MMT v Keynes? Who is the winner?

Published: January 12, 2026, 11:39 pm

We put out this short version of this morning's video this evening. Some might find the short version of use:

https://www.youtube.com/watch?v=QHOg9qzaSuw?si=-Wye2hnMzw5PY3zf

Keynes vs MMT is one of the most important debates in economics today. Keynesians think governments must tax and borrow before they spend. MMT says spending comes first, taxes and bonds follow. The choice between these views isn’t academic – it shapes whether governments fear debt or focus on using resources for people.

This is the transcript:

What's the difference between Keynesian economics and modern monetary theory (MMT)?

In a nutshell, both of them support government intervention in the economy. This appears to make both of them very different to neoliberal economic thinking, which says "Governments should get out of the way of markets."

But Keynesian economics and modern monetary theories see money very differently, and as a consequence, the outcomes are quite different.

The Keynesian worldview is that money is a scarce resource that is available within marketplaces because this was written in the 1930s, when we still had a gold standard, and somehow or other, they've never got over that.

So the Keynesian worldview is that governments must tax and borrow before they spend, when we know that's no longer true.

They do believe that governments may borrow, but only in recessions.

And they do think that governments should then run surpluses, even though there is no post-World War II record of that happening. And with those surpluses, they should repay debt.

Keynesian economics does, therefore, fuel the debt paranoia, which is now seen amongst our modern politicians.

The MMT worldview is that money is a tool under the control of our politicians because, as a matter of fact, it is. Governments create all the currency that we have in operation in the UK, either directly themselves or by licensing banks to create it.

Spending always comes first, whether that is with regard to government spending, which creates money as a consequence through the Bank of England, or in the rest of the economy by banks lending to create the money that is used elsewhere.

Taxation and bonds follow after government spending, in other words.

And bonds in particular behave very differently in the MMT worldview. These aren't debts. These are simply money put on deposit with the government, because that is the safest place for people like the City of London to save.

There isn't, therefore, an obligation to make repayment because these are voluntary arrangements between what is in effect a banker - the government - and those who've got surplus money that they wish to find a home for.

So there is a difference as a consequence in the perception of what the real limits upon the economy are.

In the Keynesian worldview, the real limit is the availability of money and the obligation to repay it.

In the MMT worldview, the real limit is the availability of resources within the real economy that can be put to use by the use of money.

This ends up with a very different view of what economic management should be all about.

In the Keynesian worldview, we avoid full employment, although that is what Keynesians say they would like. And we avoid full employment because of the risk of inflation.

In the MMT worldview, we take the risk of pushing the economy to the point where all resources are used because the MMT economist knows that the government has the tools available to it to deal with that inflation if it arises through taxation.

That means that Keynesians fear debt.

MMT fears inflation.

But only one delivers the best for people in the economy as a whole. And that's MMT because it tries to produce the best outcomes in the real world. And that means everybody gains.

So, which makes more sense for you? I would suggest only one does, and that is MMT.