

The language of modern monetary theory

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This provocative (in the sense of thought provoking) comment was [posted on the blog yesterday](#) and I can only apologise to Andrew Sayer and Kevin Morgan of Lancaster University, who offered it, for not getting to read it until late in the day due to other commitments. I found what they had to say extremely useful, and I am accepting the challenge to think hard that they set. Comments are welcome, and today I may be around to moderate more often:

Re: Your important point from a few days ago about the difficulties in explaining MMT when it involves 'inverting language'. When it comes to reaching ordinary people who do not have the time or inclination to read about economics, the following are some of the difficulties. (Please don't shoot the messenger. We accept MMT.):

- Laypeople are likely — quite rightly — to see debt as a relation between a borrower and a lender — and they are likely to be baffled when references are made simply to 'debt' without the creditor and debtor being identified, as if it were just a thing. Who owes whom? (e.g. 'Private sector debt' is too abstract a term to connect.)

- Expressions used in financial and accountancy circles such as 'owning debt', 'holding debt', 'selling or buying debt', and 'issuing debt' are confusing to the non-specialist. Again, who owes whom? is likely to be the question. Even expressions like 'rolling over debt' and are not widely understood.

- The world of bonds and bond markets is a mystery to most people. Even if they own some premium bonds or have a pension that's invested in bonds, they may not make the connection or understand the idea that such debt can be bought and sold in second markets.

- When the national debt grows, one of the reasons people see it as alarming is that they think that individual lenders may not be able to get their money back, even though they may want repayment. They don't realise that bonds are continually being issued, maturing and being paid off, even where the overall size of the debt grows. Nor do they realise that many bond holders will want to renew them.

- Re: The description of money as debt. How is this point likely to be received by lay people? Again, who owes whom is likely to be the question? Even when you point out that the note has the words 'I promise to pay the bearer £10', its meaning is still mysterious. If we took it to the Bank of England and asked it to honour the promise, what would we get? To say that the government fulfils its promise by taking our money back in taxes is likely to baffle. The layperson is likely to think the government would

not be honouring its promise if, instead of getting something from the government in its place they have to pay taxes to the government. Maybe describing money as an IOU, a promise made in return for some service or product, would be easier to understand than it as 'debt' (even though it amounts to the same).

MMT involves a Copernican shift not only in understanding of the technicalities of economies but in how we understand moral economic issues to do with justice and fairness and the well-being of society. A common pre-MMT moral economic view concerns 'tax-payers money', and associated ideas that we have a duty to contribute to the maintenance of our economy and society particularly in helping pay for things like roads and schooling that are provided free to the user. With this are ideas (on the left) that those who dodge tax are parasites, free-riding on the benefits supposedly funded — and, more importantly, actually produced — by the majority. There's much support for the idea that all should contribute what they can, and that those who for good reason are unable to contribute (e.g. youth, old age, infirmity, disability, job scarcity) should be supported by the rest. If we abandon the idea of taxpayers' money, and replace it with something more complex (government created money returned by citizens to the government via taxes that allows it to suppress inflation, or as a means by which the currency is validated) then what happens to those hugely important moral economic arguments? They are lost in what looks like scholasticism. Yes, you do acknowledge that tax has other functions too, including those of redistribution, but the latter point needs working in to public-facing accounts of MMT. If the message ignores redistribution and the idea that people should pay tax according to their means, then it won't win them over.

To end on a more positive note: For non-specialists, the most compelling points in MMT are simply:

- That the government, unlike households, creates money and levies taxes. It can never run out of money, so it can always repay debts.
- As long as there are unused resources, especially labour, as there are now, government spending can set them to work to benefit society without causing inflation. If and when inflation becomes a problem the government can always reduce it by increasing taxes.
- That much of the national 'debt' is like a savings account at a bank. (Renaming the national debt 'national savings' is a really good idea.)
- That pension funds and life assurance funds need somewhere to put pensioners' money that's safe and will add a bit of interest.

For pragmatic purposes of changing world views, these are surely the key points. Much of the rest is of interest to specialists of course, but maybe simpler messages/videos are needed for the public (and politicians).

Yours in appreciation,
Andrew Sayer with contributions from Kevin Morgan