



Why We Need Modern Monetary Theory (MMT) and Why It Needs Universal Basic Income (UBI)



by **SCOTT SANTENS** 3 months ago in **FINANCE** · updated 4 days ago



Report Story

Going from "can we pay for it?" to "can we resource it?" is the mindset shift needed for a human-centered resource-based economy built with a mindset of abundance on a foundation of human rights



*Translations of this article are available in: [French](#), [Dutch](#), and [German](#):
The original illustrations in this article are available as [NFTs on OpenSea](#),
an [audio version](#) of this article is also available, and for those who*

would rather read a book than stare at a screen, [a paperback version](#) is also available on Amazon for purchase.



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The Scott Santens UBI Enterprise

(<https://anchor.fm/scottsantens/support>)

In the beginning, man said, Let there be money: and there was money. Centuries later, on March 27, 2020, the United States passed into law the Coronavirus Aid, Relief, and Economic Security Act and with the stroke of a pen, **over \$2 trillion was spent without first taxing or borrowing from anyone.** It included \$1,200 stimulus checks for adults and \$500 for kids. Another \$900 billion was spent without first taxing or borrowing from anyone nine months later as the Consolidated Appropriations Act. It included \$600 stimulus checks per adult and kid. Another \$1.9 trillion was spent without first taxing or borrowing from anyone another three months later when a third stimulus check went out thanks to the American Rescue Plan Act, this one for \$1,400 per adult and kid. It was followed in July by the first of six monthly payments of \$250 to \$300 more per kid. All told, within one year, \$1 trillion in cash was sent directly to the bank accounts and mailboxes of about **85% of Americans**, no strings attached.

We didn't "pay for" any of this. We just did it. None of it was made possible by taxing or borrowing from anyone first, and that's the big lesson I believe everyone needs to take away from the COVID-19 pandemic besides the effectiveness of direct cash payments and dangers of politicizing science and public health. **Americans needed money, so it was created out of nothing.** The thing is, that's not new. It's how money works in any country that issues its own currency.

Here's the now less secret truth: **the US government is not funded by taxes.** It creates its own currency out of nothing. It spends it into existence. Taxes then remove money from the money supply to maintain its value (among other things). For the cryptocurrency enthusiasts out there, the US dollar utilizes a mint and burn model. The eater address is the IRS.

In other words, yes there is in fact a "magical money tree." All money is a human invention and there is in fact no limit to the amount of money that can be created. There is however a limit at any point in time to the goods and services that can be exchanged for money at that point in time, and that real and always changing limit depends entirely on the amount of natural resources, human labor, machine labor, knowledge, skills, time, energy, etc. that is available to meet demand with supply at that point in time. That's what really matters - *what money is meant to measure* - not money itself. Money is only a human construct created to very roughly measure the stuff it's traded for, and taxation is important for a multitude of reasons, but making spending possible by a currency issuing government just isn't one of them. This is the heart of what's come to be known as **Modern Monetary Theory** (or MMT).

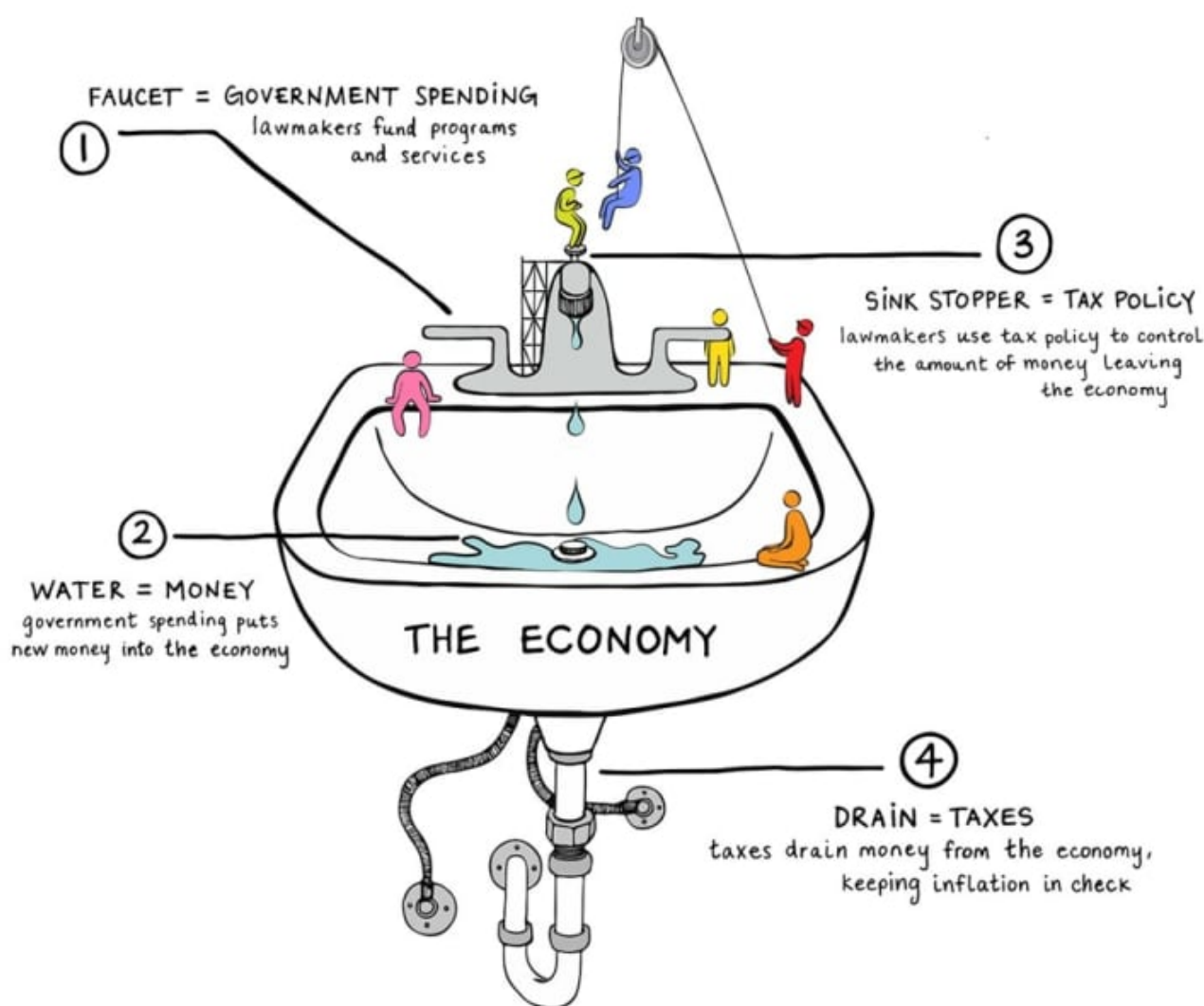
Conventional thinking says that the US government first needs to obtain money from taxes or borrowing in order to spend it. MMT says that the government first spends money, then it taxes or borrows money to remove it from circulation. That may seem like a somewhat silly difference, but I've come to believe it's actually an extremely important one, and one that once adopted, is the most likely path to a better future that includes a truly **Universal Basic Income** — like Alaska's annual dividend but monthly and larger — that's the highest it can be without surpassing inflation targets.

I've never been against MMT as a descriptive theory, but for years I've just seen it as an alternative way of looking at federal spending and taxes, but having just lived through the year 2020, and having read Stephanie Kelton's book *The Deficit Myth*, I've come to believe MMT may just be the key to achieving UBI, and perhaps even the only way.

Now to begin this **MMT-UBI** journey (which I admit will take some time to fully explore) let's first imagine a very special bathtub...

The Magical Bathtub

Imagine a bathtub where our goal is to fill the tub as close to the brim as possible without spilling over onto the floor. Water flowing into the tub represents government spending and water flowing down the drain represents taxation. The tub itself represents the economy and an overflowing tub is inflation. If more money flows into the tub than down the drain, the water level rises. That's what running a federal budget deficit looks like, because a deficit is spending more than taxing, and the government's deficit is the private sector's surplus. A balanced budget would be matching the rate of water flowing in with the rate draining out, which would keep the water level steady where it is. If the tub is full, that would make more sense, but if it isn't, it makes sense to either increase the flow rate, or decrease the drain rate to fill the tub all the way.



Meanwhile, the "national debt" is just all the water that's been made into a different kind of water, not because we had to, but because we chose to, because investors like it. Let's call it ice. It's not like household debt at all. It's government-issued *assets* where each deficit dollar has been swapped

for an equal amount of a different dollar called Treasury securities (bills, notes, or bonds) which exist as a form of savings account for risk averse savers. If the national "debt" was ever wiped out, it would also eliminate all those ultra-safe savings accounts. To learn more about the national debt, [bookmark this](#) for later, but for now, let's focus on the tub.

A full-to-the-brim tub is an economy at maximum capacity. All resources are being utilized in the most efficient way possible using state-of-the-art technology. Automation is maximally deployed. Everyone who can do productive work is doing it, paid or unpaid, with maximum engagement and skills-matching, for an amount of time that maximizes efficiency, maximizes the quantity and quality of goods and services that people most want and value, maximizes the consumption of what's being produced, and minimizes the amount of resources and ecological footprint used to accomplish it all. In this theoretical state of total economic perfection, nothing could be tweaked without water falling below the brim or spilling over the side of it.

There is however also another important detail to this tub. The tub is actually no ordinary tub. It's a very special tub that continually grows bigger. As the water gets closer to reaching the brim, the tub itself actually expands in response. The tub is a **complex adaptive system**. It *evolves*. Businesses tend to not like turning away customers. When they're unable to meet consumer demand with supply, they tend to invest in expanding their capacity so they can meet whatever the demand is from all their existing and potential customers. When the amount of water in the tub isn't close enough to the brim to spur tub growth, usually due to insufficient demand due to insufficient customers due to insufficient spending power, that difference in tub size between what it presently is and how large it could potentially be, is known as the **output gap**.

Output Gaps and Capacity Utilization

The output gap is something that needs to be a part of every conversation about inflation. It's defined as the difference between actual GDP and potential GDP, aka tub size vs potential tub size. Inflation is not simply the

result of too much water in the tub. It's a result of there being too much water for the tub to contain, based on whatever the tub's maximum growth rate is, and also taking into account how much water is leaving the tub and how it's leaving. Importantly, increasing the amount of water going into the tub doesn't *necessarily* lead to the water spilling over, because the tub can and does grow. If the rate of growth is set just right, the extra water flowing in can cause the tub to grow and match its rate of growth so that the tub stays full to the brim while growing in size at the same time. That represents true 100% maximum theoretical economic capacity and achieving it requires that more water always pours into the tub than drains out of it. Thus, **achieving true maximum economic capacity actually requires that we *always* spend more than we tax.**

So just how much water can flow out of the government faucet into the tub before true maximum capacity is reached? First, another important factor to consider, is that there's actually another tub that water can flow into. Call it the international tub. That's represented by a trade deficit where more money is flowing overseas rather than into the American tub. Trade deficits are essentially deflationary because it's water flowing into a different tub. The more water is diverted into the international tub, the less water there is in the American tub.

Second, another thing to consider is who is spending money, and on what. Money that is spent paying off student debt and credit cards is not inflationary. It's deflationary, because banks also create new money whenever they provide anyone a loan. Every dollar spent paying down a loan eliminates that dollar, just as taxes do. Taxes destroy government created money. Loan payments destroy bank created money. Both actions reduce the total amount of money circulating.

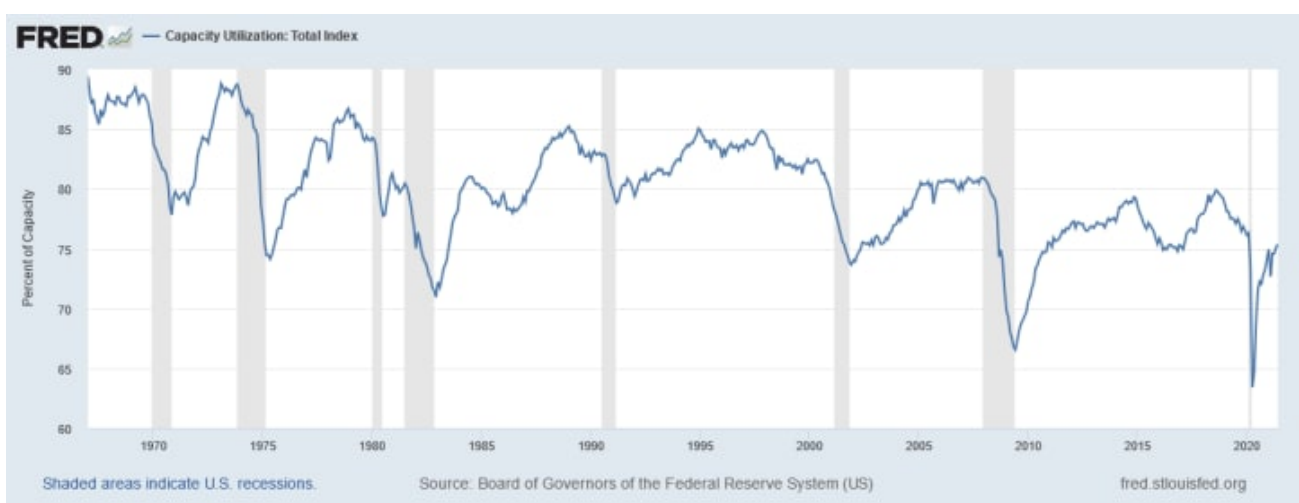
Money that is spent on digital goods isn't inflationary either, because digital goods are infinite. Money that is literally buried in the ground doesn't have any impact on inflation no matter how much of it there is. Money that buys the food that would otherwise end up in a landfill or a food bank is not inflationary either, and it also makes far more sense so as

to not let the food go to waste and to also create grocery store paychecks.

Where money goes matters far more than its simple creation.

The only spending that is truly inflationary is the spending that outstrips the ability of the economy to meet that particular demand with supply. This is also why inflation tends to be the result of supply issues, and not so much money itself, contrary to popular belief. Inflation in certain sectors can also be the result of rent extraction, where prices go up on stuff like EpiPens and insulin because of intellectual property monopolies, not because of an actual inability to produce enough EpiPens and insulin. Intellectual property is a way of artificially restraining supply below real limits to purposely inflate the price, often to degrees that should be considered criminal. It's not inflation. It's greed.

There's an economic term called **capacity utilization** that attempts to measure just how much room there is to create more stuff without hitting supply ceilings. In 1973, the US was operating at an estimated 89% capacity. Since then, capacity utilization has trended downward. Right now it's at 76% after having risen from a pandemic low of 63%. So even now, as supply constrained as the US economy is in certain sectors, it's not considered as being at 100% capacity overall. In some specific areas, we may be maxed out, but in many others, we aren't even close.



Source: [St. Louis Fed](#)

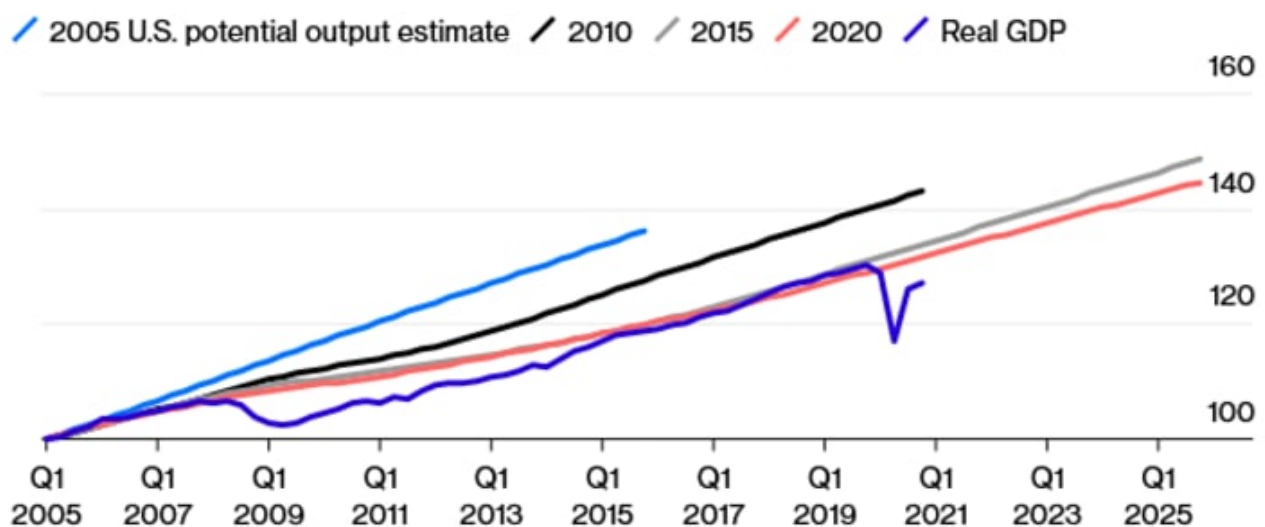
Another result of this downward trend in capacity utilization has been downward forecast after downward forecast of US GDP potential. That economists forecast lower GDP potential now than they used to doesn't

mean we can't achieve what we used to, especially when those assumptions include absurd things like how a 10% unemployment rate is the lowest possible amount of Black unemployment.

The real problem is that incomes have stagnated for decades, which reduces consumer demand, which slows the entire economy down over time, which causes economists to revise their estimates. Why bother investing in more capacity if consumer demand for the bottom 90% is falling instead of rising? This leads to a really weird observation where despite steadily increasing productivity and accelerating technological advances, economists actually think we can do less in 2022 than they thought was possible in 2005 to do in 2015.

Downward Revisions

Estimates of U.S. economic capacity have repeatedly been revised downward



Source: U.S. Congressional Budget Office

Note: Indexed so 2005 Q1 = 100

Source: Claudia Sahm

So again, just how large of a deficit could theoretically achieve 100% true maximum economic capacity without out-of-control long-term excessive across-the-board inflation? A back-of-the-envelope calculation via Steinernomics based on World War II suggested it could be as high as **27% of GDP**, or about **\$6 trillion a year**. That's enough to write every American over age 18 a check every year for **\$24,000**. Granted, that's if all the US government did with a \$6 trillion budget deficit was write everyone checks, and if no taxes were raised, and if banks weren't allowed to further expand the money supply themselves, but it's at least something to

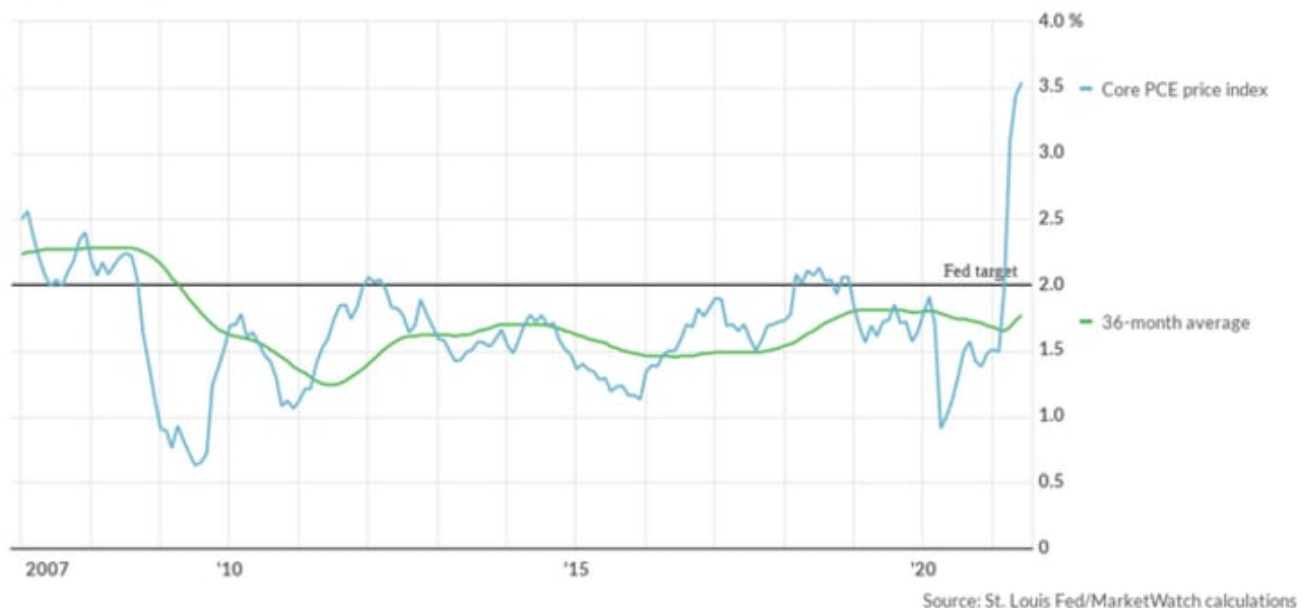
consider as a potential ballpark for discussion of how much annual deficit is actually too much deficit that leads to across the board inflation above and beyond the Fed's target.

Inflation, Inflation, Inflation

In 2020, the United States ran a deficit of \$3.1 trillion and at the end of the year, annual inflation was at 1.36%. The Federal Reserve's target rate is 2%, so even with historic deficit spending, it was unable to hit its goal, and that's not unusual. Also, because the Fed seeks an *average* of 2%, even with what may be considered to be high inflation for a matter of months, when the long-term average over three years is still below 2%, more inflation is needed to hit the target.

Average inflation is still below Fed target

12-month change



Source: [Marketwatch](#)

Inflation also isn't the only danger that central banks want to avoid.

Deflation is considered something to avoid even more than inflation as it would create an incentive to not spend money, which would hurt businesses, which would cause layoffs, which would reduce incomes, which would even further reduce spending, creating a feedback loop of economic destruction. This is why central banks like a target of 2%. It's considered a kind of goldilocks zone of inflation where there's an incentive to spend, but

not so much incentive that there's a feedback loop in the other direction known as hyperinflation.

Technology however is creating a deflationary force. As technology displaces workers, it reduces the spending of those unable to find new jobs that pay more instead of paying less, which is part of the reason why the Fed has been finding it so difficult to actually reach its 2% inflation target. This provides all the more reason to run a deficit to increase the money supply to directly increase consumer spending. Some amount of inflationary pressure in a deflationary environment is helpful, not harmful.

There isn't even full agreement on 2% inflation as optimal. There are economists who believe it would be better to raise the target rate to 3% or even 4% so as to create more room for the Fed to adjust interest rates for greater impact when necessary to intervene to avoid recessions. Some even believe that if Japan had a 4% target, that it would have been able to avoid its "lost decade." So it's possible that at some point we'll even look back with a new consensus that a 2% inflation rate may actually be too low.

It's also important to consider the tradeoffs of inflation and unemployment. Because a one percentage point increase in unemployment is five times worse for overall wellbeing than a one percentage point increase in inflation, if inflation is higher than what we may want it to be in order to achieve a lower unemployment rate, then that tradeoff is arguably the right tradeoff to make, inflation be damned.

Now, let's assume that the US decides to put the pedal to the metal, and that our capacity limit really does exist at a deficit of \$6 trillion a year. Starting with a current deficit in July 2021 of \$2.5 trillion, and deficit financing an additional \$3.5 trillion to send every adult in America a check for \$1,200 each month for the entire year retroactively, what would potentially happen? Would the sky fall? Would it be the end of the US dollar as the world's reserve currency?

First, it's important to understand that inflation isn't an across-the-board phenomenon that has across-the-board solutions. Inflation happens when

demand for something is greater than supply of something. If everyone cashed out their \$1,200 checks and hid it under their beds, there would be no inflationary impact at all despite all the newly created money, because no increased demand would be expressed. What matters is buying something, not the money itself. Again, it also depends on what is bought. If everyone spent their \$1,200 checks to expand their digital music collections, that demand wouldn't exceed the supply of digital songs available, because there's no limit to those goods. They're infinite. So that wouldn't have any inflationary impact either.

If everyone spent their \$1,200 checks on stocks, stock prices would go up, which is another way of saying wealth would inflate. If everyone spent their \$1,200 checks on Bitcoin, the value of Bitcoin would go up, not the cost of food. If everyone spent their \$1,200 checks paying off their student loans, credit cards, car loans, mortgages and every other form of private debt, that would be deflationary not inflationary, because again, paying off private debt functions in the same way taxes do. Both erase money from existence. Both drain the tub of water.

The deflationary impact of paying off debts is also something to consider in regards to forgiving debt. If we were to forgive all student debt, and then issue another stimulus check, that stimulus would be more inflationary than if the check had been issued absent student debt forgiveness.

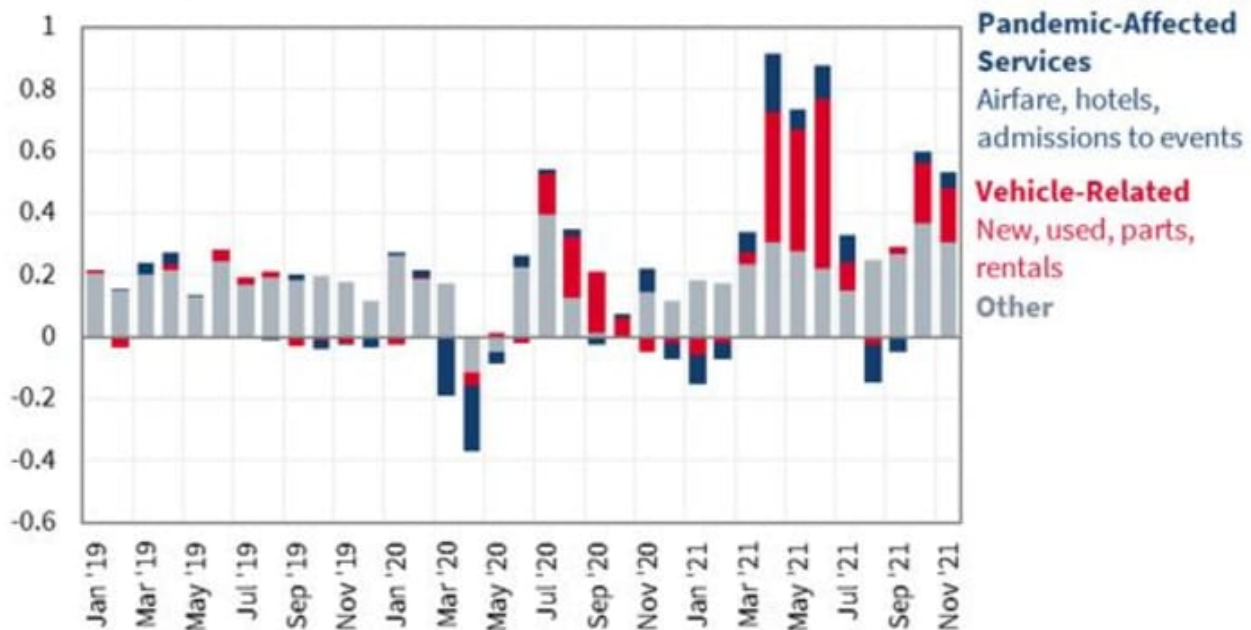
Inflation also has a psychological component that has nothing to do with supply and demand. If people believe inflation is going to happen, then workers can demand more money and businesses can demand higher prices. In this way, it can be a kind of self-fulfilling prophecy where the opposite is also true. If people believe inflation will remain stable, it's more likely to stay that way. Inflation fearmongering is thus counterproductive.

So what kind of spending would actually be inflationary? In 2020, demand for used cars increased, and the prices of used cars increased as a result. More people wanting a limited supply of stuff can lead to the price of that stuff rising as people compete against each other to buy it. In the case of cars, lots of people relocated away from cities where they may not have

needed cars, while simultaneously rental car companies that had sold off their fleets to survive 2020 wanted to rebuild their fleets, while also simultaneously, a global microchip shortage reduced the production of new cars. This is a story of an unusual amount of demand for cars combined with an unusually low amount of cars, all in response to a pandemic. And it accounts for one-third of the present rate of inflation.

Contributions to Monthly Core CPI Inflation

Percentage points, monthly rate



Source: BLS, CEA analysis.

Source: [CEA](#)

Same with gas prices. During the 2020 shutdown, prices plummeted as most people stayed home and no longer drove anywhere. There was a lot more supply than demand. As a result, refineries closed, and as a result our capacity to create gasoline shrank. In 2021, demand greatly expanded back to normal, but capacity in 2021 is still below 2020 capacity because some refineries permanently closed. It takes time to adjust to large changes in demand, and that's why gas prices are up, but they will come back down again as capacity grows and also as people continue shifting to electric cars.

However, when supply can't meet demand, that still doesn't necessitate higher prices. Something else observed in 2020 when businesses weren't able to meet the demand of their customers was that instead of raising prices, they increased wait times. If a business can only make 100 cakes in a day, and there's a demand from 500 customers for 500 cakes, one

response is to make a \$40 cake cost \$200, but another response is to make a waiting list for cakes, so that the person at the end of the line has to wait five days to spend \$40, instead of paying \$200 with no wait at all. Time is therefore another important factor to consider. If everyone spent their \$1,200 on the day they got it, that's a different inflationary impact than if everyone spent a bit of it every day for the entire month in a way that supply can keep up with. **What ultimately always matters is demand and supply at any specific point in time.**

Supply and demand can also influence each other to the point that increased demand can even lead to lower prices. A powerful example of high demand leading to lower prices was the invention of fracking. Expensive oil prices made oil production extremely profitable, which led to the invention of a way to make a lot more oil. Whatever you think of fracking, it was an innovation that created a lot more gasoline, which brought prices down from over \$4 a gallon to under \$2 a gallon, which in turn made lots of other stuff cost less too, because of the reduced costs of transportation. This also shows that demand exceeding supply can lead to temporary inflation, but then lead to strong deflation through a dramatic increase in supply through new investments and innovations.

Increased demand can also lead to fewer total resources used. This may be counterintuitive, but when people have more money to spend, they can buy less of something, not more of it. Economists refer to this kind of product as an **inferior good**. As an example, think of cheap shoes versus nice shoes. If someone can't afford nicer shoes, they'll buy cheaper shoes, and the result can be buying pair after pair of cheap shoes, instead of just the one nicer pair that would have lasted much longer. This ends up costing more in the long run, and also ends up using more resources in the long run. Making sure people can afford to not buy inferior goods means a more efficient use of limited resources.

So again, back to the question at hand, what happens when everyone starts getting \$1,200 a month to spend via newly created money? The answer if you haven't figured it out already is that there's no certain answer. **It all depends. Anyone who tells you otherwise is selling something.**

Some of the money will be spent in ways that doesn't impact inflation at all. Some will cause some inflation in some areas while some will cause deflation in other areas. Some will cause temporary inflation before causing long-term deflation. And all of these responses exist within a central bank system equipped with tools to manage inflation rates, and also a federal government capable of implementing policies that themselves reduce demand or increase supply, and also competitive markets where business owners who avoid price increases can gain market share over any of their competitors who raise their prices.

Again, the economy is a complex adaptive system, not a static unchanging machine. Many changes are temporary as new equilibriums are reached. What can be scary inflation one month, can be below target the next. Inflation can be and often is temporary, especially during a pandemic, and inflation is something that can be intelligently managed and even utilized as a uniquely useful tool.

The Invisible Tax

One final important point to consider when it comes to inflation as a result of deficit-financed “printed” monthly cash for all, is questioning whether inflation itself actually does any harm, and to whom. Inflation is the fear it is, not because money loses value, but because purchasing power is decreased when money loses value. The harm is not that groceries might cost 10% more, but that someone will only be able to buy 90% of the groceries they usually do when their purchasing power falls by 10%. But what happens if inflation is a direct result of increased purchasing power? If the increase in purchasing power is greater than the increase in inflation, and the rate of inflation remains steady, then that person can actually still be better off despite the inflation.

Libertarians like Ron Paul like to refer to inflation as **invisible taxation**. Okay, think of it that way. If you have a fixed income of \$20,000 a year, and there's a “high” annualized inflation rate of 5%, it's like having an income of \$19,000 or being invisibly taxed \$1,000. But if you also got \$2,000 a month in newly created money, perhaps in the form of universal

basic income (UBI), then your total income is \$44,000, with a purchasing power of \$41,800 after a loss to inflation of \$2,200 in purchasing power. So under a 5% inflation rate, you went from being able to buy \$20,000 of stuff to being able to buy more than twice that amount. You're better off not worse off. Plus, if you have a mortgage, when you eventually pay it off, you'll have effectively paid back less than what you originally borrowed.

Inflation is actually beneficial to anyone with debt. So who does inflation really hurt if it's paired with an equal amount per person of newly created money for everyone, including the rich? The rich. That's who.

If someone has an income of \$500,000 and inflation is at 5%, their buying power falls to \$475,000. If they too are receiving \$24,000 in the hypothetical UBI, their buying power has fallen by \$1,000 despite receiving the \$24,000. They can only buy \$499,000 worth of stuff where they otherwise would have been able to buy \$500,000 worth of stuff in a 0% inflation environment. Inflation for them is definitely an invisible tax, but only for them, not everyone, when UBI is involved.

Because **UBI is effectively a flat universal tax credit**, it's a tax rebate for both visible and invisible taxes, and as long as the UBI amount is larger than the amount of tax a particular person is paying, then that person experiences an increase in buying power, not a loss of buying power.

Now also consider Jeff Bezos with his \$200 billion in untaxed wealth doing everything he can to avoid paying taxes. Can he avoid his \$200 billion being effectively worth \$190 billion as a result of 5% inflation? No. And if he gets an additional \$24,000 in UBI does that in any way compensate him for what is effectively a wealth tax of \$10 billion? No, it doesn't. Let's also consider that Bezos' wealth grew from July 2020 to July 2021 by \$23 billion, in which case his wealth still would have grown by the total wealth of 13 billionaires in this invisible wealth tax scenario.

It's also not true to say that inflation always even hits the poorest at all. If inflation is not generalized and instead experienced in certain sectors of the economy, like for example if gold watches were to double in price due

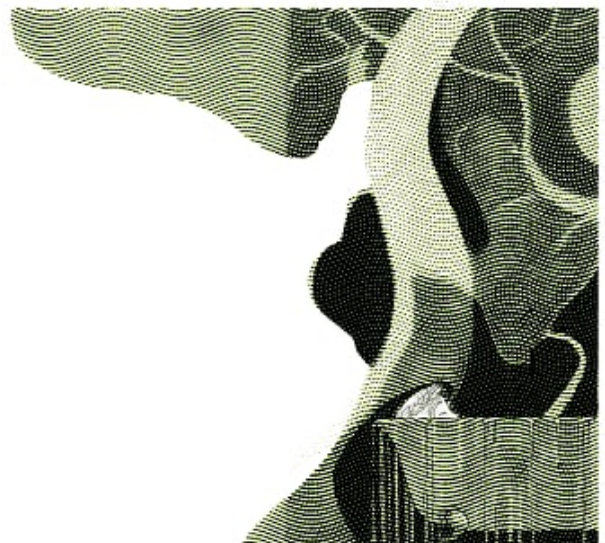
to a gold watch shortage, then the only people impacted by those higher prices are those buying the gold watches, which aren't people in poverty.

So not only is a higher rate of inflation not an inevitable result of increasing the money supply, but as long as UBI is part of the equation where there is some amount of increased inflation, then the UBI also makes sure that the poor and middle class still end up better off, and that the invisible taxation only falls on those who are spending the most and have the most wealth. Because of this, there's an argument to be made that no amount of inflation should ever be pursued without UBI operating as a kind of **inflation rebate** to protect those with no incomes, fixed incomes, or low incomes hardest hit by any increase in the costs of basic goods and services. And if we're interested in taxing the rich in a way they can't avoid, we may really want to look at inflation as an invisible wealth tax.

In recap before continuing, we (1) want the government to spend some amount more than it taxes in order to reach our economy's true full capacity, and (2) government spending in the form of UBI will not necessarily lead to high inflation in the absence of taxes because there are many other factors to consider, and (3) any amount of inflation requires UBI anyway in order to counteract the regressive impacts of inflation.

Now, let's look more deeply at the role of taxation in MMT and UBI.

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Draining the Water

Again, the role of taxation at the federal level in the United States is not actually about funding the federal government. Because the US creates its own currency, and because that fiat currency isn't pegged to anything, all federal spending is just money creation. It's just pouring water into the tub. Taxation is money supply elimination. It's just draining water from the tub to help manage the water level. Every April when we file our federal taxes, we aren't funding our federal government. We're just doing our part as US dollar users to keep inflation in check among other things. State taxes though do fund state governments, because they can't create money, but taxes at the federal level are about inflation, inequality, and incentives, not "paying for" anything.

Social Security taxes are a good example of the difference between how people think taxes work at the federal level and how they actually work. Social Security is supposedly funded mostly by payroll taxes. People see a big chunk of their paychecks missing every payday and think they are paying into a kind of savings account that they'll draw from when they retire. That's not what's actually going on. What's going on is that **the employed are being constrained with decreased access to resources so that the retired can be provided with continued access to resources**. By reducing the buying power of the employed, that frees up resources for the retired. The key word is resources. If there were no payroll taxes, Social Security checks could still all be sent to Social Security recipients. It's just that the employed would then compete more with the retired for resources. Or using the tub analogy, the tub would be more likely to overflow because less water would be draining from it.

Payroll taxes are simply not necessary to fund Social Security. That doesn't mean we should just dump them though, because they are serving a useful purpose. Besides freeing up resources to avoid inflation, they also provide the psychological support for Social Security itself. Because people think they're getting their own money back in retirement, and because everyone thinks that, it's a very popular program. It may not be as popular if everyone understood their money was actually being sacrificed to the gods of inflation so that seniors can be mostly free of poverty. And that's the rub of taxes as money deletion vs federal funding, but it's also not the only one.

The greatest potential of everyone realizing we aren't actually constrained by taxes is also perhaps the greatest danger. If every politician knows there's no limit to government spending, and that the only true limits are our resources and our capacity to utilize them to their maximum potential utilization, suddenly a lot more government programs become possible, and although many of them will be good programs, many others won't be. Politicians are not scientists. They're not engineers. They don't tend to care about experimentation. They don't tend to care if a program actually works or not. And that's something that really needs to change if MMT is embraced. **Evidence-based policymaking needs to become the new standard within an MMT paradigm** in order to avoid ineffective or even entirely counterproductive spending and taxing.

Take universal Pre-K for example. That's something many politicians really want to spend money on, but compared to cash transfers, cash leads to better educational outcomes. It's certainly possible to spend money on Pre-K, or even to do both together, but Pre-K instead of cash is not the most efficient use of our available resources, and from an MMT perspective, doing the most with the least possible amount of resources should always be top of mind to free up the maximum amount of resources for all the other things we want to do as a society.

Consider healthcare as well. MMT makes clear we can afford Medicare for All, because money isn't the issue. The question is really about resources. Do we have enough doctors and nurses? Do we have enough medical equipment? There's a lot of unproductive waste involved in the existing system with so many people spending their time within the administrative aspects. The way we go about it now effectively reduces the supply of doctor-hours by requiring doctors to spend a great deal of time doing insurance stuff instead of actual healthcare. Doctors report spending twice as much time on paperwork than time with their patients.

Eliminating that paperwork entirely would therefore effectively be like instantly tripling the number of doctors.

Health insurance workers spend time doing administrative work instead of other more productive things too. This is actually one of the concerns of

single payer healthcare, that it would eliminate a lot of clerical jobs. Think about that for a second. People are doing unnecessary work, and the concern is that they won't have to do that anymore if the unnecessary work is eliminated so that they can do other more productive things.

Patients too spend less time doing more productive work thanks to the hours of bureaucratic hoops they're forced to jump through. There's a lot of inefficiencies within the current healthcare system that reduces our total healthcare capacity, which helps increase the cost by reducing potential supply.

There's also another hit to potential productive capacity by way of businesses being saddled with paying for their employees' health insurance. Eliminating that burden would lead to a lot more businesses being started, and a lot more businesses succeeding. Single-payer healthcare would be a huge boost to entrepreneurship, and it would also lead to higher wages once the money that currently goes to healthcare premiums goes to wages and salaries instead.

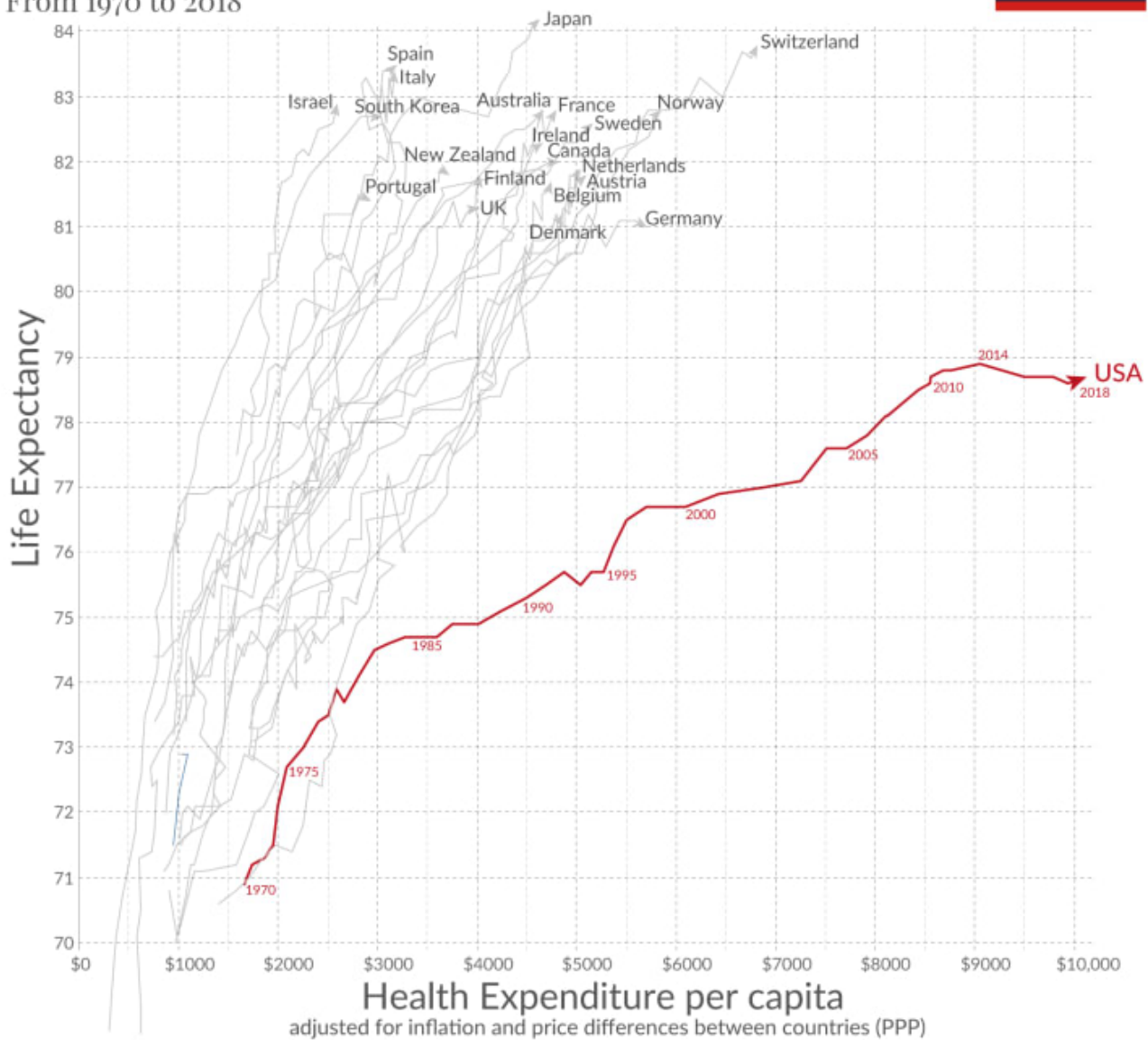
Besides all of that, the biggest waste of all, is actually how many medical interventions are treating the results of insufficient incomes and chronic economic insecurity. So the most efficient use of our resources would be to get unconditional basic income to people to reduce poverty and insecurity, so that people are healthier and need to utilize less healthcare. It's not that UBI makes M4A unnecessary. It's that M4A requires UBI in order to avoid doing unnecessary medical interventions. UBI is spending on ounces of prevention instead of just M4A spending on pounds of cures.

So of course we can afford universal healthcare and it's just absurd to think it's a question of taxes, when it's a question of resources which we absolutely have and are purposely wasting in incredibly inefficient uses of everyone's time.

Life expectancy vs. health expenditure

Our World
in Data

From 1970 to 2018



Data source: OECD — Note: Health spending measures the consumption of health care goods and services, including personal health care (curative care, rehabilitative care, long-term care, ancillary services, and medical goods) and collective services (prevention and public health services as well as health administration), but excluding spending on investments. Shown is total health expenditure (financed by public and private sources). Licensed under CC-BY by the author Max Roser.

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It also doesn't stop at healthcare costs when it comes to the wasting of resources. The cost of child poverty alone has been estimated as exceeding \$1 trillion a year. The cost of crime has been estimated as exceeding \$2.5 trillion a year. These costs don't only come in the form of higher medical premiums, but also higher taxes, and higher prices. Treating poverty instead of preventing it means spending \$60,000 to imprison someone instead of \$12,000 to prevent the crime. It means higher local taxes to pay for all the prisons, public defenders, and judges. It means higher costs in stores to pay for shoplifting losses. We spend so much money on the full costs of poverty, that poverty itself can be compared to inflation. **Poverty makes everything cost more than it would otherwise cost.**

Optimal Drains

By looking at taxes through an MMT lens, we can also entirely transform the way we go about taxes. Does it make sense to tax income as much as we do now? If taxes are seen as a way of discouraging something, and so many people think of it as forcibly taking from them, why not shift to taxing things we want less of, like greenhouse gases? Why not also shift to an automated payment tax on all transactions instead of big yearly tax bills, like the way Ethereum now works after EIP-1559? It feels a lot different to pay a tiny tax on everything than it does to pay a huge bill at the end of the year. It also means a lot less tax avoidance and evasion. Plus, just like with health insurance administration workers, shifting away from income tax preparation would free up a lot of time for both taxpayers and tax preparers to do other things that would be far more productive.

For conservatives focused on reducing income taxes and simplifying tax preparation to a “postcard,” MMT thinking provides a real path to both. It even has the potential to end income taxes altogether by focusing on other forms of taxation, and by also focusing on ways of increasing economic capacity as an alternative to taxation, like for example reforming the zoning laws responsible for making housing unaffordable for so many people.

Both pro-MMT and anti-MMT people tend to focus much more on the spending part, but what interests me even more than the spending part is in fact the taxation part. If taxes don't fund spending, and instead remove money from the circulating money supply, then taxes become much more about incentives and disincentives besides just maintaining a currency's value. I'd even argue that that's always been the point of money and taxes all along - *behavioral incentives and disincentives* - and all that has ever really mattered is resources.

Money isn't real. People are. Resources are. Money is an invention. It's a measurement tool. It's a way of both measuring stuff and encouraging us to do things and not do other things. By trading money

with each other, we encourage various actions, and by taxing, we discourage various actions.

When we spend \$10 on a sandwich, as a consumer, we've helped determine that the sandwich is worth \$10. That amount of money roughly measures all the effort that went into it, from the planting and growing of the grain that became the flour that became the bread, to the feeding and milking of the cows that became the milk that became the cheese, to the labor that went into combining and preparing all of the other ingredients to make the final product. When you stop and think about all the time and effort that went into making a sandwich possible, ten bucks is really kind of an incredible deal.

Meanwhile, \$10 can also be what someone else spends on a rock. No effort at all could have gone into that rock, because no one actually made it. It was just there to be found and sold. But they're both "worth" \$10 because that's what humans bought and sold them each for. So even though \$10 is \$10, the amount of time and resources it measures can actually vary by a huge amount from one thing it measures to the next.

It's really important to realize how inaccurate money can be in measuring things, because it also says a lot about the effectiveness of taxing things. If \$10 in spending isn't equal for two different things, then taxing \$10 in two different ways can also be extremely unequal. Consider the way we traditionally think of taxing and spending, that if the government taxes \$10, then it can afford to spend \$10. What's being taxed and what it's being spent on supposedly doesn't matter. All that supposedly matters is the \$10. But MMT focuses on resources, so we have to think beyond the money amount, to what we're actually trying to achieve with available resources.

Teslas For All

Consider the prospect of Teslas for All. Everyone gets a brand new Tesla. Traditional thinking leads us to believe that the cost of such a program is the number of people multiplied by the cost of one Tesla. There are about 250 million adults in the US and the price of the lowest-cost Tesla is about

\$40,000, so such a program would cost about \$10 trillion. Is the only thing that matters coming up with \$10 trillion? No. We could create the money, but it wouldn't buy the cars because they don't exist. 500,000 Teslas were delivered to customers in 2020, so at that rate it would take another 500 years to make 250 million Teslas. Could the rate be increased? Sure, but the rate still depends on all the materials required to manufacture them. It depends on the resources required for the batteries. It depends on the number of workers required to make all of them and what work they aren't doing instead, so it also depends on what else doesn't get made as a result of focusing on Teslas for all. Obviously, what matters is not the money, but the resources available, ability to allocate them, the time required, and what other potentially much more important stuff might be reduced as a result.

The allocation part is particularly important when it comes to taxes, because taxes aren't about paying for something, but about freeing up room for something within an economy. Taxing AA and AAA batteries for example could help reduce the amount of lithium going into them instead of Tesla batteries, which would help a Tesla's for All plan, whereas a tax on alcohol wouldn't really impact the amount of Teslas that could be made. So what is taxed matters depending on what our goals are.

It's really important to look beyond the cost of things to what's required to achieve them, because just coming up with the money doesn't really mean anything. **As long as we're stuck on taxing in order to pay for stuff, we'll be fooled into thinking we can do something just because we've come up with the money for it.** There's a big difference between taxing 300 million people \$1 each and taxing one person \$300 million dollars. It's simply not the same thing to say that because the amount of money is equivalent, that what's possible to achieve through each tax is equivalent. This understanding also helps us combat inflation better.

If the cost of cars and wood has spiked, inflation is calculated as having gone up. Does it make sense then to increase taxes to reduce the ability of people to buy cars and wood and a lot of other things too? Or does it make more sense to focus on the cars and the wood? Inflation in this case could

be better reduced by investing in making more of the materials that are needed to make cars, and the price of wood could be reduced by eliminating tariffs on wood and using other materials than wood where possible to reduce the demand for wood. MMT helps us make smarter decisions by bringing the focus to resources themselves. Spending becomes a matter of priorities and ability to accomplish them, and taxing becomes one tool in our toolbox of managing prices, but also not the only one. It opens up the door to minimizing taxes and focusing on using the right tax or the right policy in the best way for the best outcome.

One of the biggest problems we face as a species is climate change. One of the reasons this has become such a problem for us is because **the harms of burning fossil fuels are externalized**. The increase in frequency of things like flooding and wildfires is not calculated into the price of a gallon of gas. Because of that, gas is artificially cheap. If the burning of fossil fuels included the long-term costs of burning them, gas would be a lot more expensive. Enter **Pigovian taxes**. A Pigovian tax is a kind of tax that recognizes externalized costs and attempts to price them in so that market participants can make better decisions. If the price of gas goes up to include the costs of climate change, then suddenly alternatives become relatively cheaper and thus much more attractive to consumers. A carbon tax is a Pigovian tax. A tax on tobacco is a Pigovian tax.

Consider carbon taxes now through an MMT lens. A carbon tax would create a disincentive to use fossil fuels. In doing so, it would create an incentive to use green alternatives. At the same time, it would also delete money, which would create a deflationary force by reducing the money supply. It would also raise prices on the cost of transport, which would raise prices on the cost of lots of other things besides gas, like food and other basic goods. Higher food costs would hurt those with the lowest incomes the most. The first two effects are great, but the third one isn't.

The orthodox view of this regressive problem is to rebate the tax so that those with the lowest incomes actually see a net increase in their incomes. If someone living in poverty has an income of \$10,000 a year and prices go up 5% because of the carbon tax, then they need an additional \$500 to not

be hurt by the tax. Anything over that amount leaves them better off. A carbon fee and rebate approach accomplishes that, but the typical approach is from the traditional perspective of pooling the tax money together and distributing the total. An MMT perspective separates the two functions. They don't need to be equal. We can set the carbon tax to whatever we think best accomplishes our goal of reducing greenhouse gas emissions in the time frame we want. And what is provided to people to counteract higher costs can be set at whatever we think best to leave people better off and reduce overall poverty to the degree we want.

In my opinion, all taxes should be considered through this kind of two-birds-one-stone lens. Yes, let's delete money to control the amount in circulation to help avoid inflation, but let's also tax things we don't want. We don't want pollution so let's tax it. We don't want housing to be expensive, so let's tax the unimproved value of land to incentivize a more efficient use of land for housing. We don't want people to buy and sell stocks every nanosecond, so let's tax financial transactions. We don't want people to get lung and liver cancer, so let's tax tobacco and alcohol more.

On the flip side, we don't want to discourage work, so why are we taxing it? Well, that question leads us to what MMT considers perhaps the most important reason for taxes of all - to make people want to obtain money to pay the tax.



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The Business Cards for Child Labor Story

In *The Deficit Myth*, Stephanie Kelton shares a story that was a pivotal moment of understanding for her in regards to the role of taxes in MMT. In a conversation with Warren Mosler at his home, he shared with her his little experiment in money creation. He had a bunch of his own business cards so he decided to start giving them to his kids in exchange for them doing their chores. They of course didn't see any value in his cards, so it provided no additional incentive for them to do any chores. Then he told them that every month, they'd need to provide him with a certain number of his business cards, or else he'd take away stuff they enjoyed, like being able to play video games or use their phones. Suddenly, they had a great deal of interest in doing chores in exchange for his business cards.

It's an illustrative story that does indeed help explain how paying taxes is what helps give money its value, but what most MMT supporters don't seem to recognize is that it also helps explain the importance of UBI far more than it does their current favorite policy - a **federal job guarantee** (FJG) - where everyone who wants a job would be guaranteed one.

Clearly, **Mosler's kids had their basic needs met**. They were then given the option to work for luxuries they enjoyed, or to not work and lose access to those luxuries. They chose to work for the luxuries despite having the option to not do that work and still eat and sleep indoors with their basic needs met. Mosler did not tell them that if they refused to do their chores, that he would withhold food from them and kick them out of the house. If he had done that, no one would disagree that such an act would be abusive. But that's exactly what the situation would be if an FJG existed without UBI operating underneath it, because everyone would be working for their survival needs, not only their wants beyond their survival needs as Mosler's kids did.

MMT believes correctly that money comes first, and then taxes, but in preferring FJG over UBI, **MMT proponents fail to recognize that basic needs come first, and *then* work**.

UBI needs to exist before FJG in order to create the situation where people with their basic needs met then choose to do paid work in order to afford

luxuries and other fun things, or to do unpaid work in the pursuit of things worth more to them than money, like caring for their loved ones or volunteering in their communities. FJG without UBI is a monstrous situation where people with basics being withheld from them are given the “choice” to work for money or to live in poverty. That's not really a choice. Sure the safety net would still exist, but people fall through it all the time. In 2019 there were 13 million Americans living in poverty getting nothing from the federal government.

There are programs meant to help in times of need, but those programs - because they're targeted - always exclude many of those in need. SNAP, aka food stamps, only reaches about two out of three people living in poverty. TANF, aka welfare for families, varies by state and reaches as few as 4% of impoverished households in some states. Disability programs only reach one out of five Americans living with a disability, where the average wait time for those who do qualify is two years. Unemployment insurance prior to the pandemic provided income to only 28% of the unemployed. So if the choice is to accept a job or roll the dice on getting your basic needs met, is there any difference between that and if Mosler had withheld food from his kids?

FJG advocates may then claim that they support the choice of a job or unemployment income, but there are still problems with that setup. First, if the option is to choose \$1,200 a month in unemployment income or \$2,500 a month in FJG salary, why not just provide \$1,200 a month to everyone and offer an additional \$1,300 a month in FJG salary? That way no one's basic needs are ever being withheld from them, and every job, in the public or private sector, adds to their base level income.

Next, all forms of employment should result in earning income above the poverty line, not above the nothing line. If a newly employed person no longer receives unemployment income after accepting a form of employment, then it's possible they can become barely better off or even worse off than when they were unemployed. The way to make sure that everyone employed is always better off employed is to provide an

unconditional income floor that's always there, not one that appears or disappears based on employment status.

A large enough UBI ends poverty and then all forms of employment make sure that employed people can afford to spend discretionary income as consumers on stuff they want for fun, not stuff they need for survival. Besides making an FJG about discretionary income instead of survival income, and besides making sure that no one ever lives below the poverty line for any reason, especially those doing unpaid work, UBI also does something extremely important for all jobs, guaranteed or not. In making them all voluntary, it helps eliminate all the useless jobs that don't need to exist at all.

In other words, **without UBI, FJG has a bullshit jobs problem...**



CAUTION: UNNECESSARY WORK

The Bullshit Jobs Problem

A “bullshit job” as defined by David Graeber is “a form of paid employment that is so completely pointless, unnecessary or pernicious that even the employee cannot justify its existence even though, as part of the conditions of employment, the employee feels obliged to pretend that this is not the case.” Surveys show that somewhere between 15% to 40% of the employed believe they have such a job. Let’s assume such a job is paying someone \$50,000 a year and a federally guaranteed job pays \$30,000. Does the person switch jobs to earn \$20,000 less? Maybe if the FJG job is extremely meaningful, it’s possible, but it seems more likely they would continue in their useless job, which is an outcome that’s bad for productivity and

wellbeing. On the other hand, if they could quit their job and still earn enough money to live every month, that would enable them the time and space to either find or create the work that would be meaningful to them, and that would also better contribute to overall productivity.

This ability to seek out only jobs that aren't useless is also a key check on the uselessness of FJG jobs. Without UBI, it's entirely possible that at least some useless FJG jobs would be created, where the point of the job is the job itself, and not necessarily an important goal or function. If provided the choice between poverty and a useless FJG job, most people are going to go with the job however useless in order to avoid poverty. If the choice is between UBI and a useless FJG job, I think most people are going to go with UBI. Therefore UBI provides a vital veto power, where workers can help filter out any useless jobs that in the absence of UBI they would otherwise take. Filtering out useless jobs would also increase productivity and thus total economic capacity.

Since the point of MMT is to focus on productive constraints instead of fiscal constraints, then it's important to minimize the number of people doing useless work and maximize the number of people doing productive work, paid or unpaid. Thinking that FJG maximizes capacity by putting everyone to work is wrong-headed because not all work increases capacity, and not all work that increases capacity is paid work. UBI enables people to self-select what they think is useless and what they think is valuable, increasing the amount of valuable work done and decreasing the amount of useless work done. Because the point of MMT is all about resource capacity, MMT needs UBI far more than it needs FJG, in order to maximize capacity by reducing wasteful misallocation of resources. FJG can then function on top of UBI as a means of further expanding capacity instead of maintaining a continued misallocation and mismatch of labor absent UBI.

The amount of time spent doing unnecessary work should always be minimized, and to do this, we should also look at what we do beyond just jobs, as potentially bullshit. Consider all the conditions applied to existing welfare benefits. If someone is required to drive to and from a specific location, and spend time filling out forms in order to receive and continue

receiving government assistance, or spend hours on the phone trying to reach someone for days or even weeks, then welfare itself should be seen as a job involving unnecessary work. In her article for *The Atlantic* titled, "The Time Tax", Annie Lowrey describes this loss of time as a regressive tax on those with the lowest incomes. This tax on time doesn't only function as a regressive barrier to exclude those most in need of assistance from assistance, it also serves to reduce overall productive capacity by making people perform entirely unnecessary work. **Time is too precious and too limited in quantity to ever tax with unnecessary labor.**

Besides mistakenly assuming that all work is productive, many FJG advocates also assume that paying people to work is always better than enabling unpaid work. This too is mistaken.

The Overjustification Effect

Paying people to do something can actually reduce or even kill one's existing motivation to do it for free. This is known as the **overjustification effect**. Consider two unpaid care workers, each performing care work without pay, because it feels meaningful and gives them a sense of joy or purpose. A job guarantee says we should pay them a salary to do that work, but what kind of impact does conditional compensation have on the sense of joy and purpose they were experiencing that was their primary motivation? Studies show that depending on the details, there could be negative impacts.

As one example, a program was created to provide a monetary incentive for parents to pick up their kids from school on time. The result was that fewer parents actually started picking up their kids on time, because they began to see it as a fee that they were willing to pay to be late. As another example, kids were tasked with going door to door to raise money for charity, and of three groups, those who got nothing, those who got paid 1% of what was collected, and those who got 10%, **those who did it for free raised the most money**. Their primary motivation was that what they were doing was simply important and of value to society.

Basically, there's two ways of looking at things: through an economic lens or a moral lens. If people inherently believe something is important to do, they'll do it, but as soon as they're paid to do it, they can begin to see it quite differently, and that can lead to worse outcomes.

Being paid to do something also has impacts that vary depending on the nature of what's to be done. Being paid to do something that relies on being creative can actually hurt creativity, whereas being paid to do something mechanical and mundane can improve productivity. Additionally, having income in advance of work instead of only after work is completed can lead to higher output and increased quality of what's produced.

In fact, just making sure that people have the option to not work can increase the amount of work done by transforming any task into a voluntary one. This was observed in an experiment where people provided the option to not do one of two tasks, voluntarily chose to do a task for a longer period of time than those instructed to do one of two tasks.

All of the aforementioned examples point to the need for an unconditional income floor that would better enable people to pursue unpaid work, and to voluntarily choose to do paid work, which would preserve intrinsic motivations, while also improving extrinsically-motivated work outcomes. The ability to volunteer is an important complement to guaranteeing employment, where even if we had a UBI and an FJG in addition to it, a **federal volunteer guarantee** (FVG) could be a further improvement based on psychological studies into what motivates us.

Given again that MMT is about the best possible use of resources to the maximum possible productive use, it's vital to consider such psychological findings and more when it comes to policy prescriptions as a result of utilizing MMT thinking. It simply isn't true that a job guarantee without UBI would result in maximum capacity. UBI is absolutely key to reaching maximum capacity by maximizing intrinsic and extrinsic motivations to work, and by better matching people to their interests, by enabling self-determination of work and what the best pay is for them to do it (if any) by empowering people with **the choice not to do it until the pay is right**.

Robots Instead of Spoons or Shovels

Another thing that MMT doesn't focus on enough by focusing so much on FJG instead of UBI is automation. By focusing on putting unemployed people to work in order to increase the productive capacity of the economy, we overlook that **automation can increase the productive capacity of our economy to a much greater degree**, and that the primary reason our economy isn't as automated as it could be (*half of all tasks could be automated using existing technologies*) is that **human labor is too cheap**. Human labor will continue being too cheap so long as everyone lacks the power to refuse low pay, and so long as investments in automation that cost more than humans aren't made.

A common story told with many different variants is about how Milton Friedman visited a work site and was told how many people it employed, and his response was effectively, "Oh I thought you were building a tunnel. If it's jobs you want, you should all be using spoons instead of shovels."

In order to maximize economic capacity, automation needs to be utilized everywhere it will increase productivity. By focusing on job creation, MMT advocates reduce the effective potential of MMT. **The focus should be on task completion** and how to accomplish tasks with as few humans and as little time as possible while maximizing the quality of what's created. This is why I believe the guaranteeing of jobs is the wrong approach. Instead of guaranteeing everyone a job no matter what it is, there should be so many jobs available both in the public and private sector, and so many volunteering opportunities available, that everyone can find the right task(s) for them. Investments should be made in all kinds of work that the private sector isn't getting done, or is getting done with less efficiency than could be achieved through public investments, but in order to maximize economic capacity, **there should be a goal of achieving the full employment of technology**, and an avoidance of unnecessary employment of humans.

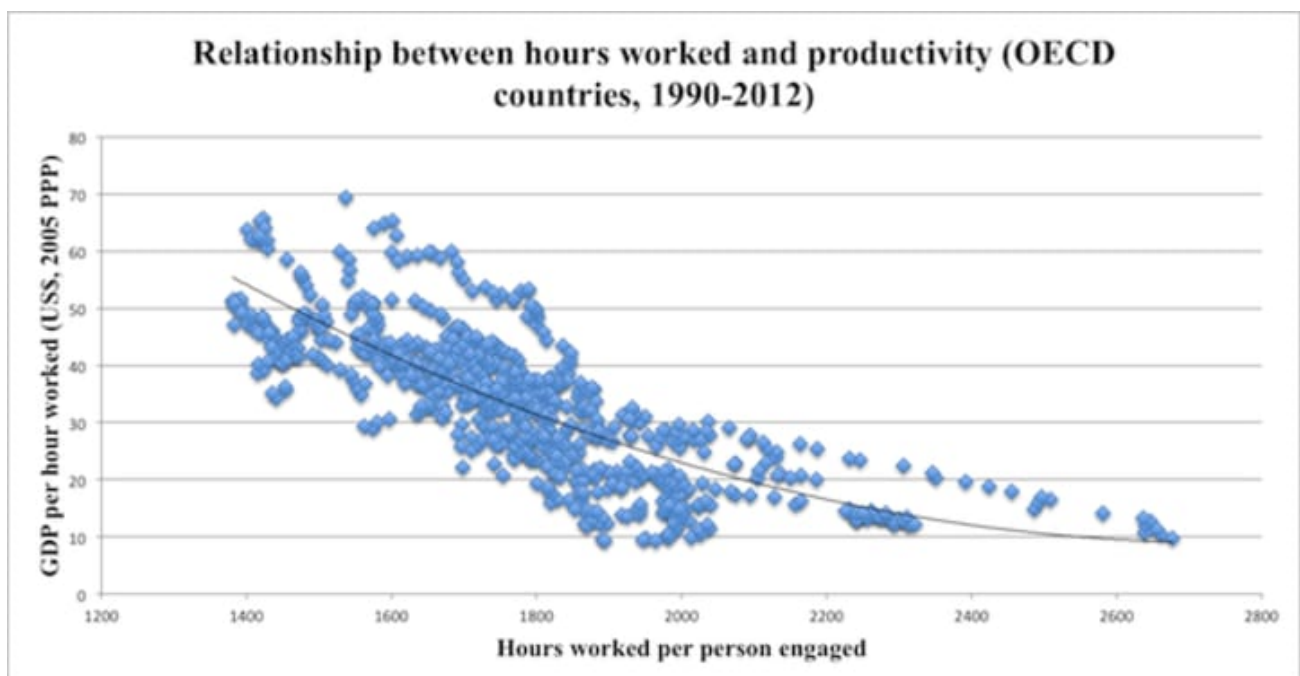
If a tunnel can be completed with a team of ten humans plus one giant machine in three months instead of a team of 100 humans using standard

equipment in a year, then MMT should prefer the former, not the latter, and **it should be used to create and buy the machines**. Jobs for the sake of jobs should never be the goal. The goal should be to reduce human labor as much as possible in order to optimally achieve given objectives.

Also, if automation ends up eliminating half of all existing jobs in the not too distant future because of heavy investments in automation, there is another way of achieving full employment than creating more jobs, and that's better sharing the paid work available by reducing the length of the workweek just as we did a century ago with the creation of the five-day workweek.

Working Less to Accomplish More

If the goal is maximum economic capacity, another important variable in achieving that, beyond the elimination of unnecessary work, is achieving more with less in general. If ten people are employed working 60 hours a week each, they aren't actually operating at maximum productivity, because that amount of work leads to burnout. We also know that productivity per hour increases as hours worked per year decreases, to a point. Obviously productivity falls to zero if hours worked falls to zero, but there does seem to be a sweet spot that isn't too much and isn't too little, where people get the most work done per hour, and also have the optimal amount of free time to buy and consume what others are getting done.



Experiments with shorter work weeks around the world, like in Iceland and Japan, increasingly show that people can accomplish just as much in fewer hours, in a way that also leads to increased well-being and other positive effects like less stress and fewer sick days. A recent study even found that a 4-day week with no loss in pay could reduce greenhouse gas emissions by more than 20%. And if that's the case, why would we work more to not accomplish more and instead just achieve far worse outcomes all around?

Working fewer hours per week while accomplishing just as much also means having more time to enjoy the work of others. What's the point of creating anything, and being able to afford it, if no one ever has the time to enjoy it? For example, tourism helps drive economies. As does the film industry and the gaming industry. These don't just require consumers with money to spend, but also time to spend. Therefore, making sure that people have enough leisure time is also a key element of reaching maximum economic capacity. **There simply is no consumer economy without enough *time* for consumers to be consumers.**

Additionally, there's a qualitative aspect to time worked where if someone is employed working 4-day (32-hour) weeks getting the exact same amount of stuff done as someone else working 5-day (40-hour) weeks, how much they're interested in the work they're doing matters too, because job satisfaction also matters. A bit more than a third of those employed in the US are engaged by their work. The rest are either not engaged or fully disengaged. So maximum economic capacity also means matching people to the work they're most engaged by, paid or unpaid. This is another reason UBI is so important, because it enables people to better find more engaging jobs, or to make their own jobs, or to even volunteer.

Unemployed Does Not Mean Unproductive

Last but not least, some of the biggest problems with an FJG absent a UBI are the realities of unemployment, unpaid work, and living with a disability. Being unemployed is not the same as being unproductive. A

great many of the unemployed are seen as a “reserve army” just waiting to be “put to work,” when many of them are in fact already working, but in economically unrecognized ways. Is a mother not working when she is raising her kid? Does it make sense to put her to work in a childcare center, and then employ someone else to do the childcare she was already doing? Does that increase economic capacity?

Is someone living with a disability who spends their time volunteering in their community being unproductive? Should they be given the choice of a job or disability income on the condition they provide sufficient evidence that they're sufficiently disabled to receive disability income? Right now about one in five Americans has some form of disability, and about four in five of them do not receive any disability income. The average wait time to qualify is two years and over 10,000 people die every year while waiting. Guaranteeing them a job or disability income would not dramatically change these numbers. What would is UBI.

By providing everyone with income, everyone with any kind of disability would receive at least that income, and that income would better enable them to pursue what they value most. That income would also be there as a minimum in case they apply but don't qualify for additional disability income. And even if some percentage of people choose to not do any form of work at all, disabled or not, by providing them an income, their spending becomes the paychecks of the employed, who all earn more than everyone unemployed, and thus enjoy a larger percentage of the total capacity of the economy than the unemployed. **With UBI, any refusal to become employed raises the incomes of those who don't refuse**, and also helps incentivize more automation for the benefit of everyone.

The incentive to work should always reside in the work itself and those who want it done. If the unemployed with UBI refuse to accept employment, then that's a signal that employment should adapt to them, not the other way around. By coercing the unemployed into employment with FJG absent UBI, there is less of an effect on the wage labor market to adapt. It is only by actually allowing people to refuse to work and still have an income to spend, that work pays what it should pay, automation is fully

employed, hours adjust to people vs people adjusting to hours, and an economy reaches its full potential by responding with supply to the demand signals of everyone instead of only some.

The Downsides of MMT

With all the above said, it's also important to consider the potential downfalls of MMT. Again, because MMT changes the way lawmakers look at spending and taxing, and essentially shifts the handling of inflation from the Fed to Congress, it requires a Congress that actually functions and is willing to handle that job responsibly. There would definitely exist a temptation to spend large amounts of money on all kinds of things that previously would have been considered too expensive. That can be a good thing or a bad thing, depending on the program being funded. Therefore, it becomes even more important to engage in **evidence-based policymaking**. Where possible, a new program should be piloted and not only compared against a control group, but also against a group provided an equivalent amount of unconditional cash.

This also further emphasizes the importance of UBI operating as a foundational floor beneath everything. There are many things the government wants to do that it would not need to do, or would need to do less of, if people had enough money to self-determine their own wants and needs through their own purchases. It's not at all to say that the only thing a government needs to do is get money to people, but to simply emphasize that **a government should focus on doing what people with sufficient money can't do on their own** without a government stepping in to help. An example would be housing.

Of primary importance is making sure people have money for housing. That empowers them to choose how and where to live, and whether they wish to buy or rent. After that it's easier to determine what else is needed. Does more housing need to be created? Where? Do restrictions that prevent more housing need to be changed? Which ones? Do people with mental health issues that prevent them from becoming housed need additional help? Get them help. But doing all of those things before making

sure people have enough money is wasteful, because **so many people just need money**. It's a horse and cart issue where the status quo is to put the cart first.

It's like looking at a pandemic and focusing on hospital beds for all instead of vaccines for all. Yes, hospital beds are important, but vaccinating would greatly reduce the need for hospitalization, and thus the need to use resources that could otherwise be avoided.

To manage inflation effectively, lawmakers also need to be willing to raise taxes intelligently, and to utilize supply-side thinking, and to determine which one is better given the circumstances. For example, given a microchip shortage that's pushing up prices and thus inflation, does it make more sense to pursue legislation that increases the supply of microchips, or does it make more sense to reduce people's spending power through reduced incomes or increased taxes? These are the questions a Congress using MMT thinking will need to debate and answer appropriately.

Seems potentially impossible now doesn't it? Counting on Congress to make smart economic decisions, and counting on them to even pass anything at all? They spent months in 2020 not even being able to agree on getting money to their voters. Can they really be trusted with macroeconomic levers that absolutely need to be pulled or left alone depending on circumstances? Realistically, right now, the answer is probably not, but that's also just more reason to focus on creating a Congress that actually works, which means passing important democracy reforms like **ranked-choice voting** and **open primaries** to reduce partisanship and extremism, **multi-winner districts** to end gerrymandering, public financing of campaigns to reduce the power of big donors, and abolishing the filibuster so that majorities can actually pass legislation as originally intended by the Founders.

It also points to a need to make Congress itself more efficient. If something can be automated within Congress to avoid debating it over and over again, it should be automated. Unnecessary debating should be avoided whenever

possible. An example of automating Congress would be installing **automatic stabilizers** where fiscal policies kick on or off based on economic conditions. Consider 2020, for example. Had automatic stabilizers already existed, as soon as unemployment increased above a certain threshold, unemployment insurance could have been automatically boosted, and monthly stimulus checks could have automatically begun. No need to debate anything. And when unemployment dropped back below a certain threshold, those emergency responses would automatically stop. Think about how much time that would have saved in Congress, and how much better it would have been for everyone.

UBI would also be its own automatic stabilizer that would both help prevent recessions by always maintaining a minimum level of consumer demand, and that in times of job loss would protect people with an income that's already there, and in times of full unemployment would be partially negated for most, and entirely negated for some, by taxes.

Another backup lever I'd suggest for additional monetary control is to provide the Fed the ability to get money to everyone independently of Congress through **personal Federal Reserve accounts**, and allow them to set, increase, or reduce that amount according to economic conditions. That would be a way of instantly increasing or reducing the money supply to handle deflation or inflation, and something that would have been incredibly useful to have when the Coronavirus pandemic hit. It's also something that could partially replace or even entirely negate the need for interest rate adjustments and also quantitative easing, which has a problem of increasing inequality and growing market bubbles by creating new money that goes directly to the top and stays there instead of trickling down.

Quantitative easing is in fact yet another way of filling the bathtub with water. It's been adding \$120 billion a month into the money supply since March 2020. Imagine if that had been going to all of us through our Fed accounts each month instead of buying up assets like bonds and mortgage-backed securities? It could have meant a **\$500 monthly stimulus payment** through the entire pandemic courtesy of the Federal Reserve.

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Conclusion

Having now lived through the novel coronavirus pandemic, and having witnessed with my own eyes the politics of what was made possible in response, and what was still not considered possible even at the height of Great Depression levels of mass unemployment, I have come to the following conclusion: UBI in the form of a fully universal payment to all Americans is unlikely to ever happen without MMT logic gaining sufficient influence among policymakers. Why do I say this? Because even in a time of national emergency, and even when the most money was ever spent, there remained an insistence on targeting. Full universality was still unattainable because of a belief that only those “in need” should get a stimulus check, even when we knew that definitions of need were utilizing old tax returns that were no longer relevant in 2020. People just couldn’t wrap their heads around the fact that targeting could be achieved on the back end via taxes. **Pay people first. Tax them last.** Taxation achieves the desired targeting by removing money ex post instead of ex ante. But we didn't do that because there was still a concern about the price tag of the legislation and keeping it as small as possible on the front end.

MMT is a pivotal mindset shift by looking at taxation differently. With MMT, taxation goes from being the source of funding to being the tool to accomplish certain goals like inflation management, inequality reduction,

and incentive shifting. It means going from an additive mindset to a subtractive one. It's like the difference between filling a hole with one shovel full of dirt at a time, or dumping a pile of dirt into that same hole followed by bulldozing away the excess. Taxation is about avoiding the excess of dirt after the hole is full, not about figuring out just the right amount of dirt to put into the hole in the first place.

Understanding UBI is helped by using this same subtractive mindset. Everyone gets money, and then money is deleted for some more than others via taxes. Because taxes aren't about funding, and are instead about shaping the outcome of the policy, the focus shifts from how to pay for UBI to how to best shape the UBI. The type and amount of taxes used in combination with the level of UBI determines who is and isn't a net recipient of UBI after taxes. Instead of deciding who should and shouldn't get income using an inefficient and error-prone means-test, the combination of UBI and taxes makes those with lower incomes into net recipients who receive more in UBI than they pay in total taxes, while making those with higher incomes pay more in total taxes than they receive in UBI.

Targeting does nothing but create unnecessary bureaucracy, holes for people in need to fall through, damaging stigma and distrust, and excessive marginal tax rates. **Pay 'em all and let taxes sort 'em out.** Utilizing taxation as a tool of targeting through subtraction opens up all kinds of new additional benefits. Carbon taxes go from "paying for" UBI to reducing inflation plus also reducing greenhouse gas emissions. Value-added taxes and automated universal transaction taxes go from "paying for" UBI to reducing inflation plus also clawing back the UBI from those doing the most consuming plus also incentivizing savings and investment over consumption. Land-value taxes go from "paying for" UBI to reducing inflation and wealth inequality plus also incentivizing housing development and disincentivizing idle land speculation. Intellectual property fees go from "paying for" UBI to reducing inflation plus also disincentivizing patent trolling and incentivizing a larger public domain. Etc. As soon as we start thinking about taxes as a tool of erasing money and

disincentivizing specific choices, a lot of tax options make a lot more sense, while other tax options like taxing income make a lot less sense.

With MMT, the question changes from “How do we pay for it?” to “We’ve decided this is important and we have the resources to do it, so we’re doing it, but what’s the best mix of ways to make the best most efficient use of our resources to achieve the best outcomes doing it?” We have to stop thinking about what something costs at the federal level. If it’s important and we can do it, then we should do it, and then manage the economy around that, *around us*, because that’s the entire point of the economy, to work for *us*. We are at the center, so it should serve us, not the other way around. **The limits of what we can actually do are determined by our actual physical capacity to do it, not by some construct we call money.**

To me, this kind of mindset shift opens the door to a new kind of economy, a **human-centered economy**, a **resource-based economy**, where we start asking deeper questions about what the point of all of this is in the first place. What’s the point of money? Why did we develop all of this technology in the first place? Shouldn’t the economy we create together work for all of us, and shouldn’t it be engineered in a way that maximizes human wellbeing and minimizes our negative impacts on the ecosystem that makes all human life possible? And shouldn’t all of it be built on a foundation of human rights that secures freedom and dignity for all?

In conclusion, I propose we need MMT and UBI, and also MMT and UBI need each other. MMT needs UBI to achieve the best use of available resources with the most optimal outcomes, and UBI needs MMT in order to achieve full universality, and in order to move from questions about affordability to questions of optimal tax design. Without UBI, MMT’s reliance on FJG alone will reduce total potential productivity by suboptimal allocation of resources and inferior amounts of demand and intrinsic motivation. Without MMT, UBI seems less likely to be viewed as a stigma-free right and more likely to be limited to implementations like the stimulus checks that include means-testing and thus all the problems that go along with non-universality.

Going forward, I am far less interested in conveying UBI as having “pay-fors” as I am in conveying how to best go about UBI. What’s the highest amount of UBI we can achieve with our total economic capacity fully utilized? What’s the best way or mix of ways, including but not limited to taxes, to best manage inflation to avoid exceeding our total economic capacity? Can we use inflation itself as a signaling tool to help us determine which specific supply-side investments we need to make while protecting people with low and fixed incomes from the regressive effects of inflation? As we design an optimal UBI implementation, can we also reduce or even eliminate income taxes as part of that approach by instead leaning on a mix of other taxes that tax stuff we want less of? **Can we change the way people look at money, taxes, and government itself to something more visionary and less divisive?**

I think we can, and if you don’t agree yet, please next go read *The Deficit Myth* by Stephanie Kelton, and also more of my own writings about UBI to dive deeper into its importance as the foundation upon which to build a higher functioning society and a better, more prosperous future.

We can do a lot better, and I think it begins with MMT and UBI.



Thank you to [all my patrons on Patreon](#) for enabling the creation of this article

This article is the result of over seven months of research and writing. It would not have been possible to take so much time and care in creating it if not for my already having a basic income via my monthly supporters on Patreon.

If you enjoyed this article, please consider it as further support for UBI itself, and please share it far and wide with others.

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Scott Santens has been an unconditional basic income advocate since 2013. He's also the editor of [Basic Income Today](#). You can follow him on [his blog](#), [podcast](#), [news flash](#), [Substack](#), [Twitter](#), [Facebook](#), [YouTube](#), and [Reddit](#).

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What to do if you hear racism



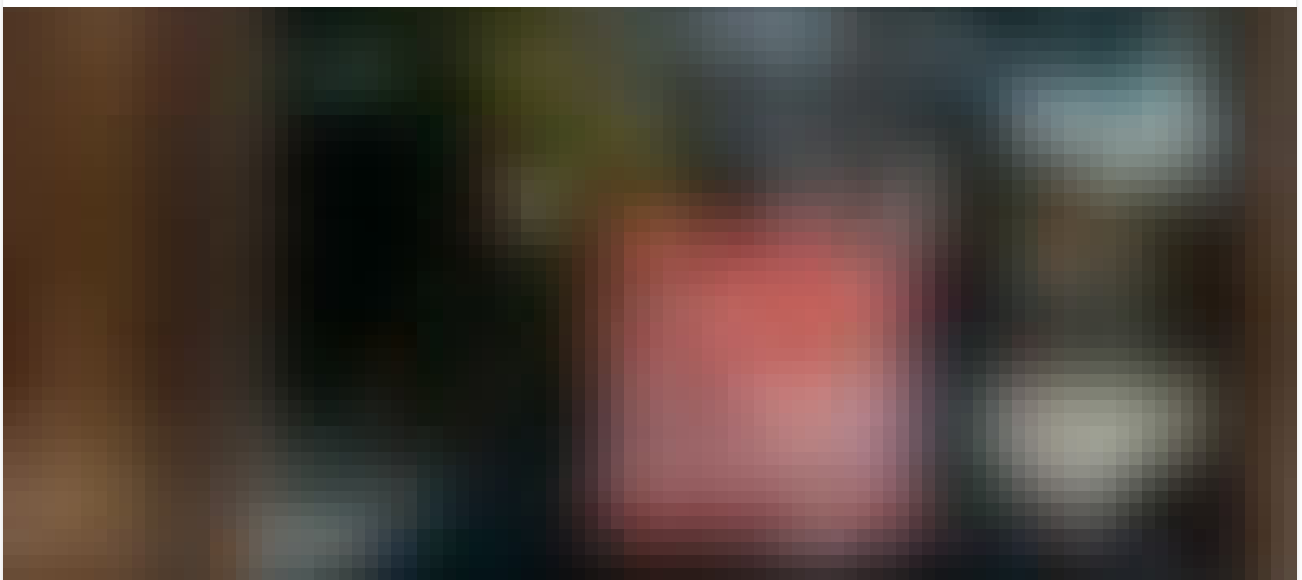
Tone Breistrand
about a year ago

It is all of our duty to do our best to defeat racism. Regardless of your ethnicity or the colour of your skin, the world needs you to be an active anti-racist in order to finally get the situation under control. No one should be treated differently because of where they are from or what they look like. Here are some things you can do to help.

4 Ways to Support Your Country During Tough Times

DM

Dennis McKonkie
about a year ago



Most people would agree that the times are fairly troubling these days. And with it comes stress, worry, confusion or anger. One of the most important things you can do? Don't get stuck in it. Recognize that things will get better. Stand by your country and see it through, even on the hardest days. Along with

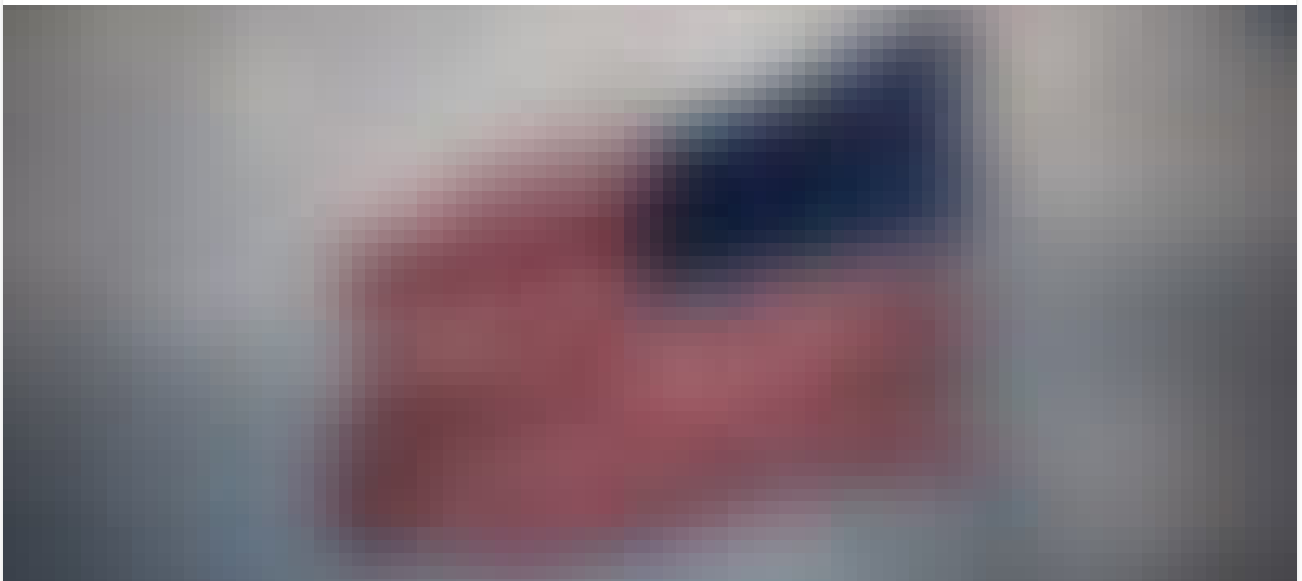
hanging on tight to this positive outlook, there are other things you can do to show support and love for your country. Keep reading for four ideas to make a difference.

Dissent is Patriotic



Kelsey Allen

4 years ago



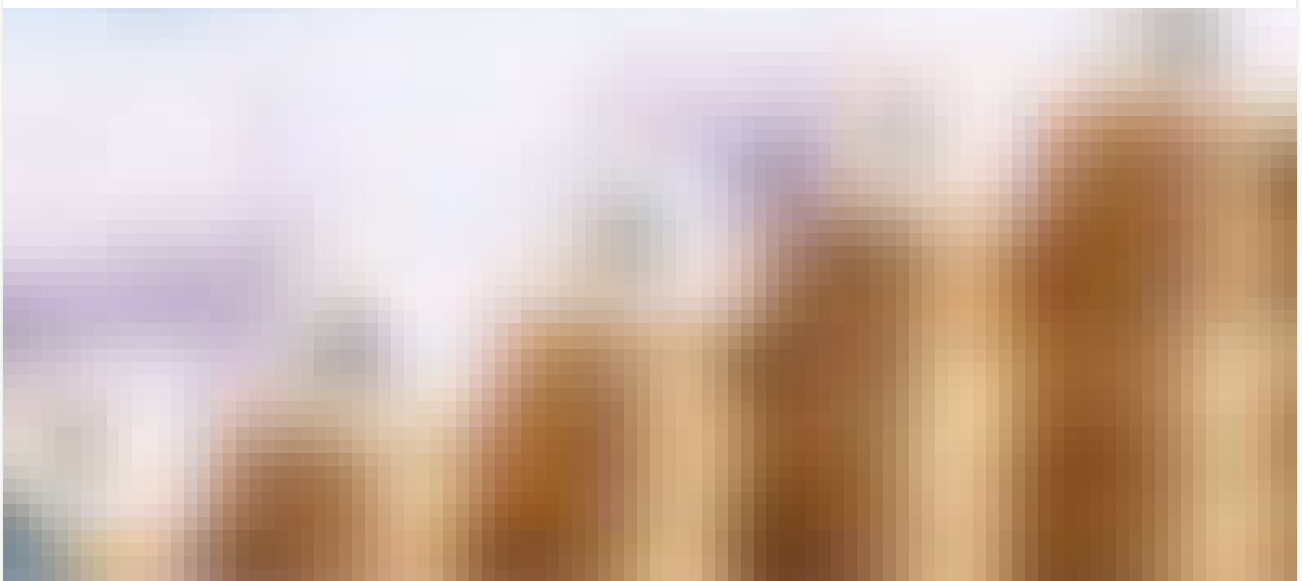
There's been a lot of divisive talk about the NFL players kneeling in protest of the racial problems in this country. I've seen service members both applaud and denounce these players. What bothers me the most is the people who think that they should be fired, or the people who think that they should protest differently. The funny thing is, I've been here before. I've seen the ugly side of people who vehemently disagree with a peaceful, personal protest. I've seen it because it happened to me, a few months after September 11, 2001.

Michigan, Where Do Our Tax Payments Actually Go?



Amanda Spradlin

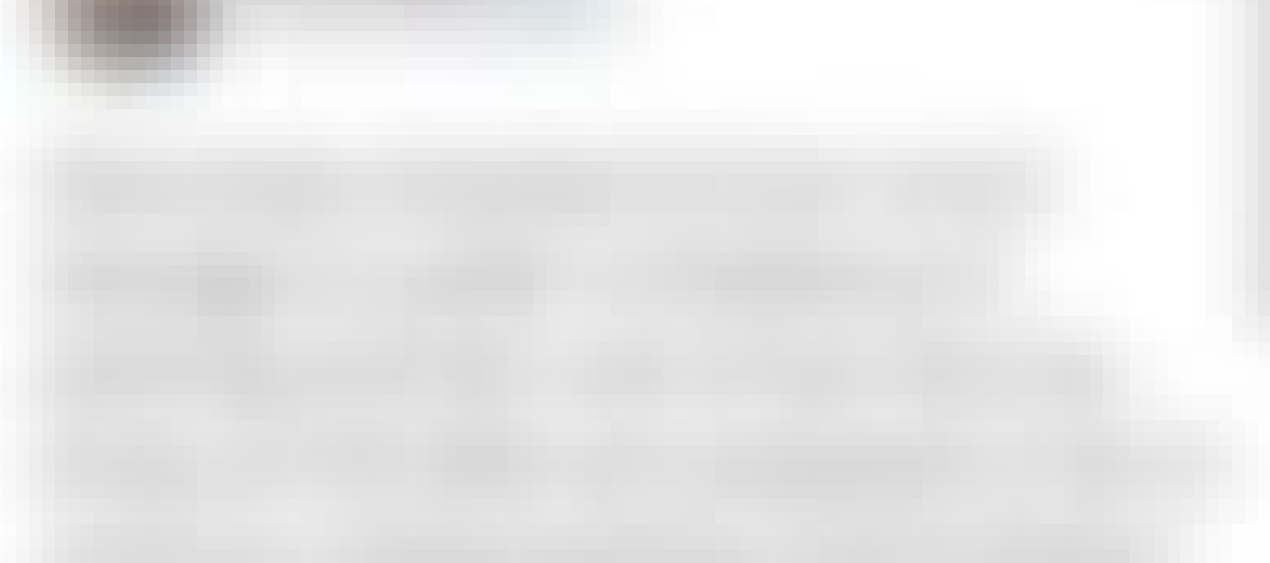
about a year ago



I have had a lot of questions about taxes lately. So, I reviewed the State of Michigan's Annual Financial Report prepared by the State Budget Office in comparison with the Budget Briefing: State Tax Revenue Overview which was prepared by the House Fiscal Agency. I did not like what I found.


Boris Johnson is not a cuckoo in the Tory Nest

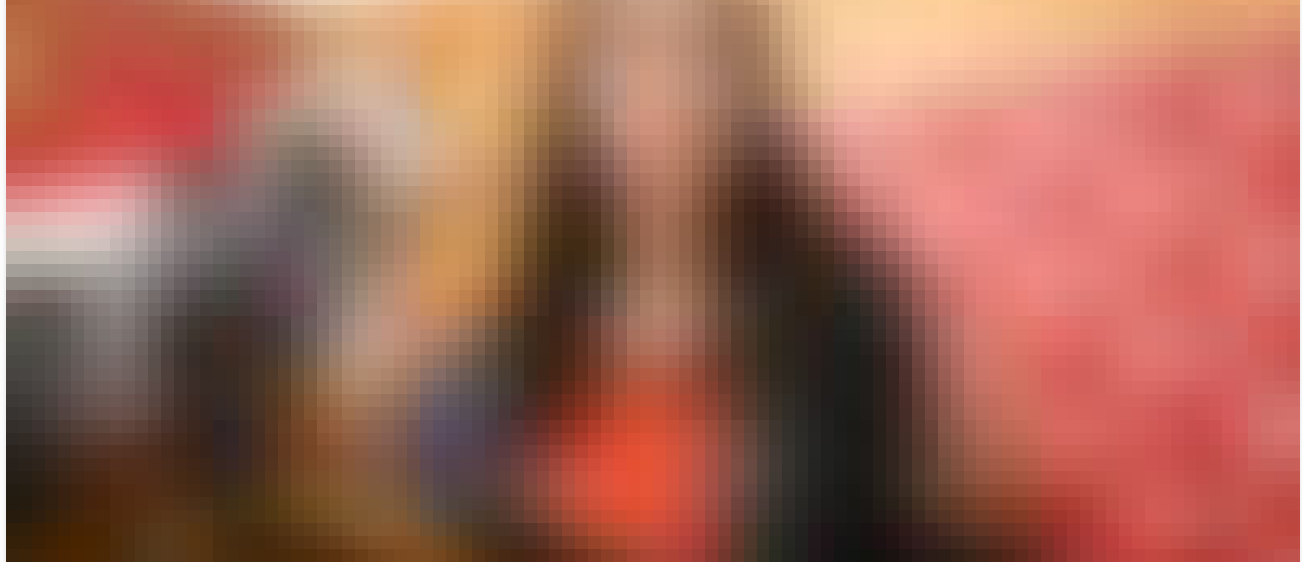
APK Axel P Kulit
8 days ago



It was clear over a year ago that the Tories believe they are above the law. Despite the many failings of the Tory government and their efforts to turn the UK into an elected dictatorship they held a firm lead in the polls, aided by a stubborn refusal by the official opposition to well, OPPOSE.

Youth Empowerment

 Lachlan Mitchell
4 years ago



The youth of today are standing up for what's right in the world whether it be marriage equality or women's equality in the workplace. The generation of today are taking steps in the right direction to make sure the world they and their kids will grow up in is a fair and just one for everyone. With the increase of youth stepping up in society it comes as no surprise that the youth of today and young adults are stepping out in society and securing the top places in government and gaining popularity with the population of their country to become prime minister/president of their respective countries.



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