GOP Senators Want Senate to Condemn Sanders/AOC Economics

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It's unprecedented for the U.S. Senate to explicitly condemn with an official resolution a particular theory of economics, but five Republican senators say it's time to do exactly that.

The theory is "Modern Monetary Theory" (MMT) and it's most closely associated with Sen. Bernie Sanders (I-Vt.) and Rep. Alexandria Ocasio-Cortez (D-NY), the two most prominent Democratic Socialists in Congress.

Sanders, Ocasio-Cortez, and other MMT advocates argue federal officials should stop worrying about budget deficits because the government need only print more money to cover them and to pay for new programs like Medicare for All and the Green New Deal.

Such thinking flies in the face of traditional Republican worries about balancing the federal budget and Democrats' insistence that tax cuts be "paid for" with cuts in spending.

"In an effort to pay for their radical Socialist policies, Democrats are actually embracing the idea that our $22 trillion national debt doesn't matter," said Sen. David Perdue (R-Ga.) in a joint statement with GOP colleagues Thom Tillis of North Carolina, Jerry Moran of Kansas, Mike Braun of Indiana, and Joni Ernst of Iowa.

Perdue, who is a member of the Senate Banking Committee, said adoption of MMT by the federal government "jeopardizes the United States' economic security. Some in Washington still refuse to accept the fact that we are in a full-blown debt crisis."

Congress should not be "wasting time on outrageous 'spend-now, spend-later, spend-often' policies," Perdue said.

Tillis, who is also a member of the banking panel, said in the statement that "one look at the current humanitarian crisis in Venezuela is proof that [MMT] does not work."

Moran, the third member of the five who is on the banking committee, said in the statement that "the notion that the Federal Reserve can simply print more money to allow Congress to increase federal spending beyond our means is fundamentally flawed."

If approved by the Senate, the resolution would put it on record in opposition to MMT because "its implementation would increase deficits, lead to higher inflation, and pose a clear danger to the economy."

Passage of the resolution would have no immediate effect on official policies or programs, but it could serve as a warning to Sanders, Ocasio-Cortez, and Democratic congressional leaders like Senate Minority Leader Chuck Schumer (D-NY) and Speaker of the House Nancy Pelosi that Democratic socialist proposals face a wall of opposition in the Senate and in the economics community.

The resolution cites multiple economics experts and government officials who condemn MMT, including former Harvard University President Lawrence Summers, who was both Secretary of the Treasury and chairman of the National Economic Council under President Barack Obama, former Federal Reserve Board Chairman Janet Yellen, and present board chairman Jerome Powell.

The resolution also cites scholars from the Mercatus Center, American Enterprise Institute, and Cato Institute.

The current U.S. national debt exceeds $22 trillion, thanks to chronic annual federal budget deficits. The budget was in surplus during President Bill Clinton's second term as a result of his cooperation with the Republican majorities in the Senate and House of Representatives.

Thanks largely to Sanders and Ocasio-Cortez, the MMT has become a subject of widespread public debate in the mainstream news media, the think tank community, and in academic circles.

Another former Obama administration official, Council of Economic Advisors Chairman Austan Goolsbee, for example, told MSNBC's Ali Velshi in a February interview that "MMT as an economic theory is confused. It's kind of a mish-mash of things that don't really make sense, or flaws that are completely obvious."

Sanders has not explicitly endorsed MMT or explained during his presidential campaign if or how he would apply the theory if he is elected in 2020. Ocasio-Cortez believes MMT merits a "larger part of the conversation."

Stephanie Kelton, a 2016 Sanders campaign adviser, lauds MMT.

"MMT is trying to build a better mousetrap," economist Kelton told CNBC in March while discussing government-guaranteed employment, another proposal linked to Democratic socialists.

"What we would do is effectively establish a public option in the labor market. Instead of having millions and millions of people locked out of employment who actually want a way in … we would guarantee employment at a fixed wage. We would say $15 an hour," Kelton said.

The government would then be able to use "full employment to fight inflation" because companies would not have to compete for workers by offering higher wages.

"They don't have to bid wages up trying compete with one another for employed workers. They can hire from this pool, this ready-pool of skilled workers who are employed in public service jobs," Kelton told CNBC.

Kelton is a senior fellow at the Sanders Institute, a think tank established by the Vermont senator's wife, Jane O'Meara Sanders.