

When will politicians turn to MMT?

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When will modern monetary theory actually be put into practice? My answer is that politicians will adopt MMT when they desperately need an alternative to the economic ideas that have failed them.

History suggests that major changes in economic thinking happen during crises. Keynesian economics gained influence after the failures exposed by the Great Depression. The Beveridge Report helped prepare the foundations for the post-war settlement. Neoliberal thinkers were ready when the economic turmoil of the 1970s created their political opportunity.

The same happened after the 2008 financial crisis. Tax Justice campaigners had spent years developing arguments and practical reforms that suddenly became politically useful when governments needed answers.

MMT needs to be equally prepared. Importantly, I argue that MMT does not require us to invent a new monetary system. It describes how the existing system already works: government spending creates money, taxation removes money from circulation, and government bonds provide a savings mechanism.

The real change is therefore in how politicians understand and manage the economy. Instead of asking whether government can afford something, MMT asks whether we have the real resources required to deliver it.

A new hospital, for example, requires land, materials, builders, doctors, nurses and other staff. Money itself cannot create those resources. The challenge for government is to mobilise available resources while managing genuine shortages and inflationary pressures.

I believe another major economic crisis could force politicians to reconsider the economic assumptions they currently rely upon. Financial instability, war, AI, climate change or recession could provide that catalyst.

We should not want such a crisis. But if one comes, an alternative must already be

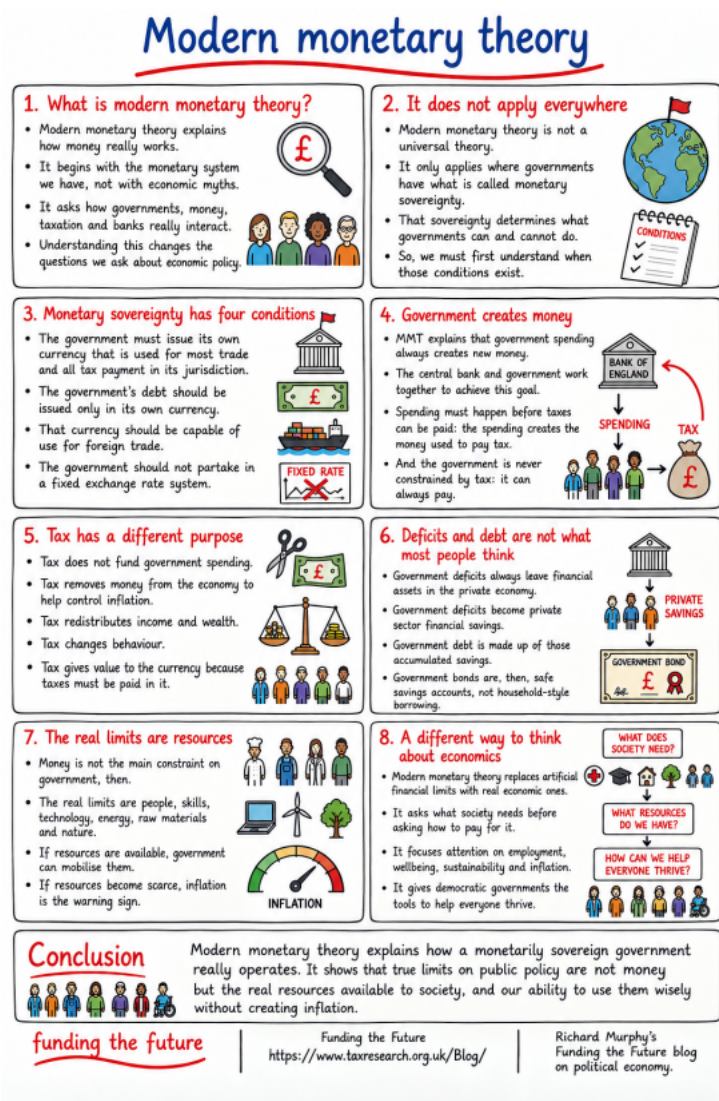
available. MMT needs a clear, practical political narrative explaining what governments can actually do. When politicians need an economic life belt, MMT must be ready.

<https://www.youtube.com/watch?v=0S5Ad4WpCCE?si=ciirFRg2XqVM63dx>

This is the audio version:

https://www.podbean.com/player-v2/?i=svgu7-1b7d352-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This infographic supports this video:



This is the transcript:

When will we get modern monetary theory, or MMT for short, in practice? That's a question I'm always asked, and my answer is that politicians will adopt MMT when they realise it offers the answer they need.

That recognition is unlikely to come in normal political times. Politicians always remain within their comfort zones whenever they can. They are human beings who like the status quo, as we can all see. So the catalyst for change will then be a crisis, and that is why preparation now, before a crisis finally hits us, matters so much. If we are to get MMT, we have to be ready for the possibility that politicians will need it, and I think they will.

Crises change economic thinking when old answers stop working.

Neoclassical economics failed during the 1930s. Keynesianism offered politics an alternative at that time.

The Beveridge Report of 1942 provided a plan for the post-war settlement and the creation of the welfare state. It was opportunistic in 1942. In 1945, it was desperately needed.

And let's be honest, Margaret Thatcher seized her opportunity when 1970s inflation discredited the existing Keynesian consensus of that moment, and she too created change as a result.

History suggests that crisis creates the space for economic change, and the financial crisis proved that point again in 2008. Gordon Brown, Barack Obama and the G20 needed explanations for what had gone wrong. The tax haven story that I had helped promote became part of that explanation, which they latched onto with enthusiasm. Tax justice campaigners like me had already prepared the proposals for reform that they then used.

It was not by chance that I was at the London G20 Summit in April 2009 asking Gordon Brown a question in front of 4,000 journalists. I was opportune as to the moment, to the potential to create change. Ideas that had previously seemed unlikely suddenly became politically useful. Many of the reforms we tax justice campaigners had demanded were then adopted.

The key point is, though, that the alternative must exist before politicians have realised that they need it. Keynes, Beveridge and neoliberal thinkers had all prepared ideas in advance. Tax justice campaigners had done the same before 2008. John Christensen and I had written our manifesto, and we had done the donkey work to have the tools

available that we thought politicians would need.

None of these people could know exactly when their opportunity would come. They created the foundations for change without certainty of success, or knowing that their plan might even ever be needed, and MMT now needs to undertake the same preparation. That is my point.

Planning for that change is, however, possible. MMT has the opportunity, and it will be easy to do.

Vitally, modern monetary theory describes how modern monetary systems already operate. It does not require us to reinvent those systems. The monetary plumbing already works in the way that MMT describes.

The system itself does operate. We do know that government spending does already create money. We do know that taxes do take it back out of the economy and do not fund the government spending. We do know that bonds are savings mechanisms, and they also do not fund the government's spending. The necessary change that we need now is not in the financial system as such, but in the understanding of how it works and how it is managed. That is where our economists and our politicians, as well as our commentators, are all in denial.

The fact that the system will not, as such, need to change will make the transition to MMT thinking much easier than most people imagine.

But that doesn't mean to say there isn't work to do. MMT needs to have what I call "a better song to sing" by the time neoliberalism fails, and that may be soon. It must have all the necessary explanations as to what it can do, ready in advance. That is what that song is. It's the narrative that hangs everything together to say there is an alternative.

Politicians in a crisis will need an understandable alternative. We must have it. They will need to know what an MMT-managed economy would actually mean, and elaborate forecasts will not provide them with that political narrative. A practical explanation of what government can do will meet that need. This is the application of MMT that we need to develop now.

So we need to be able to explain the difference between asking the question: 'Can we resource it?', instead of 'Can we afford it?', and what the consequences will look like in practice, because that is the key change that MMT will deliver in practice.

A new hospital provides the obvious example. To build a new hospital, we don't go and look at a bank account and say, have we got the money? Instead, we have to go and ask, do we have the land, the materials, the builders and the architects? And then can we provide the doctors, the nurses, and all the other staff down to the porters who are required to staff the place? Only if those resources exist can the hospital be created.

Money is not the fundamental constraint; resources are. That is the difference that MMT makes. MMT requires that we ask better questions.

So in the midst of the coming financial crisis, we must be ready to explain that money is not the big issue, even if everyone else thinks that it is. Resources are what will matter. It is resources that the government will have to direct so that it can deliver outcomes to overcome the problems that the crisis will create.

Government can always create money through its spending. That is a matter of fact. But that spending can bring unused, and most especially underutilised, resources, and there will be a great deal of those in the coming crisis, into productive use without necessarily creating the risk of inflation, whilst the existence of scarce resources may create inflationary pressure, but not if the process of change is properly managed, and that inflationary pressure in some areas is anticipated and change is made to manage it.

The objective will be to manage resources in a way that ensures that need is met and scarce resources are well used. That is the process that MMT enables, and that is critical. MMT is a process that does require better decision-making by our politicians. And at the time of crisis, there can be no greater need than better decision-making.

Politicians can still have their ambitions. They will still be able to make plans. MMT would encourage them to do so, particularly in a time of crisis. But what MMT shows is how those plans can actually be delivered. Resource management and inflation control become explicit parts of that decision process in a way that they aren't at present because micro-thinking about bank balances is all that matters. Artificial constraints will no longer dominate the discussion. Economic policy will become focused on what is physically and socially possible. That fact will be critical if, and I think when, we have another crash.

So, what could trigger this crisis that I'm talking about? I think you know the answers to that question.

Neoliberalism is already under severe pressure. We've done a video about that already this week.

Trump's economic policies could bring the world to its knees. His war could do the same thing.

An AI-driven financial collapse could provide another trigger point.

And so could the climate crisis. We are facing enormous stresses in the next year or two from drought, from floods, from fires, from El Niño, and that, of course, rolls on into food supply chains and water issues and everything else.

And the consequence of all of these things is that markets, banks and credit systems

could again require government intervention for any of these reasons, and maybe all of them at the same time.

Recession and unemployment could then make existing policy impossible to defend. Neoliberalism would have failed. And in that situation, politicians will need a lifebelt or even a lifeboat. And importantly, a drowning person does not study the theory of lifebelts before grabbing one. A government facing crisis will need something to grab onto immediately, and something which they can understand instinctively.

Beveridge, Keynes, and the tax justice movement all provided lifebelts. So could MMT. It could provide; it does provide, a coherent explanation of what a government can do in a crisis. Its practical narrative must therefore be ready before the emergency. Political necessity can then turn an alternative idea into government policy, and that's what we need to be ready for.

We should not want this crisis. I stress that. I do not because crises cause pain, and I hate that idea. But the fact that we are going to get a crisis, I think unavoidably, does make preparation for this transition necessary.

The 2008 financial crisis caused enormous and lasting damage. Another major economic breakdown could be even worse. Think of the 1930s if you want to get your head around this, on the basis that no action, or only neoliberal action, is taken in response to the crisis that might develop soon, and then realise why an alternative is necessary.

Neoliberalism is making crisis unavoidable. The responsible response is to prepare an MMT alternative beforehand. Otherwise, the opportunity for constructive change could be lost.

What all this means is that the transition to MMT could come much sooner than people expect. People talk about it to me as if it is something that will happen in the dim and distant future. I think it is going to happen soon, in a matter of, maybe not months, but years most likely.

And the next major crisis will force politicians to reconsider their basic economic policies, and there will be fundamental change. They will need an alternative that explains how government can respond. People will demand it from them, and they will not accept austerity this time. The people of France and the people of Spain are already showing that. People's anxiety in general, expressed in their alienation from government in this country and so many others, shows that the appetite for change is real.

MMT already describes the monetary system those politicians are trying to manage. The task is now to make the practical possibilities from truly understanding that system very clear. When crisis comes, MMT must be ready to become the alternative game in

town. That's my message. I intend to be ready. I am writing a book as the foundation for what I think is necessary. I hope we will have further discussions here on this point.

That's my opinion, but what's yours? There is a poll down below. Please let us have your comments. We do appreciate them. We do analyse and look at them. We do want to understand what your position is because it might differ from ours.

If you do like this video, please say so. Please do share it. Please do subscribe to the channel. Please do hit that bell so you're told when we make another video.

And if you would like to support our work, because our work is going to be needed during the course of the coming crisis, then if you'd like to buy us a coffee, that would be great.

Poll

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