

# **Economics and the political and social environment; lessons for MMT advocates**

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## 1. Introduction

Every single generation has to fight the same battles, there's no final victory and there's no final defeat (Tony Benn 2012).

I would argue that paradigm shift requires both the availability of a cogent alternative approach and the existence of a political and social environment conducive to such change. I here refer to the work of Laybourne-Langton and Jacobs (2018) who also make use of a 'Kuhnian lens' when analyzing political and economic change in the twentieth century. To facilitate their exposition, they widen the application of Kuhn's approach and utilize the idea of a 'politico-economic paradigm.' Such a construct might be viewed as a wider concept than a purely economic paradigm.

Modern economic history can be roughly split into different eras in which certain sets of ideas have dominated politics and policy. We shall refer to a dominant group of ideas as a politico-economic paradigm. Such paradigms generally encompass political/economic goals, analytical/theoretical frameworks for understanding the functioning of economies and societies, narratives which describe and justify the goals and analytical framework, as well as economic and social policies, based on the analytical framework, that seek to achieve specific goals (Laybourne-Langton and Jacobs 2018: 113).

Laybourne-Langton and Jacobs argue that these 'politico-economic' paradigms set the overarching backdrop for general and academic debates as well as determination of policy direction. 'Politico-economic paradigms can exert a powerful influence over academic and media debates, as well as on policymaking institutions, both national and international' (Laybourne-Langton and Jacobs 2018: 113). They contend that two politico-economic paradigm shifts occurred in the twentieth century.

Over the last hundred years, Western political economy has broadly experienced two major periods of breakdown and transition from one politico-economic paradigm to another. The first was from the laissez-faire paradigm to the post-war consensus, covering the period from the Wall Street Crash of 1929 to the implementation of mainly Keynesian economic orthodoxy and policy approaches in the post-war period. The second was from the post-war

consensus to neoliberalism, starting with the currency and oil shocks of the early 1970s and the adoption of free-market economic policies in the 1980s, ushering in the current period of neoliberalism (Laybourne-Langton and Jacobs 2018: 113).

Laybourne-Langton and Jacobs refer to the work of Hall (1993) and note

Economic policy is developed through a process of political choices and "social learning" in which policymakers decide on new goals and methods with only partial reference to academic theory or evidence. The inherent uncertainty of economic prediction and the political nature of policymaking make it easier for degenerating programmes to retain their incumbency advantage, aided by vested interests (Laybourne-Langton and Jacobs 2018: 113).

Such a view is very much consistent with my own research findings regarding the ability of the current mainstream to maintain its hegemonic position despite facing significant real-world evidence which contradicts its predictions<sup>1</sup>.

Hall's analysis focuses on 'policy paradigms' and their relationship to 'social learning' and the actions of the state. Hall outlines the meaning of social learning 'as a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process...[and] the concept of social learning should be disaggregated...[into] the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise settings of these instruments' (Hall 1993: 278 parentheses added).

Hall argues that three 'orders' of change in economic policy can be distinguished, with each representing a more significant change than the previous one. The least powerful change is constituted by the mere adjustment of an existing policy. The second most powerful shift is represented by an actual change in the policy itself and, finally, the most far-reaching change lies in setting different policy goals<sup>2</sup>. Laybourne-Langton and Jacobs stress that for Hall, 'it is

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<sup>1</sup> See Armstrong (forthcoming).

<sup>2</sup> Hall considers British macroeconomic policymaking in Britain from 1970 to 1989 period in order to provide examples of his 'orders of change'. 'First, the levels (or settings) of the basic instruments of British policy, such as the minimum lending rate or the fiscal stance, were altered at frequent intervals during the 1970-89 period, even when the overall goals and instruments of policy remained the same. Most of the adjustments made in the annual budget took this form: the settings of the government's policy instruments were modified in the light of past experience and projections for the future performance of the economy. We can call the process whereby

the third order of change which corresponds to a paradigm shift in the politico-economic orthodoxy'. (Laybourne-Langton and Jacobs 2018: 113-114)

As noted above, from the perspective set out in Laybourne-Langton and Jacobs' (2018) work the immediate post-WW2 period is characterized by 'politico-economic' paradigm shift and we might examine the impact of new theory and policy, *vis-à-vis* pre-war economic orthodoxy and the political background of the day, and the means by which they together contributed to the adoption of a new radical progressive approach; a shift has often been referred to as the Keynesian revolution or paradigm shift to Keynesian economics.

In section 2 we examine the relationship between the political environment and economic theory and policy; in section 3 we look at the impact of changes in the social environment on the potential for paradigm shift before considering of the implications of this analysis for MMT advocates in section 4.

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instrument settings are changed in the light of experience and new knowledge, while the overall goals and instruments of policy remain the same, a process of first order change in policy. Second, there were several instances in the 1970-89 period when the hierarchy of goals behind British macroeconomic policy remained largely the same, but the basic techniques used to attain them were altered, as a result of dissatisfaction with past experience. These episodes included the introduction of a new system of monetary control in 1971, the development of a new system of "cash limits" for public spending control in 1976, and the movement away from strict targets for monetary growth in 1981-83. Changes of this sort, when the instruments of policy as well as their settings are altered in response to past experience even though the overall goals of policy remain the same, might be said to reflect a process of second order change. Finally, the British experience of 1970-89 was also marked by a radical shift from Keynesian to monetarist modes of macroeconomic regulation, which entailed simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals behind policy. Such wholesale changes in policy occur relatively rarely, but when they do occur as a result of reflection on past experience, we can describe them as instances of third order change'. (Hall 1993 278-79)

## **2. Political change and paradigm shift in the twentieth century in the UK**

Using the UK as an example, the nature of wartime government demonstrated what could be done. Belief in the ability of the state to be effective in delivering its objectives increased significantly. Addison (1994) argues that the extreme difficulties that Britain faced during the Second World War led to the development of broad political agreement regarding the potency of government and, crucially, an acceptance of a new approach to using economic theory and developing policy.

But in the course of time the coalition proved to be the greatest reforming administration since the Liberal government of 1905-14. Here, in the midst of war, was an astonishing example of the uses of adversity, Social Security for all, family allowances, major reform in education, a National Health Service, Keynesian budgetary technique, full employment policies, town and country planning, closer relations between the state and industry, all these had been set on foot by the spring of 1943... (Addison 1994/1975: 14).

Addison contends that that new political consensus had been forged. He notes that differences clearly existed between the major parties' views on the future role of the state in terms of the ownership of industry but nevertheless the idea of the 'mixed economy' was commonly held (Addison 1994/1975: 14). Boothby pointed to the impetus towards nationalization and away from 'monopoly capitalism' that had followed from the UK's wartime experiences.

Nothing is more certain than that this war will mark the transition from monopoly capitalism to socialism. By that I mean that the ultimate control of all basic monopolistic industries, of the Central Bank, of money, and of credit, will pass definitely and finally into the hands of the state.

...You cannot hope to go through a world convulsion of this magnitude without fundamental changes in the social as well the economic structure. It is inconceivable to me that our present hereditary system, or our 'caste' system of education, can survive the struggle without drastic modification' (Boothby, Nov 7 1939, quoted in Addison 1994/1975: 72).

Addison notes that the role of the Labour Party was highly significant<sup>3</sup>. It had acquired power and influence during the war and had used it effectively as part of a coalition in defence of the nation; it was only natural that the party would try to alter the nature of the conduct of policy after the war. 'Having, as they believed, been summoned to help the nation they soon began to assert the right to change it.' (Addison 1994/1975: 102) Addison also points out that after WW2, Keynesian ideas took hold<sup>4</sup>, as the influence of the old guard faded.

We were all conscious as the talk proceeded of the contrast between the readiness of the Nation, and particularly the Treasury, to spend £9 million a day in war to protect a certain way of life and the unwillingness of the administrative authorities in peace to put up, shall we say, £10 million to assist in the reconditioning of Durham unless they see the project earning a reasonable percentage...I am quite certain that the human conscience in this country is not going to stand for a system that permits large numbers of unemployed...' (Lord Halifax, Letter to Alfred Duff Cooper 1940, quoted in Addison 1994/1975: 122).

Addison further argues that even the Tories accepted the new Keynesian economics as the new approach. 'We have to picture the Conservatives by 1945 as victims of the wind and tide, driven off course, and apprehensively dropping anchor in strange Keynesian waters' (Addison 1994/1975: 166). Such a situation was illustrated by a comment made by Henry Brooke, Conservative spokesman on industry, who commended the 1944 White Paper on Employment Policy, 'My aim is that no man except through his own fault, should ever have to be many days without the prospect of a job' (Addison 1994/1975: 246).

Brooke's comment was illustrative of a general acceptance of full employment policy; the Conservative party differed from Labour in terms of its approach to significant nationalization (which might be indicative of 'extreme' views on the ownership of industry) and a disapproval of 'bureaucracy'. 'The two great issues were the choice between an experienced government under Churchill and an Attlee government "controlled by extremists"; and the question of nationalization and bureaucracy'<sup>5</sup>(Addison 1994/1975: 265).

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<sup>3</sup> However, Addison admits to uncertainty regarding the relative significance of different forces in contributing to labour's success. 'Perhaps left-wing ideas, popularized and translated into stock phrases by the press, A.B.C.A. [Army Bureau of Current Affairs] and so forth, carried the day indirectly. After 1945 the radical intelligentsia claimed to have won the election for Labour: but we shall never know if their influence was great or small' (Addison 1994/1975: 154, parentheses added).

<sup>4</sup> With young economists, such as James Meade and Richard Stone, to the fore.

<sup>5</sup> Onlooker June 1945, 1

However, the idea of consensus and acceptance of Keynesian economics has been challenged, notably by Kerr (2001). He first criticises the post-war consensus narrative, arguing that it overemphasises political parties and once the focus is broadened to consider a wider range of influences, a richer picture emerges of the

true dynamics within the postwar British state; the constant interaction and articulation of interests between politicians, unions, producer groups, financiers and leading institutions, such as the Treasury, the City and the Bank of England. When we consider the sum of these interactions, the picture which emerges is one of continual, and often fundamental, conflicts between the key actors involved in the formulation of policy, rather than of consensus (Kerr 2001: 50).

He then considers the contention that Keynesian ideas came to dominate pre-war orthodoxy with respect to the application of policy. He first points out what would be required for such an assertion to be given credence. 'To most commentators, the Keynesian revolution in economic policy derived from the success of Keynesian ideas in penetrating the liberal orthodox "Treasury View". Traditionally Treasury control over government finances stood as powerful impediment to collectivist expansion...if Keynesian ideas had succeeded in piercing this monolithic arbiter of monetary vigilance, then we could conclude that it had become properly institutionalised' (Kerr 2001: 51-2). Kerr then criticises this view by noting how the Treasury remained a bastion of pre-war orthodoxy and an impediment to the introduction of the Keynesian demand management techniques designed to ensure the maintenance of full employment.

However, it is essential to remain cautious as to how far the Keynesian ethos successfully penetrated or indeed challenged, such liberal orthodoxy within the state. Throughout the post-war period pre-Keynesian beliefs continued to dominate the Treasury, thereby serving as a major obstacle to the introduction of an effective demand-management strategy for achieving full employment (Kerr 2001: 52).

He further emphasises that any loss of Treasury control over fiscal policy should be seen as temporary and that by 1947, 'sound money' had reasserted itself (Kerr 2001: 52). Kerr also points out that membership of the Bretton Woods system of fixed exchange rates placed an even more potent constraint upon the use of demand management techniques. The defence

of the exchange rate necessarily prevented post-war governments from pursuing an expansionary fiscal policy with any degree of freedom.

However, traditional Treasury orthodoxy and monetary concerns remained only one obstacle to the efficient use of Keynesian budgetary policy. The various attempts by all postwar governments to manage sterling and the exchange rate were a more crucial impediment. The attempts in the years 1957, 1960, 1964, 1966 and 1973 to protect the balance of payments meant that postwar governments were continually forced to throw their apparent commitment to Keynesianism, and with it major planks of their domestic policy, into reverse in the defence of sterling (Kerr 2001: 52).

I accept the general validity of this analysis and I would argue that Kerr's critique can be set within a framework founded upon Polanyi's 'double movement' formulation (Polanyi 1944; Block 2008). From this perspective, the dominant politico-economic paradigm sets the backdrop and provides limits in terms of the theoretical approaches and policy implementations deemed to be acceptable at any point in time. However, I would also contend that within such boundaries sufficient scope exists for 'double movements' to occur and, indeed, recur. A paradigm shift effectively recalibrates the boundaries – either towards *laissez-faire* (as was the case with neoliberal paradigm shift) or towards a more interventionist position (exemplified by the adoption of the Keynesian paradigm), but does not eliminate the movement and counter-movements instigated by the advocates of *laissez-faire* capitalism and those in favour of protective state intervention. Block (2008) notes the importance of an international perspective as a driver of double movement and that the advocates of *laissez-faire* have argued that the provision of 'social protection' is not compatible with membership of the international economy and that the latter is vital for the long term economic health of the nation.

The movement for *laissez-faire* within nations has been strengthened by invoking the authority of the global hegemon; the social groups that amass behind the banner of *laissez-faire* have been able to claim that their nation would become an isolated backwater if it failed to expand the scope of markets. And these groups have resisted demands for social protection by claiming that such moves are simply not possible without a radical and dangerous break with the international rules (Block 2008).

However, Block notes how the negative effects that global capitalism have upon domestic living standards can generate a momentum for a countermovement. Aligning with dominant global powers can be viewed as being in the interest of elites and when the population as a whole suffers the demand becomes greater for political intervention to mitigate the effects of global market forces.

But this dependence of the forces of *laissez-faire* on the global hegemon is also a source of weakness because of the inevitable rivalries within the international state system...Domestic counter movements are able to draw on nationalist resentments in arguing against fealty to foreign notions of how the economy should properly operate and in favor of pursuing their own unique developmental path that requires some greater degree of political management of markets (Block 2008).

Block highlights the difficulties facing domestic politicians. They must balance the competing claims of those groups demanding protection from the impact of *laissez-faire* capitalism with others who argue in favour of free markets as a means of generating growth and profits. The ability of each group to press their case will depend in part upon circumstances and their ability to exploit opportunities when they arise.

Tilting policies too far in the direction favored by the movement of *laissez-faire* risks both weakening the domestic economy and becoming too dependent on the global hegemon. But tilting too far in the other direction can anger the business community and lead to disinvestment that could jeopardize efforts to improve the nation's global position. Political leaders have to thread the needle between these two dangers and this provides opportunities and openings for both movements...In seeking to capitalize on these opportunities, the two competing movements struggle to influence the state in their own preferred direction, but their relative power will be heavily dependent on the political and economic conditions and how those specific conditions have been perceived by social actors. For example, when a nation's economy first starts into a downturn, supporters of *laissez-faire* are often successful in demanding a rollback of previous reforms that they claimed discouraged productive investment. However, if the downturn continues, the protective countermovement tends to gain greater political leverage as more citizens demand protection from economic hardship (Block 2008).

The particular ideology of the ruling government will also tend to tilt the balance towards one side of the other. This point is made by Cronin (1991) when comparing the approach to economic policy of successive Labour and Conservative governments of the postwar years. As we noted above the extent to which consensus-as opposed to disagreement - might be considered as characterizing the period from 1945 to the mid-1970s is a controversial issue. Cronin is critical of the consensus view, noting that each party tended to change policy direction when taking office, although their scope for doing so was necessarily limited by circumstances- specifically, I would argue, the nature of what Layborne–Langton and Jacobs (2018) describe as the ruling politico-economic paradigm.

Cronin notes how the Conservative government which replaced the first Labour administration after the war was unwilling to go along with the techniques which the latter had employed, instead (as might have been expected for those who accept the accuracy of Block's analysis) it desired to move away from interventionism and back towards a much more internationalist market-orientated approach.

Lacking a plan of their own and unwilling to rely on the techniques developed by Labour the Conservatives reached out for an alternative. That alternative was the plan that came to be known as 'Robot'<sup>6</sup>...The intention was to create an automatic mechanism along the lined of the prewar gold standard to regulate the balance of payments and, by implication to control the domestic economy. Behind 'Robot' was a distaste for the practice of detailed intervention in the economy which had been repeatedly undertaken by Labour and which might have been necessary again to handle the balance of payments crisis, coupled with profound doubts about its efficacy... (Cronin 1991: 198).

Although The 'Robot' plan was not followed through in practice,<sup>7</sup> its drawing up was indicative of the Conservatives' willingness to embrace a more market-orientated approach and 'to back off from the commitments to full employment and economic management after the war' (Cronin 1991: 199). Cronin notes that, rather than embracing the idea of planning and the welfare state

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<sup>6</sup> Cronin refers to description of the "Robot" proposal provided by Alec Cairncross and noted that it entailed the following; '(i) a floating exchange rate for sterling; (ii) full convertibility into gold, dollars or other currencies on a free market in foreign exchange for... "overseas" or "external" sterling; (iii) compulsory funding of 80% of the sterling balances held by members of the sterling area and the funding or blocking of nearly all balances held by non-members outside the dollar area' (Cronin 1991: 198).

<sup>7</sup> Cronin notes that: 'Neither the Bank nor the Treasury gave up on the plan which would continue to dominate policy-making for another year , but beginning in March [1952] the balance of payments began a long term improvement which undercut their arguments and effectively foreclosed the option of following such a drastic course of action' (Cronin 1991: 191, parentheses added).

the Conservatives remained committed to moving policy back towards *laissez-faire* – at least to the extent to which the circumstances of the day and extant politico-economic paradigm allowed. 'Ideologically and rhetorically, the Conservatives were committed to the free market, and while in opposition they had attacked nationalization and detailed controls vociferously...' (Cronin 1991: 215). Cronin summarises their general stance whilst in government by arguing that... 'the Conservatives largely acquiesced in the maintenance of the social programmes put in place in the late 1940s, but spent hardly a shilling more than was required by the exigencies of politics and the growing demand for services' (Cronin 1991: 215).

Moving forward to the 1950s, Cronin notes that little remained of Labour's direct controls. He argues that the budget was primarily geared to the politics of taxation rather - given the Conservatives ideological commitment to lower taxation - than demand management, leaving only monetary policy which he considers to have been a largely ineffective means of exerting influence on the economy (Cronin 1991: 221). Cronin notes that by the late 1950s the problem of inflation and its impact upon the current account of the balance of payments under fixed exchange rates was viewed as the key problem of the day. The advent of the Phillips' Curve in 1958 brought with it a belief that inflationary control (and by implication, avoidance of balance of payments deficits) could not be combined with full employment.

What was new in the period after 1955 was the emergence of a more coherent set of arguments that located the source of Britain's "stop-go" economy in the impact of inflation in the balance of payments... Inflation... was seen by the late 1950s as more deeply rooted in the economy and in the sustained high level of employment of the postwar era than had earlier been thought. The classic statement of the anti-labour formula, the so-called 'Phillips' Curve' appeared in November, 1958 (Cronin 1991: 227).

The 1964–70 Labour government's economic policy reflected a movement away from *laissez-faire* and towards a corporatist approach founded upon bargaining between unions, employers and the state. However, the government was forced to employ incomes policy to reduce the inflation which was seen as the root of the balance of payments problems which were a feature of the period. In the end, devaluation was deemed the only way out but was accompanied by a deflationary budgetary stance, eliminating the chances of the implementation of growth-friendly policy fiscal policy (Cronin 1991: 234-35).

In 1970 the Conservatives regained power and set their sights on implementing more pro-market policies, moving away from Labour's corporatist approach. The Conservatives, in

particular, 'wished to recreate a more flexible labour market in order to hold down wages. To do so, however, would require a higher level of unemployment and the curbing of trade union power...' Cronin 1991: 235). The Conservatives re-embraced a pro-global business and pro-financial outlook in a manner consistent with the 'double-movement' formulation suggested by Block above. 'The British economy, and not just its financial sector, had long been orientated to world markets and after the decisions taken under Heath to float the pound and enter the Common Market the country was becoming even more integrated into the international economy' (Cronin 1991: 238).

Cronin notes that any hopes that Labour might have had of reinvigorating a protectionist approach<sup>8</sup> were effectively ruled out by the impact of first, the 1975 referendum result (when membership of what was then referred to as the Common Market was confirmed) and the financial crises of 1976 when the government applied for IMF assistance in order to support the value of the pound, accepting the budgetary conditions which accompanied the granting of a loan<sup>9</sup>. Kerr argues that this period is a key watershed and signalled the end of the post-war, so-called Keynesian paradigm, setting the scene for a shift to what would later be described as neoliberalism or 'Thatcherism'; it was the pre-cursor to a paradigmatic shift back towards *laissez-faire* and away from government intervention and social protection (Kerr 2001: 36). When summarising the period from 1945 to 1979, Kerr concludes that, 'instead of representing a long era of continuity dominated by consensus, the pre-Thatcher period reflected fundamental shifts and reversals of government strategy due to the inherent conflicts at the heart of the policy-making arena...the overall result...was a fitful evolution, involving fundamental reversals and adaptations in government strategy as politicians struggled to balance the competing and contradictory demands placed upon them' (Kerr 2001: 215).

Kerr rejects the characterisation of the pre-Thatcher period as one of consensus and instead argues in support of the view that: 'Far from being settled, the story of the early post-war era is one of continual conflict, and a battle between progressive and classical liberal ideas fought out within a strategically selective environment that favoured the latter over the former' (Kerr 2001: 216). Kerr notes that, by 1979, the circumstances of the UK economy were conducive to the emergence of Thatcherism, especially its 'anti-statism and its overall emphasis on

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<sup>8</sup> Cronin argues that 'The "alternative economic strategy," worked out in impressive detail during 1975-6 and endorsed by the Labour Party conference in September 1976 therefore never had a chance.' (Cronin 1991: 238)

<sup>9</sup> Continuing pressure on the value of the pound and the contingent concerns about inflation and - in some quarters - national prestige, led to the UK government approaching the IMF for a loan of \$3.9 billion in September 1976. In order to access the loan, the UK government was forced to accept the IMF's conditions - deep cuts in public expenditure and reductions in the public sector deficit.

traditional monetary concerns' (Kerr 2001: 216). Cronin considers the significance of the 1979 Conservative win, especially in terms of how the Conservative party itself would later conceptualize its nature. 'The Conservatives would go on to claim that their victory represented more than a rejection of Labour's latest efforts or a reaction to temporary economic difficulties. To them, it represented as well a repudiation of the entire pattern of postwar politics and of the commitments to full employment and the welfare state' (Cronin 1991: 240).

From this perspective, a new politico-economic paradigm emerges in 1979, characterised, first and foremost, by a negative view of the state and an overarching desire to reduce its impact on the economy and to narrow the extent of what were perceived as the boundaries of the responsibilities of the state towards its citizens.

Stopping and reversing the expansion of the state was the main task that the Conservatives set for themselves during the 1980s...what is most distinctive historically about the Conservatives under Thatcher was their obsession with the state...They displayed a particularly intense desire to limit the size and restructure the shape of the state itself, to reduce the extent to which government was held responsible for the economic and social welfare of its citizens... (Cronin 1991: 247).

As noted above, successive post-war governments had very different approaches to the conduct of economic policy - the double-movement was very much in evidence from 1945 to 1979. However, governments accepted their long-term responsibility to maintain high levels of employment, even if temporary events meant contractionary policy could be necessary. Post-1979, this changed, the Thatcher government effectively shifted responsibility for the level of employment from the state to the individual.

Perhaps the most striking feature of the behaviour of the Thatcher governments was their amazing and steadfast refusal to stimulate the economy...The Thatcher regime was, in fact, bent on convincing the public that the state could do very little to create jobs and that it bore no responsibility even to try. It sought both to insulate the state from economic failure and to redefine economic success so that it might coexist with massive unemployment (Cronin 1991: 248).

Cronin highlights the essential dilemma facing governments which favour a *laissez-faire* ideology and quotes Barry, 'the workings of the market not in fact conducive to the wellbeing of the majority.' (Barry 1985: 317; quoted in Cronin 1991: 250-51). Essentially, in order to be re-elected, even free-market orientated governments are often forced to intervene - against their ideology - when growth stalls (or goes into reverse) leading to significant rises in unemployment and falls in living standards. Thatcher's government circumvented this dilemma by recognising the need to gain sufficient democratic approval for restricting the power of the state to assist the population<sup>10</sup>. 'What distinguished the Thatcher regime from previous Conservative governments...was its exceptionally clear understanding of this dilemma and its determination to resolve it' (Cronin 1991: 251).

In the post-war period, the growth of the state had called into question the relationship of Conservatism to the state itself. Cronin considers that Thatcherism was a response to that question and was manifested in a return to a liberal faith in markets and a repudiation of the suggestion that the secular growth of the state was a welcome phenomenon. 'Thatcherism in this perspective, can be understood as a manifestation of resurgent Tory liberalism with very deep roots, but with an urgent contemporary programme of redefining the rules of politics yet again in order to break the new pattern of secular state expansion and to return to a situation in which state growth was the exception and limited public responsibility the norm' (Cronin 1991: 251-252).

The emergence of 'New Labour' under the leadership of Tony Blair reflected the hegemonic status of the neoliberal politico-economic paradigm. New Labour's election victory in 1997 facilitated a response to the policies of the outgoing Conservative administration (as conceptualized by the double-movement thesis); the introduction of minimum wage and the signing of the EU's Social Chapter might reasonably be construed as a reaction to the reduction of worker's rights which had occurred under Thatcher and Major. There was also a response to the Thatcherite mantra of 'rolling back the frontiers of the state' and a measure of increased discretionary public spending was evident. However, such moves were very much constrained by an acceptance of the preeminence of market forces. The Blair government operated within the same paradigmatic structure that came to the fore under Thatcher. Income taxes were kept low and far less progressive than had been the case under previous post-war

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<sup>10</sup> This dilemma was allegedly solved by Margaret Thatcher by her advocacy of 'TINA'; that in practice, 'there is no alternative' to what is now referred to as a neoliberal approach (specifically, the adoption and support of free markets, free trade, and globalization) if economies are to flourish.

Labour governments. A 'sound money' fiscal policy was pursued.<sup>11</sup> Such an approach enabled New Labour to gain a large measure of support from the business community and the mainstream media; something which had been absent in earlier times. The Bank of England was granted operational independence in 1997; a policy which was very much in accord with the view that the control of inflation should be prioritized over growth and the granting of central bank independence should be considered as a key foundational strategy for the pursuit of price stability. New Labour embraced a general faith in markets – consistent with the existing politico-economic paradigm - and deregulation of the financial sector was included in its policy portfolio.

The GFC undermined the status of the neoliberal paradigm and certainly played a part in Labour's defeat in the 2010 general election. However, this reduction in confidence in neoliberalism proved to be a temporary phenomenon. The advocates of neoliberalism were able to redefine the problem as one of government error and those parties which happened to be in government at the time of the crisis were the ones that suffered. The underlying paradigm proved highly resilient; NCM survived as the economic mainstream, state deficits were portrayed as a problem rather than part of the solution to the recession which followed the crisis. The unsustainable rise in household debt which had precipitated the crisis largely escaped attention. Minor changes to NCM models, more financial regulation and increased fiscal 'soundness' were the result rather than the far-reaching paradigm shift which had seemed possible - at least possible for a short period of time - after the crisis. After New Labour lost power, a new countermovement back towards *laissez-faire* emerged, first, under the coalition government and second, under a Conservative government. Discretionary public spending was reduced (justified by the alleged need to reduce the public deficit), the welfare state undermined, income taxes kept low (even reduced for high earners) and inequality accepted as a prerequisite for future growth.

Under Jeremy Corbyn's leadership, Labour fought two general elections (2017 and 2019) and put forward policies which were attempts to engineer a significant countermovement back towards social protection, involving increased provision of merit goods and environmental

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<sup>11</sup> New Labour adopted – from an MMT perspective unnecessary and anachronistic - fiscal rules; the 'golden rule' and the 'sustainable investment rule.' 'The golden rule required the public sector to borrow only what it needed to pay for capital investment, and to finance its remaining current spending from tax and other revenues. In other words, the government had to keep the current budget...in balance or in surplus. The rule had to be met on average over the ups and downs of the economic cycle rather than every year...The sustainable investment rule required the government to keep the public sector's debt (net of its short-term financial assets) at a 'stable and prudent' level. This was defined as less than 40% of national income (GDP) at the end of every financial year of the economic cycle' (Chote et.al.2009).

protection and an opposition to *laissez-faire*. However, despite the radical nature of the increased spending, I would argue that the acceptance of the need to 'fund' its programme by taxes and borrowing and the support for fiscal rules that accompanied Labour's plans constitutes evidence to support my belief that the underlying paradigm remained the same. Labour's strategy proved ineffective and was undermined by a hugely unpopular 'Brexit' policy (especially in the north of England), mainstream media bias, and so-called 'unaffordable spending plans'. The Conservative party was returned to power with an increased majority in 2019 and the ruling politico-economic paradigm appears secure for the foreseeable future.

An analysis of UK politics illustrates that shifts in policy - in Hall's terms, lower 'orders of change' - within a politico-economic paradigm are relatively common, especially as one government is replaced by another, but changes in the ruling politico-economic paradigm are rare events. It seems that both a coherent alternative economic approach to the incumbent orthodoxy and the existence of a political environment conducive to change are required if such a shift is to be realised. I would contend that this key insight is significant and, looking to the future, needs to be carefully considered by modern monetary theorists and the advocates of an alternative heterodox paradigm when developing both their relationship with the economics academy and the broader political environment.

### **3. The impact of social factors on the potential for paradigm change**

Although NCM's hegemonic status has remained intact, it has seemed vulnerable to attack from a wide range of sources and criticism of NCM has continued in the wake of the GFC with its opponents pointing to the failings of market fundamentalism and the clear failure of the so-called 'efficient markets hypothesis'.<sup>12</sup> Journalists and politicians, especially from the left, have noted the negative consequences of neoliberalism, based as it is upon a 'profits first' approach leading to increased greed and corruption. A wide range of commentators have also pointed out that, contrary to the mainstream narrative of the supremacy of markets, there was an obvious need for state intervention, in extremis, to save the private financial system during the GFC. The current economic environment has been characterised by heightened uncertainty, precarious employment and a rise in inequality leading, in turn, to increased social tension.

Although Laybourne–Langton and Jacobs argue that paradigm shift seems distant,<sup>13</sup> they nevertheless, acknowledge that debate is becoming more open and pluralism is increasing; 'there are some signs of an emerging transition, at several levels. First, debate in the economic policy community, both among academics and in international institutions and think tanks, has begun to change. Modern economics is more pluralist than it was a generation ago.'<sup>14</sup> Laybourne–Langton and Jacobs then argue that differences in approach between heterodox economists of various schools has prevented the construction of a coherent alternative paradigm.

Yet at the same time, it is clear that no overarching "alternative" paradigm has yet emerged. While many prominent economists today share a critique of neoliberal orthodoxy, there has been little effort to articulate a shared alternative view which might incorporate and bind together elements of the new pluralism. This is partly because there are significant differences of approach

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<sup>12</sup> The efficient-market hypothesis (EMH) concludes that asset prices fully reflect all available information. The hypothesis has three variants; 'weak', 'semi-strong', and 'strong' and follows from the work of Eugene Fama (Malkiel and Fama 1970).

<sup>13</sup> 'If the economic shocks and crises of the last decade are the precursors to a shift in the politico-economic paradigm, it is clear that we are in its earliest stages' (Laybourne–Langton and Jacobs 2018: 118).

<sup>14</sup> Fricke (2017).

between different kinds of heterodox academic economists (Laybourne-Langton and Jacobs 2018: 118).

It remains possible that a methodology-based alternative heterodox paradigm can become a vehicle for the development of meaningful knowledge and have the potential to influence political actors and become a driving force leading towards a new politico-economic paradigm in the future and I argue that if such a construct has MMT at its core its chances of being a vehicle for beneficial change would be greatly enhanced. However, my research tends to support Laybourne-Langton and Jacobs' contention; that heterodoxy is not yet sufficiently unified to work together within a single paradigm. At the present time, MMT's advocates are essentially working in isolation and are not generally perceived as being important contributors even to the looser construct of heterodox 'community'. This makes the challenge facing MMT economists even greater than more established schools within heterodox economics.

However, despite this relative isolation even from other dissenting voices, MMT is growing in influence both inside and outside academia. It has received increased attention in the press<sup>15</sup> and on social media.<sup>16</sup> From an MMT perspective, such a development is to be welcomed but, nevertheless, an advocate of MMT is still likely to find that progress is likely to be much slower than they might hope for.

Martin (1998) examines both the social nature of the academy and external factors in society as a whole and considers why new and challenging ideas might be prevented from having as large an impact as their originators might hope for. As Martin notes pessimistically, that a dissenter's optimism that a new idea of their own which conflicts with established wisdom - and from their perspective has the potential to add knowledge - will be given a fair hearing is likely to be misplaced (Martin 1998: 605).

Like Lee (2010), Martin notes how a dissenter's views are welcomed within an established academy provided they are ultimately compatible with pre-existing orthodoxy ('heresy' from Lee's perspective of economics) but rejected if they are not ('blasphemy' for Lee). 'Certain sorts of innovation are welcome in science, when they fall within established frameworks and do not threaten vested interests. Aside from this sort of routine innovation, science has many similarities to systems of dogma. Dissenters are not welcome. They are ignored, rejected, and sometimes attacked' (Martin 1998: 605). Martin considers the barriers facing those wishing to

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<sup>15</sup> For example, Coy et.al. (2019)

<sup>16</sup> For example, The Gower Initiative for Modern Money Studies (GIMMS); see Appendix.

introduce new scientific ideas before suggesting possible strategies for dealing with them – or at least reducing their impact.

Martin argues that an outsider is disadvantaged right from the start if she lacks the formal training, experience and access that goes with membership of the academy (Martin 1998: 608). He looks to Kuhn and notes that the actual practice of science, based as it is on confronting key issues that emerge from work within the current paradigm rather than an outward-looking all-encompassing approach, leads to a sharp focus of study. This, in turn, leads to successful - if relatively incremental - scientific progress. However, Martin highlights the cost of this approach in terms of dealing with ontological issues and providing explanations of unanticipated events which may require out-of-paradigm work (Martin 1998: 609).

Martin then considers how the pressures of everyday practice effectively remove any incentives for mainstream scientists to divert their attention from their immediate tasks in order to consider a dissident's views or analyse a possible novel insight from such a source (Martin 1998: 609). Martin highlights the general nature of the negative response that dissidents might expect. His argument - which relates to the situation in natural science - resonates with the views expressed by Lee about the economics profession.

A person who challenges the conventional wisdom is likely first to be ignored, then dismissed, and finally, if these responses are inadequate, attacked. When an outsider sends a paper to established scientists, for example, many will not bother to reply. When an entire dissident field establishes its own publications, it may be ignored by the mainstream. Dismissal is the most common response received from established scientists when a challenger is seeking formal recognition in orthodox channels. A paper sent to a top journal may be rejected without being sent to referees. Editors often perform a screening function, deciding what is credible enough to warrant serious consideration. Editors can also affect the likelihood of acceptance by their selection of referees. Sometimes, though, dissidents cannot be silenced by ignoring and rejecting them. They may develop their own constituency or gain publicity (Martin 1998: 609).

Martin notes that once dissidence is seen as a realistic threat<sup>17</sup> then the strength of response from the established academy correspondingly increases. Again, his general argument relating to natural science is entirely consistent with the views expressed by Lee in relation to a heterodox economist working in academia.

At this stage, one possibility is attack. A scientist can be attacked in various ways, including ostracism, petty harassment, excessive scrutiny, blocking of publications, denial of jobs or tenure, blocking of access to research facilities, withdrawal of research grants, threats, punitive transfers, formal reprimands, demotion, spreading of rumors, deregistration, dismissal, blacklisting, and threats of any of these (Martin 1998: 610).

A consideration of the possible ways to behave in such a hostile environment follows. Martin suggests that dissidents 'mimic orthodox science' and that writing articles in the accepted format may increase the chances of success. (Martin 1998: 611). More than this is very likely to be essential, such as the founding of specialist journals which employ rigorous standards. Overall, Martin contends that when a field acts in a way which very closely resembles the research practice of orthodoxy, it is more likely to be taken seriously (Martin 1998: 612).

This has certainly been part of the route taken by heterodox economics with its extensive range of highly technical and specialist journals<sup>18</sup> (Lee: 2010). However, Martin notes, somewhat pessimistically, that when opposing forces, in the form of vested interests or the *status quo*, are very powerful, dissenting ideas may not be given a fair hearing even when their advocates closely replicate the established form of scientific behaviour (Martin 1998: 612). Unfortunately, as noted by Lee, this seems to be the case in economics. To mitigate against vested interests is difficult. Martin suggests that enlisting 'patrons' - open-minded mainstream scientists - is a useful tactic (Martin 1998: 613). However, he notes that the possible optimism of dissidents might well be misplaced due to a combination of inability or unwillingness of established practitioners to embrace the unorthodox (Martin 1998: 613).

This description of 'most scientists' seems to represent most - if not all - senior NCM economists. Martin suggests, somewhat pessimistically, that it may be that this brave, supportive and open-minded patron may well not exist, as appears likely to be the case in

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<sup>17</sup> To support his argument, Martin provides a range of examples from different scientific fields (Martin 1998: 610).

<sup>18</sup> A list of heterodox journals was compiled by Lee (Lee 2009: 213-16).

economics<sup>19</sup> (Martin 1998: 613). Martin goes on to discuss the potential benefits of seeking a different audience. 'Rather than seeking to obtain credibility among orthodox scientists, another option is to seek a different audience. This might be practitioners, those in a different field, or the general public. The strategy can have many ramifications: setting up journals, newsletters, and conferences; establishing protocols and certification procedures; seeking mass media coverage' (Martin 1998: 613). However, there are risks associated with this approach, including encouraging insularity and communication existing in an 'echo chamber.'<sup>20</sup> Another potential problem is that eccentric or unreasonably confrontational followers might join in; in itself, this may not be a problem but if the new recruits prove controversial in an unhelpful way or eschew an overtly intellectual approach to interaction with mainstream practitioners the end result can be counterproductive<sup>21</sup> (Martin 1998: 613).

Martin notes how dissenters with no following are ignored but once a significant support begins to emerge, then strong criticism, even attack, is likely to follow<sup>22</sup>. Given this situation, it is best for dissenting groups to develop a solid scientific base before reaching out too widely. When the orthodoxy seeks to quash dissent, Martin suggests that challengers should expose this suppression to public scrutiny. Details of the forms of attack used should be thoroughly documented and this measured response ought to be accompanied by a refocussing on the dissenting work itself (Martin 1998: 614). Martin suggests that it may be that the resistance to change from within the orthodox academy is so strong that it becomes necessary to 'build a social movement' to attempt to counteract it. (Martin 1998: 614)

However, building a social movement must be seen as a long-term strategy since the strength of vested interests is not to be underestimated, having been constructed over extended periods and embedded into the fabric of society (Martin 1998: 614-5). Martin notes that the actual practice of science often bears no resemblance to the picture painted of it as the open-minded pursuit of improved knowledge. For this reason, dissidents must realise the enormity

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<sup>19</sup> The scarcity of such patrons is hardly surprising; as noted by Keynes, 'The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds' (Keynes 1936, preface).

<sup>20</sup> This potential problem is especially pertinent within the social media domain where online discussion and the sharing of ideas and opinions suffer when members operate upon a narrow information base and don't have any impact outside their *network; either by accident or design*. Thus, many social media-based communities become segregated according to deeply held views which are reinforced by social community membership.

<sup>21</sup> MMT's significant social media profile is not always seen as an advantage; a point noted by Stockhammer during his research interview (Armstrong forthcoming).

<sup>22</sup> MMT's insights have received significant attention in the business press both positive and negative (El-Erian 2019; Davies 2019) and, indeed, MMT has faced outright attack from outside the economics academy from mainstream media, especially the financial press and newspapers with generally right-leaning editorial positions (Mitchell 2019a, 2019b; 2019c; Armstrong 2019a, 2019b).

of the task that they face and, importantly, despite these difficulties, just how important their activities are to scientific progress.

Indeed, science itself can be seen as a social problem (Restivo, 1988)<sup>23</sup>. Many aspects of the practice of science do not live up to the high ideals of 'science' as a dispassionate search for truth. If there is any hope of reform, dissenters must play a crucial role. To be effective, they need to understand that science is a system of power as well as of knowledge, and consequently they need to be prepared for a power struggle as well as a struggle over ideas (Martin 1998: 615).

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<sup>23</sup> 'In the social sciences as elsewhere, modern science is widely assumed to be a successful and progressive enterprise. Sociologists of science tend to be science advocates, and students of social problems implicitly treat science as a "healthy" institution. Science critics are often opposed to "distorted" versions of science but not to "true" science. A few social critics, however, have argued that modern science is the product of an alienated human spirit and a factor in rather than a solution to our individual and social problems' (Restivo, 1988).

#### 4. Conclusion: lessons for MMT advocates

Robert Heilbroner (2000[1953]: 213-18), when considering the cutthroat capitalism which characterized the nature of the economy of the USA in the late nineteenth century, observed the inadequacies of the “orthodox’ economists”<sup>24</sup> analysis of the day. ‘Official economics, in a word [or words], was apologist and unperceptive; it turned its eye away from the excesses and exuberance that were the very essence of the American scene and painted instead a stereotype in formal lines and lusterless color’ (Heilbroner 2000: 218, parentheses added). Heilbroner’s suggestion that the ‘mainstream’ economists of the era theorized in terms of ‘formal lines and lusterless color’ constituted an indictment of the neo-classical approach which was emerging as a dominant force amongst academic economists. This thinking, with its focus upon individual pleasure-seeking individuals, logical as opposed to historic time and a self-equilibrating market system, seemed to miss the point and was essentially at odds with reality.

Moving forward to the early twenty-first century, my research certainly suggests that the eyes of NCM mainstream economists have not focused upon the ‘excesses and exuberance’ which precipitated the GFC and, in contrast, have remained firmly fixed upon their own theoretical work and refinements to their models.<sup>25</sup> The mid-nineteenth century aphorism *‘plus ça change, plus c’est la même chose’*<sup>26</sup> seems to apply.

Heterodox economists who advocate a new approach are likely to find significant challenges await them. Martin (1998) notes the criticism which academics might expect if a new theory presents a challenge. Edward Fullbrook (quoted in Mearman et.al 2019: 258) describes the nature of this challenge before describing the motivation which underpins his own work.

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<sup>24</sup> Heilbroner pinpoints John Bates Clark and F.H. Taussig as examples of orthodox economists.

<sup>25</sup> See Armstrong (forthcoming)

<sup>26</sup> Jean-Baptiste Alphonse Karr, *Les Guêpes* (January 1849).

Advancement of knowledge is not just a struggle against ignorance but also, in our time perhaps more so, against false knowledge. The prolonged struggle for acceptance of Galileo's observation that the Earth orbits the Sun was not due to it being new knowledge but to it contradicting false knowledge that the society's most powerful institutions used to legitimatise their tyranny.

At least a partial analogy holds between the state of cosmology in centuries past and the state of economics today. Knowledge, in my eternal sense, of economics is today significantly greater than what is permissible to teach in schools and universities. Mankiw-type textbooks [see below] are in effect institutions of censorship as were the teachings permitted by the Church in the century before Galileo's observation. So for the last 17 years I have seen my primary aim as an economist as one of trying to open up holes in the censorship of economic knowledge (parentheses added).

When considering the challenge facing the advocates of MMT we can see that orthodox economists and journalists initially ignored MMT but with its rising profile, the mainstream media moved first to ridicule MMT by deliberate mischaracterisation and then to outright attack. Such a result is simply to be expected and increasing attacks, in a sense, represent a measure of the extent to which MMT is seen as a threat.<sup>27</sup> Acting alone, MMT advocates are still able to refute criticisms,<sup>28</sup> however, being part of a wider heterodox community or even paradigm and drawing support from a wide range of heterodox economists would clearly strengthen the position of MMT and I would argue, enhance the chances of heterodoxy as whole replacing the mainstream. I would argue that, from this perspective, it is unfortunate that most heterodox economists do not support such a closely integrated relationship.<sup>29</sup> However, younger economists tend to be more open to new ideas and more pluralist in outlook and if the advocates of pluralism are successful in changing the economics curriculum, we have grounds to be optimistic about the future<sup>30</sup>.

The relationship between MMT and politics is not straightforward and it is important to stress again that although - in of itself - MMT is politically neutral, its insights inform the policy debate and provide a powerful theoretical justification for progressive policies designed to enhance the living standards of the population. I would thus argue that MMT is the natural ally of

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<sup>27</sup> Mitchell (2019e, 2019f, 2019g) highlights recent criticism of MMT by a leading mainstream economist, arguing that its author (leading textbook author and new Keynesian, Greg Mankiw) fails to understand and (intentionally or otherwise) mischaracterises MMT in his critique.

<sup>28</sup> See Armstrong (2019a, 2019b).

<sup>29</sup> See Armstrong (forthcoming)

<sup>30</sup> See Armstrong (forthcoming)

progressive politics. Once politicians understand the insights of MMT they are better able to defend progressive policies. In particular, the advocates of *laissez-faire*, natural critics of expanded public spending, designed to improve quality of life are fond of asking the question, 'who's going to pay for it?' Once a politician understands MMT, she recognises that this is, of course, a non-question, based on upon ignorance of the operational reality in place in the monetary system of nations with their sovereign currencies under floating exchange rates.

The idea of MMT advocates building links with progressive politicians is attractive and some measure of success has been achieved in the UK and US.<sup>31</sup> I would argue that the key issues facing both the UK and the US (and indeed the world as a whole) are climate change and rising inequality and looking to the future the advocates of MMT will need to develop and publicise detailed policies designed to address these issues. This will require collaboration with political parties and links can already be highlighted. For example, in the UK, Bill Mitchell has been involved in discussion with shadow chancellor John McDonnell<sup>32</sup> and, Chris Williamson (twice elected as a Labour MP) has been supportive<sup>33</sup>. However, despite advocating for many progressive policies involving significantly expanded state spending, under Jeremy Corbyn's leadership UK Labour was still wedded to NCM. Its economic advisers notably, James Meadway<sup>34</sup> and Simon Wren-Lewis still support fiscal rules<sup>35</sup> and Labour MP Jonathan Reynolds has written criticizing MMT.<sup>36</sup> Embracing a radical approach to economics based upon an acceptance of MMT would involve political risks and it would seem that Labour fears 'markets' and is not yet prepared to abandon the NCM paradigm. Post-election the future direction the UK Labour will take is undecided; a return to a 'centrist' approach might seem the safest way forward to many. I would argue that this would be a profound error and Labour must embrace radical approach founded upon the insights of MMT, accepting the pressing need for a Job Guarantee and a 'green new deal' of the sort discussed in the US context by Wray and Nersisyan (2019). The UK Green Party has taken a radical stance on the

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<sup>31</sup> MMT has had significant impact in many other countries both in academia and politically, for example Italy; both Mosler and Wray have held the position of Visiting Professor at the University of Bergamo.

<sup>32</sup> Mitchell (2018).

<sup>33</sup> Williamson (2019).

<sup>34</sup> James Meadway has criticized MMT in articles and interviews (see, for example, Hamm 2019; Meadway 2019). I would argue, however, that Meadway fails to understand both the nature of MMT and the operational reality of the monetary system itself. Meadway mischaracterizes MMT- deliberately or otherwise - and his motivation is uncertain. However, it may be that the critiques of MMT are designed to raise his profile (Mitchell 2019a, 2019b, 2019c).

<sup>35</sup> MMT allows an economist to understand that fiscal rules regarding the size of the deficit or debt either in absolute terms or as a proportion of GDP are of no importance *per se* when a country has its own currency and operates under floating exchange rates. Only outcomes matter, especially in terms of output, employment and inflation. As such the advocacy of fiscal rules are indicative of a failure to understand the way the monetary system works or a desire to 'appease' market sentiment (or a combination of both).

<sup>36</sup> Reynolds (2019).

environment but not – so far - on economics. However, a symbiotic relationship seems possible if the Green Party can be educated regarding the mutually supportive relationship between a ‘green new deal’, the JG and MMT<sup>37</sup>.

In the US, influential MMT economist and Green New Deal (GND) advocate Stephanie Kelton is part of Bernie Sanders’ advisory team.<sup>38</sup> Some US politicians have publicly supported MMT, notably Alexandria Ocasio-Cortez, who has put forward a Congressional Resolution advocating for a GND.<sup>39</sup> I would argue that to deliver a GND requires the acceptance of a new paradigm; using neoliberal framing the monetary cost of a transforming GND would appear prohibitive. Only once an MMT lens is used and the costs categorised as real not monetary (Wray and Nersisyan 2019) can the feasibility of a GND be properly assessed. However, I would not underestimate the extent of difficulties involved in introducing any theory or policy which is not consistent with the hegemonic neoliberal paradigm, especially in the US. The opposition from mainstream economists is strong. The Austrian school have been very critical of the idea of a GND, arguing it would constitute an attack on individualism, free markets and an unwarranted increase in government involvement in the economy.<sup>40</sup> In addition, politically, the influence of MMT has been heavily criticised, especially by some Republican senators who have gone as far as calling for MMT to be condemned.<sup>41</sup>

I would argue that the most significant development in the social dimension with respect to MMT is the emergence of the Gower Initiative for Modern Money Studies (GIMMS). The success of GIMMS in taking a lead in promoting MMT outside the economic and political environment has been impressive and GIMMS have been instrumental both in inspiring non-specialist activists and forging links with a wide range of progressive groups. Given the well-established difficulties involved in pushing forward change within the economics profession (Lawson 2017) and the apparent unwillingness of politicians to lead the way in driving change based upon an acceptance of new economic theory and policy, it seems that groups such as GIMMS are likely to have a highly significant role to play if MMT is seriously rival the current economics mainstream in the foreseeable future,

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<sup>37</sup> See Gower Initiative for Modern Money Studies video (2019) <https://youtu.be/JvOooPGWNHA>

<sup>38</sup> Kelton et.al (2018); See also <https://payforgnd.org>

<sup>39</sup> ‘H.Res.109-Recognizing the duty of the Federal Government to create a Green New Deal’. See also Edwards and Mohamed (2019); Tankus et.al (2019); Klein (2019)

<sup>40</sup> Murphy (2019a, 2019b).

<sup>41</sup> See Senate Resolution (2019), ‘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’, 116th Congress, First session.  
<https://www.perdue.senate.gov/imo/media/doc/MMT%20Resolution.pdf>.

I am therefore delighted that, in the appendix below, the organisers of GIMMS provide a detailed analysis of their history and the nature of their activism on behalf of MMT.

## **Appendix: The Gower Initiative for Modern Money Studies**

The Gower Initiative for Modern Money Studies is an independent, non-profit organisation which is part of a growing international movement challenging the economic orthodoxy of the last four decades. It is supported by distinguished economists and many other experts who have played a vital role in offering advice and guidance in the development of this project.

The Initiative was founded by a group of five women with a keen interest in politics and economics, but from a lay perspective rather than an academic one. Whilst coming together from different directions, the founders shared a common understanding that the dominant economics was deeply flawed and failed to address the questions of real resources and the impact of government policies on people's lives.

A good economic system should consider the effects of policy as an integral part of the design, not as an afterthought. Modern Monetary Theory, although purely a description of how money works, offers a mechanism to examine the interrelationships between different sectors of the economy and how money creation fits into that system. It considers government economic policy in relation to the world's real resources: the planet and its people.

Public awareness of MMT as a lens for understanding the economy is growing around the world and it is the aim of the Gower Initiative to offer a UK portal for promoting that understanding.

The project was launched in central London in October 2018 at an event at which the MMT founding academic Professor Bill Mitchell of the University of Newcastle was the guest speaker.

The GIMMS website offers a variety of resources from beginner's level to more in-depth analysis. As well as FAQs and Fact Sheets it offers a portal to a wide range of videos, books,

and academic resources forming the basis for a more comprehensive study for those that wish to. Zotero, a searchable and constantly updated database, provides scholars from around the world with the material they need to support their work.

In the last eighteen months since its launch, the website has had 190,000 hits and is currently averaging around 500 per day which is very encouraging. Website pages and factsheets are available in PDF and data shows that these resources are frequently used by activists in support of real-world teaching and for sharing with family, friends and colleagues in the Each One Teach One fashion inspired by MMT activists at Real Progressives in the United States.

In addition to the website, GIMMS has a social media presence on Twitter and Facebook and its posts are shared to over a hundred different activist group sites. The aim is to bring a correct understanding of how money functions in the real economy and help provide the necessary insight to challenge the system and bring about social justice.

GIMMS also produces a weekly news blog, MMT Lens, which provides its audience with an analysis of current economic or social affairs from an MMT perspective and has proven to be a popular format and draw to the website.

Alongside its social media activities and as part of its objectives GIMMS is working hard to reach out to community and activist groups around the UK. Together with Associate Members, Alan Hutchinson and Phil Armstrong, GIMMS has organised very successful meetings across the country in Leeds, Manchester, Nottingham and London with more planned in the future.

Since its launch GIMMS has provided an opportunity for people to hear directly from MMT founders, Professor Bill Mitchell and Warren Mosler, hosting events in London, Manchester and Birmingham as well as supporting MMT Scotland with events in Glasgow and Edinburgh. The GIMMS' team also took a stand at the 2019 Green Party Conference at which Phil Armstrong have a presentation which was both well-attended and well-received by delegates.

Many of these events have been filmed and posted on GIMMS website and YouTube Library where they have proved to be well-used, shared resources.

GIMMS is a small, non-profit organisation relying on donations to continue its work. Its directors receive no payment. Although a constraint for the GIMMS' team it is always looking for new ways to reach out to a wider audience with minimal costs and time.

The project is supported by well-respected economists and other experts from around the world and international links are already being developed with MMT academics and the activist groups which are growing rapidly all over Europe.

As the UK has no MMT economist of its own, GIMMS is very much reliant on the work and input of the MMT economists and scholars which make up its Advisory Board, and in this respect, the team is delighted to have their support and encouragement. It is particularly grateful to Philip Armstrong whose PhD research has given him a deep and substantial knowledge of MMT within a UK political and economic context which will be vital for the future promotion of Modern Monetary Theory.

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