

Who is Afraid of the Big Bad Debt? A Modern Money Theory Perspective on Federal Deficits and Debt

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Abstract

The U.S. federal government's deficit is expected to grow to over one trillion dollars in fiscal year (FY) 2020, and the national debt held by the public will likely grow to over \$16.7 trillion. Budgeting scholars in the field of public administration have expressed concern over the increasing debt levels. The field of public administration, however, is largely unaware of Modern Money Theory (MMT) and the mechanics of money, which is its focus. MMT argues that understanding the mechanics of money in the U.S. financial system should lead scholars to different conclusions regarding the debt and deficit. This article presents the core arguments of the MMT perspective in this regard, with the goal to trigger further debates about debt and deficit among the community of budgeting scholars.

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