

Pavlina R. Tcherneva, *Jacobin*, February 27, 2019

## MMT Is Already Helping

 [jacobinmag.com/2019/02/mmt-modern-monetary-theory-doug-henwood-overton-window](https://jacobinmag.com/2019/02/mmt-modern-monetary-theory-doug-henwood-overton-window)

I was looking forward to reading Doug Henwood's piece and the chance to respond to what I was sure to be a hard-hitting analytical critique. I was disappointed. There is no there there and thus my reply will be short.

His critique amounts to guilt by association and the utterly distasteful insinuation that MMT scholars cannot be trusted and neither can their work. MMT developer Warren Mosler has long been an advocate for "euthanizing the rentier," but that can be ignored because he is a hedge fund guy. Let's also ignore that Beardsley Ruml is not the only Fed official who has corroborated key MMT claims. Abba Lerner's technical analysis of bonds, interest rates, and government spending is not contingent on the particular historical moment after WWII. Randall Wray and Eric Tymoigne have offered probably the most thorough reply to Thomas Palley's critique, but none of the substance of their response makes it into Henwood's piece, only a caricature of their rhetorical style. The hit job on Wray's scholarship (someone who has left an indelible mark on institutionalist and Post Keynesian thought) is particularly disturbing, and Wray has issued his own reply. There is not a word about the importance of Wynne Godley's work to MMT, while one of the most prolific MMT authors — Bill Mitchell — barely makes a cameo appearance, perhaps so as not to rock Henwood's mistaken view that MMT is a US-centric approach.

I was hoping to see some engagement with the analytical insights of MMT, but alas. You will learn from Doug Henwood that we have done the "elaborate arithmetic of bank reserves," but that reserve accounting is apparently of "limited relevance to anyone concerned with big-picture economic questions," as if how the government funds itself is not one of them. Henwood can't or won't tell us what he thinks is wrong with our analysis. He simply says that we are wrong.

Odds are, if he did a couple of balance sheets on his own, he would see that the government cannot possibly pre-fund its programs in any technical sense of the word. If he slogged through the workings of Federal Reserve and Treasury operations, he would see that taxes are not stockpiled in any material sense for future re-spending. Shockingly, there is nothing in his article about a core pillar of MMT analysis — the financial sector balances. If he pondered them for just a minute, he might start asking some different questions about government deficits and might understand that the government's deficit by identity equals the nongovernment's financial saving.

And because there is no discussion or analysis of bond markets, primary dealers, the role of the Fed as market-maker for bonds, Henwood continues to resort to the easy but false tropes of the “underfunded state” and “privately financed” government borrowing. Without any of the technical analysis, he is left with the other common caricatures of MMT: the “freely running” or “overworked printing presses” that bring hyperinflation and doom.

Henwood’s discussion of the Job Guarantee (JG) is a bit more charitable, probably because he believes (incorrectly) that the program is accessory to the MMT project. MMT theorizes what it means for the government to be a monopoly currency issuer, to be able to set the price of that currency (i.e., the conversion rate between the currency and real goods and services), the benefits of anchoring the value of the currency in labor power (something I thought would resonate with Henwood), how the JG accomplishes that goal and establishes a labor standard for the entire economy by implementing a transformative countercyclical and structural policy that does not render the unemployed disposable. MMT examines the role of taxes in driving the currency and creating unemployment, and the inherent responsibility of the public sector to solve the problem it has created through the monetary system.

None of these ideas are even tangentially addressed. Henwood criticizes us for being “coy” about how much spending is too much, conveniently ignoring that the whole point of doing targeted demand via a JG is that it sets a floor *and* a ceiling to government spending, while anchoring prices. Whereas it is the current pump-priming bastard-Keynesian model that has no answer to the question, “how much spending is too much” to get us to full employment. MMT’s JG ensures that government spending on the program is always exactly at the “right” level to produce and maintain full employment.

In short, there is no hard-hitting analytical critique of MMT and thus nothing to debate. Henwood has not refuted a single one of our claims.

What I got from his piece is the following.

Henwood wants to wage “class struggle” via fiscal policy and specifically tax policy. Worse, he wants to expropriate the wealth of the rich by making it more digestible for them. He says that “rich people would have a lot harder time complaining about their money being taken to educate kids and save the planet than if it were taken because they were too rich.” Which sounds very much like, “sorry to be taking your money but we really, really need it, don’t you agree?” What a class war!

Henwood does not acknowledge that one of the most effective ways of engaging in this struggle is to render the wealthy obsolete — as in, we will stop pretending that we need them to pay for the good society. In a world

with a sovereign currency and modern monetary and fiscal institutions, we never really did, and we sure don't now. And the public needs to know it. That's the MMT message.

For the record MMT, as Henwood acknowledges, has always argued for taxing the wealthy to address the problems of inequality and political power, but we also offer a different kind of empowerment — one that comes with lifting the veil of money.

I would say that Henwood (like other “tax-the-rich-to-pay-for-progress” lefties) is tethered to the wealthy by an imaginary umbilical cord that holds his progressive agenda hostage to his oppressors. To me, this is the definition of a self-induced paralysis.

Time to cut the cord. MMT has a profound emancipatory power and the Left would do well to awaken to its potential.

The MMT ship has sailed, whether Henwood is aboard or not. Anyone serious about bold progressive policies is already ignoring the austerians and lefty deficit scolds like Henwood. The Green New Dealers aren't waiting for the “tax-the-rich socialists” to win their class war *just in time*, before irrevocable climate change is upon us. They are rolling up their sleeves and getting to work. They know that we have far greater problems to solve, namely how to reorganize our resources and production to ensure an inclusive and just transition to a green future that can secure a decent life for all. And so long as we have the will to do the hard work, we have the means to pay for our policy priorities.

Henwood may think MMT is a distraction, but the record stands. We have done the heavy lifting to bust formidable, decades-long myths about government spending, to help shift the Overton window and pave the way for today's bold and unapologetic programs that reclaim the state. The real distractions are those, like Henwood, who, hoping to influence the public conversation, cling to sclerotic visions of public finance.