

## MMT Fatal Flaws: Why Feed a Worse Machine?

- MMT argues that inflation (and, by inference, taxation) are merely methods to move resources from the “private sphere” to the “public sphere.”
  - This assumes both spheres are similarly productive with their resources
  - However, this is not the case
- Deficiency #1: Pareto inferiority
  - Involuntary moves injure at least one party to the move
  - Violates Pareto rule; social utility is decreased
  - For every interaction forced by the state, that interaction could occur voluntarily if all parties consented
  - Even assuming zero utility to consent (a dangerous proposition), the “public sphere” hurts society
    - Any theory that minimizes the utility of consent will have a tendency to fall into terror, and is therefore suspect a priori
- Deficiency #2: Mises’s Calculation Problem
  - State purchase of goods distorts price structure and disrupts the voluntary plans of individuals
  - The larger a proportion of any industry is controlled by an organization that can ignore profit and loss, the larger the distortions to that industry’s price structures
  - Distorted prices send incorrect/inaccurate/useless information to entrepreneurs
  - Distorted prices also hamper innovation because the lack of information drives reliance on old price information and ignores potential new methods of production
  - Therefore, resources in “public sphere” will often be used inefficiently or destructively, and that use will distort the smooth operation of the voluntary sphere
- Deficiency #3: Hayek’s Knowledge Problem
  - Knowledge is dispersed throughout the participants in an industry
  - This dispersed knowledge cannot easily be collected and utilized by a centralized body
  - Prices and elasticities in supply and demand efficiently send signals about this dispersed knowledge through the economy
  - The centralized state planner cannot gather or synthesize this information, and generally ignores it
  - Therefore, again resources in the “public sphere” will often be used inefficiently or destructively
- Deficiency #4: Public Choice theory
  - Politicians are incentivized to use “public sphere” goods for their own benefit, not the people
  - Governments cannot function like businesses because they are immune from consequences of profit and loss mechanism
  - Centralized government suffers from the monopoly problem, in that they face no competition and that they have very little information about how to effectively use internal resources
  - Being successful in politics does not require one to be a successful entrepreneur, therefore stewards of “public sphere” goods are likely to be less skilled at allocation than “private sphere” holders
  - The lack of the profit and loss system encourages perpetual growth of unproductive bureaucrats interpreting arbitrary rules
- Bottom line, MMT says inflation and taxation are tools to “bring goods into the public sphere,” but what they don’t tell you is that the fewer goods “brought into the public sphere,” the better

- MMT practitioners, if honest, would discourage government spending and taxation as destructive to economic growth
  - Instead, a few of them serve as intellectual cover for the vast majority who sell MMT to modern politicians as a justification for ever-expanding state control of the economy