

The difference modern monetary theory makes to managing

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One of the questions most often asked about modern monetary theory is what difference it might make to the management of the economy if it were understood correctly. My suggestion is that the transformation would be radical.

Where we are: a nation of gamblers

At present, the UK economy is being run like a casino. We should not base the national economy on gambling, but we do. That gambling is on:

- * Whether stock markets will rise
- * What interest rates will be
- * What the exchange rate will be
- * Whether the government will balance its budget
- * What commodity prices will be
- * Whether inflation will hit 2% or not
- * What the balance of trade might be

This is what those described as having the best brains in the economy do for a living. They gamble.

As a result, it is reporting on this gambling that dominates much of our economic news.

And the government is as heavily involved as the private sector. Almost all of its forecasting and decision-making is based on guessing what these outcomes might be. We are, in effect, used as the stakes. The services we are supplied with are the outcomes, after the House has, of course, taken its share.

Vast numbers of supposedly intelligent people are, then, engaged in betting on whether the government's gambles turn out to be good or not, creaming yet more income off

society in the process, adding nothing of value to anyone whilst doing so. Worse, they reduce value by denying their intelligence to the meeting of need, whether in:

- * Education
- * Care
- * Design
- * Making things we need
- * Managing real risk
- * Growing food
- * Delivering essential services

This neglect has been devastating.

The alternative

Suppose we did something really different. Suppose we began economic planning. We do not do that now, at least, not in any serious way. In essence, all the government does now is guess the outcomes of others' actions that it thinks are beyond its influence or control. But suppose instead that it decided what it wanted, and presumed that it could, at the very least, change the economic environment so that these things might happen. They would start by asking:

- * What have we got?
- * What do we need?
- * How do we use the power of the state to bridge the gap?

Then, depending on the answers, you would decide what might be required to achieve that outcome. That would mean plans would be required for:

- * Innovation
- * Investment
- * Skill creation
- * Attracting those who have those abilities if we are short of them
- * Enabling those who want to work
- * Redirecting effort to where it is needed
- * Planning sustainable use of finite resources

- * Reducing risk instead of creating it
- * Delivering full employment to increase income and reduce dependency

We could do that. Instead of gambling on the outcomes of actions over which it is assumed to have no control, the government could decide the outcomes it wants and plan to have them, rather than leaving them to fate.

The thinking that MMT empowers

This is the economic thinking MMT empowers. At present, our thinking is constrained. Our plans are not just limited; in truth, we don't have them. That is because we think:

- * The state is dependent on the private sector and its money.
- * It has no money of its own.
- * It is, then, constrained by whatever resources the private sector will let it have, and can do nothing about this.
- * What the government can do then is limited, and there is no hope of that changing: there is never going to be enough made available to it for anything to change.
- * There is, then, no reason to believe in government, not least because all the "clever people" capable of delivering anything are working in the private sector, to whom it must contract all its activities as a result, even if that is costly.
- * There is, then, no desire for the government to do well, or any expectation of it. There is no hope. There is just fatalism.

We have to appreciate the following:

- * The state can create money.
- * Tax does not fund spending.
- * The City does not fund government, but does instead use the banking facilities it supplies.
- * The state can, using its power to regulate and tax, direct the uses of resources within the economy.
- * It is within the power of the state to choose the outcomes it wants for the economy, rather than leaving the market to decide.

Then we could plan the best outcomes.

The possibilities

We could go for full employment.

We could plan to meet need.

We could care.

We could educate.

We could manage the climate transition.

We could create industries that we need for our future.

We could have a fully functioning state, instead of one in terminal decline, as we have now.

The empowerment MMT makes possible

When people ask me what MMT make possible, the answer is this is what makes it possible.

It changes the relationships of power within the economy, largely by making clear that they can be inverted.

It ends the culture of the state being the victim, subject to the vagaries of the market.

It makes clear that the state is the country's powerhouse and that it must be if it is to succeed.

It ends the messaging that the state can only use what the market doesn't want, and instead makes it clear that the state can act on behalf of those who, most especially, get an inadequate share of the votes in the market as they do not have the pounds to stuff in its ballot boxes.

It ends the idea that we should accept our fate.

But most of all, it breaks the whole gambling culture of our economy. This has been the prevailing narrative since Margaret Thatcher delivered the Big Bang in 1986. She made the gambling den of the City of London the epicentre of the economy, and translated its culture into government, leaving everything as if it were a game of chance in which everyone's fate becomes uncertain, except, of course, for those who ran the gambling den itself, who could always be sure to get their rake off.

Reject that idea, and return power to the government, and no longer would parasitic activity and thinking dominate, whether that be the City of London itself, or in the Treasury, or in our politics. Instead, we would be freed to imagine what might be possible, rather than presume it most unlikely to happen because the odds of the

market supplying it appear too low to anticipate.

This is what MMT can deliver:

- * The understanding of what government is.
- * What it can do.
- * How it can do it.
- * Who can do it on behalf of, and
- * The possibility of delivery is real because the resources to determine outcomes belong to the state, and no one else, meaning economic transformation is a possibility.

MMT might just describe how money works. But, rather like the understanding that the Earth revolved around the Sun, rather than the other way round, transformed the way we understood the working of this planet, so does a proper understanding of money do the same. In both cases, we're doing a little more than discussing the true nature of a flow, but such things matter, and getting them right is essential.

Until we do, we have to live in a world where markets rule, and gamblers, quite bizarrely, make the biggest returns because they use us as the stakes in their games of high-stakes poker with our national fortunes.

When we realise that the state can take control, we can instead seek the best possible outcome for everyone. If that is not transformational with regard to economic thinking, I am not sure what ever will be.

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