



## Best Article Award: Prinz and Beck

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The *Atlantic Economic Journal (AEJ)* is proud to announce that the winners of the 2022 Best Article Award are Aloys L. Prinz, University of Muenster, Germany. and his co-author, Hanno Beck, University of Applied Sciences, Pforzheim, Germany. Their paper entitled, “Modern Monetary Theory: A Solid Theoretical Foundation of Economic Policy,” appeared in the June 2021 issue of the *AEJ*. The *AEJ* Best Article Award committee reviewed all eligible papers (those with ratings of top 25% or better) published in 2021. The committee was chaired by International Atlantic Economic Society (IAES) Vice President, Harald Uhlig, University of Chicago. Members of the committee included the *AEJ* Board of Editors and IAES Endowment Fund sponsors. The Managing Editor gratefully acknowledges the participation and diligence of all committee members who participated in the review process. The award emphasizes the intellectual and scholarly approach to economic research which has always been a focal point of the *AEJ*. A brief summary of the award-winning paper follows.

Prinz and Beck (2021) examined the theoretical basis of modern monetary theory (MMT) and whether policy recommendations derived from MMT have a sound economic foundation. Rather than constructing an overly complex model, only a very basic macroeconomic model was examined in line with MMT’s basic assumptions. Considering money as conceptualized in MMT and assuming that all government expenditures are financed by new money, the resulting model was found to be indistinguishable from simple Keynesian and neoclassical macroeconomic models. According to the authors, this result contrasts starkly with the claims of MMT proponents, who assert that MMT is a fundamentally new theory of money and monetary economics. In addition, MMT’s fiscal stance (the connection between government expenditures

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for goods and services and the steady state equilibrium value of national income) is a well-known result that is not solely consistent with MMT.

According to MMT, government spending is considered the driving force of economic activity. However, the authors show that the reason for this claim is that MMT inappropriately interprets the fiscal stance. This is a major issue because, according to MMT, an equilibrium condition determines a certain causal direction of effects. Based on this reading of the equilibrium condition, MMT's policy recommendations encompass the fiscal dominance of monetary policy via monetization of public debt, a job guarantee by the state, along with a so-called Green New Deal. Since the reading of an equilibrium condition can never determine the direction of causal effects and public spending is ultimately financed by taxes, Prinz and Beck (2021) conclude that these policy recommendations cannot be justified with MMT.

## References

Prinz, A. L., & Beck, H. (2021). Modern monetary theory: A solid theoretical foundation of economic policy. *Atlantic Economic Journal*, 49(2), 173–186.

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