Whatever It Takes: How Neoliberalism Hijacked the Public Purse

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ABSTRACT

The 2008 financial crisis and the COVID-19 pandemic are widely understood as moments that discredited neoliberal orthodoxy and some have even declared it dead. This paper argues that, to the contrary, the massive public interventions during both episodes revived and consolidated it by the method of stabilization and use of public finance. Drawing on the theoretical tradition that treats money as a public institution, the paper traces how public finance was captured by private interests across three episodes—2008 bailouts, pandemic-era fiscal transfers, and the subsequent turn to industrial policy. The paper traces how and why this "whatever it takes" commitment to capital became possible, and argues that the same logic must be extended to financing democratic priorities if neoliberalism is to be meaningfully displaced.[1]

KEYWORDS

Neoliberalism, public finance; monetary sovereignty; central bank policy; fiscal policy; industrial policy; austerity, Great Financial Crisis, pandemic, financialization; Job Guarantee; economic security.

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[1] This paper is a significantly expanded and updated version of an earlier post: https://www.levyinstitute.org/blog/15805/

It was widely believed that the Great Financial Crisis damaged the core ideology of neoliberalism, and some held that the response to Covid-19 finished the job (Chait 2023). This view is mistaken. Instead, the extraordinary measures that pulled the global economy from the brink in both episodes not only revived neoliberalism, but also consolidated it. To see why, one needs to look at the nature of modern money and the use and abuse of public finance. For the purposes of this discussion, neoliberalism is understood not as market fundamentalism or the retreat of the state, as is commonly assumed, but as an economic order in which market logic becomes a governing rationality (a mode of reasoning used to shape every domain of human life on the basis of competition, cost-benefit analysis, and the return on capital). Neoliberalism's primary tools (deregulation, privatization, austerity) dominate policy, while at the same time it works to erect institutions (often large state institutions) to stabilize inherently unstable markets and protect them from democratic accountability (Brown 2015, Slobodian 2018). The role of *public* finance and public financial institutions, specifically, in underwriting this order is the subject of this chapter.

I. UNDERSTANDING MODERN MONEY

The 2008 crisis shook the economics profession. Mainstream equilibrium models had failed to predict it as they had no meaningful role for money and finance. Hamlet without the Prince is how Kregel (1985) described this state of affairs a few decades earlier. Studying a market economy without its principal actor – money – was a farce. Meanwhile heterodox traditions, drawing on Keynes's seminal work, were able to explain the crisis and the chronic failures of capitalism: mass unemployment, investment instability, financial crises and, as a result, pervasive and perennial economic insecurity. Worse, increasing financialization and global money manager capitalism, only made insecurity more ubiquitous. As heterodox economists well understood, few if any modern households were insulated from the vagaries of high finance.

But even in heterodox economic circles, there was little appreciation of public money and public debt as qualitatively distinct from private money and private debts. Insights into this distinction existed, but a coherent and accessible analysis emerged only with the development of modern money theory (MMT) and the Kansas City/Levy Institute approach to money (Wray 2020, Wray 2024). The significance of this development is that, while various heterodox approaches had long established that money is non-neutral and endogenously created from within the financial system, the focus was largely on privately issued liabilities. Until this synthesis, the role of the state in choosing the unit of account and in issuing its own liabilities had not informed much of heterodox theory of money.

The modern money approach builds on Keynes's *Treatise on Money*, informed by the earlier Chartalist doctrine that money is a political creature of the state, not merely of the banking system (Knapp 1895). Even private money cannot be studied apart from state power, ancient or modern (Tcherneva 2007). Money is a unit of account established by governing authority to measure prices and debts; states issue liabilities denominated in that unit which are accepted to extinguish obligations to the state. This emphasis on the state's authority to set the unit of account and issue the ultimate means of payment helped undercut the household-budget analogy, that is the notion that the public purse must be governed like a family budget, spending no more than it "earns."

Several forerunners drew the same distinction between private and public liabilities. Mitchell Innes (1913, 1914) showed there is no such thing as commodity money (even gold coins derive value from discharging tax obligations) and that both state and private money are fundamentally forms of credit; sovereign money is simply credit issued by the state rather than a bank. Innes' universal law of debt holds that whoever issues a liability must accept it back in payment, though liabilities differ in how widely they are accepted. He called this dynamic redemption: when a taxpayer settles a bill, both parties are released from their obligation, an operation that quadruple-entry bookkeeping shows as matching entries struck from both balance sheets simultaneously (Wray 2020).

Minsky reached the same conclusion from a different angle. His "layering of liabilities" (Minsky 1986) showed that anyone can create money, but the challenge was acceptance. Banks, firms, and households all issue money-like liabilities that circulate within their own spheres, but only the currency-issuing government's liabilities sit at the apex of the hierarchy, accepted everywhere because the state demands them back in taxes and they serve as final settlement. This gave MMT its theory of how public liabilities stabilize an inherently unstable economy and of the constant pressure private actors exert to gain access to that abundant source of finance: the public purse. Every private entity clears debts by delivering someone else's liability; only the state clears debts by delivering more of its own, reversing how we typically think about government spending: the issuer must spend before it can later accept its liabilities back in tax or debt payments.

Abba Lerner likewise argued that money is a creature of the state and its "general acceptability, which is its all-important attribute, stands or falls by its acceptability by the state" (Lerner 1947). The state's spending is thus not limited by its capacity to tax or borrow: it creates money by spending and destroys it by taxing, and can use this power to prevent depression while maintaining money's value. Taxes, in this view, don't "fund" spending but create currency demand and regulate aggregate demand against inflation—Lerner's doctrine of Functional Finance (1943), which judged fiscal policy by its results (full employment, price stability) rather than budget balance. This functional approach informs MMT's buffer-stock employment model, such as Minsky's Employer of Last Resort, now known as the Job Guarantee (Mitchell 1998; Tcherneva 2020), whose logic holds that government spending should balance the economy at full employment, not balance the budget.

Public money itself (that is, currency in physical and electronic form) is issued by public financing institutions (central banks, treasuries, ministries of finance) as perhaps the purest monopoly: the final means of settlement, fundamentally distinct from bank deposits or private notes, and thus a public good for public needs.

Central banking insiders have corroborated these claims themselves. Beardsley Ruml, then chairman of the New York Fed, declared in 1946 that taxes for revenue are obsolete. Once a government issues inconvertible currency, spending finances tax payments, not the reverse, again inverting the household analogy; taxation's real purpose is stabilizing the dollar's value, shaping distribution, and steering economic activity. Alan Greenspan, testifying on Social Security's solvency, stressed that a currency-issuing government faces no insolvency risk and can always pay benefits. The real question, he argued, was whether the economy can produce enough real goods and services for that money to buy. The St. Louis Fed made the point in more careful institutional language: a government whose debt is denominated in the currency it alone issues cannot become insolvent in that currency, and there will always be a market for its debt because it alone can create the risk-free asset denominated in it (Fawley and Juvenal 2011). Bernanke, defending the Fed's crisis-era lending, dismissed the idea that taxpayer money was at stake: the Fed simply marks up a bank's reserve account, an operation "much more akin to printing money than to borrowing." And Draghi's 2012 vow to do "whatever it takes" to preserve the euro—credible enough to calm bond markets before the European Central Bank (ECB) bought a single bond—showed the same logic in reverse: a monetary authority's capacity to backstop government debt is, first, a matter of will, not resources. Each episode affirms, from actors with every incentive to obscure the point, what MMT had already derived from theory and balance-sheet analysis.

The historical record supports MMT as well. From the American Revolution to the breakup of the British Empire, nation-building has rarely been completed without establishing a national currency. Where this process remains incomplete (as in the CFA franc zone), nations stay fundamentally dependent on their former colonial power and have limited economic sovereignty. The euro's built-in abdication of monetary sovereignty was fully exposed in 2008, when European nations, unlike the US, were structurally unable to stabilize their own economies until the ECB agreed to circumvent its rules and backstop government liabilities.

Over the last three decades, MMT has enhanced the endogenous view approach through its analysis of government liabilities. Crises emerge in the process of endogenous credit creation of private liabilities and when expectations fail, private actors cannot increase liquidity for the community as a whole. Only the state can. People want the 'moon' or 'green cheese,' and only the state has the 'green cheese factory.' This much was well understood by Keynes, but as he once quipped [in reference to Lerner's view that money is a creature of the state]:

"His [Lerner's] argument is impeccable. But heaven help anyone who tries to put it across the plain man [sic] at this stage of evolution of our ideas". (J.M. Keynes, CW XXVII:320)

This is what MMT had attempted to do by building a more complete view of money by shining a spotlight on the role of the state. The project rattled the profession. MMT was denounced by the mainstream and prompted Congress to draft a resolution condemning it. And yet, in the midst of a deluge of criticism, central bankers considered it. Christine Lagarde said that MMT "may help fight deflation" (April 11, 2019), while her predecessor Draghi has argued it should be considered for climate finance and better income distribution (more below). When Bernanke was introduced to MMT ideas, he quipped "isn't that just economics" (Lonergran 2017) and more recently Chief Economist at Bank of China International used MMT to level a scathing 9000-word-criticism of Ray Dalio's hawkish understanding of the national debt (Xu Gao 2025). Debates in the public sphere notwithstanding, the research that emerged from the modern money approach clarified not only the role of the state but also the coordination between public and private financing institutions. What has received less attention is that in the modern world, far from being passive recipients of public sector support during crises, private actors have hijacked the public purse in myriad ways to serve private interests — the subject of the subsequent sections.

II. MONEY AS A PUBLIC INSTITUTION

MMT played a role in some seismic shifts in thinking about the economy and in policymaking post-2008 (Tcherneva and Tymoigne 2023). The idea that money is a public institution was on full display as different policies were attempted around the world in 2008, 2020, and in post-COVID industrial policy across the world. During the Global Financial Crisis, *Big Monetary* policy engineered bank bailouts of unprecedented proportions. During the COVID-19 pandemic, *Big Fiscal* provided stimulus payments that defied then-prevailing economic wisdom. As the world watched the Big Monetar*y* and Big Fiscal policies, MMT easily made sense of government action: governments simply made free use of their monetary sovereignty. The scale and speed of these interventions were precisely what MMT had predicted and what conventional deficit-hawk models could not explain. Trillions of dollars were committed within weeks, no debt auction failed, and no funding crisis materialized. The "how will we pay for it" question that dominates ordinary fiscal debates simply never arose.

After the pandemic, we also witnessed the revival of *Big Industrial* policies in some corners of the world, which was enabled by the same logic of financial sovereignty. The Biden administration's CHIPS Act and Inflation Reduction Act, and Brazil's return under Lula to a more explicit industrial development strategy. Meanwhile, China had never abandoned this logic in the first place, having relied on state-directed and state-financed industrial policy as a matter of course throughout its rise. And while these bold policies held the key to a different (post neoliberal) economic order, far from undermining neoliberalism, the particular policies that were financed have instead thrown neoliberalism a lifeline. To understand why this is the case, we need to discern the constructive potential of big government spending and scrutinize the manner in which that spending is directed.

The Big Monetary, Big Fiscal and Big Industrial policies demonstrated unambiguously that public finance is not scarce. The governments who responded most aggressively to the 2008 crises were self-financing and their extraordinary policy measures did not diminish their capacity to respond to the next crisis. Far from it, during the pandemic, the US, Canada, and Japan passed unprecedented postwar fiscal packages (26%, 20%, and 53% of GDP respectively) to rescue their economies in 2020 alone.

To anyone who was looking, the crises were a lesson in the technical aspects of public finance: government spending does not depend on tax collections or private creditors, but on the legislative process and the coordination between public financing institutions to clear all payments. No wealthy households were asked to foot the bill, and no creditors were called upon to lend governments money. Governments created it, as they always do, by fiat, a process that is true in crises, as it is on any given day – no matter how small or large the expenditure. The mechanics are almost banally simple once laid out: Congress votes to authorize spending, the Treasury instructs payment, and the Federal Reserve stands ready to clear those payments, crediting the relevant bank accounts, settling the transactions between banks, and acting as market maker of last resort for government bonds as needed so that private markets can participate at whatever price and quantity the moment calls for. There is no point in that chain where the government waits on a taxpayer's check to clear or a bondholder's willingness to lend before it can act. COVID spending was large, large enough to concentrate the mind, bust economic dogma and reveal that money is fundamentally a public institution.

The Eurozone relearned this lesson in real time during COVID, temporarily reverse-engineering the monetary sovereignty it had lacked in 2008. The Maastricht criteria were suspended, public deficit and debt limits were lifted, and the ECB launched bond purchase programs, such as the Pandemic Emergency Purchase Programme (PEPP), that financed member states. Germany, Italy, and France spent about 10% of GDP, which would have been impossible under the old rules.

Japan didn't blink an eye. It had been financing the big three policies for decades, all the while enjoying near-zero interest rates and no possibility of government default, despite record debt-to-GDP ratios. Decades of ballooning public debt, aggressive Bank of Japan asset purchases, and periodic rounds of fiscal stimulus had already tested every prediction the conventional playbook made about bond vigilantes, crowding out, and runaway borrowing costs yet none of it materialized. If any single case should have settled the theoretical debate before 2008, it was Japan's. During COVID, the rest of the world caught up to what its experience had been demonstrating all along.

To be clear, 2008 and 2020 did not produce some fundamentally new paradigm in government financing. Whatever the political economy of money, and whatever laws, institutions, and power circumscribe government policies, there is a fundamental technical aspect of public finance that cannot be ignored: governments that issue and control their own currency possess unparalleled spending firepower, and those who have abdicated their monetary sovereignty scramble to rediscover it when faced with major crises.

Meanwhile, the big three policies rarely reached the shores of the global south, where monetary sovereignty is often denied to countries already crippled by foreign denominated debt, fixed exchange rate regimes, and all the legacy institutional trappings of colonialism.

If 2008 and 2020 pointed to an existing monetary design that is most conducive to bold public action (a vital lesson for tackling the climate crisis), the next question then is: did the big three upend the neoliberal logic of the past decades and open the door to a more just and democratic social order. Here the answer is also 'no', even if the new "whatever-it-takes" financing paradigm provided a glimmer of what was possible.

III. "WHATEVER IT TAKES" FINANCING

"Whatever it takes" is how Mario Draghi described the new course he took in 2012 as President of the European Central Bank after four painful years of post-2008 austerity continued to rattle financial markets (Draghi 2012). It was a promise that the ECB would now act as a fiscal backstop to (most) member states[2] largely removing the fear of government default. But the goal of ECB lending and asset purchase programs (ECB 2025) was to lower bond yields and stabilize bank balance sheets, not to enable greater fiscal action geared to restarting growth, achieving full employment, and alleviating poverty.

1. **Big Monetary**

Big Monetary policy is the clearest case of the public purse being commandeered for private ends. The Fed had the tools to make banks whole; it had no comparable mechanism, and little apparent will, to make households whole. The asymmetry in who was actually rescued set the pattern for everything that followed.

"Whatever it takes" was at the heart of the Big Monetary policy in the US. Since the Fed acts as market maker for government debt, risk of government default was never the problem. To stem widespread bank illiquidity and insolvency, the Fed lent against and purchased an unprecedented level of distressed financial assets through an alphabet soup of emergency facilities (TAF, PDCF, TSLF, CPFF, TALF, AMLF, and more) that didn't exist before the crisis. Levy Institute research

[2] This blanket guarantee did not seem to include all member states. Recall how brutally Greece was punished for its rejection of Eurozone austerity and how the ECB refused to provide the same backstop to Greek government bonds. (Peston 2015)

tracking the full scope of this intervention put the cumulative lending at $29 trillion (Wray 2012a). Under its emergency powers, the Fed purchased or lent against assets such as mortgage-backed securities, asset-backed securities, various derivatives and other distressed private assets that could not previously be pledged as collateral. As I explain elsewhere (Tcherneva 2011, 2010), the success of these measures was largely due to the "fiscal components" of monetary policy. While it refinanced many of its loans to banks to keep them liquid, it was able to stem their insolvency only by purchasing them. But the Fed has no unilateral ability to purchase assets (even if it has unlimited financing capacity) without the authorization of Congress and support of the Treasury, which it freely gave by authorizing TARP (Troubled Asset Relief Program) and subsequent asset purchase programs enabling the Fed to do more than it could under Section 13 of the Federal Reserve Act (also a creature of Congress).

Congress never extended the same unlimited financing capacity that rescued the banks to the households the banks had defrauded. Millions of homeowners faced foreclosure through the same servicers being kept solvent by the Fed's facilities, and the fraudulent practices that had fueled the crisis, like falsified mortgage documentation, robo-signing, misrepresented loan quality sold on to investors, continued well after the bailout (this time in the foreclosure process itself). The government's own National Mortgage Settlement in 2012, covering the largest servicers, addressed only a fraction of the harm and amounted to a cost of doing business rather than a deterrent. No senior bank executive was criminally prosecuted for conduct that produced a global financial crisis; the closest the Justice Department came was a string of civil settlements paid by the corporations themselves (costs ultimately borne by shareholders through lower profits and share prices), not by the individuals who originated, packaged, or sold the underlying fraud. The lesson was not lost on the financial sector: public finance would absorb the losses from private malfeasance, but private finance would not be made to answer for it.

The difficulties with relying on Big Monetary policy to stabilize a reeling economy were clearly understood by central bankers themselves.

"Is this the best way to allocate liquidity if you have in mind objectives like climate change or reduced inequality? Probably not. In fact, some of the new ideas like MMT… would suggest different ways of channeling money in the economy… so we should look at them." (Draghi, European Central Bank 2019)

In his academic work, Ben Bernanke also argued that the very type of monetary policy he would later pursue in 2008 would have only muted effects on aggregate demand and growth. While asset purchases might stabilize financial markets, such programs would likely prove both unpopular and insufficient to bring about a recovery. Instead, coordination between monetary and fiscal policy would be necessary, with cash transfers to households (what Bernanke termed money-financed tax cuts) being the preferred approach. What was truly needed, he contended, was a "Rooseveltian Resolve" and a willingness to abandon failed paradigms, along with the determination to "do whatever it [takes] to get the country moving again" (Bernanke 1999).

The possibility of coordination between the Federal Reserve and the Treasury was rejected by the mainstream as a radical new proposition, arguably for fear of politicizing the purported neutrality of monetary policy. But MMT zeroed in on how monetary and fiscal policies *already* coordinate on a regular day, not too differently from moments of crisis, providing evidence that more aggressive fiscal action was possible all along. The Fed and Treasury will clear whatever payments are put before them, but payments must first be authorized, budgets have to be crafted and voted into law, and the direction of spending has to be determined by someone. What was required was for Congress to act in the public interest. In 2008, spending and lending were directed toward rescuing the banking sector, not the households whose jobs and mortgages it had cost.

Meanwhile, Congress worked hard to constrain conventional fiscal policy, which could have made a difference on families' economic wellbeing. Obama's National Commission on Fiscal Responsibility and Reform (aka, the Simpson-Bowles commission) set the tone when it convened in 2010. Even though the recovery from the Great Recession was still fragile, the commission framed the deficit itself as the emergency requiring urgent attention rather than the weak labor market it left in its wake. The Eurozone told the same story in starker form: the sovereign debt crisis that followed 2010 saw the Stability and Growth Pact's deficit and debt rules enforced with real teeth against periphery countries like Greece, Ireland, Portugal, and others, extracting years of austerity and social cost from economies in the core whose banking systems had just been propped up by extraordinary central bank intervention. The logic of austerity ruled over government spending in a non-sovereign currency regime (Eurozone), just as it did in a sovereign one (the US), even as public finance was abundant and flowing for the purposes of stabilizing financial markets, but it was harsher, longer and more painful.

The end result of Big Monetary policy was a far more consolidated and more-difficult-to-regulate financial sector. Shadow banking continued to grow and now holds almost half of the world's assets (Gelsi 2023). Many years after the 2008 crisis, the "whatever it takes" approach stood ready to provide bank liquidity to financial institutions during the COVID pandemic and to roll out new forms of unprecedented support, as during the SVB and Signature Bank full deposit insurance and subsequent takeovers. A monetary policy approach based on "whatever-it-takes-to-rescue," without "whatever-it-takes-to-regulate" or "whatever-it-takes-to-prosecute," has made the financial sector more unwieldy and more systemically dangerous, and has signaled to it that the public purse carries no strings. This is an extreme version of Hyman Minsky's moral hazard problem.

It is unclear how Big Monetary will fare going forward. Newly appointed Fed Chair Kevin Warsh, sworn in May 2026, has been sharply critical of these legacy lending facilities and what he views as an overly accommodative Fed stance. Whether he lets the facilities lapse (he has appointed a task force to review the Fed's asset holdings and operations), or reaches for them anyway if he faces an increasingly likely AI-induced crisis, is an open question. What's already clear is that in contrast to the 2008 crisis, both Trump and Biden's responses to the COVID crisis leaned aggressively on fiscal support, and we are now living in an era of fiscal dominance.

Big Monetary thus established the template private finance would return to again and again: public liquidity without public accountability, socialized losses without socialized gains, and a purse that opens instantly for institutions "too big to fail" but not for the households those institutions failed.

2. **Big Fiscal**

As Bernanke and Draghi intimated, financing Big Monetary policies with fiscal components is not fundamentally different from financing conventional fiscal policy. The currency is a public monopoly and the ECB and the Fed cannot run out of money (Draghi 2016; Bernanke 2009).

When the world faced its next crisis after COVID, governments turned to Fiscal Policy for the rescue. The large-scale asset purchases post-2008 and the large-scale fiscal policies during COVID were financed the same way.

The return to fiscal policy was a welcome development during COVID, and it delivered the fastest postwar recovery in the global north (in contrast with the longest jobless recovery after 2008). In some ways, the experiment with Big Monetary policy unwittingly made the case for Big Fiscal policy during COVID. “Whatever it takes” is what the US government did to provide broad-based support to businesses (via tax credits, payroll support, and firm loans), households (via cash transfers and expanded healthcare) and industry (via large capital injections, e.g., for airlines and other transport). Some European governments directly covered the payroll of threatened workers and avoided mass layoffs. By contrast, the US prioritized expanded unemployment insurance and passed various cash transfer and child allowance programs and extended healthcare coverage. Throughout, the Fed’s own facilities remained open, continuing to backstop financial markets even as Congress took the lead. In other words, Big Monetary support for financial institutions did not retreat even though all eyes were on Congress.

For a brief moment in a highly uncertain time, for many families, economic security seemed possible. But all of that was temporary. In the US, as the policies expired, child poverty spiked, millions lost their healthcare eligibility, and work requirements for public assistance returned. In Europe, the most generous and equitable health system in the world faced an onslaught of problems (Anderson 2023) and is further being threatened by the post-COVID budget crunch. Around the world, health systems are either nonexistent, weak, or have suffered legacy disinvestments. The businesses and industries that received tax credits, capital injections, and loans faced no equivalent clawback or work requirement, and no comparable public reckoning over whether that support had been well spent.

Big Fiscal threw the global north a lifeline but never reached the global south to the same degree. Africa, Latin America, and South-east Asia did not embark on similarly ambitious programs, though there were notable expansions in employment safety nets. For example, South Africa which had previously developed large-scale direct employment programs launched an Employment Stimulus Plan to tackle the jobs fallout from COVID. Similarly, in India, the largest rural job guarantee program in the world MGNREGA, which provides tens of millions of rural jobs every year, extended its guarantee from 100 to 200 days of wage work per household per year to cushion rural livelihoods during the pandemic. But these changes were temporary and could not be counted on to deliver economic security in any fundamental way.

As fiscal policy retreated from providing stronger safety nets, it morphed into Big Industrial policy channeling public funds directly to the corporate sector. While this shift was largely motivated by national security interests (particularly the push to reduce dependence on foreign supply chains for semiconductors, critical minerals, and clean-energy technologies), it was also celebrated for its promise to deliver enough good jobs and facilitate the green transition. This, too, proved a dashed hope: in the US, most of Biden's signature policies were rapidly reversed by the Trump administration, including the expanded Child Tax Credit, enhanced Affordable Care Act subsidies, pandemic-era Medicaid protections, and student debt relief. In Europe, budgets were curtailed to make room for expanded military spending and a military buildup in response to Russia's war on Ukraine and, more recently, the Israel-US war on Iran. And while headline labor market numbers have held steady, precarity, low pay, and underemployment remain pervasive.

3. **Big Industrial**

Industrial policy is not new. China, Japan, and South Korea have long pursued successful industrialization strategies. What was new was the scale and scope of its revival in the US and Europe after decades of neglect and underinvestment. "Whatever it takes" is what produced COVID-19 vaccines on short order. Yet, companies which received public funds for their development and production refused to waive their patents to share them widely. Vaccine apartheid blanketed the globe, and the neoliberal market logic prevailed. A public health problem was being tackled by governments who aimed to engineer a market mechanism and profit opportunities for Big Pharma to develop a technology (vaccine) that was widely hailed as a global public good and was ultimately (directly or indirectly) financed by the state.

This is the fundamental logic of all industrial policies that followed, from the CHIPS and Science Act and Inflation Reduction Act in the US to the Green Deal Industrial Plan in Europe. It is the Washington Consensus with a twist: rooted in free market principles but with fiscal guarantees. This logic is nowhere more evident than in the de-risking approach to Big Industrial policy, which reifies the price signal as a solution to social and economic problems (Gabor 2023). Governments have enlisted large private capital, including institutional investors and private equity by way of devising risk/return profiles of investments in areas that were previously considered uninvestable, such as the green transition, healthcare, public utilities (Ibid). The approach has 'worked' only insofar as public financing institutions (central banks, treasuries and ministries of finance) have stepped in to provide the necessary backstops to private finance thus shifting private risks onto public balance sheets.

Gabor shows that the EU has used risk-absorbing instruments for industrial policy since the 1990s, intensifying after 2008 and COVID-19, with financial and industrial capital actively lobbying for these safeguards rather than states adopting them as a last resort. In the green transition, the de-risking state socializes liquidity, political, demand, and exchange-rate risks to mobilize private finance, under the assumption that fiscal space for direct public investment doesn't exist. Gabor and Sylla's (2023) Namibian green hydrogen case is stark: hosting and financing Europe's transition is unlikely to generate the domestic demand needed for structural transformation, instead reproducing enclave-style extraction for foreign capital.

The same logic structures US industrial policy. The 2022 CHIPS Act extended tens of billions in subsidies to dominant chipmakers -- Intel ($7.86–8.5B), TSMC ($6.6B), Micron (over $6B), Samsung ($4.75B) (Holland 2025), in order to de-risk a strategically vital sector. Under Trump, this deepened: in August 2025, the government converted $5.7B in unpaid CHIPS grants plus $3.2B in Defense funding into an $8.9B Intel stock purchase, a roughly 10 percent stake. By mid-2026, that stake had appreciated to nearly $47.6B in unrealized gains after an Apple deal rally. The AI data-center-build-out, led by Microsoft, Google, Amazon, Meta, and Nvidia, follows a similar subsidized pattern and increasingly resembles a financing bubble, sustained less by realized returns than by cheap financing, tax abatement, and implicit public backstops.

The predictable result is not a more competitive market but escalating concentration. The approach has "worked" only because public financing institutions have backstopped private finance, shifting private risk onto public balance sheets—creating the appearance that the state needs private finance, when it is private finance that needs the state's guarantees. In other words, this financing regime has created the appearance that the state needs private finance to pursue key policy objectives, whereas it is private finance that needs the assurances and guarantees that only the state and its public financing institutions can provide.

When the de-risking regime meets the "whatever-it-takes" public money regime, Galbraith's New Industrial State is reproduced by the forces of financialization, consultification of government procurement, and mega contracts to price-setting firms. As Galbraith emphasized, modern capitalist economies are no longer driven by market competition but by large, technologically-advanced corporations that plan and control demand, prices, and investment, effectively supplanting consumer sovereignty with the imperatives of corporate planning and bureaucratic management. The planning system, as Galbraith put it, remains firmly in the hands of big tech, big finance, and big multinational corporations (Galbraith [1967] 2007). And all of it is underwritten and guaranteed by the public purse, with devastating consequences for democratic governance. This dynamic was accelerated after the 2008 crisis with the rise of the Predator State. As Galbraith-son argues (2008), the real object of the new conservative coalition wasn't shrinking government but *capturing* it, using regulatory agencies, procurement contracts, tax policy, and deregulation selectively to benefit favored corporate sectors, not to create genuinely competitive markets. When public money flows to private monopolies with no strings attached, accountability disappears and policy is captured by corporate interests. But in the neoliberal era, public power is specifically used to enrich concentrated private capital while being publicly justified as market-friendly restraint. Meanwhile, citizens are treated as passive consumers instead of active citizens and the primary focus of economic priorities. The state absorbs all social and economic risks, while continuing to support private profits with its public purse.

IV. "WHATEVER IT TAKES", FOR WHOM

As MMT helped explain the financing operations behind the big three policies, it suffered a peculiar fate: it was overtaken by its own explanatory success and held responsible for these policy experimentations and the subsequent inflation. MMT-informed policies of course were never tried. There was no consideration of an open-ended job guarantee policy, transition to Medicare for all, the downsizing of the financial sector, or permanently low and stable interest rates.

Too much government spending, the argument went, was responsible for runaway inflation. If only government hadn't exploded the budget, we wouldn't be seeing rising prices. But the evidence pointed elsewhere: energy disruptions and production bottlenecks caused supply-side shocks that propagated through every sector, every cost structure, and every price. Many countries that never expanded fiscal spending to anything like the same degree suffered the same fate. Supply chains and production shocks are global. Irrespective of a country's deficit position, it saw inflationary effects. MMT has always stressed that inflation is fundamentally a matter of the inappropriate use or absence of real resources, and not a money problem. And what we saw in real time were disruptions that better public investment in alternative energy, food security, or logistics could have alleviated. This is precisely where a job guarantee could have helped. The shock required mass mobilization on the real side of the economy. Instead, the COVID response leaned heavily on large cash transfers, which maintained demand but did nothing to fix the supply side.

A genuinely MMT-informed approach would have included a public health response and an economic response (Wray and Nersisyan 2020). The latter would include a Job Guarantee, which is a permanent, federally funded but locally administered public option for employment that tackles concrete community needs (Tcherneva 2020). Unlike the temporary fiscal "lifelines" of the COVID era, the Job Guarantee provides an alternative to precarious employment and a labor standard for all jobs. It prioritizes local employment at living wages in projects that provide public services and community assets (ibid). Because project selection is locally administered, the program also builds democratic capacity from the ground up: communities themselves identify and shape the public goods they need, turning the labor market into a site of civic participation rather than a purely private transaction between employer and employee.

Europe attempted a different job protection program during the pandemic: furlough and short-time work schemes, such as Germany's *Kurzarbeit* and the UK’s job retention scheme, kept workers formally attached to their existing employers while the state covered most of their wages. These programs helped enormously in the short run, preventing the kind of mass layoffs the US experienced and preserving firm-worker relationships that would otherwise have had to be rebuilt from scratch once the crisis passed. But they were not Job Guarantee programs. They protected jobs that already existed, for workers who already had one; they did nothing for the unemployed, the underemployed, new labor market entrants, or anyone whose employer simply didn’t survive the shock. A Job Guarantee aims to close the gap: because it is a standing, permanent offer of employment to anyone ready and willing to work, it aims to catch the people furlough schemes could not reach and would keep catching them long after the pandemic-specific program expired. This would eliminate the scourge of involuntary unemployment and provide the automatic stabilizer needed to maintain economic security without relying on the boom-and-bust cycles of private finance.

Furthermore, MMT favors a comprehensive structural transformation that requires the downsizing of the financial sector and the establishment of a “low and stable rate of interest” (Wray 2012b). Today's bloated financial sector represents a more extractive stage of capitalism, international money-manager capitalism (Wray 2012b, 2017), and beckons a return to Keynes's old proposal: the euthanasia of the rentier. By permanently setting the overnight interest rate to zero or near-zero, the state can effectively end the rentier dominance over public policy and private investment, redirecting finance toward public goods and long-term industrial needs. This downsizing is essential to insulate the public purse from the vagaries of high finance and the de-risking schemes that currently hijack it.

What MMT did reveal is that the inflationary paradigm is the current one: the whatever-it-takes, public-money-for-private-benefit paradigm; the very same paradigm that revives whole industries that depend on predatory pricing and labor practices. Government contracts, once awarded, effectively validate whatever prices the winning firms charge. The state pays what is billed, with little scrutiny of markups or cost structure, and in doing so ratifies those prices as the going rate for the sector as a whole. That validation, repeated across defense, healthcare, pharmaceuticals, and infrastructure, does more than pad individual contracts: it favors the largest incumbents best positioned to win them, accelerating consolidation and letting a shrinking number of firms absorb smaller competitors or price them out entirely. The few dominant firms with market and pricing power can maintain high margins and pass rising costs straight to consumers, rather than absorb them through competition or regulation. Public money, in other words, does not merely fail to discipline private pricing. When it is channeled without conditions, it entrenches the market structure that makes inflationary pricing possible in the first place.

Meanwhile, "whatever it takes" has never been the approach to economic development in the global south or to fighting economic insecurity in any corner of the world. There is hardly a place in the world where investments for social or climate needs are fit for purpose. There is already a retreat from climate commitments, and the deficit and debt myths are again weaponized against essential public programs.

And yet the "whatever-it-takes" paradigm has illustrated unequivocally that public finance is abundant for funding democratic priorities too. It has shown that we can stabilize labor markets, eradicate poverty, provide public goods and relative economic security. At bottom, we do not need to find the money. We have it. What we need is a way of emancipating the public purse from the neoliberal logic and of using it to finance a comprehensive framework for structural transformation. Because the question of "How will you pay for it?" has already been answered. With public money.

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