
MMT Isn't a Joke

By Kerry Pechter Thu, Jun 27, 2019

Modern Monetary Theory's enemies have been trying to discredit it either by equating it with something stupid (printing money willy-nilly) or by making jokes about it. But MMT isn't a joke.



There's a lot of misinformation about Modern Monetary Theory (MMT) going around. I keep hearing that MMT is about "printing up a lot of money" to pay for social services. It's not. I also hear Democratic politicians talking about taxing the rich to pay for middle-class benefits. They need to read up on [MMT](#).

Here's an example of what I'm talking about. A news story last week described Sen. Elizabeth Warren's plan to "raise" \$2.75 trillion to finance universal daycare by taxing the very rich. That kind of talk annoys people. With the help of MMT, it wouldn't be necessary.

MMT says that the federal government doesn't have to shake down rich people to pay for daycare. It can gradually spend new money (not taken from anywhere) on daycare and then gradually tax enough of it out of circulation to prevent inflation. [Money vanishes when you pay your income taxes; we'll save that discussion for another day.] The wealthy might find that more palatable than the Robin Hood scenario.

It's not about "printing the money." It means that, in reality, Uncle Sam spends and taxes; he doesn't tax and spend. The distinction may sound trivial, but it's fundamental, as Alexander Hamilton recognized. (The big problem of whom to tax and by how much doesn't go away.)

As long as Warren and other Democrats believe (and say) that soaking the rich is the only way to "pay for" stuff, their plans won't make sense to most of the country. A few politicians seem to get it. [Rep. Alexandria Ocasio-Cortez \(D-NY\)](#) has a glimmer of MMT. When Anderson Cooper asked her "how you'll pay for" the [Green New Deal](#), she replied, "The same way we pay for the military or the [Space Force](#)." Through appropriations.

MMT says the government should exercise its power of direct money creation instead of pretending to borrow, which only creates (or enables the creation, via the banks) of

towering balance sheets and Himalayas of debt. [A topic for another day: The federal debt isn't a tax on grandchildren, because the Fed's IOUs (cash or bonds) *are* money. The federal government's liabilities sit in your wallet, your bank account and your retirement account. If that weren't true, the whole system would have collapsed long ago. Instead, it has lifted billions out of poverty—and financed lots of wars.]

But MMT, if acted on, would be wildly disruptive to the status quo, so a lot of people hate it. It would dis-intermediate much of the private financial system. MMT proponents would break up the big banks, reinstate Glass-Steagall, raise reserve requirements, strengthen the consumer financial protection bureau, forgive most student loans, drive down fees, reinstate anti-usury laws, etc. They would shrink the financial sector to its pre-1980 dimensions.

So far, MMT's enemies have been trying to discredit it either by equating it with something stupid (printing money willy-nilly) or by making jokes about it. Some, for instance, have mocked and tried to diminish MMT by calling it a "political idea masquerading as an economic idea."

That's meant as an insult, but it only acknowledges MMT's essence: It reunites economics and politics as political-economy (a once respected discipline). Ultimately MMT represents the idea that the federal government has as much responsibility to protect its citizens' human (political) rights as it does to protect their property (economic) rights. You may disagree, but MMT isn't a joke. It's really not.

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