

In the FT this morning: modern monetary theory is the a...

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I had this letter [in the FT this morning](#) in response to a piece from Gavyn Davies, which continued the standard neoclassical economist's tradition of entirely missing the point about modern monetary theory

Gavyn Davies' review of modern monetary theory ("[What you need to know about modern monetary theory](#)", April 28) is interesting because it is so fundamentally wrong. He argues that when an economy is operating "normally", MMT is not required. He ignores the fact that no economy has operated "normally", as he describes it, for more than a decade. As such, he makes a very basic error in defining what is normal.

More tellingly, in making this error, Mr Davies reveals what most macroeconomists think. They believe that macroeconomics should be about the delivery of monetary policy by independent central bankers with the aim of delivering financial stability in the form of low inflation so that the owners of financial wealth might maintain their asset worth, with all of this being managed in a process remote from democratic accountability.

MMT does not buy this model of macroeconomics. Instead MMT says that the economy should be managed with the goal of delivering full employment at a living wage with long-term environmental sustainability being guaranteed; hence the Green New Deal. And MMT shows that the money to deliver this objective can be created without inflation risk arising (about which it is most concerned) subject to appropriate tax being levied, which the evidence of quantitative easing proves.

MMT only fails if you look at it through the lens of conventional macroeconomic objectives. Looked at on its own terms MMT works, and is the long-term solution that the world's failing economies need.

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