Book Reviews

Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy* (John Murray Press, 2020), 336 pages.

Modern Monetary Theory (MMT) has excited much attention in recent years. Its public prominence emerged in the wake of the global financial crisis of 2008 and beyond, against the background of the mounting evidence of deeply embedded flaws in the theory and practice of monetary and fiscal policy in leading OECD economies. The macroeconomic orthodoxy of the late 1970s and early 1980s, rooted in monetarist and ordoliberal doctrines and the policy preferences of deregulation and privatization, had long been the object of critical concern for heterodox economists of the Left, as well as for the surviving proponents of the toppled Keynesian branch of economic thought. These earlier critiques focused on growing asymmetries in the development of both national economies and in the external balances of those economies within the global political economy. MMT proponents—notably L. Randall Wray, William Mitchell, and Warren Mosler—were among the many heterodox economists who underscored the illogicality of applying fiscal austerity in the context of a lower propensity of private enterprises to invest and the persistence of significant structural problems in economy and society.

Stephanie Kelton's book *The Deficit Myth* presents MMT in language deliberately aimed at a broader readership, including younger policymakers, as a more accessible vehicle for both debunking the monetarist demonization of public deficits and debt, and for advancing solutions to critical issues like environmental change, employment, and the social "deficits that matter" (Chapter 7). In its exposure of core fallacies of monetarist orthodoxy, it has arguably helped to refocus attention on Keynesian political economy and other activist theories of the state.

The core insight of Kelton and other MMT proponents is that mainstream (neoliberal) economists wrongly equate the borrowing and debt of households/enterprises with that of states' budgets, and that this equation is an obstacle to economic and social progress. MMT asserts, rather, that the sovereign state that controls the issuance and management of its own currency cannot go bankrupt, cannot run out of money, but can fund both its recurrent and its capital expenditures by creating money. From this, MMT exponents conclude that covering state expenditures via taxation is of secondary importance because of the state's sovereign power to mint new money or to borrow money from financial markets. Most of Kelton's narrative repeats these ideas, deploying a simple logic of sectoral balances and double-entry book-keeping to underpin the core assertions.

While this approach draws on Keynes and other demand theorists like Wynne Godley, it fails to reflect the subtlety of their analyses and, above all, their emphasis on the effects of critical asymmetries in the global political economy. It therefore runs the serious risk of discrediting the policy prescriptions of demand theorists like Keynes, via association with the flawed recommendations of MMT populists. The most alluring and flawed of these recommendations is the logical fallacy that characterizes the MMT position on *monetary sovereignty* and *agency* within a national and global context. Kelton and others elevate monetary sovereignty to the central theoretical pillar of MMT, using the United States as a putative typical agent of that sovereignty. This is highly questionable for a number of reasons, above all because it misreads many of the core power relations in the political economy of nations.

The overgeneralization of the United States as an ideal type is thus the core limitation of *The Deficit Myth*. However much we may identify some weakening of the hard and soft power of the United States over time, one can argue that it still enjoys "exorbitant privilege" as the world's largest economy (per nominal GDP) and the source of the world's most-held reserve currency. The US dollar makes up a full 60% of all global currency reserves, and the United States accounts for some 24% of global GDP. This privilege does not apply to the vast majority of monetary "sovereigns." Kelton does indeed concede "a spectrum of monetary sovereignty" (142ff), but, significantly, without reference to any comparative data or to proper comparative analysis.

If we shift the focus from the United States' undeniable clout in international relations to the dynamics of the global political economy, it is surely legitimate to suggest that the political sovereignty of states is severely compromised by transnational economic processes and actors—above all, by the myriad daily transactions of corporate agencies and financial institutions. Under the current conditions of minimal exchange controls, private, concentrated ownership of economic assets arguably enjoys its own (greater) "exorbitant privilege" of market power. This power can and does deploy both regulatory and tax arbitrage in relation to *all* jurisdictions. The effects of such arbitrage are evident in the scale of tax avoidance and evasion, in the downward trends of capital taxation, and in the resulting widening disparities in the distribution of income and wealth worldwide. Constitutional, criminal, civil, and commercial law are thus effectively gamed by global market agents. Against this background of the relative powerlessness of sovereign states, to suggest that "even developing countries can enhance their monetary sovereignty" is clearly wide of the mark.

Kelton's view of taxes, like that of her MMT colleagues, is similarly quixotic and moves between asserting their irrelevance and their critical relevance at different points in the book's arguments. This inconsistency misses the central reality that social levies and public sector borrowing are not simply functional vehicles for funding government spending, but rather critical elements in the discourse around public goods. This centrality is particularly in the context of an increasingly complex economic division of labor and the evolution of political debates within a democratically empowered civil society. The neoliberal reduction of taxes to mere burdens imposed on wealth-creating market agents and consumers is a (deliberate) distortion of the indispensability of public levies to finance democratically legitimated public goods. As Oliver Wendell Holmes put it, taxes are the collective, social "price we pay for civilization." With its emphasis on "functional finance" and monetized expenditure, MMT sidelines the importance of democratic debates over the social priorities of taxation, expenditure, and strategically targeted debt, and helps further to hollow out social discourse over collective priorities. Public policy is thus reduced to a set of technocratic choices: what to spend the money on.

Kelton's enumeration of the progressive purposes to which "the money" should be spent—good jobs, education, health, infrastructure, climate—is a worthy shopping list, appealing to most citizens' conception of fairness and good sense, but it doesn't render Modern Monetary "Theory" more persuasive. Rather, it risks undermining serious discussion about how to achieve these ends in a democratic society.

In summary, Kelton's work does enjoy the virtue of having expanded the debate about the false certainties of monetarism and its fetishization of public debt to a wider audience in United States civil society and beyond. At best, it has boosted a long-overdue revival of interest in the ideas of Keynes, Kalecki, and other demand theorists. In this, of course, it has been dramatically assisted by the catastrophe of a global pandemic and the demonstrable indispensability of state crisis-management and of colossal fiscal counterweights to the unprecedented slump in economic activity in 2020. However, *The Deficit Myth* also represents a danger to the transformative potential of the active, fiscal state—by trying to sidestep hard questions of democratic process and, most acutely, by failing to consider the divergent context of most nations' monetary governance realities. Especially as the world is beset by chronic inequalities and an alarming climate crisis, it is crucial to recall, as Jan Toporowski has noted, that poorly constructed, if well-intentioned, economic theories provide "a gift to those whose interests lead them to oppose social change."

Kelton's book features powerful recommendations from Mariana Mazzucato, Naomi Klein, the *Financial Times,* and Richard Murphy. This reviewer would wish to qualify such recommendations by suggesting that potential readers would benefit from comparing Kelton's analysis with the study by the late John Weeks, *The Debt Delusion*. Weeks provides a valuable alternative to the seductive allure of Modern Monetary Theory.

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Destin Jenkins and Justin Leroy (eds.), *Histories of Racial Capitalism* (Columbia University Press, 2021), 266 pages.

Histories of Racial Capitalism comprises the work of nine early-career scholars who examine the racialized character of the modern economy. The essays range across the past four hundred years and are primarily concerned with the greater United States (with a single essay on colonial India). While the contributions draw diversely from the disciplines of history, anthropology, critical theory, and law, they converge on the insistence that the key features of capitalism have been inextricably entwined with the material experience of race. "Capital has not historically accumulated," write editors Destin Jenkins and Justin Leroy, "without previously existing relations of racial inequality" (3). Such relations mark different populations as eligible for profitable dispossession, while naturalizing the suffering those populations endure. Against the notion that race and racism are antithetical to capitalism—distortions of value destined to fade "in the sunlight of free markets," as Angela Harris writes in the volume's foreword—the collection's contributors see racial hierarchy as essential to, indeed constitutive of, the modern economic world (ix).

The ascent of racial capitalism, as an analytic, has been closely connected with the renewed interpretation of American slavery as the capitalist enterprise par excellence—an engine of economic growth and a laboratory of modern innovation. The volume's contributors take this insight from the foundational work of W. E. B. Du Bois and Cedric Robinson and carry it to