

The truth about Modern Monetary Theory

Published: January 12, 2026, 8:42 pm

MMT describes how government spending and taxation work in fiat currency economies: no more, and no less. In this video, I explain why critics often get it wrong, why some fans overstate it, and why understanding it could change how we think about jobs, services, and growth.

<https://www.youtube.com/watch?v=oebn-TPGURs&si=Rw93IJb2V3BAgswH>

This is the audio version:

https://www.podbean.com/player-v2/?i=wqe5t-1939e6f-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Modern Monetary Theory, or MMT for short, is not something a government chooses to do.

There's a great deal of nonsense talked about Modern Monetary Theory, mostly by its opponents, but sometimes, unfortunately, also by its proponents, and they talk a lot of nonsense about what MMT means with regard to policy.

But Modern Monetary Theory isn't about policy. Modern Monetary Theory isn't even a very good theory. It's simply an explanation as to how money works in a modern fiat

currency country like the UK, the USA, and just about every country in Europe, Australia, New Zealand, and even Japan, if you like. Those countries all already use Modern Monetary Theory because they are fiat currency countries.

So the point of this video is to explain why that is the case and to help you identify when people are talking nonsense about MMT. So let's just be clear.

MMT describes how money works in what I call a fiat currency economy, and a fiat currency economy is one where you have your own central bank, a functioning tax system, a currency that can be used for international exchange and be borrowed in, and a legal system that enforces contracts because that's quite useful when it comes to collecting taxes owing. In those situations, MMT simply describes how the money system of an economy works.

There's nothing more to it or less to it than that. It is a description of the way in which, when a government spends money in such a country, it simply asks its central bank to create that money, which it then spends into the economy, with taxation then being used to reclaim as much of that money as the government thinks desirable, running whatever deficit it thinks necessary to provide the necessary stimulus to the economy and to leave enough government created money in the economy to meet the demand for growing money supply as a consequence of inflation and a growing population and a growing economy. And that's it.

That is what MMT describes, as well as providing a description of what national debt is, where it makes clear that national debt is not as such debt at all, but it is, in fact, the saved money of those who end up with the benefit of government money creation. So MMT is a description, and it is not a political programme.

Let me be unambiguous, both left and right-wing governments actually operate MMT now because what I've just said is what they actually do. The fact is that there isn't a political bias to what Modern Monetary Theory says.

But let me be clear about this, once people get to understand that what Modern Monetary Theory makes clear is that a government has the power to deliver full employment, to deliver growth, to create opportunity, and to supply the services that people want from the government if the resources are available to be put to use to supply to them, then the pressure is created for people to demand those policies.

So people think that there is something left-wing about MMT because it empowers people to ask for policies which are identified as such, but that doesn't mean to say that MMT is left-wing. That's not the case at all.

What MMT does is simply make clear what is possible. And what is possible is that the economy of a country can be run at full employment without finding the money first. That is what MMT says. And therefore, what it makes clear is that if there are

underutilised resources in an economy, and I promise you, there are in the UK economy, they can be put to use without a risk of inflation.

That's MMT's insight, but it isn't MMT's policy.

So don't be confused. MMT describes how the monetary system works. It describes what is possible. It makes clear what governments can do, but nowhere does it say governments should do these things, and anybody who conflates those two and says, the MMT says the government must run full employment, it must provide a job guarantee, it must maximise the opportunity for government services, or anything else, is imposing on MMT their own political choice. But that isn't what it says, and I think that distinction's really important, and when you're involved in debate on this, you need to differentiate those two, or people will misunderstand you, and that would be a big mistake.