

Funding the Future

Article URL

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I just posted [this thread](#) on Twitter:

You raise an important issue @HackedOffHugh. You're reading the right book. @stephaniekelton is great and we talk often but this is a brief thread in response to your question.



Hugh Grant 
@HackedOffHugh

...

Replying to [@RichardJMurphy](#)

I'm very intrigued by MMT and reading a book about it. But it seems to me that until the MARKETS believe in it, any government will be forced to show old fashioned "fiscal responsibility". Otherwise govt debt crashes and with it pension funds etc. No?

09:57 · 23/10/2022 · [Twitter for iPhone](#)

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MMT is not a policy: it is a description of how money actually works in the economy. I believe that description is right: the choice as to whether you follow all the policy prescriptions like the job guarantee is for you to decide on. There are three key issues though, I think.

First, people are taught markets rule. They don't. But we've had politicians so incompetent and chaotic that they have abandoned decision making to the markets, and especially central banks. The result is going to be a crash due to interest rate rises that are totally unnecessary.

Second, politicians of all parties seem to think that shrinking the state is the goal of public life. Most of economics is designed to confirm that. MMT says that's not necessary. It lays out the conditions where politicians can decide what size of state they think is needed.

Third, MMT challenges Thatcher's household analogy that suggested the economy is

like home. Thatcher forgot government's create money, households don't, so they're totally different. MMT says managing like a household is a disaster for a country: the opposite of what is needed.

The problem is not with the markets. The power to control markets exists, as Japan shows. Just because the Fed wants to trash the US economy and that of developing countries we don't have to follow suit and raise rates, for example.

The problem is with governments who think they cannot stand up to markets in the public interest. As a result they let bad things happen because some in the City abuse market power for their own interests: you're more than familiar with that.

What we need are courageous politicians to stand up to the financial markets, to put central bankers (most especially, as they are particularly harmful) back in their boxes and to manage the economy as if finance is the servant of people, not its master.

A government that realises it ultimately creates all the money could do that: it just has to believe that it must do so in the public interest, whilst leaving space for private business that actually makes things with room to operate whilst constraining the rule of bankers.

Happy to discuss further. There is more from me on my blog and in this free ebook, although its inflation chapter needs updating
<https://www.taxresearch.org.uk/Blog/wp-content/uploads/2021/04/Money-for-nothing-and-my-Tweets-for-free.pdf>