

Toward an MMT-Informed Politics

In this essay I would like to share with my fellow students my motivation for participating in the Levy Institute's 2022 Summer Seminar on Modern Money Theory.

By Way of Introduction ...

My starting point is the fact that I am much older than the typical student in this seminar. I am 71 and I suspect that makes me at least 40 years older than the median age of other participants. The Levy Institute prospectus for this course suggested that the institute was looking for attendees who were "early career": graduate students, post-doc fellows, and so forth. In my application I acknowledged that I was, at best, "post-career." Would they consider someone who, relatively late in life, had encountered MMT and become, in some sense, an MMT activist? I am glad that they did.

Nearly a half century ago, however, I was a prospective early-career academic. I was a graduate student in the Political Economy program at the New School for Social Research starting in 1974, earning an M.A. in Economics and eventually completing all requirements for a Ph.D. except the dissertation. My major interests were Marxist and post-Keynesian economics. Though I certainly enjoyed my time in that program, I came to realize that academia would not be my cup of tea and left school in 1980.

Several decades and several careers later, I was involuntarily retired, had too much time on my hands, and was relying on the Meetup.com algorithm to suggest groups in New York City whose events I might attend. Somehow the algorithm recommended a group called the [New York Deficit Owls](#) which was started by Adam Rice in early 2018 for the purpose of going out to bars and discussing MMT. After attending for several months I realized that I was picking up a thread that I had dropped thirty-eight years previously. For example, I could go to my bookshelf and pull down a copy of the very last book I had purchased before leaving graduate school in 1980: Hyman Minsky's *John Maynard Keynes*.

Later in 2018 I attended the Second International MMT Conference, which was held at the New School in New York City. The speakers at the opening plenary session made reference

to the hosting location and namechecked three of my professors from more than three decades earlier: Robert Heilbroner, Edward Nell and Adolph Lowe. I thought to myself, "Hey, I know this stuff. I can do this stuff." Since then I've taught or co-taught three courses in an adult education context at the Henry George School in New York City. In one course we used the Mitchell-Wray-Watt *Macroeconomics* textbook. In the most recent one we did a close reading of Stephanie Kelton's *The Deficit Myth*. That's been worthwhile, but until now I've lacked the opportunity to be around people who are thinking about and talking about political economy on a daily basis. What I hope to come out of this seminar with is a network of MMT advocates I can work with both on the theory and on the political practice.

Toward MMT-Informed Political Practice in the United States

What I'd like to explore in this essay are some hypotheses about the way politics may evolve in the United States in the coming decade and what it would mean for those politics to become "MMT-informed." I'll focus on the United States because that's where I am and am likely to remain. Certain aspects of what follows will be applicable in other countries. I invite those of you from those countries to extrapolate freely.

Assuming War, Fascism and Climate Catastrophe Are Not Imminent

For the sake of argument today I am going to assume that in remainder of this decade:

- Nuclear war is avoided.
- The United States continues to be a parliamentary democracy where transitions of power are determined by elections.
- The world avoids changes in the climate so sudden and large as to cause political chaos or declines in population.

Granted, each of these three assumptions is dubious.

- Nuclear war

The U.S. and its NATO allies are now involved in a proxy war with Russia in Ukraine. We cannot rule out the possibility that one side or the other will stumble into use of tactical nuclear weapons, at which point escalation to thermonuclear war may occur.

- Fascism

On January 6, 2021, a coup d'etat was attempted in the United States. It failed because of comically bad execution but retrospectively has been endorsed by twenty to forty percent of the electorate. Next time around, things are not likely to be comical.

- Climate catastrophe

Twenty years ago, people predicted that the first significant effects of climate change would appear around the year 2050. I thought to myself, "That won't affect me; I'll be dead by then." Then two things happened.

- My father lived to the age of 101 -- which means I have to entertain the possibility that I might live to that age as well, in which case I would turn 99 in the year 2050.
- Those significant effects of climate change have already begun. Who would have ever thought we'd see temperatures in the 110s Fahrenheit in the Pacific Northwest and British Columbia?

Sitting at home by myself in front of my computer screen, I cannot force myself to think of how to respond to any one of these three catastrophes. For the purpose of avoiding despair and bringing some constructive ideas to the table, in this essay I am going to assume that none of those three occurs. But if any of you are willing to discuss what we would do in the face of catastrophe, I'd be willing to join that discussion.

The Political Terrain in the U.S. over the Next Decade

I hypothesize that politics in the U.S. will continue to be dominated by the two major parties, each of which is primarily funded by capital and is therefore primarily responsive to the interests of capital. The two major parties reflect the interests of different aspects of capital and draw upon different political bases for mass support. The two-party system is highly polarized and will become moreso, especially along geographical lines. Large parts of the citizenry are and will continue to feel politically disaffected.

If this is how we evaluate the political scene in the U.S. over the next decade, what are the possibilities for an "MMT-informed" politics?

Let's first briefly describe the term "MMT-informed politics."

What is MMT-Informed Politics?

An MMT-informed political stance is one which, at the federal level, does not attempt to evade discussion of policy proposals by claiming that "We just don't have the money."

An MMT-informed political stance is one which acknowledges that governments mobilize resources to pursue the public purpose and that, at the federal level, whether and how those resources should be mobilized does not hinge upon the prior amassing of funds via taxation or borrowing. That resource mobilization depends upon our technology and our political values and choices.

An MMT-informed political stance is one which prizes the balanced development of the economy over "balancing the budget." Hence, an MMT-informed political stance is one of *functional finance*.

Finally, an MMT-informed political stance is one which recognizes that, given that taxation is not needed to "fund" spending at the federal level, tax systems need to be defined for other purposes such as those which Richard Murphy discusses in *The Joy of Tax* and will describe in his presentations to this seminar.

Let's now turn to the political terrain of each of the two major parties.

The Republican Party's Political Terrain

Over the next decade the Republican party will continue to compete for power by feeding racial and class resentments. A recent [New York Times](#) article on Fox news host Tucker Carlson described "white panic over the country's changing ethnic composition" as the core of Donald Trump's allure. The grip of Donald Trump and his family will eventually loosen, but Republican politicians like the current governors of Florida and Texas will continue to mobilize political support along the same lines as the Trumps. Once in office, such politicians will continue to govern mainly on behalf of traditional elements in the Republican party: energy capital, manufacturing capital, small business. While the Republican party's main tactic will be racism in the service of Country-Club Republicanism, it will be able to grow its base among petit-

bourgeois elements of Americans of African, Latino and Asian descent.

The prospects for an MMT-informed politics within the Republican Party are few. Periodically, the Country-Club Republicans will trot out the nostrums of "sound finance" to oppose the kind of social programs Republicans have been opposing since the Gilded Age. But the political danger of "sound finance" coming from Republicans will be much less than the danger of "sound finance" coming from Democrats.

The Democratic Party's Political Terrain

The Democrats depend for their financing more on finance, information technology and media than do the Republicans. They don't invest as heavily as the Republicans in white panic, but at the same time they don't make an effort to explicitly repudiate white supremacy. Since the 1970s they've been deliberately shedding their working-class base in favor of the professional/managerial class (PMC). They take for granted that people of color have nowhere else to turn but to them. More often than not, when the Democrats have majorities in Congress they fail to pass legislation that could really lock in gains against racial inequality. They crave being seen as "bipartisan"; the problem is they're not partisan enough.

The prospects for an MMT-informed politics within the Democratic Party are not good but are somewhat better than in the Republican party. There are exactly two Democratic members of Congress who have good things to say about MMT; one of them is retiring. It's not just West Virginia senator Joe Manchin who invokes the gospel of "sound finance." Last month [President Biden boasted](#) about the role the shrinking federal deficit would play in his administration's fight against inflation.

For the sake of argument, let's define the political terrain available to the Democratic party, not as those who self-identify as Democrats or those who are registered to vote as Democrats, but as the entire spectrum of voters who are looking for an alternative to the Republicans' program of white panic. These are the people we have to win over. These are the people who, when their Democratic representatives claim that "we just don't have the money," need to tell those representatives, "Then damn well create the money and get on with the job."

In short, the job for MMT advocates in the United States is to make it politically painful

for Democratic candidates for federal office to worship at the temple of "sound finance."

In taking on this job we face multiple challenges. I'd like to briefly describe three of them. I don't have answers for any of them.

Currency-Using Levels of Government

First, note that just now I said, "candidates for *federal* office." Candidates for *state and local* government offices are competing for positions in currency-using levels of government. These are levels of government where taxation necessarily precedes spending both in logic and in state constitutional law. If someone who is sympathetic to MMT is running for, say, the state legislature, she will have to take public positions on tax and spending issues where the financial constraints are real. If that person subsequently runs for Congress and campaigns on an MMT-informed, functional finance basis, she will be vulnerable to attack ads in which her earlier public positions are thrown back at her.

Before being elected to the House of Representatives, Alexandria Ocasio-Cortez was a waitress and bartender (https://en.wikipedia.org/wiki/Alexandria_Ocasio-Cortez). She never ran for state or local office or worked in that level of government. So, in speaking favorably of MMT, she has never had to walk back public statements that she probably would have had made if she had first run for state or local office.

How do we resolve this dilemma? I don't claim to know how -- but this is a problem that an MMT-informed politics will have to tackle.

MMT and Mass versus Elite Public Opinion

The second challenge we'll face in developing an MMT-informed politics is how to develop pro-MMT messages aimed at different parts of the electorate.

Allow me to grossly oversimplify the problem. I will characterize as "elite" public opinion the views discussed by people who are involved in national politics or who follow national politics closely. Elite opinion is very Washington-focused or, in MMT-speak, focused on the currency-issuing level of government.

"Mass" public opinion is, in contrast the views discussed by everyone else, including people who state that they are turned off by politics completely.

We need to craft MMT-inspired messages for both audiences. Think of it this way: How would we make a presentation about MMT to the new leadership of the International Brotherhood of Teamsters at their headquarters in Washington, D.C.? Next, think about how we would make an MMT-inspired presentation to a Teamsters local representing UPS drivers in Anytown USA?

Careers

Remember how at the beginning of this essay I noted that the Levy Institute was looking for people who were "early career" (whereas I was "post-career")? Well, the third challenge we'll face in developing an MMT-informed politics is developing career paths for MMT advocates. To put it simply, what are you going to do when you grow up?

Finance and information technology will beckon and be well-paying. But finance in many ways is the enemy. IT will pay you more than, say, the Fed or the CBO. Those agencies in turn will offer you careers steadier (if not more lucrative) than becoming Congressional or legislative staffers. But we'll need people at the Fed, the CBO and in legislative offices to *implement* MMT-informed politics.