katalunia:

Katalunia eta DTM

http://www.unibertsitatea.net/blogak/heterodoxia/2014/11/12/katalunia-eta-dtm/

Kataluniaren txanda (5) (monetarismoa, ortodoxia neoliberala eta abar)

http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/10/kataluniaren-txanda-5/

(b) Euskal Herria?:

'Puntua'

http://www.unibertsitatea.net/blogak/heterodoxia/2014/11/19/puntua/

Ikasiko ote dugu?

12. Monetaristentzat...

Bill Mitchell-en artikulua: *US Federal Reserve should not increase interest rates*[21].

Artikuluan ukitutako punturik garrantzitsuenak:

(a) Korronte nagusiko ekonomialariek egindako aurreikuspenak hitz hutsalak izan dira, besterik ez[22]

(b) Ekonomialari guzti horiek ez dute ulertzen banku zentralaren eta merkataritza bankuen arteko dinamika[23]

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21 Ikus http://bilbo.economicoutlook.net/blog/?p=31696#more-31696.

22 Ingelesez: "... *all the predictions and scare campaigns that were being issued by mainstream economists and their conservative 'think tank' conduits about the impending disaster that would accompany the near zero interest rate regimes that the US Federal Reserve Bank had implemented it would make a great comedy sketch*."

23 Ingelesez: "*There should be no surprise with the massive predictive failures of the mainstream economists in this regard. They clearly did not understand the underlying dynamics that govern the way the central bank interacts with the commercial banks*."

(c) Kontua da kontserbadore haiek, hain leloak izanik, ez dutela ulertzeko gaitasunik ere ez, eta segitzen dutela errepikatzen txorakeria berberak[24]

(d) Gaur egun AEBko ekonomia suspertze motel batean murgiltzen da[25]

(e) Askoz hobea izango litzateke interes tasak ia zero mailari eustea eta Altxor Publikoarekin erreserba sistema federal osoa aldatzea[26]

(f) Gaurko inflazioaren egoeraren erroak monetarismoan dautza[27]

Beraz, justifikatzen ote du inflazio dinamikak interes tasa altxatzea?

(g) Inflazio tasaz hitz bi

1. Dokumentu honetan, What is inflation and how does the Federal Reserve evaluate changes in the rate of inflation?, ikusten dira Fed-en neurriak inflazioa ebaluatzeko[28]
2. Inflazioa AEBn, oso baxua[29]
3. *Quantitative easing* (QE) delakoa[30]

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24 Ingelesez: "*The problem is that these conservative forces are so dumb they don't have adaptive learning mechanisms and so even in the fact of evidence contrary to their Groupthink they keep pumping out the same nonsense. The other problem is that they tend to be well funded by the right-wing establishment that they exhibit disproportionate influence on the public policy debate. That influence has turned to demands that the US Federal Reserve Bank (the central bank) increase interest rates and reverse its quantitative easing – apparently because hyperinflation is just around the corner. Nothing could be further from the truth*."

25 Ingelesez: "*At present the US economy is some way into a very slow and relatively tepid recovery. But it has still some way to go and while interest rate changes have a relatively weak impact on overall growth any anti-growth noise is undesirable. It is also not justifiable given the central bank's own logic*."

26 Ingelesez: "*It would be better for humanity if it* [the central bank] *left rates at their current level (or adjusted the cash rate down to zero – that is, abandon the range between 0 and 0.25 per cent), called up the Treasury and told them they were seeking a merger and proceeded to scrap the entire federal reserve system.*"

27 Ingelesez: "*We came into this era of inflation targetting as a consequence of the Monetarist policy bias that central banks should 'fight inflation first', which was code for using unemployment as a policy tool rather than a policy target that it was during the full employment (non neo-liberal era).*"

28 Hona hemen ebaluaziorako urratsak: *1. To avoid month-to-month variability, it considers "average inflation over longer periods of time". 2. It examines "the subcategories that make up a broad price index to help determine if a rise in inflation can be attributed to price changes that are likely to be temporary or unique events". 3. It examines "a variety of 'core' inflation measures to help identify inflation trends. The most common type of core inflation measures excludes items that tend to go up and down in price dramatically or often, like food and energy items."*
This process is followed by central banks almost everywhere."

29 Ingelesez: "*We learn that inflation in the US is very low at present (0.2 per cent per annum) but the underlying 'core' rate is a steady rate varying between about 1.6 and 1.8 per cent. It has been stable for the last three years at least*."

30 Ingelesez: "*The three major rounds of QE in the US were dated as follows:*

- *Quantitative Easing 1 (QE1, December 2008 to March 2010) – This was announced on November 25, 2008. The program was expanded on March 18, 2009 as described in this FOMC press release.*
- *Quantitative Easing 2 (QE2, November 2010 to June 2011) – The FOMC announced on – On November*

(h) QE delakoaren 'mirariak'[31]

(Gogoratu QE dela eta esandakoa[32].)

(i) Langabezia tasa[33], oraindik altua[34]

(j) DTM eta interes tasak

1. Zero interes tasa[35]
2. Politika monetarioa erreminta kaxkarra[36]
3. Politika fiskala erreminta boteretsua[37]
4. Defizitaren tamaina[38]

3, 2010 – that it "intends to purchase a further $600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about $75 billion per month."

- *Quantitative easing 3 (QE3, September 2012 and expanded on December 2012 and terminated in October 2014) – The FOMC announced on – September 13, 2012 – that it "agreed today to increase policy accommodation by purchasing additional agency mortgage-backed securities at a pace of $40 billion per month". This would continue "If the outlook for the labor market does not improve substantially". This phase was expanded on – December 12, 2012 – such that the FOMC "will purchase longer-term Treasury securities … initially at a pace of $45 billion per month". QE was terminated in the US in October 2014.2."*

31 Ingelesez: "*It is hard to mount an argument that the QE episodes have increased inflationary expectations. The last phase (QE3) didn't alter short- or long-run inflationary expectations one iota – they remain low and anchored despite the massive increase in the asset-side of the Federal Reserve balance sheet and the commensurate swelling of bank reserves*."

32 Gogoratzekoa, *Quantitative Easing (QE) inozoentzat*: http://www.unibertsitatea.net/blogak/heterodoxia/2015/03/27/quantitative-easing-qe-inozoentzat/.

33 Ingelesez: "*An unemployment rate of around 5 per cent was considered to be a 'long-run' policy target. We can disagree with that assessment (see The dreaded NAIRU is still about!) but within the Bank's own logic, it is hard to argue that the 'low' unemployment rate has been breached from above.*
The aggregate unemployment remains at 5.3 per cent (July 2015) and has been slowly falling for the best part of 18 months. Earlier in the recovery it fell quite quickly.

But if we dig deeper all isn't that rosy in the US labour market."

34 Ingelesez: "*.... broader indicators demonstrate that the US labour market has still not recovered its pre-GFC position. (...) Clearly, it has still not returned to its pre-GFC low of around 7.9 per cent which was recorded in December 2006. So any measure that seeks to slow growth down and undermine the relatively modest employment growth overall will impact disproportionately on the most disadvantaged workers in the labour market first.*"

35 Ingelesez: "*... standard MMT principles, is that – The natural rate of interest is zero!*"

36 Ingelesez: "*... Modern Monetary Theory (MMT) theorists consider monetary policy to be a poor tool for counter-stabilisation because it is indirect, blunt and relies on uncertain distributional behaviour.*"

37 Ingelesez: "*MMT tells us that fiscal policy is powerful because it is direct and can create or destroy net financial assets in the non-government sector with certainty. It also does not rely on any distributional assumptions being made.*
Further, MMT considers the desirable economic state to be full employment which means some irreducible low unemployment, zero hidden unemployment and zero underemployment."

38 Ingelesez: "*MMT also tells us that deviations from full employment reflect failed fiscal policy settings – not a large enough fiscal deficit (other things equal).*
The size of deficit has to be judged in terms of the desire of the non-government sector to save in the currency of issue. So if the deficit is inadequate and unemployment arises we know the net public spending

5. Defizita eta erreserbak[39]
6. Enplegu osoa eta helburu 'naturala'[40]: *a zero rate is 'natural'.*
7. Banku zentrala eta interes tasa positiboak[41]

Gehigarria[42] (Bloomberg artikulua):

> *"All 15 central banks of the 34 countries in the Organization for Economic Cooperation and Development that raised interest rates since the 2008 financial crisis ended up cutting again."*

Beraz, zertan ari dira Kataluniako ekonomialari monetaristak eta neoliberalak?

Utziko dute kataluniarrek ekonomialari horien esku Kataluniako balediko Errepublika independentea eratzea?

Eta, bide batez, zertan ari dira Euskal Herriko ekonomialari ortodoxoak, alegia, monetaristak eta neoliberalak direnak, zeintzuk mozorroz agertzen baitira 'progreen' aureolaz? 'Ezkerraren' aureolaz ere?

13. Likidezia monetarioa(ren operazioak) eta politika fiskala(ren parte hartzea)

Hasteko, ondoko linkean[43], ikus Bill Mitchell-en hitzaldia Londresen, 2015.08.27an[44].

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has not fully covered the spending gap."

39 Ingelesez: "*We also know that fiscal deficits add to bank reserves and create system-wide reserve surpluses. The excess reserves then stimulate competition in the interbank market between banks who are seeking better returns than the support rate offered by the central bank. (...) It makes much better sense not to offer a support rate at all. In that situation, net public spending will drive the overnight interest rate to zero because the interbank competition cannot eliminate the system-wide surplus (all their transactions net to zero – no net financial assets are destroyed)."*

40 Ingelesez: "*So in pursuit of the policy goal of full employment, which we might consider to be a 'natural' goal for a collectively-minded society desiring high levels of well-being and inclusion, fiscal policy will have the side effect of driving short-term interest rates to zero.*

It is in that sense that MMT concludes that a zero rate is 'natural'."

41 Ingelesez: "*If the central bank wants a positive short-term interest rate for whatever reason (MMT advocates against that) – then it has to either offer a return on excess reserves or drain them via bond sales. The MMT preferred position is a zero interest rate with no government bond sales. In that environment, the government would then allow fiscal policy to make all the adjustments. It is much cleaner and effective that way."*

42 Ikus *How Much Does Janet Yellen Care About the Selloff?*: http://www.bloomberg.com/news/articles/2015-08-25/lesson-for-yellen-trigger-happy-central-bankers-reversed-course.

43 Ikus *Multimedia Tuesday – London event and interview*: http://bilbo.economicoutlook.net/blog/?p=31725.

44 Ingelesez: "*This presentation – Reframing the Debate: Economics for a Progressive Politics – was presented in London on August 27, 2015 at an event hosted by the NHA Party.*

The talk considers questions such as:

1. How can the debate on the economy be reframed around the things that really matter – people and the environment?

2. Does Modern Monetary Theory hold the key?

It was held at the University of London.

Ondoren, ikus hitzaldiaren ondorengo galdera/erantzunak saioa[45].

Bukatzeko, entzun Mitchell-i egindako irrati elkarrizketa[46].

Aurreko atalean (*Monetaristentzat*) ikusitakoa sendotzearren, hona hemen Mitchell-en artikulua *Monetary liquidity operations and fiscal policy interventions*[47], eta beronen punturik garrantzitsuenak:

(i) DTM ongi eta sakonki ulertzeko, baita berorren inplikazioaz politika garapenerako eta aukeretarako ere, lan asko egin beharra dago, oraindik ere

(ii) PQE: izena ez da aproposena, nahiz eta jendeak haren onurak jaso, eta ez bankariek[48]

(iii) PQE eta QE: ez daude erlazionaturik[49]

(iv) MMT, hots DTM eta Banku Zentrala (BZ). BZ eta interes tasa: Likidezia eta politika monetarioa[50]

British film maker Paul Thomas filmed the event and produced this video. Thanks to him: https://www.youtube.com/watch?v=4OVAROe3gW4"

45 Ingelesez: "*The next video covers the input from the discussants, Ann Pettifor and Richard Murphy plus the general Q&A session that followed: https://www.youtube.com/watch?v=5TP9X6UqlDc*"

46 Ingelesez: "*London Interview – Eurozone Dystopia, August 28, 2015: http://fromalpha2omega.podomatic.com/entry/2015-08-29T04_35_55-07_00*
I did this interview in London on Friday, August 28, 2015. For more information – HERE."

47 Ikus http://bilbo.economicoutlook.net/blog/?p=31711.

48 Ingelesez: "*PQE will fail.*
A person challenged me on Thursday about the policy proposal advanced within the Jeremy Corbyn camp which they, unfortunately, call People's Quantitative Easing (PQE).

I wrote about this proposal in detail in this blog – PQE is sound economics but is not in the QE family.

I think it was unwise to call a policy approach PQE and thus suggest it is related to QE in some way but is 'fairer' because the 'people' get the benefits rather than the 'banksters'.

This is a case when so-called smart politics shoots itself in the foot because the language is wrong and introduces unwarranted criticism which derails the underlying policy sense of the proposal."

49 Ingelesez: "*PQE is not related to QE in any fundamental way – the latter is an asset swap that does not change the net wealth (net financial assets) of the non-government sector and is best seen as a central bank liquidity management operation.*
PQE is, in fact, what has been called Overt Monetary Financing and is clearly a fiscal operation because it would alter the net wealth (net financial assets) of the non-government sector – it would increase the net financial assets in the non-government sector.

The operational realities of QE and PQE, in this respect, are fundamentally different and the terminology used by the Corbyn camp is profoundly misleading and in my view unhelpful.

You just have to see some of the conservative responses to the proposal when it was launched to see how the language has diverted the debate into irrelevant and erroneous disputes.

Please read the blog – OMF – paranoia for many but a solution for all – for more discussion."

50 Ingelesez: "*The discussion is about operating factors that govern a central bank's ability to maintain a stable interest rate as an expression of its policy stance.*
Modern Monetary Theory (MMT) has articulated this process more accurately and clearly than the mainstream (and for that matter, the more standard Post Keynesian thought).

(v) Merkataritza bankuak eta BZ[51]

(vi) Banku Zentralaren zeregina: likidezia kudeatzea[52]

(vii) BZren operazioak, hots, likidezia: erreserben eraketa, esku-dirua eta tituluak; ez dira aldatzen ez-gobernuko sektorearen aktibo finantzario netoak[53]

(viii) Likidezia, interes tasa[54] eta gobernuaren zorra

Central bank operations aim to manage the liquidity in the banking system such that short-term interest rates match the official targets which define the current monetary policy stance.

So the central bank sets a particular interest rate as its policy position, believing that rate will condition all the borrowing rates in the economy and produce desirable influences on total spending (via the interest rate sensitive components of spending – investment and consumer durables).

The fact that spending may not be particularly sensitive to interest rates movements (and levels) is beside the point in the context of our discussion."

51 Ingelesez: "*Commercial banks maintain accounts with the central bank which permit reserves to be managed and also the clearing system to operate smoothly.*
If the demand for reserves is higher than the supply at any point in time, then there will be upward pressure in what we call the interbank market which is where banks shuffle reserve balances between themselves according to their own particular needs on any one day.
The opposite pressure will occur if there are excess reserves (supply exceeds demand).

Banks need reserves to ensure all the transactions drawn against them will be honoured within the payments or clearing system. If they are caught short on a particular day then they seek the funds from other banks (who might have more reserves than they need) or, ultimately, from the central bank.

Banks have an incentive to hold minimal reserves because they usually earn low rates of return, which could include a zero return."

52 Ingelesez: "*The central bank has to ensure that there is no excess demand or supply in this 'cash' market, which is what liquidity management is all about. By ensuring that all demands for reserves by the banks are met, the central bank can eliminate pressures on short-term interest rates and thus sustain its policy position – as represented by the current short-term interest rate. In managing liquidity, the central bank may:*
(a) conduct so-called open market operations which means they will buy from the banks to add reserves (when there is excess demand) or sell government bonds to the banks to drain reserves (when there is a shortage of reserves) to ensure there is no reserve imbalance in the cash market.

(b) buy certain financial assets at discounted rates from commercial banks in exchange for reserves (a 'reserve drain').

(c) impose penal lending rates ('discount' rates) on banks who require urgent funds (a 'reserve add').

In practice, most of the liquidity management is achieved through (a)."

53 Ingelesez:"... *central bank operations function to offset operating factors in the system by altering the composition of reserves, cash, and securities, and do not alter net financial assets of the non-government sectors.*
It is crucial to understand the last point about the effects of these monetary or liquidity operations on the net wealth of the non-government sector.

In addition to setting a lending rate (discount rate), the central bank also sets a support rate which is paid on commercial bank reserves held by the central bank."

54 Ingelesez: "*Prior to the Great Financial Crisis, many countries set the rate at zero (the US and Japan, for example), while other nations, such as Australia and Canada gave some return on surplus reserve accounts which was below the policy target rate.*
The support rate becomes the interest-rate floor for the economy.

(ix) Likidezia, merkatu irekiko operazioak eta gobernuaren zorra: ez da politika fiskala[55]

(x) Politika fiskala: defizit fiskalaren gastua: inpaktua interes tasan[56]

(xi) Ez-gobernuko banku sistema, BZ eta erreserbak[57]

The short-run or operational target interest rate, which represents the current monetary policy stance, is set by the central bank between the discount and support rate. This effectively creates a corridor or a spread within which the short-term interest rates can fluctuate with liquidity variability.

It is this spread that the central bank manages in its daily operations.

At the end of each day commercial banks have to appraise the status of their reserve accounts. In most nations, commercial banks by law have to maintain positive reserve balances at the central bank, accumulated over some specified period.

Those that are in deficit can borrow the required funds from the central bank at the discount rate. Alternatively banks with excess reserves are faced with earning the support rate which is below the current market rate of interest on overnight funds if they do nothing.

Clearly it is profitable for banks with excess funds to lend to banks with deficits at market rates. Competition between banks with excess reserves for custom puts downward pressure on the short-term interest rate (overnight funds rate) and depending on the state of overall liquidity may drive the interbank rate down below the operational target interest rate.

When the system is in surplus overall this competition would drive the rate down to the support rate.

The demand for short-term funds in the money market is a negative function of the interbank interest rate since at a higher rate less banks are willing to borrow some of their expected shortages from other banks, compared to risk that at the end of the day they will have to borrow money from the central bank to cover any mistaken expectations of their reserve position."

55 Ingelesez: "*The main instrument of this liquidity management is through open market operations, that is, buying and selling government debt.*
When the competitive pressures in the overnight funds market drives the interbank rate below the desired target rate, the central bank drains liquidity by selling government debt. This open market intervention therefore will result in a higher value for the overnight rate.

Importantly, we characterise the debt sales by the central bank as a monetary policy operation designed to provide interest-rate maintenance. This is in stark contrast to orthodox theory which asserts that debt-issuance is an aspect of fiscal policy and is required to finance deficit spending."

56 Ingelesez: "*It is also important to understand the impact that fiscal deficit spending* (government spending *in excess of taxation receipts) has on the 'cash' position of the economy each day. The obverse impacts occur for surpluses.*
Government spending (G) adds to bank reserves and *taxation (T) drains them. So on any particular day, if G > T (a fiscal deficit) then the level of bank reserves are rising overall.*

Any particular bank might be short of reserves but overall the sum of the bank reserves are in excess. It is in the commercial banks interests to try to eliminate any unneeded reserves each day. Surplus banks will try to loan their excess reserves on the Interbank market. Some deficit banks will clearly be interested in these loans to shore up their position and avoid going to the central bank's discount window which usually will be a more expensive option.

The upshot, however, is that the competition between the surplus banks to shed their excess reserves puts downward pressure on short-term interest rates."

57 Ingelesez: "*But the non-government banking system cannot by itself eliminate a system-wide excess of reserves that the fiscal deficit created. A loan by one bank to another doesn't alter the reserve position*

(xii) PQE-ren eta QE-ren arteko nahasketa argitzea[58]: zenbait ohar

(xiii) PQE eta QE: ondorioak[59]

(xiv) Inflazioa: oharrak[60]

(xiv) Ondorio orokorra[61]

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overall.

But the central bank can obviously alter the overall reserve position – in this case it would sell bonds to the banks to drain reserves. The bonds are attractive to the banks because they are risk-free and bear interest.

The alternative is to offer a support rate on the excess reserves. This decouples the relationship between the bond sales and the central bank interest rate maintenance operations.

This background is essential to understand and demonstrates why the "snake oil" accusation levelled at PQE is … um … snake oil."

58 Ingelesez: "*First, the central bank expresses its inflation target as a particular inflation rate and sets the interest rate that it thinks will scale total spending in the economy to be consistent with the available real productive capacity of the economy to produce goods and services for sale.*

The reserve operations we described above are not designed to reduce or increase total spending in the economy but, are rather, designed, as explained, to manage the reserve position in the cash markets and ensure the interest rate target is met each period.

Second, there is a confusion here between the reserves in the banking system (stocks) and the flow of spending that the PQE would generate.

The implication that PQE adds "money" which is then taken out again by the central bank intent on controlling inflation is quaintly inaccurate.

The monetary operations influences the reserve position of the system and the way non-government wealth is expressed (the so-called portfolio composition of wealth) but not the spending capacity of non-government sector. That is quite another thing.

The central bank operations do not 'take money out of the system' – in the sense of taking purchasing power from the non-government sector. Reserves are not loaned out by banks to those seeking credit.

Ikus Building bank reserves will not expand credit.

Third, the central bank does not have to conduct any open market operations (reserve adds or drains) to sustain its target rate of interest. It can simply make it costless for banks to hold the extra reserves by matching the support rate to the target rate. Then the excess reserves are indistinguishable from holding an interest-bearing government bond.

Fourth, and most importantly, the fiscal effects of the PQE deficit spending, which increase net financial wealth (assets) in the non-government sector are not altered by the particular monetary operation that the central bank deploys to sustain its monetary policy interest rate target.

The latter operations do not alter the net financial assets in the non-government sector. They merely alter their composition (cash or bonds, for example). The fiscal intervention directly boosts spending whereas a bond sale has no obvious impact on overall spending given that it involves a swap of a reserve balance (cash) for the bond."

59 Ingelesez: "*… depending on the operations conducted by the central bank to manage liquidity, there is no reason to every issue government debt to match deficit spending.*

The central bank would not have to conduct any open market operations and could just leave the reserves in the system, which effectively means the interest-earning reserve accounts are identical to interest-earning bonds, just the name of the 'account' with the central bank (government) is changed. Trivial.

Gehigarria:

Warren Mosler-ek honela dio:

Warren Mosler says:
Monday, August 31

Excellent!
Let me remind that a reserve deficiency is best considered to already be an overdraft. So it's not about the cb adding reserves but always about price and not quantity

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Which means the statement that "that over the long run … the extent to which the government is able to spend without borrowing, is not affected by PQE" misses the point entirely. The PQE changes the net financial assets in the non-government sector, the monetary operations do not.

... PQE [is] different to QE because the latter is an asset swap that has little impact on total spending (if any), whereas PQE directly impacts on total spending."

60 Ingelesez: "*First, inflation is not a feature of what has been termed PQE. Inflation is a risk associated with all spending – government or non-government.*
Second, it is also not an inevitability of an ever expanding money supply. As long as there is real productive capacity available to absorb the nominal growth in spending, firms will increase output when sales demand increases.

Third, issuing bonds to the non-government sector does not reduce the inflation risk of government deficit spending. That operation just alters the cash-bond-other financial asset mix of non-government wealth.

Fourth, of course inflation will result if nominal spending (whether it is called PQE or whatever) outstrips the real productive capacity to respond. Hardly insightful and a point that is not exclusive to 'PQE' or what I would prefer to call Overt Monetary Financing (OMF). (Moneta Finantzaketa Irekia)

Stephanie [Kelton] *came up with the extension – Overt Monetary Financing for Government (OMFG), which I thought was cute but ranks up there with my original name for the Job Guarantee – the Buffer Stock Employment scheme (BSE). That acronym fell into disrepute into the 1990s when cows became ill in Britain!*

So essentially all this nonsense about monetary operations etc come down to an argument that OMF would be inflationary. A well managed policy framework would take care of that.

It would not be up to the central bank to "neutralise it" How actually would it do that? The only tool it has is to try to raise interest rates, which might actually deliver perverse results.

Given inflation risk is about spending not these monetary operations, the sensible policy framework, should the government consider it desirable to utilise a particular quantity of real productive resources in an infrastructure program and know that that spending would drive the system beyond its real limits, is to deprive the non-government sector of purchasing power through taxation increases.

The taxation increases directly reduce net financial assets in the non-government sector just as the spending adds to them. The central bank would have nothing to do with these policy shifts.

The rest of the un-cited diatribe is more inflation scaremongering – out of control left-wing politicians sacking central bank governors and spending too much.

It also propagates neo-liberal myths that governments should finance deficits with debt issuance especially when interest rates are low which, according to this economist, makes OMF "entirely unnecessary".

Same old."

61 Ingelesez: "... *the arguments about OMF (or 'PQE') are a good vehicle to really demonstrate the difference between a monetary operation and a fiscal policy intervention.*
Unfortunately, the differences are no well understood which leads to the conclusions that OMF would be inflationary. It might be but not because there is no debt issued. It would be inflationary if it pushed nominal spending beyond the capacity of the economy to respond in terms of producing more real output.

A related issue that came up was the need to issue bonds at all. OMF is criticised by some who seem to understand the operational differences I have discussed in this blog because, as best I can understand, the

14. Zor publikoaz hitz bi

Bill Mitchell-en lana: *There is no need to issue public debt*[62].

(i) Londresen Mitchell-ek esandakoa[63]

(ii) DTM-ren jarrera: ez parekatzea defizit publikoak zor jaulkipenarekin[64]

(iii) Defizitak eta Moneta Finantzaketa Irekia (*Overt Monetary Financing, OMF*)[65]

(iv) Sasi argudioak[66]: langileei aterpe segurua hornitzearenak

(v) Abba Lerner eta DTM[67]

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workers need a safe asset in which to park their savings.

We might agree on the last bit but that doesn't require any public debt being issued."

(Ikus ondoko atala: *Zor publikoaz hitz bi*)

62 Ikus http://bilbo.economicoutlook.net/blog/?p=31715.

63 Ingelesez: "*At the London event last week, I indicated that governments should not issue any public debt as the benefits of doing so are small relative to the large opportunity costs."*

64 Ingelesez: "*The Modern Monetary Theory (MMT) position is that there is no particular necessity to match public deficits with debt-issuance for a currency-issuing government ...*"

65 Ingelesez: "... *deficits should be accompanied by monetary operations which we now call Overt Monetary Financing (OMF).*"

66 Ingelesez: "... *governments should continue to issue debt, largely ... to provide a safe haven for workers to save for the future. So the idea is that we maintain the elaborate machinery that is associated with the public debt issuance just to provide a risk free asset that workers can use to park their hard-earned savings in. It is a strange argument given the massive opportunity costs associated with debt issuance. A far simpler solution is to exploit the currency-issuing capacity of the government to guarantee a publicly-owned National Saving Fund. No debt would be required."*

67 Ingelesez: "*We start with Abba Lerner's* Functional Finance, *which represents a major influence on the development of what we call MMT. He provided guidance on when governments should issue debt.*
Lerner sought to explain that it is the responsibility of the currency-issuing government to ensure that total spending in the economy is maintained at a level consistent with full employment.

It does that by altering its spending and taxation policies to generate enough sales that with current productivity levels would provide jobs for all those who want to work.

He also knew that more often than not fulfilling those responsibilities *will result in fiscal deficits and that there was nothing "bad about this".*

In his 1943 article – Functional Finance and Federal Debt – Abba Lerner said:

> *The central idea is that government fiscal policy, its spending and taxing, its borrowing and repayment of loans, its issue of new money and its withdrawal of money, shall all be undertaken with an eye only to the results of these actions on the economy and not to any established traditional doctrine about what is sound or unsound.* (...) *The principle of judging fiscal measures by the way they work or function in the economy we may call Functional Finance …*

Government should adjust its rates of expenditure and taxation such that total spending in the economy is neither more nor less than that which is sufficient to purchase the full employment level of output at current prices. If this means there is a deficit, greater borrowing, "printing money," etc., then these things in themselves are neither good nor bad, they are simply the means to the desired ends of full employment and price stability …"

(vi) Afera ez dira defizitak, enplegu osoa baizik[68]

(vii) Lerner eta zor jaulkipena[69]

(viii) DTM Lerner-en ildotik[70]

(ix) Defizit usoak[71] (gogoratu Stephanie Kelton-en lana: *Usoak eta ontzak*[72])

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68 Ingelesez: "*The focus on government should not be on the deficits but on the prosperity and inclusion that full employment delivers.*"

69 Ingelesez: "*So what did Lerner say about debt issuance?*
(...)

In this Biography of Lerner you read the following (pages 218-19):

> *In 1943 Lerner published an article, "Functional Finance and the Federal Debt," that announced a new approach to fiscal policy.* (...)
>
> *Lerner* (...) *argued that governments should not be concerned with conventional morality but rather should consider only the results of their actions. The aim of government spending and taxing, ... should be to hold the economy's total spending at a level compatible with and conducive to full employment at current prices – in other words, no unemployment and no inflation. In doing this the government should not be concerned with deficits or debt. Second, the government should borrow or repay only insofar as it wants to change the proportions in which the public holds securities or money. Changing this proportion will raise or lower interest rates and hence discourage or promote investment and credit purchasing. If the only question, then, was how to finance a deficit, Lerner advocated printing money. Third, the government should put money into circulation or withdraw (and destroy) it as needed to effect the results called for by the first two principles.*

So the only reason a government should issue debt is if it wanted to alter the "proportions in which the public holds securities or money". It is clearly recognised that the government does not need to raise revenue.

In his 1943 article Lerner says (page 355) that the government would only issue debt "if otherwise the rate of interest would be too low". So you start to understand that the "borrowing" is a monetary operation not a funding necessity.

He went further on this theme in his 1951 book when he says (pages 10-11) that the:

… spending of money … out of deficits keeps on increasing the stock of money (and bank reserves) and this keeps on pushing down the rate of interest. Somehow the government must prevent the rate of interest from being pushed down by the additions to the stock of money coming from its own expenditures … There is an obvious way of doing this. The government can borrow back the money it is spending."

70 Ingelesez: "*This is one of the fundamental insights of MMT – that debt issuance can assist the central bank to drain excess bank reserves that were generated by the net spending (deficits) in the first place.*
(...)

The government just borrows its own spending back. If it didn't do that and if the central bank didn't pay a return on overnight reserves then the interest rate would fall to zero (or some support rate that the central bank did pay)."

71 Ingelesez: *"And for those progressives (the deficit-doves) – the "proponents of organized prosperity", Lerner had this to say in his 1951 book (page 15).*
(...) *Thus instead of saying that the size of the national debt is of no great concern … [and] … that the budget may have to be unbalanced and that this is insignificant when compared with the attainment of prosperity, it is proposed to disguise an unbalanced budget (and therefore the size of the national debt) by having an elaborate system of annual, cyclical, capital, and other special budgets*."

72 Ikus http://www.unibertsitatea.net/blogak/heterodoxia/2014/04/21/usoak-eta-hontzak/.

(x) DTM eta interes tasa[73]

(xi) Finantza egonkortasuna onura publikoa da[74]

(xii) Finantza egonkortasuneko sistema baten betekizunak[75]

(xiii) Betekizunak eta bono merkatua[76]

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73 Ingelesez: "*MMT suggests that the policy interest rate should be maintained at zero, which means there is no need to have stocks of public debt in the hands of the non-government sector.*
So why issue public debt at all?

Even if one adopts a fundamentally 'market oriented' approach there is no compelling case to issue public debt.

(...)

... financial markets in general, allowed to operate ***within appropriate regulatory frameworks****, are much closer to the parameters outlined in competitive theory and can generate reasonably efficient outcomes without direct government interference.*

Government intervention into private markets is a serious matter and must be justified with a proper cost-benefit analysis."

74 Ingelesez: "*Financial stability is a public good*
The current financial system is linked to the real economy via its credit provision role. Both households and business firms benefit from stable access to credit.

To achieve financial stability: (a) the key financial institutions must be stable and engender confidence that they can meet their contractual obligations without interruption or external assistance; and (b) the key markets are stable and support transactions at prices that reflect fundamental forces.

There should be no major short-term fluctuations when there have been no change in fundamentals.

Financial stability requires levels of price movement volatility that do not cause widespread economic damage. Prices can and should move to reflect changes in economic fundamentals.

Financial instability arises when asset prices significantly depart from levels dictated by economic fundamentals and damage the real sector.

Collapses brought on by injudicious speculation that do not affect the real sector or that can be insulated from the real sector by appropriate liquidity provisions are not problematic."

75 Ingelesez: "*The essential requirements of a stable financial system are: 1. Clearly defined property rights; 2. Central bank oversight of the payments system; 3. Capital adequacy standards for financial institutions; 4. Bank depositor protection; 5. An institutional lender-of-last resort when private institutions refuse to lend to solvent borrowers in times of liquidity crisis; 6. An institution to ameliorate coordination failure among private investors/creditors; 7. The provision of exit strategies to insolvent institutions.*
While some of these requirements can be provided by private institutions, all fall in the domain of government and its designated agents."

76 Ingelesez: "*However,* ***none*** *of these requirements rely on the existence of a viable government bonds market.*
Private goods are traded in markets where buyers and sellers exchange at prices that reflect the margin of their respective interests.

At the agreed price, ownership of the good or service transfers from the seller to the buyer.

A private good is 'excludable' (others cannot enjoy the consumption of it without being party to the transaction) and 'rival' (consuming the good or service specific to the transaction, denies other potential consumers its use).

Alternatively, a public good is non-excludable and non-rival in consumption. Private markets fail to provide socially optimal quantities of public goods because there is no private incentive to produce or to purchase

(xiv) Ondasun publikoak[77]

(xv) Zor publikoaren jaulkipenaren balizko abantailak[78]

(xvi) Beste produktuen prezio ematea[79]

(xvii) Finantza arriskua kudeatzea[80]

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them (the free rider problem)."

77 Ingelesez: *To ensure socially optimal provision, public goods must be produced or arranged by collective action or by government.*
We conclude that financial system stability meets the definition of a public good and is the legitimate responsibility of government."

78 Ingelesez: "*What are the alleged benefits of public debt issuance*
Most of the arguments made in favour of sustaining public debt issuance can be reduced to special pleading by an industry sector for public assistance in the form of risk-free government bonds for investors as well as opportunities for trading profits, commissions, management fees, and consulting service and research fees.

It is ironic that these arguments are inconsistent with rhetoric forthcoming from the same financial sector interests in general about the urgency for less government intervention, more privatisation, more general welfare cutbacks, and the deregulation of markets in general, including various utilities and labour markets.

Specifically, government price level intervention into private markets is typically challenged by economists on efficiency grounds.

Public debt issuance is a form of government price level intervention in interest rate markets.

The burden of proof falls on those arguing in favour of such issuance to show that the market in question is incapable of viable operation without government intervention and will, unassisted, produce outcomes detrimental to the macro priorities we discussed earlier – full employment etc."

79 Ingelesez: "*Pricing other products*
One argument mounted to support public debt issuance is that it supports the yield curve and is used by financial markets as the benchmark risk free asset, which provides a benchmark for pricing any other debt security.
There are clearly alternatives:

1. The market could price securities against other securities with similar characteristics.

2. Market participants could price securities with respect to the interest rate swap curve.

Market participants already use the interest rate swap curve to price securities. Regardless, the term interest rate structure remains a meeting of supply and demand. Buyers and sellers of bonds desire to attract each other and meet at a price.

Are the proponents of retaining public debt issuance really claiming that without government intervention in the credit markets via such issuance borrowers and investors cannot sufficiently come together at a price?

Are they saying that the interest rate market does not have sufficient levels participation, information and competition to adequately determine price without government intervention?

It is doubtful that either position can be substantiated, and certainly not to the degree needed to support the issuance of public debt with their high real macro costs which I will outline below."

80 Ingelesez: "*Managing financial risk*
Another argument is that on-going public debt issuance supports a number of derivative markets that help private traders manage financial risk, particularly in relation to interest rate risk.

What are their real interest rate risks of these businesses? What are the real economic costs of these feared changes?

(xviii) Epe luzeko inbertsio ibilgailua hornitzea[81]

(xix) Gobernu bonoak eta gobernu urteko ordainketa edo errenta[82]

(xx) Aurrezki Fondo Nazionala[83]

(xxi) Aterpe segurua hornitzea[84]

Without going into detail, it is important to ask which businesses 'need' to use public debt to manage risk. The reality is that it on-going public debt issuance supports and encourages speculation, rather than real investment behaviour.

Some financial market speculation (which is tied to helping real output producing firms off-load exchange rate risk, for example) is sound. But that is a tiny proportion of the financial market transactions that occur each day.

So can the support of particular businesses in this manner which add nothing to the well-being of the population be an appropriate use of public policy?

(...)

It should also be understood that MMT advocates the simplification of financial markets and the phased elimination of speculative behaviour that provides no real benefits to the population."

81 Ingelesez: "*Providing a long term investment vehicle*
(...) The crude argument is that workers have a right to expect their savings will be held in risk-free assets and that public debt issuance provides those assets.

It is a simplistic argument and while I am supportive of workers being able to save (risk manage their futures) in a safe way, that doesn't justify the massive corporate welfare that accompanies the issuance of public debt.

More specifically, it is argued if superannuation and life companies were unable to purchase government debt then they would struggle to match their long-dated liabilities with appropriate returning assets.

Further, the claim is that eliminating the government bonds market would deny workers of a risk free, $A denominated asset to invest there savings in. Retirement planning would become highly uncertain and risky."

82 Ingelesez: "*What is not often understood is that government bonds are in fact government annuities.*
Do the proponents of on-going government bonds really want the private sector to have access to government annuities rather than be directing real investment via privately-issued corporate debt, as an example?

This point is also applicable to claims that government bonds facilitate portfolio diversification. Why would we want to provide government annuities to private profit-seeking investors?

This interferes with the investment function of markets, and that direct government payments be limited to the support of private sector agents when failures in private markets jeopardise real sector output (employment) and price stability.

We would also require a comparison of this method of retirement subsidy against more direct methods involving more generous public health and welfare provision and pension support."

83 Ingelesez: "*... there is a much more effective way to provide a risk-free savings vehicle for workers. The government could create a National Savings Fund, fully guaranteed by the currency-issuing capacity of the government, which could provide competitive returns on savings lodged with the fund.*
There would be no public debt issuance (and the associated corporate welfare and government debt management machinery) required.

The government could meet any nominal liabilities at any time."

84 Ingelesez. "*Providing a safe haven*
Government securities are alleged to provide a 'safe haven' for investors when there is financial instability.

The 'flight to quality' argument suggests that it is beneficial to the macro economy for investors to have a

(xxii) Moneta politika inplementatzea[85]

(xxiii) Gobernu zor jaulkipenaren kostu ekonomiko errealak[86]

(xxiv) Ondorioa[87]

Gehigarriak:

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risk free domestic asset available to avoid capital losses on other assets.

However, in addition to the previous point regarding subsidy through government annuities, government bonds compete directly with these other assets, thereby driving down their prices and exacerbating matters during 'flights to quality'.

In a monetary economy, investors can always hold money balances by increasing actual cash holdings or banking system deposits.

Widespread use of deposit insurance would mean that bank deposits would be equivalent to holding government bonds anyway for all practical purposes.

That also passes the 'risk' to private banks when they select their assets and selection of assets is regulated by the central bank.

There is no compelling real macroeconomic reason why risk and return decisions by private maximising agents should be 'further protected' by retreat to a market distorting government annuity.

Further, during a 'flight to quality' only the relative prices of various fixed income securities can change, not the quantity, as investors compete for the existing stock of outstanding government debt.

At the macro level, this process does not reduce risk."

85 Ingelesez: "*Implementing monetary policy*
We have already learned (...) that the central bank can maintain any interest rate policy target it desires through the use of a support rate on excess reserves.

It requires no public debt in this regard.

There are many other arguments that are put forward to justify the ongoing issuance of public debt. All of them can be reduced to special pleading by speculators for risk free assets.

What are the real economic costs involved in issuing government debt?"

86 Ingelesez: "*The real economic costs involved in issuing government debt*
The real costs of any resource-using activity are measured by the opportunity costs of not using these resources in alternative activities.

The operation of public debt markets absorb a diversity of real resources deployable elsewhere.

(...)

The opportunity costs in terms of the labour employed directly and indirectly in the public debt 'industry' are both real and large.

The 'cottage industry firms' that characterise the public debt industry use resources for public debt issuance, trading, financial engineering, sales, management, systems technology, accounting, legal, and other related support functions.

These activities engage some of the brightest graduates from our educational system and the high salaries on offer lure them away from other areas such as scientific and social research, medicine, and engineering.

It could be argued that the national benefit would be better served if this labour was involved in these alternative activities.

Government support of what are essentially distributional (wealth shuffling) activities allows the public debt market to offer attractive salaries and distorts the allocation system.

William F. Mitchell and Warren B. Mosler (2001) *Fiscal Policy and the Job Guarantee*[88]

Paul Krugman eta Warren Mosler, zorrari buruz[89]

"The National Debt is nothing more than all the dollars spent by the Federal Government that haven't yet been used to pay taxes"

Warren Mosler

joseba felix tobar-arbulu (donejurgi)

While this labour may move within the finance sector if public debt issuance terminated, the Government could generate attractive opportunities by restoring its commitment to adequate funding levels for research in our educational institutions.

On balance, public debt markets appear to serve minor functions at best and the interest rate support can be achieved simply via the central bank maintainng current support rate policy without negative financial consequences.

*The public debt markets add less value to national prosperity than their opportunity costs. A proper cost-benefit analysis would conclude that the market should be terminated.***"**

87 Ingelesez: "*This* [work] *was drawn, in part, from an edited version of a submission that I made with Warren Mosler in 2001 to the Commonwealth Debt Inquiry, which sought to justify why the government should continue to issue debt when it was in fact running increasing surpluses*."

88 Ikus https://digitalcollections.anu.edu.au/bitstream/1885/40582/3/DP441.pdf.

89 Ikus http://www.unibertsitatea.net/blogak/heterodoxia/2015/08/23/paul-krugman-eta-warren-mosler-zorrari-buruz/.