116TH CONGRESS
1ST SESSION

S. RES. _____

Recognizing the duty of the Senate to condemn Modern Monetary Theory and recognizing that the implementation of Modern Monetary Theory would lead to higher deficits and higher inflation.

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IN THE SENATE OF THE UNITED STATES

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Mr. PERDUE (for himself, Mr. BRAUN, Ms. ERNST, Mr. MORAN, and Mr. TILLIS) submitted the following resolution; which was referred to the Committee on _____

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RESOLUTION

Recognizing the duty of the Senate to condemn Modern Monetary Theory and recognizing that the implementation of Modern Monetary Theory would lead to higher deficits and higher inflation.

Whereas noted economists from across the political spectrum have warned that the implementation of Modern Monetary Theory (referred to in this preamble as ''MMT'') would pose a clear danger to the economy of the United States;

Whereas, on March 4, 2019, former Secretary of the Treasury Lawrence H. Summers said that—

(1) MMT is fallacious at multiple levels;

(2) past a certain point, MMT leads to hyper-inflation; and

(3) a policy of relying on a central bank to finance government deficits, as advocated by MMT theorists, would likely result in a collapsing exchange rate;

Whereas, on February 26, 2019, Jerome Powell, Chair of the Board of Governors of the Federal Reserve System, said: "The idea that deficits don't matter for countries that can borrow in their own currency I think is just wrong";

Whereas, on March 25, 2019, Janet Yellen, former Chair of the Board of Governors of the Federal Reserve System, disagreed with those individuals promoting MMT who suggest that "you don't have to worry about interest-rate payments because the central bank can buy the debt", stating: "That's a very wrong-minded theory because that's how you get hyper-inflation";

Whereas the March 2019 report entitled "How Reliable is Modern Monetary Theory as a Guide to Policy?" by Scott Sumner and Patrick Horan of the Mercatus Center at George Mason University found that—

(1) MMT—

(A) has a flawed model of inflation, which over-estimates the importance of economic slack;

(B) overestimates the revenue that can be earned from the creation of money;

(C) overestimates the potency of fiscal policy, while underestimating the effectiveness of monetary policy;

(D) overestimates the ability of fiscal authorities to control inflation; and

(E) contains too few safeguards against the risks of excessive public debt; and

(2) an MMT agenda of having fiscal authorities manage monetary policy would run the risk of—

(A) very high debts;

(B) very high inflation; or

(C) very high debts and very high inflation, each of which may be very harmful to the broader economy;

Whereas the January 2019 report entitled "Modern Monetary Theory and Policy" by Stan Veuger of the American Enterprise Institute warned that "hyperinflation becomes a real risk" when a government attempts to pay for massive spending by printing money; and

Whereas the September 2018 report entitled "On Empty Purses and MMT Rhetoric" by George Selgin of the Cato Institute warned that—

(1) when it comes to the ability of Congress to rely on the Treasury to cover expenditures, Congress is, in 1 crucial respect, more constrained than an ordinary household or business is when that household or business relies on a bank to cover expenditures because, if Congress is to avoid running out of money, Congress cannot write checks in amounts exceeding the balances in the general account of the Treasury; and

(2) MMT theorists succeed in turning otherwise banal truths about the workings of contemporary monetary systems into novel policy pronouncements that, although tantalizing, are false: Now, therefore, be it

1   *Resolved,* That the Senate—

2   (1) realizes that deficits are unsustainable, irre-

3   sponsible, and dangerous; and

4   (2) recognizes—

1   (A) that the implementation of Modern

2   Monetary Theory would lead to higher deficits

3   and higher inflation; and

4   (B) the duty of the Senate to condemn

5   Modern Monetary Theory.