

My approach to MMT - the AI version

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This is another AI (ChatGPT) generated summary of my thinking. I asked it to discuss my approach to modern monetary theory. The following text is unedited by me.

Richard Murphy is a prominent UK-based economist and political commentator known for his advocacy of Modern Monetary Theory (MMT), especially in the context of progressive economics and public finance. He's not one of the originators of MMT (like Stephanie Kelton or Warren Mosler), but he's one of the key figures promoting and adapting it for a UK audience.

Here's a summary of Murphy's perspective on MMT:

💡 Key Ideas from Richard Murphy on MMT:

* **The State Can Create Money**

Murphy emphasizes that a government that issues its own currency (like the UK) is not like a household. It can create money to fund public services, infrastructure, and social support systems. Taxation and borrowing are not prerequisites for spending.

* **Taxation is Not for Spending**

In line with MMT, he argues that taxes don't fund government spending. Instead, taxes help control inflation, shape economic behavior, and maintain demand for the currency.

* **Public Purpose Over Deficit Fear**

He criticizes the obsession with balancing budgets or reducing deficits. Murphy sees deficits as normal and often necessary to maintain economic health, especially during downturns. The focus should be on whether government spending meets public needs.

* **Inflation is the Constraint**

Murphy agrees with MMT's core idea that inflation, not financing, is the real limit to government spending. He believes governments should increase taxes or reduce spending if inflation becomes a problem, but not before.

* **The Green New Deal & MMT**

He's a strong proponent of a Green New Deal funded through MMT principles. He believes the UK can afford to invest massively in sustainability, infrastructure, and jobs

without being limited by traditional budget constraints.

* **People's Quantitative Easing**

Murphy proposed this idea. Instead of giving QE money to banks, the central bank could directly fund infrastructure and public investment. This concept has some overlap with MMT ideas and was discussed by Jeremy Corbyn's Labour team when Murphy was advising them.

ChatGPT then asked 'Would you like a quote from Murphy or a deeper dive into how his version of MMT differs from the American version?' I opted for the second of these and was offered this:

Richard Murphy shares many core principles with American MMT economists, but he diverges in some key areas, especially in tone, institutional focus, and practical application, particularly within the UK context.

Here's a breakdown of the main differences between Murphy's approach and the American MMT school (think Stephanie Kelton, Warren Mosler, Bill Mitchell, etc.):

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🇬🇧 **Richard Murphy vs 🇺🇸 US MMT Thinkers**

1. Role of Taxation

- US MMT View (Kelton, Mosler):

Taxes create demand for the currency and control inflation, but they do not fund spending. This is a foundational MMT claim.

- Murphy's View:

He agrees taxes don't fund spending in accounting terms, but he's more cautious in rhetoric. He often says taxation is important to legitimize money and control inflation — but he sometimes emphasizes tax collection more than US MMTers do.

2. Institutional Mechanics

- US MMT:

The central bank (like the Fed) and the treasury (like the US Treasury) are essentially two arms of the same entity. They consolidate into a single operational unit when it comes to monetary operations.

- Murphy:

He's more focused on the UK institutional framework, where the Bank of England and HM Treasury are more separate by statute. He accepts MMT logic, but sometimes emphasizes operational realities over theoretical consolidation — he wants MMT to work within existing UK frameworks, or slightly reformed ones.

3. ***Emphasis on the Green New Deal***

- US MMT:

Kelton and others talk about public purpose, full employment, and green investment, but their focus is more on the theoretical foundations and economic modeling.

- Murphy:

He's heavily focused on policy applications, especially the Green New Deal in the UK. He talks about how MMT principles justify and enable this kind of investment. He even coined "People's Quantitative Easing," which is like a proto-MMT application.

4. ***Tone and Accessibility***

- US MMT:

Often academic and technical — especially Mitchell and Mosler — although Kelton's book *The Deficit Myth* bridges the gap.

- Murphy:

More of a campaigner and activist. His writing and blogging are geared toward the public, politicians, and activists. He frames MMT as a tool for economic justice and democracy.

5. ***Flexibility Toward Deficits***

- US MMT:

Comfortable with large, sustained deficits as long as inflation is under control.

- Murphy:

Also comfortable with deficits, but more cautious in messaging, especially given UK media and political attitudes. He emphasizes public trust and sound institutions, trying to avoid "magic money tree" accusations.

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Summary:

Richard Murphy embraces the core logic of MMT, but differs in:

- tone (more politically cautious),
- focus (UK institutions & public policy),
- and application (Green New Deal, People's QE).

He's more of a bridge-builder and advocate than a theorist — someone trying to translate MMT into practical, politically acceptable policies in a UK setting.

I found that useful - as feedback on my own work. These summaries are going to be filed under a heading of that name, in due course.