**MMT Policymaking Praxis: A Response to Critiques**

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Some critiques argue there will be major economic and political disruptions if policymakers use MMT to guide their decisions. In terms of political instability, critiques argue that, although MMT is technically correct that there is no financial limit to the domestic spending of monetarily sovereign governments—something that has been well known for a long time—, this truism cannot be allowed to permeate policymaking. If, financial deliberations regarding the public debt play no role in policymaking, policymakers will be embolden and will not want to follow, and be bound by, any meaningful budgetary procedures. This will lead to out-of-control government spending and anarchy. As such, economists must promote a noble lie about fiscal deficits to policymakers, to the public and to themselves. The noble lie is that fiscal deficits are the road to economic ruin and so any federal spending proposal ought to be accompanied, aka “paid for”, by a tax increase or a decrease in spending somewhere else in order not to increase the public debt. Martin Wolf argues that shattering this myth “is wrong, because it will prove impossible to manage an economy sensibly once politicians believe there is no budget constraint” (Wolf 2020). Paul Samuelson noted decades earlier that, like “old fashion religion,” the purpose of the deficit myth is “to scare people […] into behaving in a way that the long-run civilized life requires" (Samuelson in Blaug 1988).

Critiques argue that political instability will be reinforced by the way MMT talks about the government. MMT merges the fiscal and monetary branches of government, which is unrealistic and leads to incorrect claims that taxes and government security issuance do not finance anything. In normal parlance, “government” means the Treasury (and Congress) only, not the Treasury and central bank together; there is a clear and strict separation between the fiscal and monetary branches of government and MMT “does not take into account self-imposed constraints […], such as lack of a sovereign currency, or of other institutions, such as independence of the monetary authority” (Driessen and Gravelle 2019, 14). The Treasury does not have any money of its own. As such, taxpayers and buyers of Treasuries are the ones who finance the public spending implemented by the Treasury, “without this financing operation [the Treasury] would be short of ‘money’” (Fiebiger 2012, 31). MMT provides an incorrect understanding of the financial constraints on policymaking. Policymakers who embrace MMT will be falsely led to believe that taxation is never needed or that there is no limit to government spending.

Finally, MMT policymaking praxis is said to generate economic instability because it would radically change the relation between the central bank and the Treasury of a country. MMT would force the central bank to monetary finance the Treasury and the central bank would lose its independence. Monetary financing by the central bank is an anomaly and it is an unsound source of funds for the Treasury that leads to high inflation and further erodes the will of policymakers to be careful with government spending. Latin American countries are supposed to show what happens when a country uses MMT as a guideline for policymaking, with MMT being associated with monetary financing, fiscal deficits and large increases in government spending (Edwards 2019). To top it off, a Chicago Booth poll (IMG Forum 2019) asked some economists to share their opinion about two statements that are supposed to represent the MMT position:

Question A: Countries that borrow in their own currency should not worry about government deficits because they can always create money to finance their debt.

Question B: Countries that borrow in their own currency can finance as much real government spending as they want by creating money.

All respondents disagreed, most strongly, with both statements; thereby supposedly showing that MMT is a lost cause. In the United States, Republican senators and representatives have found MMT to be so dangerous that they have passed resolutions to condemn it, probably a first for an economic theory (U.S. House 2021; U.S. Senate 2021).

**MMT and National Policymaking: Promoting Sounder Policymaking Praxis**

*Financial praxis: Monetary sovereign governments already “do MMT”*

The first thing to note is that MMT is a theory founded on a detailed institutional analysis of monetary and fiscal operations of national governments. A good part of MMT is about describing what goes on behind the curtain in terms of the financial operations of national governments. As such, throughout the world, monetarily sovereign governments already rely on a heavy coordination of their fiscal and monetary branches to ensure smooth government financial operations (CONSOLIDATION ENTRY). The Treasury routinely makes sure that the central bank can perform its monetary policy operations. The central bank routinely gets involved in the financing of the Treasury in order to ensure that Treasury’s financial operations do not destabilize the payment system and that the Treasury has the financial means to implement the budget passed by Congress. There is nothing inflationary about that, all this does is ensure that Treasury has enough funds in its bank accounts to implement the budget passed by Congress. The level and composition of spending set in the budget, together with the pace of implementation, are what could be inflationary, not the fact that the bank accounts of the Treasury are well provisioned nor that the provisioning of such account is done quickly and easily through keystrokes.

This institutional analysis leads to three main points, one theoretical, one practical and one institutional. The theoretical point that MMT extracts from the institutional analysis of monetarily sovereign governments is that finance is not scarce as long as a government spends on goods and services priced in the domestic currency (which may be broader or narrower than the goods and services produced domestically). There is no such thing as a fixed supply of saving from which the government must draw and compete with the private sector. In addition, household, business, state and local government finances are incorrect reference points to understand national public finances when monetary sovereignty prevails. A monetarily sovereign government is not like a household because it is the issuer the domestic currency whereas a household is the user of such currency.

The institutional point is that implementing MMT policymaking does not require radical changes in the way Treasury and central bank interact today. In fact, no change is required because national Treasuries and central banks all over the world already routinely work together (CONSOLIDATION ENTRY). The financial operations of the Treasury and the Federal Reserve are so intertwined that both of them are constantly in contact to make fiscal and monetary policy run smoothly. While the central bank has independence of tool, in a monetarily sovereign government, it must account for the needs of the Treasury (Wray 2007, 2014; MacLaury 1977; Felipe et al. 2020). They must work together because they are ultimately two sides of the same coin, the federal government sector.

In addition, allowing direct financing of the Treasury is not a radical step, as it is already in place in some countries and is commonly used in Canada (Juniper et al. 2014; Jácome et al. 2012). MMT just points out that the layers of institutional complexity that hide this routine coordination are unnecessary and confuse the policymaking praxis. This coordination may as well be simplified but that is not a necessity and allowing direct financing does not mean practicing MMT policymaking. More broadly, MMT emphasizes that budgetary procedures are of a political nature, and the point is to promote procedures that encourage rational discussions, accountability and transparency, and to eliminate procedures (such as the debt ceiling in the United States) that perpetuate noble lies and political games. If the government is not monetarily sovereign, a financial constraint exists that further limits what the government can do. In that case, an eye should be kept on balancing the government budget and limiting automatic stabilizers, but that will come at the cost of more economic instability.

The practical point that MMT extracts from the institutional analysis is that current policymaking must be entirely reframed away from deficit fear and insolvency fear and from pay-for spending procedures. Instead, policymaking must be framed around the limits and opportunities that comes with monetary sovereignty. Fiscal deficits are not intrinsically worrisome, fiscal surpluses are not to be celebrated and do not give any “breathing room” to spend. As long as government is operating within the domestic monetary system, government spending and tax policy ought to be set independently and without regard for the impact on the fiscal position but rather with regard to the impact on the economy including inflation.

*Policymaking praxis: Monetarily sovereign governments do not “do MMT”*

While financial praxis of monetary sovereign governments are integrated in the MMT framework (and in that sense such governments already “do MMT”), the policymaking praxis of these governments do not reflect MMT policymaking principles. The latter praxis is about two aspects of policymaking, one is the goals of monetary and fiscal policies and the other is the framing of socio-economic issues and the decision-making process used to create a budget. Starting with the issue of framing and decision-making, MMT wants to rationalize the discussions about the national budget by dealing with two unproductive aspects of current budgetary procedures, the first is the fearmongering about the “road to ruin” and the second is the absurdity of the “pay for” logic. The following deals with both of them in turn.

When the details of monetary sovereignty are understood, it is pointless for policymakers to seek to put funds in a locked box for later use, to modify existing programs or to conceive new programs to help save money in order to avoid insolvency. The funds needed are created quickly, as emergency spending to fight wars or dealing with pandemics shows, and insolvency is not financially possible. The fact that finance is not scarce when monetary sovereignty exists does not imply that the government can or should spend a lot more, nor does it mean that policymakers will ramp up spending quickly in a chaotic manner. The absence of financial constraints also does not mean that creating a budget is unnecessary. There are indeed two major constraints on government spending and taxation, one is political and another is economic.

On the political side, a society must decide for itself, hopefully as democratically as possible, what the public purpose is. What should the government do? It should be evident that, once the financial question is made irrelevant to political debates, setting the public purpose becomes a heightened point of contention. Does that lead the government to be overwhelmed with demands? No, it does not, as the diverse experiences of developed democratic societies show. Many policymakers and citizens, for a range of reasons and beliefs, want less government involvement in the economy. Some societies may decide to have a national government that performs narrow functions in the economy while others may decide to have a much broader governmental involvement. Whatever the result of the debate, a sound debate cannot be based on the lack of money; the “we don’t have enough money” card and “the program is bankrupt and needs fixing” card are no longer relevant. Instead, the political debate must be oriented toward the intrinsic merits and drawbacks of a proposed policy and on the type of society one wants to build. MMT also wants this political debate to involve as wide a population as possible so that the political agenda is determined by wide political interests. While there has been some improvements on such this since the times of monarchies, the policy agenda and the framing of the debates surrounding it are still heavily influenced by wealthy interests with the rest of the population left to vote yes or no (Gilen and Page 2014; Ferguson 1995). Once the political agenda is set, the descriptive aspects of MMT apply to any size of government and whatever budget is passed will be financed. Finding the money is not hard part, the hard parts are defining the “goods” and “bads,” determining what the government should do to deal with them, ensuring broad participation in such discussions, and finding the votes needed.

Beyond the political question, another major hurdle in the decision-making process is the availability of non-financial resources to implement the public purpose. A policy proposal needs to be judged not only on its political merits but also on its economic feasibility, not only in absolute terms but also relative to alternative proposals that tackle the same issue and proposals that tackle other pressing issues. That means that advisory governmental bodies such as the Congressional Budget Office (CBO) should score policy proposals based on their inflationary potential and the ability of a proposal to achieve the intended goal. That means deciding what is out of reach given the available human, natural, and physical resources and determining the pace at which a proposal can be implemented realistically given the current and expected state of domestic resources. This method of judging a policy proposal is far superior to the current way the CBO judges a proposal, which merely consists in checking if it will add to the public debt or not. A new spending proposal that does not include a tax hike or spending cut somewhere else “to pay for it,” so that the new spending is budget neutral, has virtually no chance to be brought to a vote. This leads to a cynical game of finding pretend tax revenues to pay for a spending proposal (Kelton 2020, 241ff.).

There are several limits to this PAYGO method of judging a spending proposal. First, it lowers the trust of policymakers and constituents in the relevance of the budgetary process as pretend pay fors come to dominate the discussions. Second, it does not deal with the potential inflationary impacts of government spending that can occur regardless of the fiscal position; if resources are not available, it does not matter if the budget is in deficit, balanced or in surplus. A casual look at the evidence shows that the automatic association of fiscal deficits with inflation is unwarranted (Figure 1). Large fiscal deficits (such as those of World War II or the COVID-19 pandemic) are not associated with high inflation and regular fiscal deficits of less than 5% of GDP are associated with a wide range of price dynamics, from high inflation to deflation. A fiscal deficit might be inflationary but not merely because it is a deficit; it depends on how tight the resource constraint is and it depends on the effectiveness of the measures taken to control inflation when full employment is prevalent. A fiscal deficit may also be associated with inflation but may have nothing to do with it if inflation comes from other sources than a shrinking output gap (rising energy costs, rising interest rates, rising mark up, etc.) (Wray 2001; Minsky 1986; Rowthorn 1977; Lavoie 2014). Similarly, a fiscal surplus might generate deflationary pressures and instability but not merely because it is a surplus. Third, fiscal outcomes are largely dependent on what happens in the rest of the economy throughout the business cycle. The fiscal position is the end result of the economic process, not a leading element of the economic process that can be tweaked at will by policymakers. As such, the fiscal balance accommodates the needs of the economy and tends to move by itself where it needs to be to ensure that it is neither too high nor too low. Fourth, the current CBO scoring method leads policymakers to frame debates about domestic and international issues in financial terms (insolvency, lack of money) and to focus on solving financial “problems” (no money in the trust funds, fiscal deficits, etc.) that are not actual problems. It also leads to proposed “solutions” (putting money in a locked box, putting treasuries in the trust funds, austerity policies, etc.) that in no way solve the actual problems but may actually make them worse (austerity usually generates recessions, cutting social security benefits to “save Social Security” worsens the problem of dealing with an aging society, etc.).



Figure 1. Fiscal policy and inflation in the US, Q1 1913 to Q1 2021

Sources: *Treasury Bulletin*, National Bureau of Economic Research, *Monthly Receipts, Outlays, and Deficit or Surplus, Fiscal Years 1981-2021*, Bureau of Labor Statistics.

**Implementing MMT policymaking: Functional Finance**

*The fiscal balance is not an appropriate or achievable policy goal*

Since at least World War II, when massive deficits were recorded, cracks have appeared in the idea that sound national policymaking praxis requires following the principles of sound finance. When monetary sovereignty prevails, Keynes (1940) noted that the role of taxes is not to finance government spending but rather to help control inflation by releasing domestic resources for the public purpose. Lerner (1943) similarly noted that tax policy should be crafted with the goal of controlling inflation. By the end of the war, Friedman (1948) argued that all Treasury spending should be monetary financed and automatic stabilizers should be strong, and Ruml (1946) noted that economists and policymakers should forget about taxes as a financing tool and should focus on their anti-inflation, anti-inequality, incentive, and cost distribution aspects. MMT revives these ideas and links them to other theoretical developments via the concept of monetary sovereignty (Wray 2002).

This does not mean that MMT proponents are for fiscal deficits, and large deficits do not signal that a government is making policies in a way that is consistent with MMT. MMT is agnostic about the fiscal position as long as monetary sovereignty prevails. The central role of automatic stabilizers for the dynamics of the fiscal balance, combined with the fact that finance is not scarce, implies that the fiscal balance is not an appropriate and achievable policy goal. National government policies should not set a direct or indirect goal of achieving any specific fiscal balance, instead policymakers should let it move automatically to accommodate the desire of the other sectors to accumulate or diminish their net financial wealth. At the same time, policymakers should watch for sources of financial instability in the subsets of the domestic non-federal sector—households, businesses, state and local governments—if some subsets record a deficit. Instead of the fiscal balance, the proper guiding principles of policymaking should be full employment and price stability as well as issues of fairness, equity, and incentives as defined by “goods” and “bads” (Musgrave and Musgrave 1988). If the fiscal position contributes to inflationary pressures or if it contributes to financial fragility then the fiscal position is problematic. As such, putting in place mechanisms that allow for a quick automatic reversal of the fiscal balance trend, and that do not rely on discretion by policymakers, is important.

*Crafting tax policies and spending policies*

A monetarily sovereign government must tax but the tax policy should be set independently from the spending policy. What that means in practice is that the goal is not to set tax rates with the aim of balancing the budget. Tax rates should be structured with the goal of promoting what Ruml (1946) noted. In terms of inflation fighting, the best tax structure is one that can automatically remove purchasing power from the domestic private sector when inflationary pressures from the demand side of the economy emerge. A common criticism of MMT is that policymakers will not have the courage to raise tax rates when the time comes. MMT does not advise to proceed through discretion but rather to put in place a tax structure that automatically manages price instability that comes from excess demand. Most countries already have strong enough automatic stabilizers on the tax side; they actually tend to be too strong because tax revenues rise very quickly when economic activity picks up.

In terms of reduction in inequalities, current discussions about taxation on high incomes or wealth are framed with a view of the revenues that tax rates would bring to the Treasury and the spending that these revenues could finance. From here, it is an easy step to become satisfied with raising tax rates just enough to expect sizable revenues. However, the tax-rate increases may be so small as to be insignificant for the purpose of reducing inequalities. If, instead, discussions regarding taxation on high incomes and wealth are framed with the goal of reducing inequalities, then tax rates should be as high as necessary to achieve the goal. The tax structure ought to be approached with the purpose of having confiscatory taxation not a revenue-generating taxation. It is probable that if tax rates are high enough they will not generate much revenue as wealthy individuals are skilled at evading taxation. However, as long as taxation on wealthy individuals destroys enough of their income and wealth, leads them to shelter their wealth in a way that is difficult to use, or incentivizes them to increase donations that help those at the bottom of the distribution, then taxation has done its job of fulfilling a public purpose that aims at reducing inequalities.

*Focusing on resource cost and ignoring financial cost denominated in the domestic currency*

MMT provides some guiding principles to frame issues and debates away from financial considerations and to guide the decision-making process toward defining the public purpose and determining resource availability. While these policymaking principles can be applied to advance any policy agenda, MMT proponents have advanced a specific policy agenda, which brings forward the goals of fiscal and monetary policies. Most MMT proponents want to use monetary sovereignty to advance a policy agenda that deals with what they perceive to be the main drawbacks of capitalist economies; unemployment, arbitrary inequalities and financial instability. They also have proposed to leverage monetary sovereignty to help deal with the major issues of our times, such as an aging society and environmental catastrophes. MMT proponents take to heart one of the recommendations of the recent United Nations (2018, 7) report that promotes a policy agenda centered on “democratic decision-making, full employment policies, social protection for the vulnerable, a fair and effective justice system, gender and racial equality, respect for human dignity, responsible fiscal policies and environmental justice.”

An evaluation of a policy proposal should be done in relation to the domestic resources used instead of how many dollars it would cost. As such, the proper metric is not the financial costs (billions of dollars, trillions of dollars or otherwise), but rather the percentage of domestic resources that is expected to be allocated to a proposal. This would help set the size and the yearly pace at which the spending can be implemented over the time span of the proposal. For example, a Green New Deal proposal may cost one trillion dollars but using that number to frame the debate around the proposal as “the Green New Deal is unaffordable,” or “Green New Deal is the road to ruin” is disingenuous. What matters is the net annual amount of domestic resources required to implement the proposal, and that turns out to be small with a net cost of 1.3% of GDP per year (Nersisyan and Wray 2019). Another example is the framing of the Social Security problem. Policymakers frame it in terms of the needs to fix Social Security to avoid insolvency and they propose financial means to this end (lower benefits, private retirement accounts, putting funds in a locked box, etc.). This framing is incorrect. Chairman Greenspan frames the issue correctly when discussing the solvency of social security with Senator Paul Ryan:

I wouldn’t say that the pay-as-you-go benefits are insecure, in the sense that there is nothing to prevent the federal government from creating as much money as it wants and paying it to somebody. The question is, how do you set up a system which assures that the real assets are created which those benefits are employed to purchase. (Greenspan U.S. House 2005, 43)

This is the logic used by MMT when thinking about policy problems and solutions. The federal government cannot go broke so Social Security checks cannot bounce; but the checks may not have much purchasing power. There is a problem with Social Security, but it is a demographic problem with implications in terms of non-financial resources (Eisner 1998; Wray 2006; Bell and Wray 2000). Putting money is a locked box, and other austerity policies to “save Social Security” will not do anything to help solve the problem. Finding means to raise the productivity of the labor force, having a well-defined immigration policy, and repurposing and building infrastructure to meet the needs of an aging society, are means to solve the problem, and most of them require more, not less, direct and indirect government spending.

If a large and rapid increase in government spending is implemented, such as in times of a costly war, once again MMT provides some guidance on how to do that in a way that limits inflationary pressures. MMT relies extensively on the analytical framework found in Keynes’s *How to Pay for the War*, the experience of policymakers with price controls and industrial reorganization during World War Two (Galbraith 1981) and the post-war lessons regarding government finances (Ruml 1946). The first lesson is that a government can massively increase its spending on domestic goods and services and it can do so very quickly by mobilizing available domestic resources for the public purpose. During World War 2, federal government spending went from 10% of GDP in 1940 to almost 45% of GDP in 1943 and 1944. The financing of that spending was done, as usual, with the cooperation of the Federal Reserve to control the entire yield curve so that interest rates did not bulge despite the massive increase in deficits from less than 3% of GDP on average in the 1930s to 22% of GDP on average during the war. Something similar occurred during the recent pandemic. The second lesson is that to counter the anticipated inflationary impacts, if any, policymakers can put in place several types of policies that aim at cutting purchasing power in the domestic private sector to avoid competition with the government for resources and at limiting price gouging. The third lesson is that, for developed economies at least, productive capacities can adapt to the demand of a rapid increase in government spending.

*Changing the narrative: The dangers of the taxpayers’ money narrative and the benefit of the public money narrative*

Understanding monetary sovereignty means reframing the nature of economic debates and policymaking. The taxpayers’ money narrative is not applicable. UK Prime Minister Margaret Thatcher’s statement at the Conservative Party conference on October 14, 1983 that “There is no such thing as public money; there is only taxpayers’ money” (Thatcher 1983)is precisely backward. There is no such thing as taxpayer money; there is only public money. Taxes are needed not to finance the federal government but rather to provide some policy space for the government and to fulfill other aspects of the policy agenda.

Besides leading to an incorrect policymaking praxis, the PAYGO budgeting praxis is also dangerous for democracy (Carrillo and Myerson 2017; Kelton 2020; Parguez 2002). It frames the government as a Robin Hood who steals from the rich to give to the poor, and it leads to a narrative that wealthy individuals are more entitled to set the political agenda because they pay for it. This view was present from the early history of United States history with John Jay arguing that “The people who own the country ought to govern it.” (Hofstadter 1948 [1973], 16) More recently, Utah Senator Mitt Romney expressed the same viewpoint during a Republican fundraiser in May 2012 (Corn 2012): “There are 47 percent of the people who will vote for the president no matter what ... who are dependent upon government, who believe that they are victims. [...] These are people who pay no income tax. [...] and so my job is not to worry about those people. I'll never convince them that they should take personal responsibility and care for their lives.”

Taxpayers are the responsible, hardworking, reliable members of the population, others are lazy, dependent and not worthy of attention in political life. Also, too much participation of the population in the political process leads to a crisis of democracy:

the effective operation of a democratic political system usually requires some measure of apathy and noninvolvement on the part of some individuals and groups. In the past, every democratic society has had a marginal population, of greater or lesser size, which has not actively participated in politics. In itself, this marginality on the part of some groups is inherently undemocratic, but it has also been one of the factors which has enabled democracy to function effectively. Marginal social groups, as in the case of the blacks, are now becoming full participants in the political system. (Crozier et al 1975, 114)

One can go back to the time of the drafting of the US constitution to find this view expressed by Alexander Hamilton and others (Zinn 2015, 95). Furthermore, this taxpayer narrative has been used to inflame racist tensions:

Politicians and mainstream media portrayals distort [the state of poverty in the United States] in order to suggest that poverty in America is overwhelmingly Black, thereby triggering a range of racist responses and encouraging Whites to see poverty as a question of race. Too often the loaded and inaccurate message that parts of the media want to convey is “lazy Blacks sponge off hard-working Whites”. (United Nations 2018, 15)

Overall, the taxpayer narrative leads to resentment and hostility toward government programs and a sense of superiority and righteousness among the taxpayers. It also promotes a sense of shame among recipients of government help and narrows the democratic process, which then becomes heavily dependent on wealthy interests.

MMT completely changes the narrative and emphasizes that the political agenda should be set by as broad a constituency as possible. Taxpayers and bond buyers are not in a privileged position to set the policy agenda and government does not depend on them financially to fulfill that agenda. Removing the taxpayers’ money narrative is one step toward improving the inclusivity of the democratic process that includes many other steps (Ferguson 1995, 88). Democracy is not just “one person, one vote”; it is about the ability to decide what is voted on. As such, MMT proponents emphasize a “bottom-up” approach to policymaking. Its goal is to increase economic stability and the legitimacy and transparency of the political process. While MMT proponents do have a specific political agenda they would like to see implemented, MMT can be used by all to make informed policymaking.

*Against out of control spending and against fiscal deficit hysteria*

Overall, contrary to what the critiques argue, MMT fiscal policy recommendations do not favor out of control spending and limited to no taxation. Monetary sovereignty is not a free pass to unlimited government spending. Instead, MMT argues that the current focus of policymaking on balancing fiscal outcomes, unaffordability, and insolvency frames policy issues and debates incorrectly, which leads to irrational and instability-prone policy choices. Robert Lucas stated that:

I was a deficit alarmist in the early 1980s, not because I disagreed with Barro that deficits are just postponed taxes—which is obviously correct—but because I feared the tax that would make present values add up would be inflation tax. Now I think it is more likely that it will be defaults on social security promises that will do it. Either way, I think Clinton is right to try to get us to face the issue. (Lucas in Snowdon et al. 1994, 224-225)

MMT disagrees entirely with this statement. Fiscal deficits are not followed by higher tax rates, and fiscal deficits are not associated with higher inflation, higher interest rates, or insolvency due to inability to pay. Fiscal deficits are normal and sustainable and they accommodate the needs of the economy. As such the public debt does not need to be repaid and will never be repaid. Defining the public purpose, determining resource availability and finding the votes are the hard parts, whereas keystroking the funds to pay for the spending is the easy part. As such, MMT proponents also strongly answer no to the questions of the Chicago Booth poll. MMT is not for loose fiscal spending and fiscal deficit, nor does it want to apply pump priming and fine-tuning à la neoclassical synthesis of the mid-20th century. Instead, MMT notes that the current policymaking praxis misleads policymakers and the public, channels the public debate toward futile discussions about the ability or inability to find domestic currency, leads to a misspecification of societal problems in financial terms and so generates the incorrect responses to the very real problems a society faces. MMT reorients the policymaking praxis in order to use government effectively to meet the public purpose and to increase economic stability and financial stability.

**Embracing Monetary Sovereignty for Policymaking**

When monetary sovereignty is embraced, it is not a free pass to spending but it demands a different way of making policy and a different way of presenting the issues to the public. MMT can be implemented for all sizes of government, and the policy proposals put forward by current MMT proponents use a small amount of domestic resources and do not aim at a major shift of resources to the government. If a major shift in resources is necessary due to the political agenda, MMT provides some guidance on how to do it in the least disruptive manners.

There is evidence that at least some policymakers understand the implications of monetary sovereignty and that, given a short private conversation, most would understand them. Yet most will refuse to admit such implications publicly because of the fear of losing votes (Kelton 2020, 231-232). Instead, they will preach the analogy with household finances, the burden of the public debt on future generations, and that deficits are the road to ruin; politicians will especially do so when this is a convenient and relatable means to oppose a policy proposal. Such rhetorical tools also provide politicians any easy, but disingenuous, way out of uncomfortable conversation; “sorry, we don’t have enough money”. Similarly, most economists who follow the evidence understand that there is nothing intrinsically bad about fiscal deficits and that central bank and Treasury work routinely closely together. Yet, in public, economists will emphasize the inflationary tax of monetary financing, the negative impact of deficits on economic growth and future generations, and the sanctity of the independence of the central bank. It is a noble lie because saying otherwise is supposed to lead politicians on an uncontrollable spending spree so. The diverse experiences of developed democratic societies with government intervention show that this worry is not founded.

Instead of using public finances has a pushing ball and a political tool, MMT wants to reorient the policymaking process away from public finances and toward the public purpose. That means educating policymakers and the population by presenting and repeating the public-money narrative instead of the taxpayer narrative, and by presenting the nature of monetary sovereignty and the constraints and opportunities that come with it. This requires patience and determination and there has been some success on that front. People in the financial world were the first to be receptive because MMT connected with their daily observations, some aspects of MMT are now at the core of the analytical framework of major financial institutions (Klein 2019; Cohen 2019). In the U.S. political sphere, MMT has gained the ears of some democrats and Representative Yarmuth has explicitly used MMT when chairing the House Budget Committee (Dmitrieva 2019; Fitzpatrick 2019; Yarmuth 2021). In the academic sphere, as one may expect, recognition has been more subdued and slow, but there have been some gains in terms of understanding the relevance of monetary sovereignty as an analytical tool, some mainstream economists have reached similar conclusions without citing past MMT work (Blanchard 2019, De Long and Summers 2012; Fatás and Summers 2018; Agnello et al. 2015).

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