

MMT, The Pandemic and Fiscal Fright

17th Annual AMI Monetary Reform Conference, 2021

Zoomland, November 5 - 7, 2021

This talk explores what the *Financial Times* called the ‘the biggest borrowing spree in history’. To shore up their economies and alleviate unnecessary suffering, governments across the world borrowed and spent trillions of dollars during the Covid 19 pandemic. This fiscal injection reignited debates on the importance of fiscal policy and deficit spending in times of crisis. One particular school of thought - Modern Monetary Theory – received widespread discussion in both the popular press and academia. This talk seeks to intervene in these debates. First, I discuss the historical origins of our current fiscal-monetary arrangement to show that the present fiscal-monetary apparatus is a human construction born of a particular time when there was an asymmetry of monetary power between private subjects and the English Crown. I will then discuss the virtues of MMT and respond to its mainstream critics by empirically investigating their claims – in my estimation, for the first time. I conclude by offering my own radical critique of MMT focused on the twin problems of aggregate demand and commercial bank lending.