

MMT v neoliberalism: there is only one winner

Published: April 15, 2026, 6:02 am

We are heading into an economic crisis on a scale comparable to the aftermath of a World War. Supply chains are fracturing. Energy costs are rising. Shortages of fuel, food, and raw materials are already visible. And the economic framework that has governed the West for the last 45 years - neoliberalism - is not just incapable of managing what is coming. It is designed to make it worse.

This is not an accident. Neoliberalism deliberately keeps people unemployed. That is not a side effect - it is deliberate. Unemployment is how neoliberals control inflation, operating through the relationship between joblessness and interest rates. Neoliberalism, by design, chooses to manage an economy suboptimally.

In a crisis of the scale we are now entering, neoliberalism's response will be to further restrict government action and accept failure by design. Poverty will rise. Unemployment will rise. Real resources will go unused. And people will suffer, not because there is no alternative, but because the dominant ideology refuses to see one.

The alternative exists. It is modern monetary theory, or MMT, and what MMT tells us is this: money is not a constraint on government action if the real resources exist to achieve the goals we need to fulfil. A sovereign government that issues its own currency can always spend to the limit where full employment is reached.

The question is never "can we afford it?" The question is always "Do we have the real resources - the workers, the materials, the capacity - to achieve it?" If we have, an MMT approach says action should be taken, and the money to fund it will always be available, as will be the taxation to balance any inflationary consequences.

As a consequence, an MMT economy will, by trying to put all available resources to use, always deliver better outcomes for people than a neoliberal economy can in any situation and will most definitely do so now. That is a simple, straightforward statement of fact.

In a World War-level economic crisis, the question of which economic framework guides

government policy best is not academic. It is about which system has the best chance of delivering an economy where people live free from fear.

In this video, I explain why neoliberalism will make the coming crisis worse, and what MMT offers instead, and why the choice between these two frameworks is the most consequential economic decision our society will make.

<https://www.youtube.com/watch?v=4SMISqEpFcC?si=aI5dhFkgkSWaCLDz>

This is the audio version:

https://www.podbean.com/player-v2/?i=jmmbs-1a9b4d7-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

We are at this moment in a critical point in history. We are about to suffer what might, in scale, be the equivalent of the aftermath of a world war.

I know we haven't had a world war, but the disruption that is being created by the war by the USA and Israel on Iran, is having the same consequence as a world war.

Supply chains are disrupted. We are going to be short of fuel and energy. We're going to be short of food and other raw materials. We are going to be living in a world of chaos unless we manage our economies appropriately, and at this moment, that means we need to liberate our economic thinking to understand what type of economics might let us manage this situation best.

I'm going to argue in this video that we have a choice between two systems of thinking. One is neoliberal thought, the type of thinking that has dominated the West for the last 45 years, and the other is the type of thought created by modern monetary thinking. They are by no means the same.

Neoliberalism seeks to impose constraints on what is possible within an economy.

Modern monetary theory seeks to maximise the possibilities that are available to us

using all the resources available at a point in time.

The consequences are very different economic outcomes, dependent upon the approach we choose.

What do we therefore need to think about, because these two approaches are completely different?

MMT, modern monetary theory, asks a simple question. It asks: “What can we do in our economy given the resources that we have got?”

Neoliberalism asks a very different question. It asks: “What can we afford to do given the limited amount of money that we’ve got?”

One of these two, modern monetary theory, does then seek to open all the options that are available to us, and the other one seeks to close them down. This is a massive difference of economic approach.

MMT starts with need. It asks the question: “What do people require at this moment, and what must be delivered to ensure that people can live well?” It then looks at the available resources within the economy; that is, people, capital, raw materials, government capacity, institutional and market capacity, and then it seeks to match need to that capacity. It tries to build an economy that actually goes out of its way to ensure that everybody has what they need to survive and hopefully a little bit more as well.

MMT doesn’t ignore financial constraints. What it does is recognise that a government that understands how money works can always find the money it needs for whatever is possible within the economy it is managing. Governments can always create their own money, remember. That is a simple, straightforward fact, recognised now across the Western world.

But as a consequence, what MMT makes clear, and which others deny, is that government spending creates the money that is put into circulation in our economy. Taxes come later on. They are not there to fund the government spending. They are there to withdraw money from the economy that the government has spent into it to prevent inflation arising. And therefore, money is not a constraint on action if real resources are available to achieve the goals that a government has identified need to be fulfilled so that people can live free from fear.

Inflation is a constraint inside a modern monetary theory economy. Those who say otherwise have failed to understand MMT. MMT does not want inflation. What it recognises is that the government can spend to the point of full employment and the sustainable use of resources, but thereafter it can’t because it will create inflation. So there is a balance to be found, as is the case inside a neoliberal economy, but the point

I'm going to argue throughout this video is that the place where the MMT economy will find its balance is very different from the point where a neoliberal economy will find its balance.

MMT achieves this in a very simple way. It says that government action can be used to assist the management of the optimal outcomes it wants. It says tax can control inflation. It says that regulation can shape markets. It says that legislation can be used to directly intervene when the government needs to deliver outcomes that are fair and necessary. It focuses on well-being.

Neoliberalism starts from a very different place. It starts with constraints, and these constraints are, by the way, all entirely artificial. They're created by economists. They're created by politicians. What are these constraints about? They're constraints about the limits to taxation and what society will supposedly tolerate, although no one has tested those ideas out. They're constraints on what level of spending they think that society can sustain from government. They argue that there is a limit, although what we can see just from looking across Europe is that the levels of government expenditure vary widely from country to country. So what these constraints are, nobody really knows, and do they really exist? I doubt it.

They claim that there are limits to what level of deficit can be managed by a state, but there's no evidence that this claim is true. Japan is the outlier that has proved that government debt can reach levels way beyond those which are sustained within Europe and the USA, but can survive nonetheless. Those levels of government debt are created from somewhere, and that is by deficit spending.

So, all of these constraints within neoliberalism are there for one reason. They are there to stop government acting, and they recognise that the priority of neoliberal economics is to constrain government and not to meet the needs of populations.

What is more, neoliberal thinking trusts markets to deliver. It accepts that price signals can allocate resources efficiently within an economy, even though poverty can result as a consequence. And it assumes that all consumers are equal, even though very obviously they're not, because wealth allocations are very different right across the economy as a whole. And markets are assumed to be efficient as a result, when all the evidence of history, let alone the last 15 or so years, says precisely otherwise.

The role of government is, as a consequence, deliberately limited within neoliberalism, and it is not within modern monetary theory.

In neoliberalism, it is said that the role of government is to defend the state, to uphold markets, and to prevent extreme poverty, but very little else is permitted.

In contrast, MMT does something else. It says the role of government is to deliver freedom from fear, and action should be taken to the limit of what is necessary to

ensure that happens. This is the most important point in the contrast between neoliberals and MMT. Neoliberalism always says that constraints must apply. In MMT the constraint is said to be created by real resources.

But there's another point to note as well. Neoliberals argue that the outcome of thinking in an MMT way will produce an economy that is entirely consistent with that which neoliberalism does anyway produce. They say that neoliberalism does permit the running of deficits. They argue that MMT does the same thing, and they argue that the size of deficit in both cases is constrained by the rate of inflation that is desired by the government that is letting a deficit be run.

So, they argue that if the rate of inflation that is going to be permitted is roughly 3%, a 3% deficit is permitted because the 3% deficit will inject into the economy the money will result in a 3% inflation rate. The argument is a little simplistic. The causations are not direct, but broadly speaking, there's some logic to this. But these neoliberals make a fundamental error of judgment, as do those who try to dismiss MMT.

The point is that a 3% deficit in a neoliberal economy is not the same as a 3% deficit in an MMT economy, and there's good reason for that.

Inside an MMT economy, the opportunity to run the economy at an optimal level will have been taken. In other words, all resources will have been put to use.

In a neoliberal economy, that will not be true. Constraints will have been put upon resource usage. People will have been left deliberately unemployed, because that is neoliberal policy: it is how neoliberals try to control inflation via the interaction between unemployment and interest rates, and as a result, the level of activity in a neoliberal economy will always be lower than that in an MMT economy. That means that the outcome from the two will be fundamentally different.

MMT always creates full employment. That is its goal. Everyone who can work has the chance to do so within an MMT economy. Whether that is done through a policy of full employment, delivering optimal outcomes through fiscal policy, or whether it is done by a job guarantee, doesn't matter. The point is, full employment is always targeted. Resources are always fully used. Output is maximised, and income is maximised not only for individuals but also for the government, of course. What this means as a result is that not only is more income generated and that people are better off in an MMT economy, more tax is collected as well, and if more tax is collected, it is possible therefore to run a bigger government deficit and still meet a deficit target of say, 3%.

The point is, this economy is going to be better for people. It's going to be better for the government. It's going to be better for society. Neoliberal economies are smaller than MMT economies. That is the way the world is. Deficits are not the same in absolute value, then, in MMT economies as neoliberal economies. They may be higher in MMT economies, but they will be no bigger in percentage terms. That difference is what

matters.

Neoliberalism chooses to run at below full capacity.

MMT chooses to run at full capacity.

This is the approach that fundamentally differentiates these two worldviews of how we should manage an economy, and that is a fundamental difference.

This matters now. We are at a moment of crisis. This is where I started this video. We are facing the risk of economic breakdown as a consequence of war. Supply chains are broken at present. We haven't got fuel. We haven't got gas. We haven't got food. We aren't going to get the raw materials we need to keep all our production open. We are facing the risk of seriously rising poverty, not just in the UK, but around the world. Markets cannot cope with this situation. We can only survive the crisis to come on the basis of one approach.

Neoliberalism will further restrict government action in a situation like this and accept failure by design.

MMT will instead mobilise resources, put them to use and manage the crisis in a way that helps us get through it.

MMT will ensure that needs are met and the economy keeps functioning despite disruption.

Only MMT thinking can manage the challenges that are about to hit our economy. That is my point. Understanding this difference is, therefore, key. Understanding it will determine the outcomes and our chance of success during the troubled period we're about to face. One path, the MMT path, delivers optimal outcomes. The other, the neoliberal path, will deliver suboptimality. We have to make a choice right now. Right now, we need to go for the best economy we can get. Only MMT can supply it.

That's what I think. But what do you think? Do you disagree? If you do, there's a poll below. Let us have your comments. Please share this video if you like it. I think this is an important issue and one we need to debate, so I'd be appreciative if you did that. Please subscribe to our channel, and if you are so inclined and want to support the work that promotes these ideas, if you'd like to leave a donation, there's a link down below. I'd be very grateful.

Poll:

[poll id="368"]

