

Funding the Future

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Whilst writing my post on [Modern Monetary Theory \(MMT\) and tax havens](#) at the weekend a thought occurred to me that was, maybe, lost in that rather long item. For that reason I repeat it now. I said:

Whereas neoclassical economics is designed to suggest the government has no role in an economy, MMT says (not by design, but because it is a fact) that government choice is implicit in macroeconomic management.

I added:

MMT might be descriptive, [but there] is within the process it describes an economic theory that demands macroeconomic management in a way that is the precise opposite of the neoclassical economic prescription which suggests that governments must leave everything well alone.

I want to stress the significance of this. It is why Simon Wren-Lewis is wrong, in my opinion, when he argues that MMT is just a subset of neoclassical Keynesianism. It isn't.

Neoclassical economics is built on the assumptions of microeconomics that say that all government activity is a market aberration and therefore to be minimised. It is this logic that underpinned the idea of the cowardly politician that I described in *The Courageous State* ([summarised here](#)). They, when encountering a problem assume the market will always have a better solution than any they can create and so run a mile in the opposite direction. The consequence has been feeble government, impoverished political thinking, austerity and a collapse in well-being.

The MMT politician does, on the other hand, have to be courageous. It is their job to decide how to put the resources of the economy to best use to the point where full employment is reached, when it is their job to then maintain economic stability. They have to intervene.

This is not accidental: this is what the logic of the two systems delivers. And they are fundamentally different. Modern monetary theory cannot be a footnote to Keynesianism in its various guises; it is something that demands a whole new approach to political

economy.