

Tax in modern monetary theory: an explanation

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Historically modern monetary theory placed too little emphasis on the role of tax in the economy. It's my belief, explained [here](#) and [here](#) that tax and modern monetary theory are intimately linked issues.

That's not because tax pays for government spending: it does not.

But tax is fundamental to fiscal policy in a modern monetary theory environment. And without the funding constraint that has limited tax design to date, MMT liberates tax to be an instrument for social change as well.

I regret that there are those in MMT who still seem to deny this, and think that any discussion of tax within an MMT context suggests that tax funds spending. This video explains my position.

<https://www.youtube.com/watch?v=D7PWvzVsvbg&feature=youtu.be>