

Corbynomics, MMT and wacky ideas

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Max Lawson at Oxfam has drawn my attention to a recent article in [The Economist](#) on Corbynomics. It is interesting for a number of reasons.

First, it shows how far Corbyn has backed away from the positions he adopted to be elected leader of Labour in 2015.

Second, it entirely justifies my view that Labour is far too timid on many tax and economic issues.

Third, it uses Polanyi to justify this; I am not sure wholly fairly.

But most interesting is its discussion on modern monetary theory and People's QE, which will forever be my contribution to Corbynomics (and the two are related, of course). They say:

There is plenty of radical thinking about monetary policy going on in leftist circles. Followers of Bernie Sanders, a socialist senator who challenged Hillary Clinton for the Democratic presidential nomination in 2016, have leapt on "modern monetary theory". MMTers believe that because currency is a creature of the state, governments enjoy more financial freedom than they recognise. They can spend without first collecting taxes and borrow without fear of default.

The eyes of Mr McDonnell's advisers would bulge at the suggestion that they adhere to MMT. Though Mr Corbyn entertained wacky policies in the early days of his leadership—including "people's quantitative easing", which amounts to printing money to fund public investment—the message today is orthodox. Labour is toying with the idea of altering the Bank of England's mandate, to make it more like the Federal Reserve's, in which unemployment is targeted in addition to inflation. It is also thinking about moving parts of the bank to Birmingham, a cosmetic change. For those on Labour's left, the party's reticence is frustrating. "Labour have never 'got' monetary policy," moans one prominent left-wing thinker.

There are three things to note.

First, the fact that they realise that there is a modern monetary critique of Corbyn is relevant. It's out there now: the genie is out of the bottle.

Second, they cannot bring themselves to describe MMT correctly, although I suspect they know what it really is. It's not that MMTers say a government can spend first without collecting taxes: MMT says that collecting taxes is not possible until government spending to create the necessary currency out of which tax is paid has taken place. And MMT says that tax collection is not essential if there is less than full employment: fiscal stimulus is a wholly reasonable economic policy. Whilst MMTers also say a country that borrows in its own currency cannot default not because they are spreading some rumour or new idea: as a matter of fact that is true.

Third, PQE is described as wacky. I am amused by that. Remember the old adage that first they ignore you, then they ridicule you, and then they claim that the idea was right all along and it was actually their own? Just give this one time: we're at the ridicule stage right now and the rest will naturally follow.

And if you don't believe me, note [what I have already had to say](#) about automatic information exchange this morning.

To which I can add country-by-country reporting. And others. Change does happen.