

'Modern monetary theory: an explanation' updated

Published: January 13, 2026, 6:34 pm

I have published a second edition of '[Modern monetary theory: an explanation](#)'. That's good going after a day in circulation, but indicates that I listen.

Some typos have been corrected. Some small redraftings based on comments have been made.

As requested, a contents page has been added.

And to satisfy those from the MMT 'community' who say I am not allowed to publish this or call it MMT a note has been added, which says:

Modern monetary theory (hereafter, MMT) is an explanation of the way in which money works in an economy. It also explains the consequent impact that the best use of money, using this understanding, might have on behaviour in that economy.

The core suggestion made by MMT is that a government is constrained by the real productive capacity of its economy and not by the availability of money, which it can always create.

Secondary insights are that money is created by government spending and is destroyed by taxation.

I developed this understanding independently, a fact I [first mentioned in a blog post](#) in 2013, which was the sole reference I made to MMT on that site until 2015 when further comment was promoted by [an invitation to debate with Bill Mitchell](#) on MMT and People's QE. That was immediately prior to publication of my book, The Joy of Tax, in which ideas that relate to MMT are discussed but the term is never used because I was still pretty unfamiliar with what it had to say.

As I now know, MMT is most identified with the work of Warren Mosler, Bill Mitchell, Randy Wray and, most especially, Stephanie Kelton, whose understanding differs from that of the other three to some degree, in my opinion. They built on the ideas of others like Abe Lerner, Hyman Minsky and Wynne Godley

What I offer here are my interpretation of what I think to be core MMT understanding. I suspect there is much common ground in that.

There will be much less common ground on my interpretation of what the understanding means and on the supposed (and very largely, in my opinion, unnecessary) theoretical justification for it. So be it: that is what political economy is about.

I hope those who have nitpicked can now comment in the substance of the matter. It is much too important for such issues to get in the way.

The new [download is here](#).