

Introduction: Whither MMT?

The editors

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According to its proponents, modern money / monetary theory (MMT) is a new distinctive theory and policy position. At the same time, MMT recognizes inspirations, antecedents and fellow-travelers. MMT started to attract attention in the 1990s, notably based on work emerging from the Levy Economics Institute and the University of Missouri, Kansas City. However, in the wake of the decade of fiscal austerity following the Global Financial Crisis, and the apparent exhaustion of standard monetary policy strategies and the ever-increasing income disparity, interest in MMT has grown beyond academia. One of its main proponents, Stephanie Kelton, professor of public policy and economics at Stony Brook University, is chief economic advisor to the high-profile Democrat US presidential candidate (2016 and 2020) Bernie Sanders. Most recently, Congresswoman Alexandria Ocasio-Cortez invoked MMT as a possible means to fund the Green New Deal, and she has been an active supporter of MMT academics via Twitter. MMT has also received growing attention in Europe as a possible solution to the long running economic dislocations of the Eurozone and the European Union. As such, a serious engagement with MMT seemed to be a useful contribution to constructive pluralistic dialogue, a *raison d'être* for this journal.

Little prior knowledge is needed to make sense of the essays that follow, but some brief scene-setting may be helpful.

In addition to Stephanie Kelton, MMT's main proponents have been: L. Randall Wray, William F. Mitchell, Eric Tymoigne, Dirk Ehnts, Scott T. Fullwiler, Fadel Kaboub, Pavlina R. Tcherneva, and Warren Mosler.¹ Amongst its more prominent claimed inspirations and antecedents are: John Maynard Keynes, Hyman P. Minsky, Michal Kalecki, Wynne Godley, Georg F. Knapp, A. Mitchell Inness and Abba P. Lerner. Clearly, this list covers major figures in non-mainstream economics. This positions MMT as occupying territory most prominently associated with Post Keynesians, but also with some Marxists and original institutionalists. MMT share their collective interest in the history of money (what money is) and its creation, capacities and consequences, broadly articulated as a situation of endogenous money and a monetary economy. L. Randall Wray, for example, is a managing editor of the *Journal of Post Keynesian Economics*. However, since MMT places a claim on a legacy and has sought to articulate its distinctiveness, it has provoked a range of reactions from erstwhile fellow travelers. Given the credentials of some of the people involved, their opinions represent a different type of challenge for MMT than the widespread misunderstandings that have appeared in the press regarding hyperinflation and irresponsible profligate printing of money.

MMT proponents tend to focus on situations where a country has a *sovereign currency*. This "sovereignty" has various characteristics that an individual country may exhibit in its institutions to a greater or lesser degree. The government (more accurately the state, which each successive government expresses) dictates a money of account and denominates its currency in it and issues that currency. Crucially, the government imposes a critical mass of "obligations" (something that must be transacted, disposed or settled) using the currency and

¹ For indicative references see Ehnts (2017), Kelton (2020), Mitchell and Fazi (2017), Mitchell and Muysken (2008), Mitchell, Wray, and Watts (2019), Mosler (2013), Wray (2015; 2008).

then accepts that currency in payment of the imposed obligations. From the point of view of MMT, the corollary organization of the state framework creates a set of highly significant capacities and consequences: unlike a household the state *cannot run out* of money, it can always meet its own obligations in so far as they are denominated in its own currency and it does not, therefore, face a “budget constraint” as this is conventionally understood. It is the scale and characteristics of the economy, the efficacy of government and the institutional specificities of the state and its statutes, but *not* the capacity to finance, which, says MMT, dictates the current limits.

There is a great deal more that might be said here regarding scope and nuance, but this is a matter for the essays that follow. At this stage, we need only note that, *within* MMT the subsequent issues are:

- the degree to which the currency *is* sovereign. (This depends on the currency’s place in the hierarchy of the world’s currencies, and the way exchange rates are set and the way financial assets, notably treasury securities, are produced and traded.)
- the degree to which the state can be treated as a single organized and institutionally integrated form, and
- the scope provided for creative state financing for fiscal “policy space”, once (if) citizens, state functionaries and market actors grasp that (as MMT sees it) taxation is not the source of the capacity of government to finance.

It should become clear as one reads the essays that follow, that interlocutors respond to MMT along several related lines of inquiry:

- the degree to which MMT can *consistently and accurately draw on* its inspirations and antecedents;
- the degree to which MMT offers an adequate description and explanation of the state and its monetary economy;
- the degree to which MMT accurately explains how things *could work*, if appropriately configured; and
- the scope and limit of its application to countries in the world, given that so much hinges on degrees of “sovereignty”.

This collection of essays from leading economists in the MMT debate offers the reader a range of viewpoints from which to become informed about what is set to be a significant part of economic policy discussion in the coming years. We thank the contributors for their essays and for their epistemological goodwill in, at short notice, taking part in this pluralist project.

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