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Editorial to the Symposium: Modern Monetary Theory and its critics

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Modern Monetary Theory, or Modern Money Theory (MMT), has certainly been in the limelight over the last few years. Even right-wing think-thanks, such as the Cato Institute and the Fraser Institute, have devoted some of their resources to provide (critical) primers on MMT. Politicians and central bankers have been asked by journalists to assess the views and policies proposed by MMT advocates. Some of these politicians and central bankers, even when unsolicited, have explicitly stated that they were distancing themselves from MMT and denying that they were following MMT policies, as for instance, did the last two Governors of the Bank of Canada (Stephen Poloz in 2019 and Tiff Macklem in 2020) and the Canadian Minister of Finance (Chrystia Freeland in 2020). In May 2019, some US Republican senators went so far as to put forward a resolution ‘recognizing the duty of the Senate to condemn Modern Monetary Theory and recognizing that the implementation of Modern Monetary Theory would lead to higher deficits and higher inflation’, adding that the implementation of MMT ‘would pose a clear danger to the economy of the United States’. The resolution was again presented in the Senate in March 2021 and at the House of Representatives in June 2021.¹ The resolutions included supportive statements by such luminaries as Janet Yellen, Jerome Powell, Lawrence Summers, Paul Krugman and Gregory Mankiw. Indeed, more recently, a number of observers have blamed MMT for the rising inflation rates that the US (and many other countries) have endured in 2022.

The views of mainstream economists on MMT have also been solicited by journalists on several occasions, with most of them providing a rather terse opinion of MMT and mischaracterizing it. Indeed, when polled about MMT policies, they unanimously rejected the implementation of these policies, namely the statement that countries issuing securities in their own currency should not worry about government deficits.² Only a handful of mainstream economists have conceded that MMT contains some relevant or useful features, despite the fact that many agents operating in financial markets seem to attribute some credence to MMT. It is clear that the statements about MMT of mainstream economists are usually based on second-hand reports of MMT, or based on the occasional reading of a blog devoted to MMT or written by some MMT advocate, and not on the numerous articles that have been published in various academic economics journals by the scholars who have defined and developed MMT. This has led to the perpetual complaint by MMT scholars and advocates that the (ill-constructed) critiques of MMT are based on superficial readings of the MMT doxa, and thus on a lack of understanding of what MMT really means to convey.

A possible exception, however, has been the working paper written by Françoise Drumetz and Christian Pfister (2021a). In contrast to most previous assessments, Drumetz/Pfister (2021a) relied on books, working papers of the Levy Economics Institute and journal

1. See: <https://www.billsponsor.com/bills/33871/senate-simple-resolution-136-congress-117/text/is> and <https://www.congress.gov/bill/117th-congress/house-resolution/267/text>.

2. See <https://www.igmchicago.org/surveys/modern-monetary-theory/>.



articles that had been written by MMT scholars (and also by previous critics, including post-Keynesian ones!). They provided an in-depth assessment of MMT that went much beyond what had been produced by previous mainstream writers. Also interesting was the fact that their assessment had been produced from within a central bank, since Drumetz/Pfister were then both working at the Banque de France. I contacted the authors, asking them if they would be willing to produce a shorter version for *EJEEP*, but alas they had already produced such a version for another journal (Drumetz/Pfister 2021b). I felt that their description of MMT was broadly correct, although they strongly disagreed with most of the claims and policies put forward by MMT advocates. Hence, as a follow-up with the editorial team of *EJEEP*, I then suggested that a symposium be organized, with a number of economists reviewing and possibly criticizing Drumetz/Pfister (2021a) and/or Drumetz/Pfister (2021b), with the latter being given the opportunity to reply to their detractors and possibly providing some clarifications. Drumetz/Pfister have graciously accepted to participate in this exercise, and their response is to be found at the end of this symposium.

The idea of a symposium around MMT appeared to be particularly adequate, since Drumetz/Pfister (2021b: 360) were hoping that ‘MMT economists engaged in a debate with their colleagues to explain and justify their positions from both a theoretical and empirical point of view’. This reminded me of the reflections of John King (2002: 258) about the dubious possibility for post-Keynesian economists of having dialogues with mainstream economists when he noted that ‘it takes two to tango’.³ The editorial team thus thought that the symposium would provide a rare opportunity to have a frank interchange between heterodox and mainstream economists.⁴ Ironically, *it takes two to tango* are the exact words that Drumetz and Pfister have chosen for the title of their rejoinder to their critics! It is thus unclear whether the symposium has indeed started a constructive dialogue between heterodox and mainstream economists on monetary and fiscal theory and policy. Readers can make their own assessment about whether this was a successful venture or just a *dialogue de sourds* as we say in French. There was evidently a risk, since Drumetz/Pfister (2021b: 355) began their initial review by stating that ‘it appears that MMT is based on an outdated economic science’, whereas post-Keynesians often feel the same about neoclassical microeconomic and macroeconomic theories despite their fancy formalizations. Notwithstanding the above, I do believe that some of the questions and comments of Drumetz/Pfister open up avenues of reflections for heterodox economists.

In conjunction with the other editors of *EJEEP*, I selected seven persons that might be interested in discussing the Drumetz/Pfister papers, in the hope that at least a few of them would accept to do so. Surprisingly, but perhaps reflecting the great interest that MMT generates both in the social media and among economists, all of them accepted to write a paper. Ultimately, six of the seven solicited economists delivered an article in a timely manner. In alphabetical order, these were Giuseppe Fontana, Joelle Leclaire, William Mitchell, Malcolm Sawyer, Éric Tymoigne and Martin Watts. In the end, Fontana wrote his article with Emilio Carnevali, and Watts wrote his with James Juniper. In the symposium, the papers are simply ordered by acceptance date, as all authors have their own point of view and provide a multi-faceted view, but readers who know all these authors may notice that it turns out that MMT contributors or economists

3. An expression which I also picked up in my book (Lavoie 2022: 633).

4. Dirk Ehnts (2022) has also independently published a response to the claims of Drumetz/Pfister (2021b). As we do with this symposium, he hopes that their papers ‘could be the start of a conversation about how to reconstruct macroeconomics’ (ibid.: 129) and also that they ‘should be lauded for their intent to engage with MMT’, noting however that ‘as expected, a cultural shock resulted’ (ibid.: 133).

somewhat associated with MMT are the authors of the first four papers. The last two papers, those of Sawyer and of Carnevali/Fontana, provide the interpretation of post-Keynesian authors who have closely followed the evolution of MMT through the years without being directly associated with MMT. We thought that it would also be interesting and relevant to have the opinion of these economists because, as I have argued on several occasions, MMT is part of the Institutionalist branch of post-Keynesian economics.⁵ Another reason is that several of the beliefs that Drumetz/Pfister (2021b: 360) attribute to MMT can also be found in the writings of other post-Keynesians. The symposium was thus the opportunity to have a dialogue, not only between two mainstream economists and MMT economists, but also between mainstream economists and post-Keynesian ones.

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5. I argued so in particular in Lavoie (2022: 44). Similarly, Juniper et al. (2014–15: 281) start their article on the heterodox critiques of MMT by claiming that ‘Modern Monetary Theory (MMT) is part of the post Keynesian tradition’.