AUTOMATIC STABILIZERS IN THE CONTEXT OF MODERN MONETARY THEORY

by

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**Abstract:**

Modern monetary theory is a growing economic field of study which challenges the normal understanding of how deficits work. This paper explores how the concept of Modern Monetary Theory links with Automatic Stabilizers. It considers examples of automatic stabilizers that are already in the economy, and further considers an economy with expanded automatic stabilizers through the lens of Modern Monetary Theory.

Dedicated to my adoring and supportive wife, Shandra.

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**Introduction**

The budget of the United States of America is as complicated an undertaking as can exist in economics. As the leader of the global economy, decisions America makes about our economy reverberate on a global scale. Changes in the American deficit, currency supply and central bank policy all affect several nations’ economies and citizens. The budget of the United States has undergone many full-scale structural changes. However, since the period of the New Deal, the American economy has had a sustained focus on welfare programs. As a response to the extreme prolonged poverty of the Great Depression, the Roosevelt administration ushered in a whole new set of agencies that provided several welfare functions. Agencies such as the Social Security administration, the Federal housing administration (predecessor to the Department of Housing and Urban Development), and the Public Works Administration not only lifted millions of Americans out of poverty during one of the darkest moments of the American economy but created the precedent for many programs in the future.

These welfare programs cost money and, like any spending, must be accounted for either by deficit spending or new taxes. New tax appropriations, especially of the scale necessary for most society wide welfare programs have been nearly impossible in the contentious political climates of the past 90. Because of that political reality deficit spending is a norm. Consequently, concerns about the deficit have made new welfare programs hard to come by - with the exception of the Affordable Care Act which did open up some new taxation streams - and existing programs on the chopping block for massive cuts.

The global Covid-19 pandemic has reinvigorated conversations about expanding welfare programs in the United States. At the peak of the economic crisis caused by the Covid-19 pandemic the unemployment rate peaked at nearly 15% (US BLS, 2021) Nearly a third of all Americans who rent missed rental payments in April of 2020 (Pearce, 2020). Household debt, both consumer and housing debt, reached their all-time peak in 2020, surpassing marks set during the Great Recession (New York Federal Reserve, 2021). Health spending suffered a drastic increase at the peak of the Pandemic in 2020, suggesting that individuals were putting off much needed care as well as routine preventative health (Cox, 2021) Student debt, which has been an issue for many years now, saw the rate of increase double during 2020 (Stolba, 2021). These troubling economic indicators align with anecdotes of long lines at food pantries (Cohen, 2020), businesses closing and struggles to make ends meet all around.

The moment rightly raises concern about the most vulnerable people in our economy like children, the disabled, and the elderly. Everyday Americans who may have previously held jobs that allowed them to balance their household budget or received income that allowed them to pay their consumer and household debt found themselves in need of government assistance. Almost a year since the beginning of the pandemic, we’ve not only seen massive use of welfare programs at a scale never reached, but also the largest stimulus and recovery legislation passed in the history of the country. We’ve also seen a deficit expansion to match. As concerns about the deficit re-emerge the question of how we deal with the necessity of a revitalized welfare state also re-emerge. You can find these debates not only on the floor of congress, but throughout the academic field of economics. It is a battleground for the long debate between Keynesian economists and Classical economists.

Perhaps not coincidentally the rise in popularity of new economic theories is occurring. Some of these theories themselves are extension of core foundational economic theories with some innovation. Modern Monetary Theory (MMT) is one such theory which has become common place in economic discussions of the moment. The questions of how we not only salvage our economy, and how do we build an economy that is more resilient to busts provide a platform for discussions on MMT, as well as other laissez-faire economic approaches. Much of the literature of MMT points to already existence of how the economy works in practice – deficit spending on things like unemployment insurance or appropriations for defense spending – as some pre-proof of concept. And most of the new programs proposed would be under a and automatic appropriation system (automatic stabilization).

What would be the implications of the adoption of Modern Monetary Theory as a guiding economic practice in the united states? How would such a system differ from our current management of the economy? What automatic stabilization systems could be built using MMT? How can we institute welfare programs using Modern Monetary Theory in a way that is less subject to political realities, mismanagement, or waste? And what are the overall benefit and drawbacks of such a system? And what then becomes the role of the Central Bank, regulators, and other stewards of the American economy?

I will attempt to answer these problems throughout the course of this project. We will start with defining some of the key terms we will be working with and exploring their history. Chapter I will define and contextualize Automatic Stabilizers, Modern Monetary Theory, and the key areas of welfare enhancement which will later become the focus of our analysis. Chapter II will briefly review existing literature on two key subjects including the effectiveness of current Automatic Stabilizing programs and the prospects for future programs, as well as some of the seminal works in the resurgence of Modern Monetary Theory across several issue areas. Chapter III will identify how we could construct an economy using the two key factors of Automatic Stabilization and Modern Monetary theory. Chapter IV will analyze the prospective benefits and drawbacks of such a system on our domestic economy, specific industries, and the global economy. Finally, Chapter V will conclude by looking forward to recommendations of where we can go from our current economic reality.

**Chapter I**

**Automatic Stabilizers**

Most policy needs money to implement. Even in the increasingly rare scenarios in which elected officials agree on a particular policy, they may get hung up on how to pay for that policy. In political debates the question of “How are you going to pay for that?” has been a dagger in the side of politicians on both sides of the aisle looking to make their programs real, protect a group of people from over taxation or trying to obscure the cost of a social program. In addition, there are always conversations about the fairness of the tax code. During the current Biden administration who has proposed to raise taxes on those making above $400,000 per year (Tepper, 2021), the main messaging used is one of fairness or forcing the wealthy and corporations to “pay their fair share.” These competing priorities and the strong messaging that accompanies them makes appropriations one of the toughest things to do in the federal government.

Some programs however have appropriation requirements that fluctuate and change as other environmental factors change. For example, it is impossible to perfectly determine the number of people who will claim social security retirement benefits at any specific time. Even though everyone becomes at least partially eligible at 62, some people choose to work until 70. Some retire right at age 67 when full benefits kick in. Others split the difference and retire at 66. When there is a downturn, more people may choose to enroll in social security retirement benefits earlier. In the great recession for instance, the probability of someone enrolling at age 62 increased by 5% (Rutledge, 2012). It would be tedious to regular change the appropriations depending on the number of people in any given time period choosing to claim benefits. And since the benefit itself if guaranteed, it must be paid even if there is an economic downturn automatically. The same is true of the other main social security benefit of unemployment insurance. As the economy worsens, more social security is paid and as it gets better, less gets paid. All of this happens without action from politicians. This is an example of an automatic stabilizer. For the purposes of this project, we will use the definition of automatic stabilizer given by the Tax Policy Center based at Brookings Institute (Tax Policy Center). They define an automatic stabilizer as “features of the tax and transfer systems that temper the economy when it overheats and stimulate the economy when it slumps, without direct intervention by policymakers.”

Using that definition, we can point to several other automatic stabilizer in the United States’ economy. In fact, there is no bigger automatic stabilizer than the American Tax Code itself. Data on incomes and employment are great measures of an economy. In a great economy income rises, more people are working, and therefore fewer people are eligible for government benefit programs. Picture someone who has been long unemployed and on SNAP, the government’s food benefit program. As the economy improves and they get a job, they now have income to buy food without government assistance and therefore lose eligibility to that benefit. No intervention need occur to make that person, or any specific person pay more in taxes or lose their eligibility to government programs. On the other hand, when the economy dips or crashes, more people lose their jobs, ability to pay taxes or provide for themselves and government expenditures for these things rises.

It’s important to note that these changes happen whether there is revenue available to provide for them or not. Even if the budget isn’t balanced, if government expenditures go up due to an automatic stabilization program, the government must still pay and provide for those programs. In great times this means the ability to save. In tough times it means increase to the deficit. But the system is designed to prevent even more prolonged shock to the economy like a bumper.

The effects of automatic stabilizers are well documented by typical stewards of the economy as positive protections against deepening economic spirals. The CBO cites automatic stabilizers as having significant contributions to federal outlays and thus the percentage of GDP in years where the economy suffers a downturn (Congressional Budget Office, 2015) Without these stabilizers, the GDP would suffer even more greatly during times of recession.

Automatic stabilizers play a key role in not only dealing with economic downturns but pulling people out of poverty and constantly strengthening the economy. Poverty programs like SNAP and Medicare/Medicaid provide people with stability to potentially reenter the workforce. However, their current overall role in the economy in not very big. Influence on GDP of automatic stabilizers, with current programs, is around 2 percent. While that is significant, it is not the majority of our expenditures for social programs.

 **Modern Monetary Theory**

Most economic theories operate under the understanding that government budgets operate like household budgets. In a household, or for an individual, you take in a certain amount of income from one of more sources and then you have a set of expenses. If your income is greater than your expenses, then you have money which can be put towards savings. If your income is less than your expenses, you must go into debt to meet all your expense obligations. To get out of debt you must find a way to increase your income or decrease your expense obligations. And if you decide to stay in debt, you face serious repercussions that could foreclose many life opportunities.

Modern Monetary Theory says that even though some of the language is shared, household budgets and government budgets, particularly those with sovereign currencies, are nowhere near the same. The theory suggests that money actually originates with governments and governments only. In this way the government acts a monopoly on production of actual currency and is therefore there is never a danger in not meeting obligations. If the government spends more money than it takes in, it can simply create more.

The implication of this theory is that worries about the deficit are nowhere near as credible as they are made out to be. As discussed in the previous section, deficit and spending debates are some of the most common and passionate political debates that we have. Most of those debates surround around how we can pay for the things that we need. MMT flips this on its head with the notion of spending proceeding taxing and borrowing – or S(TAB) as Warren Mosler describes it (Mosler, 2012).

MMT as a theory has gained in popularity mostly through the imagination of its proponents thinking through what we could actually do as a sovereign state if freed from deficit worries. Several of these programs will be covered later in this project, but all take the premise that if we have a societal desire, say employing everyone or providing healthcare to all, that our worry should not be the price tag necessarily but instead simply making sure that the money that we are pumping into the economy does not create more production than we can consume. For some problems like unemployment, elder care or healthcare, those worries are far into the future as the need is currently so overwhelmingly great. Looking at U-6 unemployment rates (U-6 rates include discouraged workers who are removed from the typical unemployment rate, or U-3) shows that in recent history, even during good times the true unemployment rate has hovered above 10% of workers. One study showed that 22% of Americans 65 years of age or older are aging alone without support (Hoyt, 2018). Projections show the number of uninsured Americans will rise to 35 million by 2029 (Congressional Budget Office, 2019). All these troubling sectors show room for the economy to grow into without fear of overheating. MMT provides the economic framework to achieve such projects.

MMT is only possible in countries that have their own totally sovereign currencies that they can print. This means that the United States Federal government is in a unique position to implement this as an overarching theory. The United Kingdom is another nation-state that could implement MMT if they desire. Governments that have their currency pegged to the dollar or another foreign currency, or countries who use a foreign currency entirely however cannot implement MMT in the same way. This means that not only is MMT impossible for Saudi Arabia or Vietnam (both peg to collar) it is also impossible for US states who cannot print their own currency and must raise the revenue they need for statewide activities or face similar debt consequences that a household in debt might. So, while MMT is having a surge of popularity globally, only some governments can act.

Finally, proponents and critics of MMT alike will point to current economic practices to say that MMT is not entirely new. Proponents of MMT will point to the fact that we spend without raising taxes going further into deficit all the time, from our latest stimulus bills to defense spending. Critics will point to ideas from Keynesian economics and describe MMT as a simple extension thereof. Both parties are valid, which makes the debate around and potential implementation of the ideas of MMT such a rich academic source of exploration.

**Chapter 2**

**Literature Review**

*Automatic Stabilizers*

Due to their importance during economic crises when many eyes are on the economy, there has been much focus in the academic literature on the role of automatic stabilizers. Work by Keiser (1956) decades ago helps to trace the history of the concept and definition of automatic stabilizers. Keiser’s work identifies several metrics for what makes an automatic stabilizer. The first set says that stabilizers are “permanently installed, well defined in…main provisions and purposes, and reliably linked to cyclically sensitive criteria.” A similar defining set of characteristics is presented using a set of questions “(1) Does it push the government’s budget toward deficit in case of a slump and toward surplus as business improves? (2) Does it expand the public’s stock of cash in a slump and reduce it in high prosperity? (3) Does it tend to reduce the public’s demand for cash in a slump and increase it in high prosperity? (4) Does it go into action without waiting for fresh policy decisions?” These guides are helpful in defining the scope of automatic stabilizers. Keiser then traces the concept of automatic stabilizers themselves to the economic theory of automatism or automaticity, defined as economic decisions able to operate automatically. That way of structuring the economy is supported by “those who wish to avoid central discretionary controls and those who wish to maintain price stability and avoid the political tinkering inherent in discretionary controls.” as Keiser notes. Automatic stabilizers then are a way to put desired impacts into the economy and lock them in beyond the tinkering of any particular person, administration or legislation.

McKay and Reis (2016) take on the question of the effectiveness of automatic stabilizers in both their function of reducing volatility in the business cycle and providing a level of social insurance. Using quantitative models that were able to mimic past business cycles and then formulate the effect of automatic stabilizers by adjusting their levels, they found that automatic stabilizers alone don’t have the effect of totally reversing a bust or boom. Monetary policy plays a huge role in addition to the fiscal stabilizers at staving off a sustained bust. They do however note the social welfare value of the stabilizers as being key and note that study of automatic stabilizers in this quantitative way is difficult because it is hard to build a model which captures the complexities of automatic stabilizers themselves, the other aspects of the economy like monetary policy and labor markets all in one.

Brown (1959) discusses how automatic stabilizers came into broad scale and frequent use in the American economy in both the executive and legislative branches. The recessions of 1948-1949 and 1953-1954 were partially responsible for their rise in popularity even though the concepts had been around in the United States for quite some time. Brown cites specifically the improvement of the automaticity of the stabilizers themselves as a reason for their uptick in acceptance. Building out of the theory of how to use particularly automatic stabilizers and the familiarity with the policy is one of the ways in which politicians became more comfortable embracing it.

Proposals for new automatic stabilizers are quite common. Henry (1978) proposes one such new automatic stabilizer to control stagflation by locking prices once inflation measures hit a certain level. This stabilizer is hard to imagine based on the wide level of participation needed to function. Government could of course halt prices on several items, but there would be nothing stopping individuals from charging increased prices which the government cannot control. Another proposal (Emil et al., 2019) looks at social justice indicators as stabilizers. Using disparities in current income as a stabilizer, action could be taken when income inequality and disparity hits a certain level. The limit on automatic stabilizers is only the imagination of the economists in charge of the economy.

In fact, one of the greatest automatic stabilizers in the United States economy was once too considered hard to imagine. We now take our unemployment insurance system for granted but there was certainly a time period where its broad reach and function would be unthinkable. We can trace the story of America’s unemployment insurance system back to Frances Perkins. The Secretary of Labor under President Roosevelt, and the earliest woman cabinet member in American history, was an expert on unemployment well before joining the Roosevelt administration. As President Roosevelt came to office, Perkins set out to solve the leading problem of the day and that was rampant unemployment. The national unemployment system was built out collecting money from individuals during times when they were working and then paying out money to workers if they were laid off. Perkins called this a strategy to “mitigate the worst effects of capitalism’s natural down cycles” (Dykstra & Downey, 2010). Unemployment insurance benefits have certainly come very far since the initial design of France Perkins, and the Covid-19 recession of 2020 shows their usefulness. This is the broadest scale use of unemployment benefits in their history, but the system functioned just as it was intended. As Rejda (1966) states, “Unemployment benefits have reacted quickly to cyclical downswings”. 2015 data by Maggio and Kermani (2016) shows a real beneficial effect that unemployment insurance has by reducing the destabilizing effect of economic shocks. In recessions, such as the great recession, this tool can be used over a greatly extended period of time – 99 weeks during ’09-’12 – and prove effective for that time being. Unemployment Insurance even has been observed as a stabilizer in the housing market. It is suggested (Hsu et al, 2018), who suggest it prevented over 1 million home foreclosures during the great recession.

*Modern Monetary Theory*

The person perhaps most responsible for the idea of Modern Monetary Theory is not an economics professor at all, but a retired hedge fund executive. Mosler’s seminal writing in Soft Currency (Mosler, 2012) describes a way that the economy works that challenges the dominant paradigm in traditional economics. Mosler’s work was taken to a new level by Professor Stephanie Kelton, a professor of economics at Stony Brook University in New York. Dr. Kelton’s previously referenced book *The Deficit Myth* (Kelton, 2020) targets the idea of deficits from several angles. Firstly, Dr. Kelton asks us to not think of a household budget when we think about the United States government. Dr. Kelton busts this myth showing how the federal government, unlike a household, can issue the currency it spends. Companies cannot print their own funds, as we see when corporations go bankrupt. And of course, households must either increase their income or go into debt with risk of bankruptcy or worse. But the federal government as the sole issuer and printer of currency can literally print its way out of debt. Another way to frame the reality is that both with the United States’ standing in the world, the importance of the US dollar to the global economy, and the fact that the US is the sole printer means that the country can always meet our debt obligations.

Kelton moves on to consider one of the main arguments against deficit spending which is that it would raise inflation to a point that is not manageable. Admittedly, there have been scary moments of inflation in countries around the world. However, those countries do not have currency with the same international standing as the US dollar. Inflation has remained relatively level even as deficit spending has continued. Kelton identifies the balance between full employment and price stability as the goal. With this goal in mind, the spending danger is instead one of overproduction rather than traditional rise of inflation. This will of course raise the deficit, but Professor Kelton notes that the national deficit and debt poses no burden to our economic system and that the myth of future generations paying the debt back are just that – myth. She goes on to describe how “their red ink is our black ink,” a way of saying that most of the government spending is investment that while it shows up on the negative side for the government books, it shows up on the plus side of the American people. Things like infrastructure or health care spending end up being increases in wealth for individual households. And perhaps most important to the exploration in the following chapter of this project, Professor Kelton asserts that as long as there is a statute to pay a certain entitlement, the federal government will be able to meet that payment – no service is running out of money.

The emergence of MMT opens the ability to theoretically solve many societal problems without the limits of traditional economic systems. Pavlina Tcherneva explores creating guaranteed employment through a jobs guarantee in her MMT work in *The Case for a Job Guarantee* (Tcherneva, 2020). Such a countercyclical program where the government provides a job to anyone who wants one are core to MMT proposals. One of Professor Tcherneva’s most interesting insight is into how the jobs guarantee program would co-exist with the private labor market but provide an outlet to folks who find themselves pushed out of for various reasons. With a guaranteed program, a price floor would be set by whatever wage the program utilizes as workers could flee lower paying jobs for the government program. As long as the program provides many jobs (including those that are not high skilled and otherwise undesired) it would function in tandem with the private market. Implementation of a jobs guarantee program would require Modern Monetary Theory and would change measures of the economy as we know it as unemployment would cease to be as big of a measure of a weak economy.

The Homes Guarantee is a newer proposal taking a similar idea as the Jobs Guarantee and focusing on the economic stability that is provided through steady housing. The Homes Guarantee was authored by the economic justice community organization People’s Action (People’s Action, 2019) and would result in building or renovating nearly 12 million social housing units. The proposal suggests a mandatory spending requirement similar to other automatic stabilization programs such as Medicare. With this massive expansion of housing, like the jobs guarantee, residents would always have an option to move to a federally funded home, creating a price floor and set of standards for private housing. Most importantly for this exploration, the system would be automated in a way that was countercyclical. As the economy performed better, residents may choose to move into housing with more amenities. But in decline the homes guarantee would prevent homelessness. Such a program would require lots of new building that could also be structured in a countercyclical way in relation to a jobs program. There would need to be an initial investment for a base level of housing. After that, when the economy worsens, more building jobs would be created as the economy moved to house people through new building or renovation.

Finally, there are increasing calls to address the environmental and climate crisis with the use of Modern Monetary Theory. The Green New Deal, a proposal for massive investment to reverse the effects of climate change and stave of climate disaster, would require trillions of dollars of spending to create hundreds of thousands of jobs and invest millions into various green industries. The ability to tie such a program to immense deficit spending is critical for the program which would also be tied environmental metrics. The program has a several categorical goals to change the environment (Wolf, 2020). From investments in renewable energy, creating a smart grid, energy efficiency, transportation reform, and farming reform, one can see how the price tag would increase over time based on the many ways to measure the program’s success. Proponents of the Green New Deal suggest that even under traditional economic philosophy, the plan would be cheaper than the alternative – a nearly $69 trillion dollar cost to deal with the climate disasters in front of us (Weindling, 2019).

The literature on Modern Monetary Theory proposals such as the jobs guarantee, homes guarantee and a green new deal (and we can add universal health care as well), all focus primarily on their social benefit to society, rather than their costs you may expect from an MMT proposal. When cost is considered, it is framed in discussion of how much we would have to spend in the future if we do not act or the harkening back to the central tenet of MMT – deficits do not matter in the way we believe them to, and as long as there is no inflation spiral caused by over production, there is no need to worry. In the next section we will discuss how such an economy with these programs in place could be achieved before we analyze the benefits and drawbacks in the final analysis.

**Chapter 3**

**A Fully Automized Economy**

Even though it's difficult to imagine politically at the moment, it's interesting to explore how a fully automated economy could be created. How would the economy function with the above programs like the Green New Deal, Homes Guarantee, jobs guarantee and Medicare for all function? What would happen to other economic programs currently in place? How would this new fully automated economy function during booms and busts?

If a job guarantee automatic stabilizer was introduced there would be substantially more work for the federal government and state employment agencies. Currently unemployment statistics are tracked by states and the department of labor, with most of the responsibility for administration happening at the state level. Under this new program, it would likely make sense to have both a statewide option so that states can receive federal funds to create jobs that are tailored to specific needs of their state and a federal program that operates as an option for those who are unhappy with a specific state’s options and to meet federal needs like national park maintenance or building of interstate roads. Like current unemployment programs, an application could be required. Unlike the current program however the application would only be to place a worker in the best fitting open position. Take home wages for those not in the program would increase as there would no longer be a deduction in paychecks for unemployment insurance. As new projects are started with added jobs, private industry would likely create jobs in tandem to bolster supply lines with a guaranteed new customer – the government jobs program. Recent studies have given the united states a “D+” in terms of infrastructure quality (Baroud, 2018). This lack in infrastructure quality makes for an insufficient economy (Sherradan, 2011) so we could also expect a noticeable uptick in productivity in the private workforce. Unemployment would of course not disappear but would be a measure of people transitioning between jobs. Under the jobs guarantee, most doubts would likely go to Green New Deal or homes guarantee projects. As mentioned above, both programs require thousands of jobs which can be assigned to states or the federal government. State spending on homelessness programs and the accompanying costs would decrease. And the infrastructure investment in our power grid would likely decrease costly work stoppages.

Of course, we would not expect permanent good times with these automatic stabilizers in place. Instead, these countercyclical programs would help to stave off the absolute worst of economic collapse. As a collapse goes on for longer periods of time, it becomes more difficult for people to re-enter the workforce, catch up on healthcare procedures, or find housing. These programs would provide a stop gap until the natural boom and bust cycles of the economy switch once more. During both boom-and-bust times, different philosophies on how to deal with unemployment, homelessness, and healthcare compete. Because of the different strategies that may exist across political affiliation of whoever is in power, our response to economic booms or busts – which pay no attention to who is in an office – are often disjointed. Building these programs in as permanent deficit spending automatic stabilization programs would make them operate like unemployment insurance which for the most part remains unchanged through political administration.

In terms of the deficit, which current sits at over 25 trillion dollars, the number would certainly balloon. The largest expenses of our current deficit are social programs like Social Security and Medicare/Medicaid and the percentage spent on social programs incorporating the new jobs program and homes guarantee would certainly increase as well. Measures of the deficit will have to shift from being a central plank of policy making to simply a measure used to calculate the relationship between productivity and inflation. One would expect an increase in productivity to also coincide with the production of more goods, the increase of exports and the decrease in imports, as more things are made by workers employed in the program.

**Chapter 4**

**Analysis**

Nowhere in the world has ever had a deficit that would rival that of the United States is we expanded our social safety net programs using automatic stabilizers and Modern Monetary Theory. Such a program would fundamentally change the way that global economics works. The rise in spending for domestic use would have the potential to effectively end homelessness, involuntary unemployment and medical debt. But there are a wide range of unknowns in the program’s function. One major is how would the world react to such treatment of the world’s reserve currency. Even though the United States is itself sovereign, world markets rely on and do most business in dollars. A major unknown is whether that would continue under this system, the US would lose its reserve status to China who already is challenging the status of the American currency. The US of course sees favorable interest rates as the world’s currency. Such a shift in philosophy would change how the US and the world treat international borrowing and likely end that preferable status. However, the US is the world’s strongest economy and the global destination for those seeking a better life. With these programs in place, you could imagine that even more people would be interested in coming to the country to live, work, and take advantage of the amenities. There certainly are positive benefits to employment immigration, but this set of programs would likely trigger such a wave that has never been seen before. Would the resulting wave mean greater global production for the world’s economy, or a drain on other countries’ skilled workforce? Certainly, shortening the timeframe of global economic collapse would be positive and could occur without action from legislators. The actions taken to increase spending 2would naturally influence trade partners as well, with more resources to buy goods from abroad.

Such a shift would mean many different roles for those typically stewarding our economy. Because the number 1 objective will become controlling inflation, the Fed which sets those rates would continue to be an important part of the economy. Agencies inside of government like the Department of Labor and many of its sub departments, as well as the department of the interior, department of housing and urban development and department of health and human services would take on drastically changed or expanded roles with budgets no longer tied to yearly appropriations. Most importantly, it would remove the not for profit and quasi-governmental infrastructure currently dedicated to keeping people out of poverty. The mitigation programs offered will not be of as much significance when people have the goods they desire. Issues of trade and bi-lateral relationships between countries will likely take on a bigger role as countries and economic zones cope with the changing dynamic of how thew world’s lead economy spends their money. And undoubtedly China and the EU would look to use such a shift to take over dominance in the world market – although that is unlikely to be successful due to their own internal structures. The yearly budgeting process would be an assessment of how much we spent on which things with less time spent on appropriations and allocation.

Finally, such a sea change would change the economics profession. MMT is clearly an unorthodox view with few real-world experiments. With the world’s largest economy taking it on, it would quickly move into the dominant position in academic study. So many pieces of MMT require more study to shows their long-term impact and require study at scale to be even remotely useful for policy making. There is no country that has a jobs program or dedicated environmental spending in the amount the green new deal calls for, for instance. With years of data, more will emerge on how this system operates domestically and on the global scale, just as it has with our current global economy. Both Microeconomic and Macroeconomic study could help to tailor the system in a way that minimized the chances of economic collapse and ensured a base standard of services provided to people in the country. And just as MMT proponents push within the current system for both pilot programs and a change in orthodoxy, there would exist a group of traditional classical economists pushing MMT to meet all the needs that they might judge as missing, such as the primacy of private market jobs, pushes for ingenuity, or stable international economic relationships – all staples of the current system of capitalism.

To achieve this switch would require a set of political leaders to make it a reality. Elected officials such as Representative Alexandria Ocasio-Cortez and Senator Bernie Sanders are currently two of the only elected officials openly talking about MMT. Even as major recessions help to make a case for a new type of social safety net, the lack of political support seems to be the biggest hurdle towards experiments in its favor.

**Conclusion**

Modern Monetary theory has emerged as an alternative to the current understanding of how the economy works. Its focus is on deficit spending as an important piece of a strong economy. Key to the theory of MMT’s success if the concept of an automatic stabilizer which can go into effect in a countercyclical fashion with no action from policymakers or bureaucrats. Without the concept of an automatic stabilizer, the theory is simply just calling for deficit spending which is something that exists today in the largest form that it ever has in the history of the country. There is no shortage of unknowns in how a full blown MMT automatically stabilized economy could work. The main risk is over stimulation and inflation, but there are unknown risks to the international markets and global economy. There is also the political difficulty of getting such a system implemented given the current political divides. There are also a host of potential benefits should MMT be implemented. Firstly, the reduction of the time period of busts in the economy. Second, programs would be based upon things that create good economic outcomes like having good jobs, healthcare, infrastructure and environment. And lastly, a shift in relationship to the deficit would open the door towards other spending priorities even if they are not built into an automatic stabilization program. There is a dearth of quantitative analysis of MMT and automatic stabilizers which should be explored. Additionally, programs such as Universal Basic Income which gives resources to some subsets of a population have already been piloted in some places and should be explored further to learn lessons for MMT. Finally, international impacts, particularly when the United states is the world’s reserve currency need to be heavily explored before and after the implementation of such a system. The level of productivity that can be reached with MMT is high, and we would need strict measures to make sure that overproduction does not lead to massive inflation and such study by itself could launch an entire new subsection of macroeconomics. With an increasing number of academics following Stephanie Kelton, Pavlina Tcherneva, Warren Mosler and others in studying the possibility of MMT, we are sure to see an increase in calls for experimentation. And with politicians picking up the mantle to advocate for MMT themselves, it may only be a matter of time until the philosophy creeps its way into operation inside of the American economy. Our economy is the backbone of so many others in the world, many of whom cannot implement MMT themselves. A final additional area of study will be the effect of the economies with non-fiat currencies when neighboring countries or countries with close economic ties begin an aggressive MMT automatic stabilization program. Such study would be crucial for the geopolitical lasting power of the experiment.

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