

The case for MMT: or why the FT is wrong to publish ill...

Published: January 12, 2026, 9:34 pm

Stephen King, who is HSBC's Senior Economic Adviser and author of 'Grave New World' has an article in the FT today under the title '[The case against Modern Monetary Theory](#)'. It makes false claims about MMT, as usual.

King starts by suggesting that:

In a world in which government debt is rapidly rising, it's hardly surprising that there's growing interest among investors in Modern Monetary Theory. After all, one of its central claims is that budget deficits are, from a financing perspective, an irrelevance. So long as increased government borrowing doesn't lead to inflation – and, at the moment, there really isn't much of it around – we can all afford to relax.

That's not what MMT says, of course. What MMT says is not that we can be relaxed about financing, because financing is not its focus. What it actually says is that if there is unemployment that a government wishes to address, then assuming that government spending is appropriately directed to achieve that goal then financing is not a constraint until full employment is achieved. Then it says three further things.

The first is that if spending is continued without any further action when full employment has been achieved then inflation will result.

Alternatively, and somewhat overlooked, more tax at that moment can limit that inflation risk.

But, third and more important still, if the government still thinks its programmes more important than additional private sector growth at that point then a bit more tax reduces private sector demand for labour, so releasing it for public sector use without inflation arising.

That's what MMT really says. But King is having none of it. He says:

*As Stephanie Kelton notes in her book *The Deficit Myth*, governments with access to a printing press are "currency issuers" (exceptions include, most obviously, members of*

the eurozone). As such, all their spending could, in principle, be financed via the creation of cash. Taxes may serve other purposes – the redistribution of income and wealth, the discouragement of “sinful” behaviour – but, in the world of MMT, they serve no useful macroeconomic role.

I have to say that there are some in MMT who do take this view. That's deeply regrettable, naive and just wrong. I have already demonstrated why, but I have been deeply frustrated by such people in my time, so I can't deny King's claim. But that's not what is said by what I might call the exponents of what I might call 'pragmatic MMT'. This is the MMT promoted by those at the interface between it and the real world. I would call myself an exponent of pragmatic MMT. I would describe Stephanie Kelton as another. She and I first discussed this tax issue quite some time ago, and found common ground, I think.

We would actually agree, quite strongly, with King when he says:

In the real world, however, taxes are crucial.

We would also agree with some of his reasoning, when he says:

The fundamental difference between government finances and those of companies and households is not access to a printing press but, instead, the coercive power to raise taxes. A company making a severe loss cannot reduce that loss by imposing taxes on everyone else. A government can. A worker receiving a pay cut cannot force others to make up the difference. A government can.

Precisely. This is why tax gives money its value. It is why MMT says tax is so important. It's why MMT says a government realising this can be monetarily sovereign. It's why tax can be used as a macro instrument in MMT.

It's also why King is right when he says, as MMT does that:

Armed with this knowledge, creditors are understandably willing to accept mostly lower returns on government bonds than on other investments. Put simply, the risk of government default in the face of an adverse economic shock is lower than for other would-be borrowers.

Of course that's true. Actually, the risk is non-existent. It's why this monetary sovereignty - the power to control the economy delivered by the power to tax - is so core to MMT.

But then, as always happens, King goes off-piste and begins to make things up, saying:

[I]magine for a moment that governments embrace MMT. Imagine too, as MMT proponents suggest, that control of the printing press is taken away from unelected central bankers and given to “accountable” elected fiscal representatives. Would we be

any better off?

How many errors can a person make in a paragraph? First, governments don't embrace MMT. It describes what actually happens now in places like the UK and USA.

Second, money is not printed. It is created.

Third, central bankers do not have the power of printing presses now. Every penny of QE is, for example, created with explicit HM Treasury consent. That is hardly surprising. The Bank of England QE operation is controlled and indemnified by the Treasury. See [the letters at the bottom of this link as the evidence of that](#).

Fourth, elected representatives are accountable: there is a ballot box. HSBC have shown themselves far too comfortable with China's suppression of democracy in Hong Kong. They should not make their contempt for it here quite so apparent.

And would we be better off? That is not a question that flows from these claims. That would depend on entirely what policy this action was used for, and not to the mechanics itself.

King thinks otherwise. He says:

Far from it. Giving elected representatives the keys to the printing press is the equivalent of giving a gambling addict the keys to the casino.

In other words, democracy cannot be trusted and politicians, without the wise paternalist constraint if the banking community exercised through their club in Threadneedle Street, would run amok. The little faith he has in democracy is all too apparent.

That he then makes some rather strange claims about tax is inconsequential. Instead I turn to his conclusion. He says:

Thanks to Covid-19, government debt is rising rapidly and, for that matter, appropriately. In the face of recurring lockdowns, we are better off allowing companies and workers to enter a period of economic "hibernation" in the hope that, once the virus is under control, they can thaw out. The alternative of multiple business failures and mass unemployment is of no use to anyone.

Of course, I agree with that. But this is profoundly wrong:

In the process, however, we are in effect borrowing from our collective economic futures. At some point, some of us will be presented with a bill which, if hibernation policies succeed, we will be in a reasonable position to pay. The political process will decide whether that bill comes in the form of higher taxes, more austerity, rising inflation or eventual default. That, I'm afraid, is the deficit reality.

It is quite staggering that a supposed economist working for a major bank does apparently know so little about what is happening in our economy at present.

First of all, we are not borrowing right now. Quantitative easing is covering the entire cost of the coronavirus crisis, and will very obviously continue to do so, [as I have already noted this morning](#).

Second, quantitative easing is not going to be unwound: it is new credit money creation (as the Bank of England confirms) that is essential to fill the gap created by private sector banks not lending at present.

Third, this means that quantitative easing reversal is not debt repayment: it is removal of money from the economy, and that would crash it as surely as not keeping businesses going now, as King says he wants.

As such King shows he is unaware of what is happening in the real world.

Worse, he shows that he does not appreciate that it is something akin to MMT (akin because MMT would not use QE by choice) that is keeping our economy going right now.

We should be thankful that people like Stephen King are not in charge and that we have means to make sure that they are not.

We should worry that the FT gave him space.

We should just hope that one day he realises how wrong he is.

Our future depends on people doing so.