

MMT is a theory, just as gravity is

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I [recently made a video](#) explaining modern monetary theory, albeit not for the first time.

What we did note when that video was complete was that almost every section within it could, in fact, also be used as a YouTube short on an aspect of MMT.

We put out the first of these a couple of weeks ago, before Trump decided to take over the whole world agenda. Now that things are just a little quieter again, we are putting out some more.

This is the second, on a particularly important point, which is that it is wholly appropriate to call MMT a theory, but that does not mean that it tells you what to do:

<https://youtube.com/shorts/-CUeZl309hM?si=jqZgEbEwO3wgdI9G>

This is the transcript:

Let me make a simple comparison.

Think of physics. Gravity explains what happens. It's called a theory, by the way, and it does not then tell you whether to jump off a cliff.

MMT is like that. It's also a theory, but just like gravity, modern monetary theory explains how the economy works, but it doesn't write your budget for you or tell you what your politics should be, and this is really important.

MMT describes what money is, how government spending occurs, what taxation does, why borrowing is different for states and households, and what constrains government in reality, and this is important because most people don't understand any of those things.