A LITERATURE STUDY ON MODERN MONETARY THEORY (MMT): IMPLEMENTATION AND IMPACT

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ABSTRACT

Modern Monetary Theory (MMT) is a contemporary economic theory in which a country with its monetary sovereignty can print as much money as needed to finance public spending without worrying about the effects of inflation or budget deficits. However, there is also criticism of MMT because it ignores the risk of inflation. This study aims to discuss further modern monetary theory (MMT) and the impact of its implementation. This study uses a qualitative approach with the literature study method by obtaining secondary data from books, journal articles, and websites related to money, taxes, full employment, inflation, and MMT, with 88 data. Data was collected from Google Scholar, Scopus, Wall Street, Forbes, New York Times, Project Syndicate, Fraser Institute, and Eureka report. This study uses content analysis through the stages of data collection, data reduction, data presentation, and conclusion. The validity of the data was tested using source triangulation. The study results show that the application of modern monetary theory (MMT) works and positively impacts the economy, especially in countries with monetary sovereignty. However, the application of MMT can also pose serious risks and negative impacts if not implemented carefully. Therefore, the government must consider various factors and risks before implementing MMT.

Keywords: Modern Monetary Theory; Money; Taxes; Deficit; Inflation

1. Introduction

Modern Monetary Theory (MMT) is a contemporary economic theory that has become popular recently, especially amid the COVID-19 pandemic crisis. This global pandemic has driven the existence and development of economic theory (Chester, 2020). MMT offers a new view of how money operates in a modern economic system and how the State can use its authority to achieve economic and social goals (Prinz & Beck, 2021). The basic concept of MMT is that governments that have their currency, such as the United States, cannot go bankrupt because they have the power to print as much money as they want. Therefore, MMT considers the budget deficit not a problem but rather a policy instrument that can be used to build infrastructure, improve public services, and encourage economic growth (Kelton, 2020).

However, MMT's views are not without controversy. Some critics argue that unlimited money creation can lead to inflation, while others worry about running out of budget deficits (Begović, 2021; Edwards, 2019; Kravchuk, 2020). They also argue that expansionary measures could lead to declining currency exchange rates. In addition, a deficit can also cause losses in the form of debt if it is not used productively (Ezrati, 2020). However, according to Kelton (2020), having an optimistic view of implementing MMT rather than a pessimistic attitude is important.

Research gaps are important to dig deeper into MMT from various perspectives and criticisms of this theory. In addition, previous studies (Begović, 2021; Ehnts & Paetz, 2021; Jo et al., 2017; Kelton, 2020; Mankiw, 2020; Mitchell, 2020; Mitchell et al, 2019; Tcherneva, 2019; Watkins, 2021; Wray, 2019), has shown that countries with monetary sovereignty can print as much money as needed to finance public spending, post-crisis economic recovery, and promote economic growth without worrying about inflation and budget deficits. However, it should be understood that each country has different fiscal and monetary policies, so it is important to understand how MMT can be implemented specifically in the context of that country and its impact on relevant economic aspects.

This research aims to examine in more depth the Modern Monetary Theory (MMT) and the impact of its implementation, focusing on important aspects of MMT, including the concepts of money, taxes, budget deficit, full employment, and inflation. This research will also explore the criticisms and challenges faced by MMT and look for alternative solutions that the government can apply to overcome economic problems.

2. Literature Review

2.1 Orthodox Monetary Economy

According to orthodox monetary theory, the MMT concept of allowing the government to print as much money as needed was considered unwise. During its development in 1971, it was necessary to have gold reserves that were regulated officially and stated in the Bretton Woods agreement (Bordo, 2017). The orthodox view of monetary economics states that money has a clear role as a medium of exchange, the unit of account, and a store of value (Arment, 2019). According to this view, value is the basis of money, not just the abstract nature of the credit attached to the denomination of money. From an orthodox perspective, money plays a crucial role in the modern economy. It has a significant impact on the governance of society. In orthodox economic theory, money is considered a neutral medium of commodity exchange that arose to increase the efficiency of the barter system. This concept comes from dualism and atomism, which are the core of the economic model of exchanging goods and is reflected in monetary theory and practice (Arment, 2019).

The orthodox view also emphasizes that the State has a role in overseeing the allocation of commodity money among market participants. They argue that money comes from the barter system, and the development of banking occurs due to this money. In this context, banks act as intermediaries between depositors (lenders) and investors (borrowers), as described in the IS-LM model (Arment, 2018). Therefore, according to the orthodox view, the government can be considered a business or household that needs money to fund public facilities and services. In the face of a government deficit, tax revenues need to be increased or owed through the issuance of bonds that future generations must repay (Pandit, 2022).

In the view of orthodox monetary economics, full employment is considered a factor of inflation because of the competition of companies for labor. When workers earn higher wages, firms compete to buy goods, increasing prices. In other words, full employment can be considered an unwanted inflation rate (Pandit, 2022). Orthodox monetary economics also views inflation as a monetary phenomenon related to the money supply and prices (Kelton, 2020).

2.2 Modern Monetary Theory (MMT)

MMT, or Modern Monetary Theory, is a new concept that has a theoretical basis from the works of George Knapp (1924) on the concept of state money, then developed by Keynes in "The Treatise on Money" (1931), and finally popularized by Warren Mosler (1995) and Randall Wray (1998). From Polanyi's Monetary perspective, MMT is considered a successor with the same views regarding money and taxes (Rafferty & Moreno, 2022). MMT is also part of the post-Keynesian school (Lavoie, 2019). The MMT concept is known as the "Copernican revolution" (Kelton, 2020). After the abandonment of the gold standard and the Bretton Woods agreement, currencies such as the US dollar and the British pound no longer had a fixed value linked to each other. Currency turns into free-floating, and its values are affected by complex macroeconomic factors (Kang & Dagli, 2018). This situation is the beginning of the emergence of fiat currency, whose value is based on government laws and is no longer determined by the amount of gold. In this context, MMT views money as an IOU or credit note. The main concept of MMT is that the State can monopolize modern (fiat) currency. Countries and their central banks print currency according to internal political rules related to tax credits (Ehnts & Paetz, 2019).

The development of MMT accelerated after the financial crisis in 2008, which was accompanied by austerity policies. The slow post-crisis economic recovery was caused by inadequate fiscal stimulus, the circulation of money that was too fast, and fiscal austerity policies (Whelan, 2021). MMT criticized neo-classical economics because it failed to predict that inflation would increase after the monetary crisis caused by quantitative easing (Mitchell et al., 2019). Because MMT differs from classical or orthodox monetary views, MMT is often called a radical approach by the laity. MMT emerged as an opponent of classical economic theory or orthodox monetary (Jo et al., 2017). Over time, MMT has grown in economist circles and was recently popularized by Stephanie Kelton. Kelton (2020) explains that in MMT's view, a deficit used to build infrastructure and create jobs is good because it can encourage economic growth, especially in countries with monetary sovereignty. MMT sees a deficit as an advantage in the context of MMT's view of the concept of money in the modern world.

MMT aims to achieve price stability and full employment, with the government providing jobs and living wages to needy people. Budget deficits, monetary policy, and inflation are not the government's main concerns before a country reaches full employment, health services, and other policies (Mitchell et al., 2019). The MMT approach provides a different view in that deficits are not considered as significant as orthodox monetary theory suggests. According to MMT, governments can print and control their currency. Hence, governments can repay their debts using their domestic currency (Pandit, 2022). Kelton (2020) explains that if an entity has a surplus, other entities, including the government, must experience a deficit. Therefore, the basic principle of MMT is that government is not an individual, business, or household (Mankiw, 2020). It makes no sense for the government, which has monetary sovereignty, to be equated with the household (Mitchell et al., 2019). In the context of monetary policy, MMT allows an increase in the money supply to support a deficit without creating significant risks. However, this is conditional that the deficit is used for productive policies, and the country's economy can respond to an additional demand. The budget deficit need not be a determining factor in economic policies because the government can make payments using its domestic currency (Kelton, 2020).

MMT explains that the government deficit is a statistical variable related to economic activity, not a target variable. The State cannot intervene in tax revenue (Ehnts & Paetz, 2021). A budget deficit will increase the money supply and bank deposits, increasing loan funds' availability and lowering the interest rate (Anastasi, 2021). MMT focuses on the effective use of resources, not the national debt. Although the country will not run out of money, limited resources will still exist (Bernal, 2021). This issue confirms that managing the budget deficit following the stipulated budget is an important element in MMT to maximize it for the social good. Excessive and ill-targeted spending can lead to inflation, especially if some resources are scarce. The role of the central bank as a monetary authority can be expanded or reduced according to state policy to promote economic growth (Wortel-London, 2021). The central bank acts as a fiscal agent and state financial institution, able to control money, set minimum capital, issue debt in domestic currency, and operate in a floating exchange rate system (Kravchuk, 2020).

MMT is in line with the monetary theory proposed by Milton Friedman, in which money growth that exceeds the economic capacity for real growth can cause inflation. MMT complements the theory of integration of endogenous money and the relationship between fiscal policy and money creation (Summa, 2022). MMT is not a political manifesto like other money theories because its basis lies in the macroeconomic balance approach (Ehnts, 2022). One of the hallmarks of MMT is that expansionary fiscal policies can guarantee full employment, with the State acting as the final lender (Colacchio & Davanzati, 2020). MMT is different from the quantitative easing policy because the objective of the quantitative easing policy is not to finance government spending (Epstein, 2019; Globerman, 2020; Tymoigne, 2016).

Central banks, which have monetary sovereignty regarding modern, digital, or fiat currencies, play a significant role in various aspects of the economy (Horváth, 2022). The scope of economic policy is determined by the interaction between the State and its central bank (Prates, 2020). In addition, MMT provides an overview and explanation of how the monetary economy operates and the implementation of public policies based on production capacity, price stability, and available resources (Bernal, 2021). MMT makes monetary the centerpiece in determining government expenditure plans to achieve public goals (Ehnts, 2020).

3. Research Methodology

This study used a qualitative approach using the literature study method. The data used in this study is secondary data derived from books, journal articles, and *websites* relevant to money, taxes, full employment, inflation, and modern monetary theory (MMT). There are 88 data related to MMT from various sources such as Google Scholar, Scopus, Wall Street, Forbes, New York Times, Project Syndicate, Fraser Institute, and Eurekareport. Data were searched using the keywords "Modern Monetary Theory" and "MMT." Initial search results yielded 581 articles but were later restricted to the financial and economics categories, leaving 409 articles. Of the 409 articles, 77 were selected that specifically discussed Modern Monetary Theory (MMT). The validity of the data was tested using source triangulation to ensure the correctness of the information by comparing data from one source with various secondary data used in this study. In addition, the Mendeley application lists selected articles along with a series of citations and a bibliography. Data analysis was carried out using content analysis, which involved data collection, reduction, presentation, and conclusion. The conclusions resulting from this study provide a broader discussion of modern monetary theory (MMT) and the impacts arising from its implementation.

4. Results and Discussion

4.1 MMT's Views on the Concepts of Money, Taxes, Deficit, Full Employment, and Inflation

MMT's views on money, taxes, full employment, and inflation are interrelated. MMT sees money as a public instrument central banks issued, not a private resource. In this view, the role of government in providing public goods and services, providing education, creating full employment, and tackling climate issues becomes even more important (Kelton, 2020). Modern paper money is considered a financial instrument that can be issued by the government (Begović, 2021). Therefore, money is considered a tool that facilitates economic transactions, not a store of value. The main objective of MMT is to utilize idle resources instead of debt to improve people's living standards and welfare. The government can print unlimited money to meet fiscal needs and finance public programs (Kelton, 2020).

In MMT's view, the government does not need to increase tax revenues to finance spending. The function of taxes is to encourage the use of currency, control inflation, regulate the distribution of wealth, and influence people's behavior (Baker & Murphy, 2020). Taxes are not a source of funding for public spending but a tool for allocating public money previously paid out to other sectors. Thus, as neo-classical economics describes, taxes are not a determinant of the government's capacity to finance state obligations (Armstrong, 2019). Taxes are more of a socioeconomic policy tool to increase equity, emphasizing wealth taxes (Andrew et al., 2022). Taxes create money demand, reduce inflation rates and crime, and prevent economic inequality (Ehnts & Höfgen, 2019). In this context, taxes create demand for currency, in which individuals must work and produce something to earn money before paying taxes (Kelton, 2020).

Taxes can be used to control and stabilize money. However, their use to absorb excess liquidity is not a public expenditure and can undermine long-term project financing (Begović, 2021; Issing, 2020). In MMT, taxes are seen as a tool to regulate aggregate demand and encourage the use of money in the economy. Taxes are considered effective in reducing aggregate demand and preventing inflation. Taxes do not function as a source of government funding but as a means of controlling inflation and influencing the distribution of wealth (Mitchell, 2019).

MMT rejects the conventional view of deficits and public debt. The conventional view regards deficits as a problem and emphasizes the importance of offsetting the budget. However, in MMT, the deficit can be used in the short term when the country faces an economic crisis (Sawyer, 2019). The interest rate on public debt in a sovereign monetary system is a policy variable not determined by the market (Fullwiler, 2020). Governments can print money through spending commitments and credit creation (Mcleay et al., 2014). Public debt would not pose a financial burden if the government had currency sovereignty and could print as much money as needed to buy bonds and other debt instruments (Kelton, 2020). Public debt is not dangerous if used wisely to finance infrastructure and education development (Ezrati, 2020). The government can print money as needed.

Conversely, the government could issue bonds to reduce reserves in the system and provide the private sector with risk-free assets at an interest rate. Issuing these bonds is not a policy to control inflation (Liu & Wray, 2016). In 1923, the Weimar German government faced hyperinflation. However, they managed to write off the domestic debt by relying on inflation and destroying government bonds (Begović, 2021). Interest rates, financing conditions, debt restructuring, and economic growth influence the debt burden. A burden will be incurred if the government pays real interest and has a negative value (Debrun et al., 2020). Government debt differs from debt taken on by households or companies because the government can print money. Therefore, maintaining a balance of real resources is more important than relying on tax revenues and government spending (Mankiw, 2020). This balance of real resources is necessary to avoid inflation risks. Although inflation is a threat, deflation is far more worrisome because it indicates a decrease in demand for consumption and investment. Kelton (2020) argues that a wisely implemented deficit should focus on the education, infrastructure, and health sectors and support economic development.

Full employment in a country involves the government as the prime mover in creating jobs and providing wages to workers (Wortel-London, 2021). Government spending aims to increase productivity through increased employment opportunities and economic output. The government competes with the private sector to create full employment through increasing prices. Full employment guarantee programs are implemented when demand for labor from the private sector declines, so the government increases job security to maintain full employment, which also plays a role in stabilizing prices, output, and aggregate demand (Mitchell et al., 2019). The government can set prices as the country's currency issuer (Mosler, 2020). The full employment program functions as a buffer for fiscal policy. It guarantees public services and an economy that cares about the community's needs (Sawyer, 2019).

Inflation is not only caused by excessive government spending (Fullwiler et al., 2019). Inflation can be caused by an imbalance between high demand and insufficient supply (demand-driven) and rising costs leading to higher prices (cost-pushing). Inflation is a phenomenon associated with fiscal policy (Kelton, 2020). Therefore, if government spending is aimed at making the most of unused resources, the resulting inflation risk (increasing the amount of money in the economy) can be managed (Wray, 2019). Thus, inflation results from excessive aggregate demand, which can be caused by increased government and private-sector spending. According to MMT, a good measure for assessing potential inflation is how much expenditure can mobilize unused resources (Wray, 2019). MMT also suggests that if inflation occurs, the government can reduce aggregate demand by increasing taxes or reducing fiscal spending (Tcherneva, 2017).

4.2 Criticism of Modern Monetary Theory (MMT)

Apart from receiving support from MMT economists, this theory has also been criticized by several economists, especially neo-classical economists, regarding MMT's view of the concept of money (Rogoff, 2019). Keynesian and Marxist economists have criticized MMT, considering it too simplistic and chartist (Lapavitsas & Aguila, 2021). They argue that MMT policies ignore an important element in Keynesianism, namely that modern countries are not bound by budgetary constraints (Dullien & Tober, 2022). Bisin (2020) says that MMT is only a rhetorical exercise because the concept of debt can confuse where the government is not the household.

Several other economists, such as Brady (2020; Coats (2019); Epstein (2020); Harley (2020); Hartley (2020); Mitchell et al. (2019); Newman (2020); Skousen (2020), also criticize MMT. They consider MMT dangerous because it can lead to uncontrolled inflation, and they argue that countries can create jobs without implementing MMT. They also consider MMT a political movement rather than an economic theory, as no empirical evidence suggests that government debt and money creation do not cause inflation (Cochrane, 2020).

Begović (2021) argues that MMT has a weakness because it clarifies that money is more important than taxes. Meanwhile, Greitens (2020) emphasized that the government must not abuse its power to print money because the stability of the monetary system is necessary for trade and economic development. After using monetary policy, in case of excess demand, MMT does not have an effective instrument to increase interest rates (Schlotmann, 2021). Roberts (2019) criticizes MMT with various arguments. First, the State has monetary sovereignty to print money as needed but no power to determine its value, which can have disastrous repercussions. Second, MMT does not have a strong theoretical foundation. Third, the role of the MMT is only to support capitalism.

MMT also has the potential to increase inequality and sacrifice social interests as a solution to socioeconomic problems (Hanley, 2021). In addition, many developed countries such as Chile, Singapore, Sweden, and Canada have achieved full employment growth without adopting MMT (Skousen, 2020). Full employment is also considered an unbalanced economy (Deos et al., 2021). Suppose the increase in spending is aimed at infrastructure, social welfare, health, education, and the environment. In that case, the deficit remains unreasonable if carried out continuously (Shiller, 2019). Printing money may be an easy policy, but it can potentially hurt the economy (Skousen, 2020).

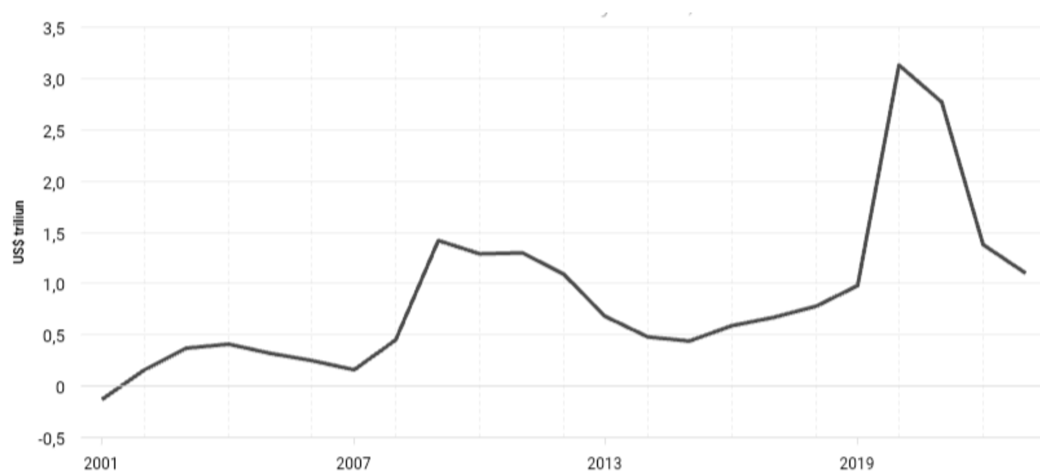
Others must pay for the socioeconomic and environmental benefits of MMT. By monetizing the budget deficit and setting taxes aside, MMT considers taxes a financial matter and a last resort in the policy. In addition, MMT does not consider the financial sector, even though finance and market intermediation are very important for setting monetary policies aimed at increasing asset prices and the real economy (Mann, 2020). MMT policy recommendations and implementation lack a strong theoretical foundation and are driven more by political considerations (Brady, 2020; Newman, 2020; Skousen, 2020). The MMT's policy recommendations ignore the political aspect but leave the financial policy responsibilities to politicians. It is too simple to reduce the risk of policy implementation (Palley, 2015). MMT is more a political manifesto than an economic theory (Drumetz & Pfister, 2021).

4.3 Implementation and Impact of the Implementation of Modern Monetary Theory (MMT)

Several elements of MMT have been implemented in several countries with good and bad impacts. Therefore, MMT can be considered to achieve public goals. Public goals are not based on economic decisions but on suitability and strategies taken by politicians (Stepnov et al., 2022). Kelton (2020) explains that many economists hide the power of the government as a currency generator. Because currency-producing governments such as the US, Canada, the UK, and Australia are fully responsible for their currencies, these countries cannot go bankrupt as households can. Therefore, countries with currency sovereignty do not need to optimize taxes to fund government spending (Hammond, 2020). Unlike countries that surrender the sovereignty of their currencies, such as countries that are members of the Eurozone, countries that control their currencies can make expenditures without increasing taxes or going into debt (Kelton, 2020).

Public spending has certain limits, but policies must focus on unemployment and inflation rather than debt (Kelton, 2020). Government spending has nothing to do with selling bonds with interest to the private sector. It underscores that thanks to a currency monopoly, the State does not depend on income to make expenditures. Issuance of bonds only aims to reduce the central bank balance, which is optional (Ehnts & Paetz, 2021).

The economic crisis due to the Covid-19 pandemic has caused high unemployment and low aggregate demand, so the government must focus on spending to increase aggregate demand and stop spending when inflation increases (Watkins, 2021). Some developed countries responded to the global financial crisis with austerity measures, including Japan with "Japanification" (Takeo and Boesler, 2020). This situation leads to deflation or economic stagnation (Kohler, 2020). One of the developed countries, namely the United States, implemented a policy of printing money and a budget deficit to respond to Covid-19 (Ward, 2020).

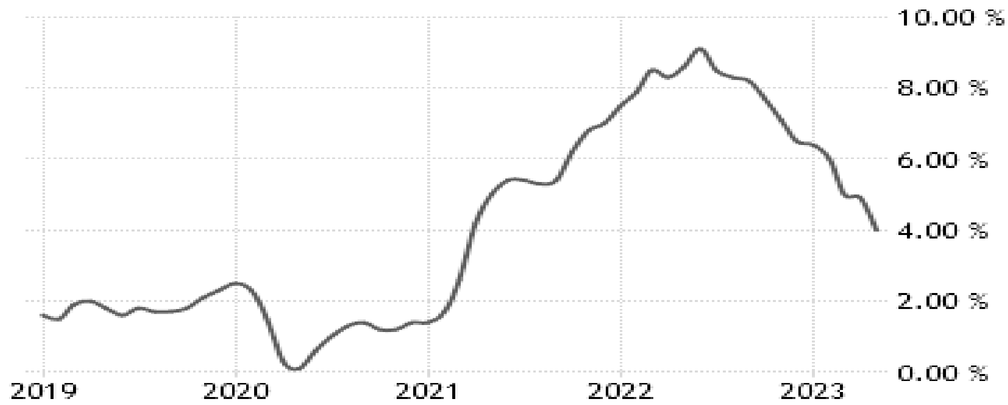


Source: Fiscal Data Treasury, processed

Figure 1. United States Government Budget Deficit Data for 2000-2023

Based on Figures 1 and 2, the implementation of MMT is proven to be able to learn smoothly in the US. It is evidenced by the US$1.42 trillion deficit in 2019. However, the US deficit increased dramatically when the Covid-19 pandemic hit in 2020. In 2020, the deficit reached US$3.13

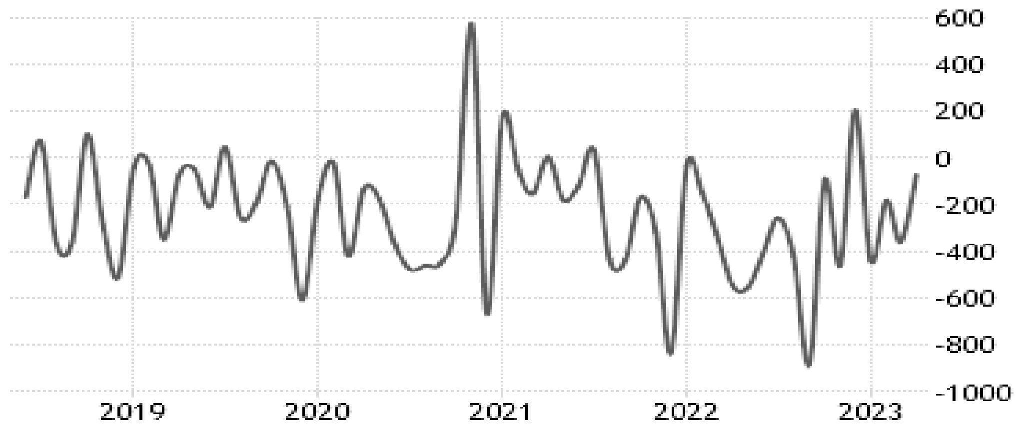
trillion, the highest figure in the last 20 years. The US government experienced a deficit of nearly 16 percent of GDP; this was indicated by the value of US government bonds falling, even though the inflation rate remained low. The US dollar strengthened (Ehnts & Paetz, 2021).



Source: Trading Economics, processed

Figure 2. United States Inflation Rate Data for 2019-2023

MMT implementation is also running smoothly in England, where the Bank of England gave authority to the British Government during the pandemic. Besides the US and UK, Canada has even used government spending directly over the last few decades without worrying about rising inflation rates (Andolfatto, 2020). China As a country that has full control over its currency, China can print money to finance social or infrastructure programs needed to promote economic growth (Bykova et al., 2021). Based on Figure 3, China has implemented several fiscal policies that align with the MMT principle, such as spending heavily on infrastructure projects. However, this country also sticks to more conservative policies and tries to limit its budget deficit (Hancock, 2021; Li et al., 2020).

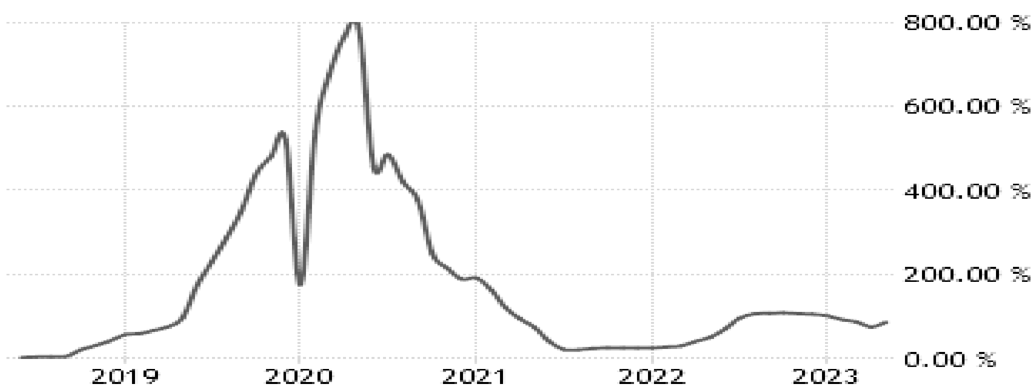


Source: Trading Economics, processed

Figure 3. Chinese Government Budget Deficit Data for 2019-2023

The implementation of MMT in China is supported by several factors, including investment in infrastructure, increased domestic consumption, and industrial restructuring. However, risks include high debt, pressure on the environment and natural resources, and uncertainty in global markets (Mills, 2022). MMT also has several aspects compatible with China's monetary system, such as currency controls, public investment, and strict fiscal policies (Bykova et al., 2021; Li et al., 2020). Financial problems like debt do not constrain government spending but resources and productive capacity (inflation). As long as the government's spare capacity is sufficient to absorb new spending, inflation will not adversely affect inflation (Kelton, 2020; Mitchell, 2019). However, if the deficit is too high, economic growth falls, and the government runs the economy more than its production capacity will cause inflation (Edwards, 2019; Skousen, 2020). Meanwhile, MMT recommends a fiscal tightening policy if the economy (demand) exceeds productive capacity. It only applies to countries with currencies with monetary sovereignty (Abramova et al., 2022).

Monetary sovereignty can be seen from several things. First, the government issues currency and receives payments from that currency. Second, the government owes money only in its currency. It includes companies and private banks, which can depreciate the country's currency in the foreign exchange market. Third, optimizing domestic industries such as agriculture and energy (Anastasi, 2021). The implementation of MMT has indeed had a good impact in some of the countries above, such as the United States, Britain, Canada, and China. However, not all of the application of MMT has a good impact. Edwards (2019) shows that implementing MMT ends in uncontrollable inflation, currency devaluation, and lower wage rates.



Source: Trading Economics, processed

Figure 4. Zimbabwe Inflation Rate Data for 2019-2023

Based on Figure 4, the inflation rate in Zimbabwe during the 2019-2023 period reflects a very serious economic situation. The highest inflation rate occurred in 2020 at 837%. Hyperinflation causes severe economic instability, reducing people's purchasing power, decreasing currency exchange rates, and increasing unemployment (Brady, 2020; Newman, 2020; Skousen, 2020). However, Mitchell et al. (2019) denied this, where the hyperinflation in Zimbabwe was caused by an increase in aggregate supply constraints, not a budget deficit.

Countries that use MMT may be wrong in their implementation. According to MMT, when facing an economic crisis, the government will increase the full employment guarantee program (Ehnts & Paetz, 2019). However, this causes public projects to become unproductive (Skousen, 2020). It will cause hyperinflation, as experienced by the Weimar Republic and Zimbabwe. In the Weimar Republic, the rise in currency value preceded inflation. It requires the government to increase the money supply by printing money. Therefore, an increase in the money supply is an effect and not a cause of hyperinflation (Armstrong & Mosler, 2020; Sargent, 2019).

The implementation of MMT in developing countries differs depending on the conditions and characteristics of each country. Implementing MMT in developing countries can provide benefits and challenges for the economy. The advantage that can be obtained is that the government can issue a budget and print money without worrying about inflationary pressures or a budget deficit (Kelton, 2020). However, the challenge faced is the influence of external factors such as exchange and interest rates, which can affect the country's economic stability (Lavoie & Seccareccia, 2019). The limitations of implementing Modern Monetary Theory (MMT) in developing countries are caused by the developing countries. Limitations on institutional capacity. In addition, developing countries often experience problems building strong and trusted institutions to manage economic policies, so implementing MMT can be difficult to realize (Vernengo & Pérez, 2020).

Developing countries have higher inflation than developed countries (Bonizzi et al., 2019). Implementing MMT in developing countries is challenging because printing too much money can exacerbate inflation (Wray, 2019). The application of MMT in developing countries can also exacerbate economic instability, triggering financial crises and bankruptcy. In addition to inflation, implementing MMT in developing countries can strengthen economic inequality if money is printed to finance programs that benefit only a small portion of the population. In contrast, the majority of the population does not benefit. It can exacerbate the problem of poverty and threaten the country's social stability (Palley, 2019).

Implementing MMT in developing countries can reduce investor confidence and cause significant capital outflows because investors doubt government policies in printing money and borrowing money (Chohan, 2020). Besides that, implementing MMT in developing countries also needs to pay attention to the availability of human resources, adequate infrastructure, and appropriate fiscal policies. Then, many developing countries still depend on imports, so that the wrong MMT policy can cause inflation and damage currency exchange rates (Vergnhanini & De Conti, 2017).

In addition to implementing MMT, which is full of challenges and risks, developing countries can overcome economic crises through government intervention involving increased spending and investment to encourage demand and supply growth in the market (Song & Zhou, 2020). In addition, the central bank needs to implement stabilization policies to maintain price stability, exchange rates, and the financial system. In order to improve economic efficiency and competitiveness, structural reforms such as deregulation, privatization, and trade liberalization can be carried out by the government (Loayza & Pennings, 2020). Developing countries can also seek assistance from international organizations such as the IMF and the World Bank to obtain financial and technical support.

5. Conclusions and Recommendations

MMT is a controversial economic theory and is still being debated among economists. Although there are criticisms of MMT, it cannot be denied that this theory has become a concern in recent years, especially in countries experiencing economic crises. The application of MMT is still a matter of debate and needs to be considered carefully. Even though the implementation of MMT runs well and has a good impact on the economy in several countries that have monetary sovereignty, such as the United States, Canada, Britain, and China, it should be remembered that the application of MMT can also pose risks and have negative impacts if it is not implemented as was experienced by the Weimar Republic and Zimbabwe. Therefore, the government must consider various factors and risks related to budget deficits and inflation before implementing MMT. In addition, careful research and analysis are required to determine appropriate policies for future economic challenges.

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