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From: Managing Sport and Leisure
To: Hammond, Andrew M
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09-Nov-2020

Dear Dr Hammond:

Ref: Financing sport post-COVID-19: using Modern Monetary Theory (MMT) to help make a case for economic recovery through spending on sport and recreation

Our reviewers have now considered your paper and have recommended publication in Managing Sport and Leisure. We are pleased to accept your paper in its current form which will now be forwarded to the publisher for copy editing and typesetting. The reviewer comments are included at the bottom of this letter.

You will receive proofs for checking, and instructions for transfer of copyright in due course.

The publisher also requests that proofs are checked through the publisher's tracking system and returned within 48 hours of receipt.

Thank you for your contribution to Managing Sport and Leisure and we look forward to receiving further submissions from you.

Sincerely,
Daniel Parnell
Editor in Chief, Managing Sport and Leisure
d.parnell@liverpool.ac.uk

Reviewer(s)' Comments to Author:

Reviewer: 1

Comments to the Author
Dear Author,
Thank you for making the revisions and amendments to the article. The article is much improved and reads much better as a result. I am now happy to accept this for publication.

Financing sport post-COVID-19: using Modern Monetary Theory (MMT) to help make a case for economic recovery through spending on sport and recreation

This commentary aims to explore the challenges of financing sport in light of the economic and health questions posed by the COVID-19 outbreak. Governments will have to spend large sums of public money to stimulate recovery; therefore, it is asked: how should sport and recreation spending be part of recovery plans? The case of the Montreal Olympics debt and deficit disaster is re-examined. It is argued that if the federal government (a currency issuer) underwrote the games many of the issues that followed may have been avoided. Therefore, this commentary challenges sport and leisure scholars to think about how sport and recreation could be part of the solution when fiscal policy is becoming the preferred antidote to the social and economic consequences of the Coronavirus pandemic.

Keywords: Sport Policy; Media and Communication; Economy; Sociology

Introduction

Headlines around the world governments 'are going "broke"' fighting the coronavirus pandemic (BBC, 2020; Packham, 2020; Rappeport & Tankersley, 2020; The Globe and Mail, 2020). As scholars concerned with sport, leisure, and wellbeing, many of us are bracing for tough times ahead, given that many sports organizations are highly dependent on in-kind donations by the state (such as land for stadia), and/or tax breaks to finance their operations (Kellison et al., 2020; Rowe, 2020). Modern Monetary Theory (MMT) is reshaping and reframing discourses around debt and public finance. Therefore, in this commentary, I reflect on these changes and pose critical questions about the role of financing sport with government money to repair the damage done by COVID-19 in the sport sector.

Modern Monetary Theory

> Let us never forget this fundamental truth: the State has no source of money other than money which people earn themselves. If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that someone else will pay—that "someone else" is you. There is no such thing as public money; there is only taxpayers' money. (Thatcher, 1983, p. 3)

In her speech at the annual Conservative Party conference held in Blackpool in 1983, Thatcher famously proclaimed that a government budget is akin to a household budget. A government could never spend more than it earned through taxes and other revenue sources. The metaphor of a household had broad appeal across the political spectrum and helped Thatcher convince the public of the need for economic reform.

MMT theorists such as Kelton argue in her 2020 book *The Deficit Myth* that Thatcher concealed the power of currency-issuing governments. That is because currency-issuing governments (the UK, Australia, Canada, and the USA) are in charge of their own currencies, thus these nations cannot become insolvent the way a household can. Therefore, these nations do not need to raise taxes to fund government spending. Kelton argues that Thatcher's remarks are more ideological than factual and deliberately obfuscate the currency-issuing power of countries like the UK. Unlike countries that gave up currency sovereignty to join the Euro (e.g., Greece, Spain, and Italy), countries that control their currencies can spend without raising taxes or borrowing currency from other countries or investors (Kelton, 2011, 2020; Sharpe & Watts, 2013). According to Kelton "a government like the United States—i.e., one that issues a sovereign, non-convertible currency—can meet any and all outstanding financial obligations, provided the debts are denominated in the national currency," (Kelton, 2011, p. 62). Of course, there are limits on public spending. However, MMT economists argue that policymakers should focus on unemployment and inflation rather than debt when deciding when they should spend public money (Kelton, 2011, 2020; Wray, 2012). In the COVID pandemic, one could assume that because unemployment is high, aggregate demand is low, government should spend now (i.e., to boost aggregate demand) and cease spending when inflation increases (i.e., when prices rise).

As Kelton (2020) points out, since the global financial crisis, policymakers and governments have become less worried about "debt and deficit disasters". Debt and deficit disaster have never really materialized in nations that issue their own currencies (unlike Greece, Italy and Spain). For instance, in the US since the Global Financial Crisis, record economic growth (in terms of GDP) has been associated with historically large deficits (Kelton, 2015). As Kelton (2020) points out, deficits are seldom considered when politicians finance the military or slash taxes for individuals and corporations. Arguably, governments should not be constrained by deficits when spending on health care, childcare, leisure, sport, and education.

In her own context of the US, Kelton (2020) argues for a federal job guarantee where the nation-state would employ anybody who is jobless for an agreed wage. The policy, she argues, would promote full employment while keeping inflation stable. She contends people with this wage could engage in health, social care, or other sectors that would enrich others' lives (Kelton, 2020). It is argued that workers in the sport and recreation sector could contribute much if currency issuing governments guaranteed employment. Moreover, many of us would agree that countless of our newly minted (and unemployed) sport studies graduates who are graduating with skills in health, wellbeing and physical activity (especially at the grassroots and community level) would benefit from such a scheme and would make a substantive contribution to society.

The ultimate difference between the conventional economists versus the MMT theorists is the question of how much more should be spent without raising inflation, establishment economists such as Mankiw (2019) are extremely cautious, whereas Kelton (2020) points to how nations could be spending much more. As we saw in the global financial crisis in 2008, many experts in the U.S. contended that an adequate response to the downturn would have required the government to spend a trillion dollars or more to boost aggregate demand (Kelton, 2020). Instead, Obama and his aides, worried about sticker shock backlash, and instead delivered a much smaller stimulus, and millions of people remained unemployed (Kelton, 2020). Kelton (2020) argues that in the U.S., prudence towards debt and deficit is coming at the expense of social welfare, and is hurting those that depend on public services the most (i.e., the working class, female, the young, dis/abled etc.)

The realization that debt is not bad and that public spending in and of itself is not reckless (or immoral) provides sport management scholars and those interested in inequality and social justice with an opportunity. As scholars invested in recreation and other life-enriching activities, we should collectively argue against increasing public spending in a recession and advocate for policies that would increase the public debt and aggregate demand in the sport and recreation sector. With policymakers currently considering spending more money to maximize social welfare, then we need to argue as a field for why sport and leisure should be part of the plan. However, to understand why some scholars might be uncomfortable with advocating for public spending on sport and recreation, it is crucial to examine how scholars have written about public debt and sport. Writing about the Montreal Olympics illustrates why some scholars might think spending on sport is wasteful (or even immoral).

The 1967 Canadian Montreal Olympics

Thibault and Harvey (2013) declared the Montreal Olympics a “financial disaster” due to the debt accrued in hosting the games (p.14). However, using MMT's analytical tools, it is initially unclear why or how the hosting of the Montreal Olympics arrested public finances. Thibault and Harvey do not discuss who financed the Montreal Olympics. They did not mention that the games were primarily financed by the City of Montreal and the Québec provincial government of Canada (both are currency users whose budgets are constrained by taxes and revenue). They omitted that the Federal Government (the currency issuer not constrained by debt and deficit) did little to finance the games (apart from pointing out that they set up a lottery to fund the games). Instead, Thibault and Harvey (2013) conflated the problem and suggested it took years for the debt to be paid off with “funds originating mostly from taxation on tobacco products,” (p.14).

The case of the Montreal Olympics prompts us to be wary of how governments should fund mega-events, but just because mega-events will drive up public debt does not mean that the resulting debt is terrible or reckless (as Thibault and Harvey imply). Instead, MMT prompts us to think more critically about the effects of debt, based on the type of governments that incurs the debt (i.e., a currency issuer versus a currency user). The debt accrued by the City of Montreal for hosting the Montreal Olympics did lead to a crisis and a decline in public services. Because unlike the Federal Government of Canada (that is a currency issuer), the City of Montreal and province of Québec are currency users and, can default on their debt like any other currency user (like households, businesses and nations who use the Euro like Greece, Italy and Spain). Montreal and the Province of Québec must use federal government money and thus cannot spend any more of the federal government's money than they make through taxation (Kelton, 2011). A logical question then is if the Federal Government funded the Montreal Olympic games would the financial disaster for the city be avoided?

In hindsight, it is impossible to have predicted what might have happened if the Federal Government of Canada financed the Montreal Olympic Games. This is because in the 1970s the oil crisis and other issues related to unemployment and inflation meant that the federal government might have struggled to make full use of MMT tools (remembering a handbrake on spending is inflation, not debt). However, we can say for sure that concerns about debt at the federal level were only part of the picture, it is also likely that the government was concerned about the optics of helping out Québec in a nation that was becoming deeply divided (Kidd, 1992; Whitson & Horne, 2006).

In the 1960s, Québécois were keen to reduce their relationship and dependency on English speaking Canada (Whitson & Horne, 2006). It was only ten years earlier in 1967 when President Charles de Gaulle of France (a head of state of a foreign country), announced 'Vive le Québec libre!' at Expo 67 (an event underwritten by the Federal government). Many Canadian studies scholars view de Gaulle's speech at Expo as one of the catalysts for the Québec nationalism movement that could have resulted in Canada's break-up in 1980 and 1995 (Jedwab, 2017; Meren, 2012). As Whition and Horne (2006) point out it is important to note that the threats posed by the Front du libération de Québec meant that the Canadian federal government was reluctant to provide financial support for an event that might have exacerbated existing political divisions in Canada.

MMT opens us to think about how the Montreal Olympics' debt crisis could have been minimized if the federal government financed the games (as they did in Calgary and Vancouver). Following Kelton and others (Kelton, 2011; Sharpe & Watts, 2013) after 1970 Canada floated the dollar and therefore (to paraphrase Kelton, 2020) could never become insolvent and could never run out of Canadian dollars. Arguably, Québec separatism and politics related to provincial favoritism (as Pierre Elliot Trudeau was a Québécois) was more influential in the conditions that led to the Montreal Olympics debt crisis. The lesson for us going forward in the COVID economic crisis is that we need to think more critically about why sport and recreation is or is not financed by government as part of recovery efforts. Thus, as a field, we have to justify why sport and recreation should be a crucial part of recovery, while also thinking critically about the social and environmental costs caused by rent-seeking behavior (e.g., Yoon, 2020). Moreover, social-democratic policy agendas from the past provide us with solutions for how governments might want to allocate resources to stimulate recovery in the sport sector.

Concluding remarks

In articulating why and how sport and recreation can contribute to the recovery, I contend that we should return to sport and recreation policies of the past (such as the Bloomfield report commissioned by the Whitlam government in Australia) in planning our recovery (Adair & Vamplew, 1997; Stewart et al., 2004). Rather than avoiding debt, a conversation as a field is needed about what initiatives, policies, and programs should be funded and how sport impacts the environment. Moreover, there is a discussion needed about for whom public money should be spent. In the rebuilding of society conversations about how public money is allocated towards physical activity programs, the media sports cultural complex, and physical education. Public money must be spent in the democratic interests of the society it serves, not just rent-seekers or other special interests' groups who elicit public funding easily during debt and deficit disasters.

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