

MMT and TINA

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Abstract

The rise of MMT in the last two years has attracted its detractors, not only among post-Keynesians, but now among the many within the mainstream corridors of powers, as both elected politicians, and non-elected leaders in policy institutions. Today, it seems like everyone knows about MMT. This short paper does not wish to add to the tiring panoply of critiques, but offers instead a possible, and simple, explanation of why many on the right fear MMT theory and policies.

JEL Codes B52, E02, E12

Keywords MMT, TINA, post-Keynesians

1. Introduction

As we approach the 25th anniversary of MMT,² it is perhaps fitting to reflect on the recent, yet undeniable, meteoric rise of MMT in the public and policy consciousness in the last few years or so. For some, this phenomenon may even play a role in the upcoming US elections. As James Wilson of the *New York Times* recently tweeted, “The speed with which young activists on both left and right are migrating toward MMT is going to have a profound effect on US politics in the 2020s and 2030s.”

Whether that is a reasonable prediction is for now beside the point, but one thing is certain, the rise of MMT has defied many expectations, perhaps nowhere more so than among some post-Keynesians and heterodox economists. It is proof that the rise of MMT is a desire to see an alternative to current policies. It is difficult to conclude otherwise.

It now seems that anyone working in policy circles is keenly well aware, rightly or wrongly, of this once obscure or marginalized approach, and it appears everyone now has an opinion on it. In this sense, MMT has succeeded in ways post-Keynesian economists have not: they have broken through!³ One possible reason for their media success is perhaps their ability to reduce complex ideas and theories into simple, relatable terms – something the mainstream have been expert at for decades. Of course, this may have its downside, but it certainly contributed to their success. For instance, the mainstream’s view of comparing State finances to that of a household was a brilliant PR move that convinced voters that deficits matter and contributed to the abandonment of fiscal deficit spending (until perhaps more recently). The left was never able to match this simple, though wrong, analogy. But MMT’s idea that a sovereign country emitting its own currency cannot go bankrupt certainly rivals the

¹ I would like to thank Marc Lavoie and Mario Seccareccia for comments on this paper. Of course, all errors remain mine.

² I am using 1996 as the benchmark year where it all began, when Matt Forstater asked his undergraduate student, Pavlina Tcherneva, to do a critical review of Mosler’s (1995) self-published booklet, *Soft Currency Economics*.

³ I do not mean to say here that MMT and post-Keynesian theory are separate. Far from it, but my language here is simply meant to highlight that the MMT *version* of post-Keynesian economics has succeeded in getting recognition. As Fullwiler, Bell and Wray (2012, p. 10) claim: “We have never tried to separate our ‘MMT’ approach from the heterodox tradition we share with Post Keynesians, Institutionalists and others.”

mainstream household argument. This simple idea spread across social media and other internet sites, and helped gather some adherents to the MMT cause.⁴

Evidence of MMT's success can also be found in JEL classification, which has created two codes for "Modern Theory of Money" – B52 and E12 – which is quite an accomplishment in and by itself (post-Keynesians only have one). Finally, a very quick search on the internet reveals articles in Japan's Time, Bloomberg, Forbes, BBC, CBC, NY Times, Washington Post, Financial Post, Financial Times, The Guardian, Mother Jones, Jacobin, the Wall Street Journal, and countless upon countless videos, podcasts, vlogs, blogs, and more. When was the last time any post-Keynesian gathered such attention?⁵ To my knowledge, no one has ever stated "Post-Keynesians will have a major role to play in the 2020 US elections." In that sense, let's give MMT the credit they are due.

But the rise in popularity and acceptance of MMT has not come without a price. For instance, while MMT always had its internal critics, its recent fame has attracted the angry voices from many (powerful) elected and non-elected officials as well as the captains of finance, especially on the right, as MMT theory, although perhaps more the policies attributed to it (a job guarantee, a green new deal), have come under closer scrutiny, as critics try to understand a theory that not only asks different questions but asks them in terms often foreign to many mainstream economists.

At the same time, MMT founders must contend with a cacophony of voices speaking on behalf of the theory, which has led to some confusion of what MMT stands for. To wit, there are now two distinct groups within the MMT world. There is the core group or scholarly-driven research, represented – still – by a small cohort of scholars, like Randy Wray, Stephanie Kelton, Pavlina Tcherneva, Mahew Forstater, Scott Fullwiler, and Bill Mitchell, and a more activist-driven group who may not always carefully reflect the core MMT assumptions.⁶ These activists are not, in most cases scholarly-trained and often have limited knowledge of economics,⁷ but are extremely busy in blogs and on the internet spreading the MMT word. For them, MMT ideas can be used to attack the political mainstream policies of austerity and unemployment.⁸ Yet, their considerable involvement contributed to the development of what Lavoie (2019) has called a "general case, for popular consumption", which he contrasts with the "specific case, for academic discussion." Yet, it is this more activist component that might have contributed to a confusion of what exactly MMT stands for.

Yet, this more popular or activist version is an inevitable result of MMT's rise in popularity and, in return contributed in making MMT a true international movement. In a way, it is a "good" problem to have, despite the downsides. And MMT scholars are not unaware of this problem, and have gone to great lengths to remedy the situation by creating, for instance, an "MMT University", in an effort to not only educate interested students, but also to control the message. In this sense, the Mitchell, Wray and Watts (2019) textbook should come as close

⁴ Thanks to Mario Seccareccia for this important point.

⁵ My regular Uber driver, who knows I am an economist, even asked me if I had heard of MMT!

⁶ Interestingly enough, while the rate at which the social-media adherents to MMT grows, it appears that the number of proponents of the core MMT version has remained relatively the same in the last 25 years. I will return to this point in the conclusion.

⁷ I would add, they have no knowledge of the history of post-Keynesian economics. I was recently explained that the reason many central banks are interested in endogenous money today is only because of the work of MMT scholars.

⁸ In my travels abroad, and in encounters with MMT activists, it becomes clear that they have seized on MMT fiscal positions as a weapon against the mainstream policies of austerity. This is, I think, the driving rationale for many.

to anything to providing the “canonical” MMT position, and perhaps providing some important nuances.⁹

The purpose of this short article is not to dissect the core principles of MMT, or enter into a debate over the merit of the original contributions of MMTers, as this has now been done ad nauseum (see the debate between Palley (2015a,b), and Tymoigne and Wray (2015), for instance, in the *Review of Political Economy*; among countless others, including Epstein’s new book on “What’s Wrong with Modern Money Theory?”, see Epstein, 2019; and Henwood, 2019).

Moreover, post-Keynesians all believe that much of MMT is post-Keynesian economics, to which is added a few original ideas. As Palley (2015a) stated, it is a mix of old and new ideas. Yet, it is these added ideas that have contributed to a fierce debate amongst heterodox (and beyond), and it is a debate that won’t be settled any time soon. In fact, in this note, I am ignoring for the most part the internal heterodox critique in order to focus instead on the criticism coming from the mainstream. What intrigues me most is why some in the mainstream have developed such a hatred for MMT. This paper provides one possible answer.

At the same time, I will also ignore many legitimate questions regarding MMT policies, such as how much would MMT programs like a Job Guarantee, or an environmental policy would cost, or whether that even matters, or whether MMT applies to developing countries with a fixed exchange rate (or as Henwood (2019) puts it, whether MMT is embedded “in a rich-country perspective”), or whether their theory of inflation is truly heterodox, or still whether they believe in a standard Phillips curve. These are all legitimate questions that deserve airing, but are for now beyond the immediate scope of this article.

Rather, this paper will try to answer the simple question of why has MMT rattled the mainstream cage?¹⁰

2. The rise of MMT

While the groundwork for MMT started as early as 1996, it was sparked by the publication of Mosler’s 1995 book, *Soft Currency Economics*. It was cemented a few years later in Wray’s 1998 seminal book *Understanding Modern Money: The Key to Full Employment and Price Stability*, which for the first time brought the full arguments together.

MMT has evolved since that publication, undergoing some clarification and refinement, thereby attempting to wrinkle out the creases, so to speak, and has arrived to what I consider are the ten key assumptions of MMT:

- i) a commitment to full employment and price stability;
- ii) a sovereign currency-issuing government is not financially constrained;
- iii) a sovereign currency-issuing government cannot default;
- iv) money is endogenous;

⁹ Mea Culpa: I have not yet gone through the book.

¹⁰ Another worthwhile question to pursue is why are so many post-Keynesians disturbed by MMT’s “new-found fame” (Epstein, 2019). My own take is that it is a combination of professional jealousy and envy.

- v) the nature of money is found in its tax-driven nature;
- vi) the central bank and treasury can be conflated into a single institution;
- vii) fiscal deficits lower interest rates;
- viii) a commitment to a more functional approach to fiscal policy;
- ix) a rejection of counter-cyclical monetary policy, which is seen as inefficient;
- x) taxes are needed to control inflation at full employment, not to finance government spending;

As it stands now, as this list shows, MMT is indeed a “mix of ‘old’ and ‘new’ ideas” (Palley, 2018). Many of these core assumptions are generally accepted by post-Keynesians, or differences are a matter of emphasis rather than substance. For instance both MMT and post-Keynesians agree on the need for full employment, on endogenous money, on the need for fiscal policy, on the superiority of fiscal policy over monetary policy, and on the fact that at the very least, fiscal policy does not lead to higher interest rates thereby rejecting crowding-out effects.

However, there are still a number of core assumptions that have sparked considerable consternation, such as the tax-driven nature of money, or the consolidation of the central bank and the Treasury, or still the role of taxes. Finally, one assumption that is generating considerable controversy and not listed here is whether MMT applies to developing countries with or without flexible exchange rates, as allude to before.

Wray (1998) sparked much of this controversy (as this was certainly one of the objectives of the book), and two types of critiques have surfaced: *i*) a strong, negative critique aimed at discrediting MMT (Palley, 2015a; b; 2019; Epstein, 2019, among so many more), and *ii*) a friendlier, fellow-traveller critique, or those who aim to genuinely engage in an academic and scholarly way (see Galbraith, 2019; Juniper et. al; 2014; Lavoie, 2013; Seccareccia, 2004).

Among the strong critiques, Palley (2015a; 2015b; 2019), by far the leading post-Keynesian critic of MMT, has even made a mini-industry of papers and blogs pointing to some of the weaknesses and inconsistencies within MMT, calling some parts of it “fundamentally dishonest” (2019, p. 4, fn. 2), “oversimplified and incomplete” (ibid, p. 8), “strictly wrong” (2019, p. 6), or “a mix of old and new, the old is correct and well understood, while the new is substantially wrong (Palley, 2015b, p.45).

To be fair, MMTers themselves must accept part of the blame for fanning the flames of some of their critics, by either refusing to directly answer pertinent or valid criticism, or by engaging in their own discrediting behaviour, dismissing critics, in an often cult-like behaviour. Indeed, many authors have become *persona non grata* in MMT circles, myself included, for simply wanting to engage with them at the theoretical level.¹¹ Instead, many were met in return with virulent accusations and ex-communication.¹² MMT does not help itself as a movement when their reaction to criticism is to double down on the insults. It leaves many with the impression that MMT is more about burning bridges rather than building them.

I participated myself in this strong, negative criticism of MMT. In Gnos and Rochon (2002), for instance, we presented the first criticism regarding the consolidation argument. We took

¹¹ Many UMKC students have told me similar stories.

¹² I remember being in Kansas City when Matt Forstater lashed out at Malcolm Sawyer when Malcolm published his criticism of MMT full employment policies (Sawyer, 2003).

offence with the statement that “it is not important to distinguish between the Fed’s and the Treasury’s balance sheet” (Wray, 1998, p. 78), labeling this “the most important contradiction of the chartalist approach, [and] confusing them only confuses the arguments” (Gnos and Rochon, 2002, pp. 47-8) – a claim that has since been repeated for instance by Lavoie (2013) and others.

Then, in Rochon and Vernengo (2003), we argued that at times, it appeared that MMT undermined the notion of endogenous money in arguing that the State’s power to tax and collect taxes played a crucial role in the creation and circulation of money. We argued that money was created by the banking system in relation to the needs of production. At the time, we interpreted chartalism, as it was then called, as meaning that “state money is exogenous, and credit money is a multiple of the former” (2003, p. 61), in reference to Wray’s use of the word “leverage” (Wray, 1998).

But, to counterbalance this strong critique, there have been some friendlier criticism, from so called “fellow-travellers”. In addition, there has been some support from unusual corners. For instance, in his pointed criticism of MMT, Brad DeLong (on January 21, 2019; see DeLong, 2019), offers this last comment: “if one must choose between MMT on the one hand and the yahoos of either monetary stringency or fiscal austerity on the other, choose MMT. It is closer to being an accurate view.” And more recently, even European Central Bank governor, Mario Draghi, admitted that central banks should be open to new ideas, including MMT (Bloomberg, September 23).

But despite the harsh criticism by some, and against the odds, MMT has gone on to develop quite a following. Indeed, whereas MMT was often consumed with internal post-Keynesian debates, it has largely transcended this narrow focus, and has become a true force to be reckoned with, leaving many of us with green with envy.

Indeed, as proof of the growth of the MMT movement, in the last few years, a number of MMT chapters around the world have been created. There are now MMT organizations in Brazil, Bulgaria, Canada, Chile, France, Germany, Europe, India, Italy, Mexico, Poland, Spain, and probably a few more countries.

And according to Google Trends, MMT or Modern Monetary Policy became prevalent in the popular lexicon. Figures 1 and 2 show how popular MMT or Modern Monetary Theory is, especially in the last five years, and peaking for now just very recently. Indeed, around February-March 2019, there was a large spike in interest corresponding roughly to two events: *i*) Alexandria Ocasio-Cortez’s musings about MMT in early January, 2019; and *ii*) Krugman’s most recent attacks on MMT on February 12 (column on Lerner, and functional finance), Kelton’s reply on February 21, in Bloomberg; and Krugman’s reply on February 25. Also, around March 20, 2019, Krugman was fairly active on Twitter over MMT-related topics. All this contributed to the public’s awareness of MMT.

Figure 1 MMT on Google Trends, 2004 to present

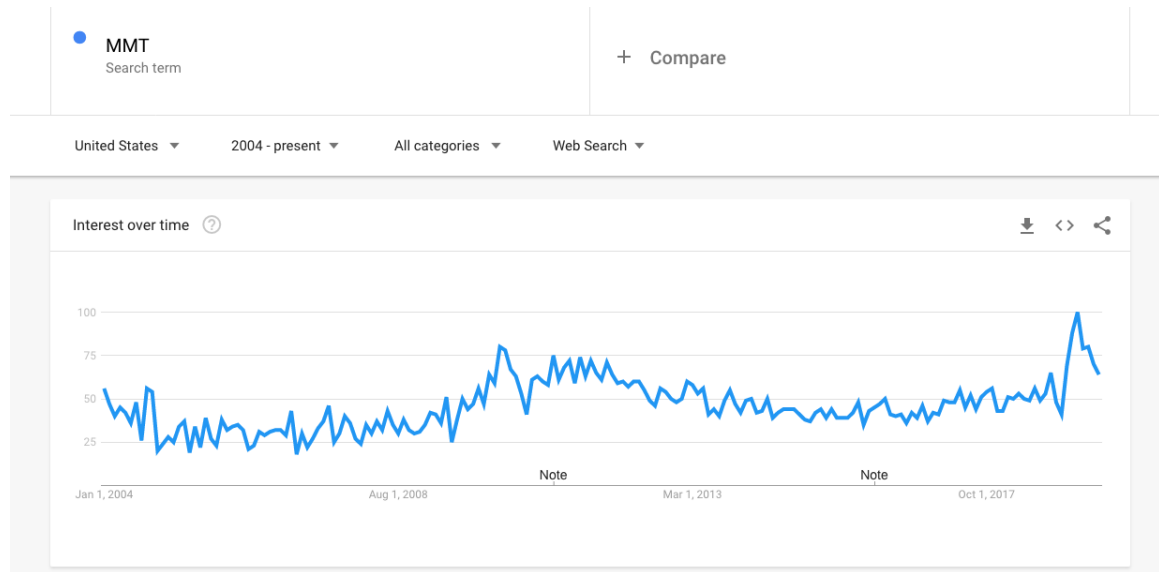
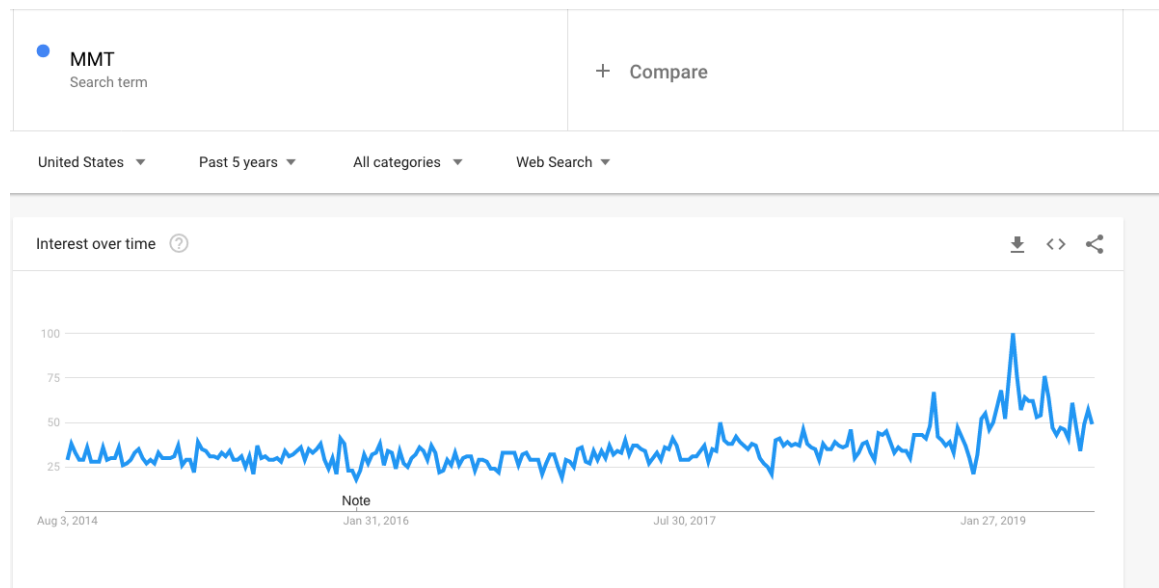


Figure 2 MMT on Google Trends, 2014 to present



3. The mainstream criticism

It is no exaggeration to argue that MMT has become the economic policy *du jour*. Unless you have lived under the proverbial economic rock, it seems everyone has now heard of this “modern monetary” approach to macroeconomic policy. Indeed, quite a number of high profile economists and policy wonks have an opinion on the matter. In fact, MMT has earned criticism from the best the mainstream macroeconomic profession has to offer, and even some high-profile elected officials. The question this short essay seeks to answer is why is this so? Why would such high-profilers even care and even bother to criticize MMT?

Among the high-profile criticism, consider for instance, Federal Reserve Board Chairman Jay Powell's rebuke: "The idea that deficits don't matter for countries that can borrow in their own currency I think is just wrong" (February 26, 2019).

Former IMF chief economist, Olivier Blanchard, while participating on a Peterson Institute panel said "The notion that you can finance this [deficit spending] by money is wrong, is plain wrong. I am not an MMT person."

The common thread among this criticism is clearly to discredit MMT. Like Krugman said recently: "Now, arguing with the MMTers generally feels like playing Calvinball, with the rules constantly changing."¹³ Kenneth Rogoff called it "Nonsense", while Larry Summers called it "Fallacious at multiple levels." Summers also claimed that MMT "takes ideas that have a little bit of validity and extends them to a grotesque point where they defy the laws of arithmetic... So I believe MMT is very much misguided, the premise that somehow you can always print enough money to cover all of your debts."¹⁴

3.1 MMT and TINA

There have been other prominent economists looking to discredit MMT: the list is long. The important question is why, as asked above. There are plenty of theories out there that don't get a fraction of the attention MMT is getting. So why would people like the Fed chairman and others feel compelled to give his opinion on this so-called obscure theory?

Some would like us to believe this is just part of academic discourse. For instance, Krugman (2019) argues, "As long as they're out there claiming that standard macroeconomics is all wrong, I guess we need to respond." This then attempts to place the debate at an internal level, amongst economists, and in doing so, it therefore attempts to diminish the value of MMT, and reduces it to other internal squabbles like saltwater vs freshwater economics: an internal affair to be settled among economists.

But in my own opinion, there is much more going on, because mainstream economists usually don't bother commenting or responding to outside-the-mainstream criticisms. So why now? Why MMT?

I believe the answer is to be found in TINA: there is no alternative. Ever since Margaret Thatcher used the expression some three decades ago to justify draconian budget cuts and defend the established (neo)liberal economic and political status quo, TINA has been used by the right to justify fiscal austerity, fiscal consolidation, the privatization of state assets and the overall shrinking of the welfare state, the attacks on social security, and the attacks on unionized (and non-unionized labour) under the guise of labour market flexibility policies ever since. Indeed, for decades, mainstream economists and elected officials relied on TINA to convince the electorate that while their policies may hurt them, they were the only game in town, and they had no other choices. In other words, they were operating from the only available policy playbook, and while imperfect, it was all they had. There did not exist any other approach that came close to being sufficiently credible as to be considered useful. As MIT's Andrew Lo (2017) has recently put it (in his critique of the efficient market hypothesis)

¹³ This criticism has also been raised by Palley (2019, p. 4, fn. 2): "its proponents constantly change their positions." See also Henwood (2019), who speaks of a "bait and switch".

¹⁴ <https://ca.finance.yahoo.com/news/larry-summers-modern-monetary-theory-mmt-grotesque-000909244.html>

“It takes a theory to beat a theory”, and there just was no alternatives out there (despite the thousands of post-Keynesian books and papers).

Hence, for the past three decades or so, neoliberal or mainstream economists, their political leaders and princes of finance, have used the dominant doctrine and TINA to justify some of the most ruthless policies of austerity, deregulation and privatization, with very lucrative consequences. Such policies contributed to (growth of) the wealth of the 1%, and the development and institutionalization of a dual economy: austerity for workers and profits for the rest (Epstein, 2019). In other words, the policies of the last 30 years have been good for the economic, political and financial elites. It is in this sense that Queiroz (2018) calls TINA “an ideological and political subversion of liberalism” (see also Munck, 2003). TINA has become the first line of defense, and offence, against any conceived threat to the neoliberal order.¹⁵ Until now.

So obviously, any approach that aims at undermining this unhealthy relationship between TINA and the elite is bound to be attacked. And this is how I interpret the voracious attacks from the prominent quarters of policy and political corners: the meteoritic rise of MMT threatens not only the established theories, but also their own standing within society. So when critics have claimed MMT would harm the economy, what they are really saying is that MMT would harm the economy “for them.”

This is certainly how I interpret the recent attempt by a number of American Republican Senators, led by Senator David Perdue of Georgia, to make MMT unlawful. In their May 2nd press release, in fact, the Senators were careful to label MMT as “experimental”, thereby ensuring TINA. Since it was only experimental, it therefore could not be taken seriously as a credible alternative.

By not only breaking through, but by becoming a world-wide movement, MMT, in my opinion, represents the greatest threat to TINA. What MMT has done, which no other approach has achieved, is to destroy the myth that there is no credible alternative to the established neoliberal agenda. In that sense, the criticism must show that it is radical, socialist, dangerous, irresponsible, etc.

4. Conclusion

It is undeniable that MMT has achieved what many post-Keynesians only dream of. As a result, it has brought on the attacks of the mainstream, which wishes to show that MMT remains a fringe theory led by even more fringe economists. This is to be expected, of course, as the greatest achievement of MMT so far has been to disprove the idea that there is no alternative to neoliberal ideology. In a Keynesian world of uncertainty, this was fully expected.

But the popularity of MMT has raised a number of strategic questions, in particular, what should be the role of post-Keynesians in all this? This is certainly not an easy question given the often tense relationship (for which I also assume some responsibility).

¹⁵ This may also be a reason why mainstream authors adopting post-Keynesian ideas do not quote us at all. Part of the rationale here is that by refusing to acknowledge the origin of these ideas, they continue to myth of TINA.

So far, as indicated above, the internal critiques have run from mild to the extreme. Yet, with MMT gaining ground in policy circles, the strong/negative post-Keynesian critique will only reveal internal strife, and contribute in the same way as the mainstream critiques do, to undermine and discredit MMT. And to what end? It is as if the ideas of those post-Keynesian authors cannot be seen as a threat then neither should MMT. And this is unfortunate, especially since there is real potential in convincing some mainstream scholars of the credibility of MMT ideas. After all, if MMT is “a mix of old and new” post-Keynesian ideas, then to wish for the downfall of MMT is also to wish for the downfall of post-Keynesian economics. After all, if Paul Krugman can declare “I’m not an MMT fan, but it’s a whole lot better than the economic doctrines Republicans adhere to” (Twitter, May 3, 2019), then we can only imagine how others would be willing to embrace MMT-PK ideas. We know a number of central banks have expressed interest in endogenous money, and many heterodox ideas are getting a fairer hearing these days. This should give us pause with respect to the inner wars and the jockeying for the PK mantelpiece.

This said, I still stand behind my own criticism of MMT, and accept much of what many others have written concerning the weaknesses of MMT. In particular, MMT tend to appropriate long-established post-Keynesian ideas as their own, and tend to dismiss criticisms by fellow-travellers in an overly uncompromising way. So in this sense, MMT must share a large part of the blame.

I also believe there is still much that needs to be cleared up about what exactly MMT stands for. In this sense, Krugman’s and Palley’s Calvinball analogy is certainly valid.

To this end, it is important for MMT scholars to re-engage with post-Keynesians rather than ignore them, for two important reasons. First, there are a number of gaping holes left to be explained and filled in, and post-Keynesians can play a role in developing the logic and arguments needed. At the moment, MMT scholars seemed more interested in going it alone rather than continuing a dialogue with post-Keynesians and finding common ground, who have raised serious and legitimate arguments. Second, as stated above, the number of scholars interested in MMT is very small and has not changed much in the last 25 years. The legitimacy of MMT will not come from the army of untrained activists, but from scholars.

For the time being, therefore, we should restrain our public disagreement, and limit it to professional conferences, as was the case at the Eastern Economic Association sessions in 2019. Post-Keynesian books and papers that ask “What’s wrong with MMT” serve very little purpose, and do not engage, but aim to discredit. We should give MMT all the encouragement it needs to continue its rise and challenge of the mainstream.

Lastly, will MMT succeed? Despite the incredible success they have enjoyed in recent years, I doubt very much they will, and this is why. Social movements, if MMT can be categorized as a social movement, always have two components: *i*) a leader (MMT) whose purpose is to pierce through, shift the middle ground, but eventually peter off; *ii*) a less radical version (post-Keynesians) emerges, whose ideas seem more palatable, and ultimately flourishes. These are the times in which we live. MMT has done an amazing job of shifting that middle ground by having everyone talking about it, comment and attack it, but in the end, post-Keynesians may end up holding the alternative play book. After all, is this not how we should interpret Lawrence Summers recent comments on Twitter (August 28, 2019)? “Can central banking as we know it be the primary tool of macroeconomic stabilization in the industrial world over the

next decade?” to which he answers “We have come to agree w/ the point long stressed by post-Keynesian economists.”

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