

If MMT, the Green New Deal, a liveable planet and decen...

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The [Resolution Foundation](#) has been a think tank in search of a party to lobby for some time. Chaired by ex Tory minister David Willets and directed by Ed Miliband's former head of operations, Torsten Bell, it seems like the sort of organisation to whom the Independence Group is an answer.

Maybe I am being a little unfair. I take its newsletter because some of its content is interesting; some of its data and data graphics are good and because, well, I want to know what is happening out there in the middle. I also do so to get frustrated.

This week's email from Torsten Bell was an occasion when it definitely specialised in good graphics (on risk of redundancy, for the record) and frustration, which is my real theme. Having declared that the world of politics was not going well, this week it was then suggested they'd look at some big ideas to see if they're offered solutions. MMT and the Green New Deal were two of the big ideas. I am quoting at length. It helps my case. This is how MMT was introduced:

MMT to the rescue? We've held off covering Modern Monetary Theory (MMT) because it leads to A LOT of shouting.

The ad hominem we're got in early, I note. They continued:

But since it can apparently save our economies AND progressive politics the time has come...

The basic idea is that governments don't face debt constraints because they can simply create money — the state cannot go bust. Instead of worrying about the accounting, MMT advocates think fiscal policy's key job is to keep the economy at full employment by putting money into the economy as needed. What's to stop a government splurging whatever it likes? Inflation. You can put whatever money you like into an economy but if everyone's employed and there's not much left to buy you just push up prices. In MMT world if that happens we raise taxes/cut spending to take money out of the economy and bring inflation down, leaving the Bank of England to set interest rates to keep the

costs of public debt sustainable with little wider impact.

It so happens that is not a bad summary. They miss the point that the intention of interest rate policy in MMT is that it should always be low - meaning investment is encouraged; risk of household insolvency is reduced and the curse of monetary policy is removed, but otherwise not bad.

But they continue saying:

So that's what MMT is, but there are substance problems — interest rates do matter for the private sector and governments struggle to raise taxes/cut spending.

I have already dealt with the interest rate issue. And no, governments do not struggle to raise taxes. That's a false claim. The evidence of the last twenty years or so is that governments have struggled to cut taxes when there had been no demand to do so, evidenced by the fact that time and again people have made it clear that they would prefer decent services. And that 'struggle' has also been evidenced by cutting resources for the task and failing time and again to effectively tackle the tax gap. So those claims are simply not true.

However, they continued:

So why is it getting more traction today despite [being far from new](#)? On the economics side it's because you can disagree with the theory but agree with the policy conclusions in times like the last decade i.e. when interest rates are zero and government should put money into the economy ([Paul Krugman](#) and [Simon Wren-Lewis](#)).

And if you believe that the last decade's conditions will survive ad infinitum (as they will) what, then, is there to disagree with? The possibility does not seem to have occurred to the Resolution Foundation. They plow on:

On the politics side [MMT is the response to US Democrats being fed up of big progressive policy shifts \(e.g public healthcare\) getting bogged down in rows about how they should be paid for](#), while Republicans happily splurge on tax cuts. Fair enough — but [if you want America to become Sweden you can't opt out of arguing for Swedish tax levels](#).

No one says otherwise in MMT in the end. If the share that the state spends grows so too will the level of tax have to rise eventually. That is true. Otherwise inflation will follow. But the point that the Resolution Foundation fail to spot is that this will be more tax paid out of a bigger economy where more are employed and at higher wages, precisely because that is what the fiscal policy of full employment that MMT proposes will deliver. That's not Sweden with US taxes. That would be the UK at work. But this point is ignored. Instead it is said that:

MMT is not the answer to our economic or political woes, but it is interesting and a reminder that an idea's popularity is about its context as much as its merit.

But no reason is given. Instead it is assumed that the economics of Krugman et al - the economics that gave us the neoliberalism of Gordon Brown, if you want to summarise it succinctly - should prevail. As I said, this seems to a think tank that thinks the TIG might be an answer.

And they do much the same with the Green New Deal, saying:

GND to the rescue? Earlier this month Alexandria Ocasio-Cortez [published the Green New Deal \(GND\) in the US Congress](#) — a blueprint to reduce the US's net carbon emissions to zero within ten years. [Backers of the bill released](#) — and then withdrew — the suggestion that it would be paid for by MMT. The Bill has sparked a wider argument about the best radical route to dealing with climate change. The GND's focus is on decarbonising the economy. It then adds job guarantees, healthcare, housing and other progressive (and expensive) policy objectives to ensure popular support for such radical change. A [thoughtful counter-argument](#) is that more of the focus needs to be directly on research/innovation to cut emissions — and then spreading that new tech around the world. Turns out there's more than one GND.

The first, and obvious, question to ask is why the Resolution Foundation looks at the US version of the GND when there is a UK version available, from which the US version took its inspiration. It does not evidence much research on their part.

Second, whilst the GND is about decarbonising the economy it is simply wrong to say that is its sole focus, to which some other objectives have been added. That has never been true, including in the UK version. What the GND recognises is three things. The first is that it is our present economics that has created the climate crisis, and so it has to be left behind. Second, this also means we leave the other consequences of that economics, like austerity, behind. And third? This means we have to do the other radical changes too. And if housing people well and providing well paid jobs in every constituency is too radical for the Resolution Foundation, as they imply, what are they for?

Well the answer would appear to be a bit more limp regulation, maybe some carbon trading, and ample opportunity for delay whilst keeping the bankers in place with a semblance of control and constraint even when monetary policy has been dead in the water for a decade and neo-Keynesian neoliberalism has failed.

I think that puts the Resolution Foundation in the camp called 'climate delayers'. They might as well, given the urgency of the issue, now be called climate deniers.

I had hoped for better. The Resolution Foundation clearly has a lot of rethinking to do.

That, or be flooded in the forthcoming political deluge as change becomes an imperative.