

Debate Ammunition: Why neoliberals fear MMT

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The Richard J Murphy YouTube Channel

Debate Ammunition

Why Neoliberals Fear MMT

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The Video

The video that this Debate Ammunition [supports is available here](#).

The core argument

Neoliberal politicians, economists, and civil servants are not ignorant of the truth about how money works: they know that the state creates money, that tax does not fund government spending, and that so-called government borrowing is in fact a banking activity. They do, however, refuse to acknowledge this because doing so would expose their entire careers as founded on false assumptions, and the personal cost of that admission is one they are unwilling to pay. The defence of neoliberalism is therefore not an economic argument; it is an act of collective self-preservation by a political economic elite that is rooted in fear.

The argument structure

Step 1 — The motive is fear, not ignorance — Neoliberal insiders are not mistaken about how money works; they are frightened of what acknowledging it would mean. Admitting the truth would render their careers, their arguments, and their authority illegitimate overnight.

Step 2 — The evidence is already in the public domain — UK law since 1866, the Bank of England's own admissions, and the practical reality of quantitative easing all confirm that money is state-created, tax does not fund spending, and gilts are a

banking deposit rather than government borrowing. None of this is secret.

Step 3 — The Galileo analogy: same facts, different understanding — As with the geocentrists who lined up against Galileo, neoliberals look at the same economic evidence as MMT proponents but interpret it through a framework that protects their position. The facts do not change when the framework changes; only the possibilities that flow from them do.

Step 4 — Collective denial as self-preservation — Neoliberals club together to ridicule MMT precisely because ridicule is easier than refutation. The phrase 'magic money tree' is not an argument; it is a defence mechanism. Their resistance will ultimately fail, as Galileo's opponents failed, because the underlying reality cannot be suppressed indefinitely.

Their argument → your rebuttal

They Say Your Response

MMT is the 'magic money tree': governments cannot simply create money without consequences. The Bank of England has published the fact that money is created by lending and that the state creates money when it spends. This is not a fringe claim; it is documented monetary mechanics. The 'magic money tree' phrase is a slogan intended to shut down debate, not a counter-argument.

Tax funds public services. Without sufficient tax revenue the government cannot spend. UK law has made clear since 1866 that government spending does not depend on prior tax collection. Quantitative easing alone proves this in practice: hundreds of billions of pounds were created without a penny of tax being raised first. Tax manages inflation; it does not finance spending.

Government borrowing is necessary to cover the deficit; bond markets discipline irresponsible governments. Financial markets do not lend to governments; they place money on deposit with them. That is a banking activity, not borrowing. The government sets the terms. Bond 'vigilantes' have far less power over a currency-issuing government than mainstream economics pretends.

MMT is untested and radical; it would cause hyperinflation if implemented. MMT is a description of how monetary systems already work, not a new policy proposal. Every currency-issuing government already operates within the framework MMT describes.

The question is not whether to use state money creation but whether to acknowledge it honestly and deploy it wisely.

The one-liner

“Neoliberals do not defend austerity because the economics demands it; they defend it because admitting the economics is wrong would end their careers, and that is a price they refuse to pay.”

Further reading

Post Title Date What It Covers

[**MMT v neoliberalism: there is only one winner**](#) Apr 2026 Sets out directly why MMT and neoliberalism are incompatible, and why MMT provides the superior account of how government money works.

[**MMT matters because it reveals power - and gives us back the right to choose**](#) Nov 2025 Explains that MMT is not merely a technical correction but a challenge to the political power structures that neoliberalism has built.

[**Why is the left so frightened of MMT?**](#) Dec 2025 Analyses how fear of responsibility for the consequences of power has stopped politicians of all stripes from embracing MMT's implications.

[**The government still insists tax funds government spending - and it doesn't**](#) Jul 2025 Documents the legal and practical basis for the claim that government spending precedes and creates tax revenue, not the other way around.

[**There is no such thing as taxpayers' money**](#) Jul 2025 Explains money creation at the point of government spending and dismantles the political myth of 'taxpayers' money'.

[**Why doesn't the Bank of England tell the truth?**](#) Nov 2024 Examines the Bank of England's own evidence for money creation and its persistent silence on the implications for government finance.

[MMT v fascism](#) Nov 2025 Shows how political cultures paralysed by fear of deficits create the conditions for authoritarian populism, and why economic literacy is a democratic defence.

[The history of economic thought: an introduction](#) Sep 2025 Traces how each dominant school of economics contains a fear of its successor, with MMT and heterodox thinking now positioned to renew economic understanding.