

The economist who believes the government should just print more money

By Zach Helfand

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Stephanie Kelton, a senior economic adviser to [Bernie Sanders](#) and a professor of economics and public policy at Stony Brook University, is popular in a way that economists, almost definitionally, are not. Filmmakers trail her with cameras; she goes on international speaking tours and once sold out a basketball arena in Italy. Kelton is the foremost evangelist of a fringe economic movement called Modern Monetary Theory, which, in part, argues that the government should pay for programs requiring big spending, such as the [Green New Deal](#), by simply printing more money. This is a polarizing idea. This spring, Kelton spoke at the *Wall Street Journal's* Future of Everything Festival, held in a converted warehouse in Tribeca, where earnest networkers milled around taking notes. On the dais, a *Journal* staffer introduced Kelton as an economist with an idea “that will either solve the world’s problems or send it into ruin!” She made a face, and then walked onstage.

I’d been stewing for a few months in the melange of blogs and YouTube videos and white papers that make up much of the M.M.T. world. Some intricacies lay beyond me—a hazy blur of literature about floating exchange rates and reserve currencies addled my brain. But the basic principle of M.M.T. is seductively simple: governments don’t have to budget like households, worrying about debt, because, unlike households, they can simply print their own money. So M.M.T. proposes that the constraint on government spending shouldn’t be debt but inflation: How much new money can you pump into the economy before prices rise?

Among a certain crowd—mostly online, and mostly on the left—M.M.T. has ignited a revolutionary fervor. On M.M.T. blogs and on

M.M.T. Twitter, adherents imagine a world built on M.M.T. principles, in which the government provides guaranteed jobs, health care, and affordable college, and launches clean infrastructure projects to replace our crumbling highways, airports, and bridges. Kelton, who does at least five interviews per week, plus lectures, speaking gigs, and conferences, is, more than anyone, responsible for building M.M.T.’s digital army. She has written regular columns for *Bloomberg*; started the movement’s most influential blog, *New Economic Perspectives*; and is working on a book, “[The Deficit Myth](#),” which will come out next year. “It’s pretty obvious she has become the most visible face of M.M.T.,” Randall Wray, one of the economists who first developed the theory, said. “She perfected the way to present these ideas to the public.”

An introduction to M.M.T. can provoke strong reactions. Maybe it’s not for you, and you find it ridiculous or even a little scary, or maybe it blows your mind—like your first time trying marmite or dropping acid. Kelton acts as a spirit guide. When she began her talk at the *Wall Street Journal* festival, I found a seat in the second row of the theatre, behind a woman in a white sweater with an eager, expressive face. She said her name was Ann. Ann had never heard of M.M.T.

Onstage, Kelton lamented, “There’s so much pressure on candidates to pay for everything. I don’t see anyone—I mean, I’ll just be honest, I don’t really see *any* Presidential candidates putting forward ambitious agendas and saying, ‘We’re not going to try to pay for any of this.’”

I saw Ann’s face register various states of shock. She mouthed, “What?!”

“It’s a tough sound bite,” the moderator, the *Journal’s* financial editor, Charles Forelle, said.

Kelton replied, “It is, right?” She went on, “What we’ve done to ourselves is to just leave trillions of dollars, literally, on the table, by not taking advantage of the fiscal space that we have, by running our economies below potential, by living below our means as a nation, year after year after year.”

The session wound down. “O.K.!” Forelle said. “Hands up if anybody’s got a question.” He peered out at the audience. “Oh! We’ve got a lot of questions!”

Kelton often hears the same concerns about M.M.T., and most are about inflation. How soon will we become Zimbabwe, which printed so many Zimbabwean dollars that inflation peaked, in 2008, at an annual rate of ninety sextillion per cent? Never, according to Kelton; under M.M.T., the *focus* is sustainable inflation, whereas fiscal traditionalists worry about the deficit and don’t consider inflation at all. Doesn’t M.M.T. then require accurate forecasting of inflation risk? Yes, and, Kelton conceded at the festival, the models aren’t perfect, “but we can do a pretty good job.” And, anyway, government spending, she believes, is responsible for just a small part of inflation.

Ann raised her hand but didn’t get called. When it was over, I caught up with her. “Did you hear me just say ‘Holy cow’?” she said. “It just seems like it’s exactly backward. But she did it so well that I can’t figure out why.”

I asked Ann whether she found Kelton convincing. “I mean, kind of!” she said. “I know what she said was brilliant; I just can’t believe her. She’s gotta be wrong.”

Kelton believes that, though M.M.T. is a new framework, it builds on old ideas found buried and forgotten in the work of foundational economists. The first person to begin assembling the pieces was a hedge-fund

executive named Warren Mosler. A polymath with an iconoclastic streak, Mosler shopped around his ideas about money creation and the deficit in the early nineties, looking for allies and finding none. Working some connections, he eventually, in 1993, scored a meeting with [Donald Rumsfeld](#), who was then working as an executive in the private sector. Rumsfeld said he could spare an hour at the Racquet Club of Chicago, in the steam room. Both men wore towels. When they emerged from the muggy haze, Mosler had won an ally.

Rumsfeld agreed to set up Mosler with a few economist friends. Most helpful was Art Laffer, the architect of supply-side economics, whose lifework, arguing for reducing taxes on the rich, recently earned him the Presidential Medal of Freedom from Donald Trump. Laffer had popularized the contentious notion that reducing taxes can actually increase tax revenues. Mosler, by contrast, wanted to prove that tax revenues were irrelevant to government spending. But Laffer helped Mosler workshop his ideas and directed him to a group of post-Keynesian economists who ran a boisterous Listserv—a Reddit for the dial-up age. Mosler logged on and found the economists who became M.M.T.’s founding thinkers.

Today, Mosler lives in St. Croix, a U.S. territory where he can avoid paying ninety per cent of his federal income tax. (“This is an actual U.S., federally sponsored program,” he told me. “I’m doing my patriotic duty.”) Mosler estimated that he has contributed about three million dollars to the M.M.T. movement in the course of a couple of decades, and, “if anything, I get kind of defensive about not having spent more.” The money has subsidized academic posts, conferences, and scholarships and has helped turn institutions like the Levy Institute, at Bard College, and the University of Missouri–Kansas City into fertile grounds for M.M.T. thought.

Kelton first encountered M.M.T. in the mid nineteen-nineties, when, as a graduate student at Cambridge University, she came across Mosler's online agitating. Kelton applied for a fellowship at the Levy Institute, where many of the early M.M.T. thinkers had gathered. There, in 1998, she authored one of M.M.T.'s foundational texts, a paper titled "Can Taxes and Bonds Finance Government Spending?" The paper concludes that taxes don't actually pay for anything—that the federal government spends first, then taxes some of that money back later. Kelton went on to get her Ph.D. from the New School, then was hired by U.M.K.C. In 2013, she became the chair of its economics department. Soon, she became the preferred interlocutor of hedge-fund managers and politicians who had questions about M.M.T. She held meetings with members of Congress. Larry Summers, who had recently stepped down as the director of the National Economic Council under Barack Obama, solicited M.M.T. literature.

While at U.M.K.C., in 2008, Kelton unsuccessfully challenged a Republican incumbent for a seat in the Kansas legislature. She campaigned on economic issues and pitched her "commitment to fiscal discipline." (M.M.T. spending theories don't apply at the state level, because states can't create more currency.) She offered tepid support for abortion and said that she believed "that marriage is defined as a bond between a man and a woman." (Kelton now says she has supported gay marriage from her earliest thinking on the issue.) She told me that she's been asked about running for the U.S. Senate, from Kansas, but doesn't want to relocate her two school-age children. Since 2017, Kelton has been a professor at Stony Brook, and she has a visiting appointment at the New School.

Several of Kelton's colleagues told me that she can be playfully funny, but, when we met, in a New School conference room overlooking Fifth Avenue, she spoke with the intense focus and faith of a crusader. For Kelton, M.M.T.

would form the basis of a new approach to policymaking, in which our political imagination is broadened. The important question, she said, shouldn't be "How will you pay for it?" but "How will you resource it?" She uses the mobilization for the Second World War as an example; the country focussed on maximizing its resources to make planes and guns and food. The deficit was not a concern.

In the economy that Kelton envisions, spending would rise and fall with the economic cycle. Sometimes, if the economy were overheating, the government might call for a budgetary surplus. This is, basically, standard Keynesianism: spending during downturns, which then tapers as the economy reaches full employment. Kelton and others add a federal jobs-guarantee program—she calls it an "automatic stabilizer." When the economy tanks, more people enter the program, and spending increases. When the economy improves, people move on to better, private jobs, and spending shrinks.

"Winning, for me, looks like prioritizing human outcomes over budget outcomes," she told me. "Winning looks like handing the Congressional Budget Office a piece of legislation and saying, 'This legislation is designed to lift ten million kids out of poverty. Tell me, will it be successful? Tell me, does it carry inflation risk? Do I have the offsets right?' And then we vote."

The current economic conditions look pretty good for M.M.T. In Japan, where deficits are high and the interest rate is set at less than zero, the economy has met with no calamity. When Congress passed a tax cut in 2017, the C.B.O. predicted that there would be a jump in interest rates caused by the deficit. This hasn't happened. Still, most mainstream economists view M.M.T. as the Cult of the Magic Money Tree, deriding what they see as its theorists' preference for analogy over mathematical modelling or empirical evidence. "What most

concerns me is I can't actually quite figure out what it is," Paul Krugman, the Nobel Prize-winning economist and *Times* columnist, told me. Krugman is a political progressive, and he agrees with many of the spending programs that M.M.T. proponents support. But, he said, "I'll be damned if I can figure out what it is exactly that they think."

The rhetorical simplicity that frustrates professional economists is, for a layman, part of M.M.T.'s appeal. A framework called sectoral balances undergirds much of the theory. Kelton, in her speeches and writing, likes to explain it this way: the government and the private sector are on two sides of a balance sheet. If the government has a deficit, the private sector must have a surplus. "Their red ink is our black ink," Kelton said. This is a useful model, but, in the real world, the math isn't as clean. When the government spends, most of the money ends up in the hands of the people, but there are leakages on the way—to international markets, most significantly. (Also, to corruption.) Interest rates, too, are heavily influenced by the global economy. If the American government has a deficit, the private sector has a surplus. But whose private sector?

One frequent critique of M.M.T. is that it's basically Keynesianism with some social-media-influencer branding. This elides a few important differences between the two schools of thought, including how each handles the interest rate. According to most mainline economists, the bigger the deficit the more the government has to borrow, which means that, past a certain point in the economic cycle, the interest rate may have to go up. This stifles private investment and chokes off growth. Kelton argues that the Fed can, and should, set the interest rate near zero—problem solved. Abstract economic questions being what they are, this debate is not likely to kill at parties. But the interest-rate question is perhaps the key difference between M.M.T. and Keynesianism. Under an M.M.T. framework,

with the interest rate set near zero, Congress would take on the Fed's dual mandate to control inflation and reduce unemployment. If inflation is expected to rise, this could present Congress with tough decisions on spending and taxing that neither political party wants to make. "It's helpful advice for some political universe that I've never visited," Krugman said.

At the moment, interest rates remain stubbornly low. Krugman told me that, in this environment, he actually agrees that the deficit isn't much of an issue. He just finds M.M.T. inscrutable and its policies unrealistic. The jobs guarantee, he said, would offer a fine economic stabilizer, but it would never get passed. "Were people like me arguing, frantically, for more government spending of one sort or another to prop up the economy when interest rates hit zero? The answer is yes!" Krugman told me. "I don't know how much more vehement we could've gotten. But we didn't get it. To say, 'Ah, but this wouldn't be a problem if we had a federal jobs guarantee' is true but not really helpful."

These fundamental criticisms extend across the political spectrum. Glenn Hubbard, the chairman of the Council of Economic Advisers under George W. Bush, told me that M.M.T. raised a few interesting questions, but that "it has no coherent framework at all." Like Krugman, he thought that expecting Congress to fulfill the Fed's role demonstrated "breathtaking naïveté." Hubbard, who has warned consistently about the dangers of debt, was also an architect of George W. Bush's tax cuts, which added an estimated three hundred billion dollars per year to the deficit. But Hubbard argued that the private-sector gains from the cuts would be worth the added deficit, and he said he never denied that the country would have to pay off that debt in one of two ways: taxes or inflation. "I think the country can have more debt than it has now. I view that as an open and interesting question that we can

talk about,” Hubbard said. “But the free lunch is just silly. No serious person believes this.”

For several years, Kelton’s most prominent supporter has been Bernie Sanders. But even he has used M.M.T. as more of a provocation than a prescription. In December, 2014, Sanders, then the incoming ranking member on the Senate Budget Committee, was looking for a chief economist. He called Kelton. Kelton recalled that Sanders asked what she would do if she were him. “I said, ‘What do you mean? If I were you, Senator Sanders? Or if I were you, maybe I’m going to run for President?’” Both, he suggested. “My instinct was that this was more than just taking a position for the Senate Budget Committee,” she told me. “This had the potential to be part of something more exciting.” Kelton worked for the Democrats throughout the 2015 budget negotiations and became an adviser to Sanders’s Presidential campaign that spring.

Sanders, however, has never offered an endorsement of M.M.T. When asked, in February, how he planned to pay for his policies, Sanders responded, “Am I going to demand that the wealthy and large corporations start paying their fair share of taxes? [Damn right](#), I will!”

Kelton and Mosler believe that taxing the wealthy does nothing for a big program like the Green New Deal: taxes don’t fund spending, after all, and wealth taxes won’t control inflation. “If you did an ambitious Green New Deal, two to three trillion a year over ten years, and you tried to pay for it with a wealth tax, you’d get massive inflationary pressures,” Kelton told me. “You’ve removed all the income from people who aren’t going to spend it.” To remove cash from the monetary base, and thereby offset inflation, you have to tax the people who spend most of their income—the poor or middle classes. (According to M.M.T., the converse is also true—if you want to spur growth, tax cuts should target the poor and middle class.)

Mosler told me that he has met with Sanders’s staffers, and many of them expressed a familiarity with M.M.T. “The staff read my book. They’re all really good with this stuff,” he said. “But Bernie doesn’t go there. They kind of roll their eyes and say, ‘Look, we try.’” Mosler has his own remedy for inequality, “but it’s so counterintuitive that it catches people out,” he said. Part of it “is to eliminate the federal income tax entirely, corporate and individual. And replace it with just a property tax.”

When I mentioned the idea to Kelton, she said that Mosler’s proposal would make sense, in theory, if the country’s tax system could be redesigned from scratch, but that it’s not realistic. “If you say, ‘Eliminate the corporate income tax,’ Bernie’s head would explode,” she said.

Warren Gunnels, Sanders’s staff director, told me that Sanders hired Kelton because they agree on the policies that form Sanders’s platform. “She’s one of the leading economists who’s trying to create an economy for all,” he said. “We need more economists like her.” But, he said, “M.M.T. never really crossed our mind, to be honest. We never looked at M.M.T. as a theory that we should adopt.”

After my call with Gunnels, Kelton e-mailed me to say that portraying Sanders as opposed to M.M.T. “would be a mistake.” She went on, “Senator Sanders knows that Congress needs to be able to spend without that artificial constraint. Presidential candidate Sanders, like every other presidential candidate, is trying not to get called out by literally everyone for proposing stuff he ‘can’t pay for.’ You have to know this is how the game is played.”

Kelton is mostly alone among the M.M.T. crowd in this view of Sanders. James Galbraith, a professor at the University of Texas at Austin and an M.M.T. supporter, was an economic adviser to the Sanders campaign in 2016, but he told me that he considered himself more of a fan than a counsellor. “The

fact is that Bernie Sanders doesn't need a lot of advice from people like me. He knows exactly what he wants to do," Galbraith said. "And those views are fiscally more traditional than the M.M.T. perspective."

Kelton is perhaps more pragmatic than most academics. Randall Wray, the economist who helped develop M.M.T., traced Kelton's moves: scholarship to blog to Twitter to Washington. "These are all things normal academic-type people don't want to do at all," he said. "And then getting involved more directly with Bernie. Even though he has never come out with a strong endorsement of M.M.T., it really doesn't matter. It gave the access, for her, to the media. He's going to have the right policy proposals." Whether Sanders endorses M.M.T., he said, "is sort of irrelevant."

For the moment, most of the major M.M.T. thinkers are staunch progressives. But M.M.T.'s politics are difficult to categorize. "It can lead you to the left or the right," Kelton told me. "You could use it to say we should have tax cuts to lower unemployment." Mosler, who used to identify as a "Tea Party Democrat," told me that he speaks to Tea Party groups about M.M.T. and is received warmly. Kelton often exchanges ideas with John Carney, an economics columnist at Breitbart, who considers himself a "fellow-traveller" of the M.M.T. movement. "I think, functionally, Donald Trump has a lot of M.M.T. in him," Carney told me. "He doesn't think we need to cut Social Security. He doesn't think that the deficit is a problem for the United States government right now. He thinks that if you can borrow cheaply you should and that interest rates should be low. Those are all positions that the M.M.T. people would agree with." The idea for the job guarantee, he added, is "very close to what Make America Great is. We don't want welfare, we don't want handouts, we want good jobs for the American

people." Carney predicted more support for M.M.T. from the right once politicians realize that it can justify deep tax cuts.

This shift, if it is to occur, seems far off. Earlier this year, [Alexandria Ocasio-Cortez](#) publicly expressed interest in M.M.T. Subsequently, five Republican senators, led by David Perdue, of Georgia, introduced a resolution that sought to offer an official condemnation of M.M.T. The resolution demonstrated M.M.T.'s growing clout, but it also underscored the fact that Kelton's battle is over M.M.T.'s legitimacy, not its politics. Allies are valuable. "Maybe just the fact that she's e-mailing with a Breitbart editor is a sign that she wants a broad evangelism for M.M.T. and not just to be a darling of the left," Carney said. But he noted that there are fraught political decisions to be made. "The way I put it is, can the government build a gun range? Is that an O.K. job-guarantee job? Can the job guarantee be used to build a border wall?"

I asked Kelton if she worries at all about these fights, further over the horizon. "At the end of the day, what I really hope for is just a better debate," she told me. "Let both sides put forward their best ideas."

This is the ultimate dream of M.M.T.: freed from false financial shackles, we could debate, on honest terms, the most fundamental political questions. If money weren't an issue, would we want to scrub carbon from the atmosphere? Pay for reparations? Expand ICE? Maybe we just want to be left alone, with our tax money in our pockets and some Social Security checks when we age. M.M.T.'s architects describe their vision as encompassing not just a better economy but a better, healthier body politic—a goal that is, given the state of things, almost certainly doomed, but is admirable nonetheless. Deficits do matter—not just the financial ones.