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Bernie Sanders is emerging as a plausible Democratic nominee in 2020. If nominated, he has a fighting chance of being elected — perhaps better than any of the other contenders when you take account of the states and voters he might be able to tip back into the Democratic column.

But is he a plausible president? By that, I don't mean in comparison to Donald Trump, as implausible a president as there ever was. Sanders is a lifetime political figure with forty years of elected experience and intimate knowledge of Capitol Hill and of the federal government. But he is also an idealist, capable of embracing positions well to the left of the prevailing political spectrum.

The relevant question is, therefore: Can the program advanced and elaborated by Sanders over two presidential election cycles form the basis — in principle — of an effective economic and social strategy for his presidential term and beyond?

Let me propose that we think about this in two stages. The first concerns the key planks that have been at the heart of Sanders's platform since long before the 2016 campaign, and that emerged to engage a national base. They are: Medicare for All, a high minimum wage, tuition-free public college, progressive taxation and breaking up the biggest banks. We'll call this "Core Sanders."

The second part is "Expanded Sanders." These are new proposals advanced during the 2020 campaign that include: the Green New Deal, a national job guarantee, a wealth tax, and the abolition of student and medical debt. Although I won't engage with them here, there are also significant proposals for education and housing and criminal justice reform, among many other things.

Taking Core and Expanded Sanders together, let's ask: regardless of whether any particular element might be enacted or defeated in Congress, what are the economic effects of the various planks in Sanders's platform? And what would be the economic consequences of a Sanders presidency, taken as a whole?

Core Sanders

The "Core Sanders" program is highly progressive, and oriented toward the young Americans who gave Sanders his initial, unexpected boost to a national candidacy in early 2016. The elements of this program have been broadly adopted outside of Sanders's campaign in 2020, notably by Elizabeth Warren, and they will surely figure heavily in the 2020 platform and beyond, whether Sanders is the nominee or not. But an interesting fact is that, taken as a whole, these core elements of the Sanders agenda are, on balance, *not* expansionary in their effect on economic activity and employment.

Of the main elements in “Core Sanders,” possibly the most expansionary is the proposal to raise the minimum wage to $15/hour, even though this proposal has no effect on federal spending, and little on taxation apart from increasing receipts from the payroll tax. Raising the minimum wage is a transfer from profits to wages, and from high-saving to low-saving individuals and families. It would enable a rise in the consumption spending of working Americans: about 30 percent would receive a raise.

However, the economic effect of such a reform is not very large, in part because the pay increases going to most people in this group would be fairly small, and in part because there could be an offsetting loss in spending out of profits. The major benefits of a higher minimum wage are social: the measure would reduce inequalities, improve the quality of services for low-income consumers, and reduce the demand for low-wage undocumented immigrants, since at the new minimum, documented workers would be more readily available for certain jobs.

The other mildly expansionary plank of the Core Sanders program would eliminate tuition in public colleges and universities, presumably substituting a federal payment to cover most of those costs. The obvious benefit here is to students and their parents, otherwise saddled with those bills. These families, especially if they are in lower-income brackets (many are not), will increase their spending. But there is an offsetting effect on public colleges and universities: they will be more dependent on federal and state funding than they were before, and therefore more vulnerable to legislative squeezes on their budgets.

Sanders’s proposals to raise marginal income tax rates would have a restrictive effect on economic activity, particularly insofar as they work to curtail the high-end luxury spending that is sometimes called *plutonomy*, which makes up an increasing share of total household spending in a highly unequal world. From every social standpoint, more progressive taxation and less plutonomy are good things. But unless there are clear offsets in the form of increased public spending or lower taxes on lower-income families, the net effect on employment and total output is negative.

The proposal to break up the larger banks and reduce the share of Wall Street in economic activity would also tend to diminish economic activity overall, even though a strong case can be made against *some* of the activity that Big Finance presently supports. Since approximately 1980, the rhythms of the national economy have been largely governed by the ebb and flow of bank credit, leading up the NASDAQ boom of the late 1990s and bust in 2000, and to the mortgage finance boom of the mid-2000s, leading to the Great Financial Crisis in 2007-2009. Since then, the economy has been driven forward largely by household and personal debt — automotive, credit card, student loans — all of which generate profits for banks. Breaking up the banks into smaller units, regionalizing and regulating the resulting institutions more strictly can, on balance, reduce the overhead costs, the salaries, and the concentration of power in this sector. But once again, compared to the easy credit presently available, the direct effects on activity will be to reduce, not to expand it.

Finally, there is Medicare For All. The major benefit of M4A will be to place the entire population in a single insurance pool, eliminating the need for private insurance. This is again a good thing that reduces economic activity; for better or worse even predatory and dysfunctional sectors count toward GDP. Medicare For All also means Medicare reimbursement rates for all medical services, and these are broadly lower than private insurance policies pay. So health care financing would shrink.

A premise of Sanders's program is that the roughly eighteen percent of GDP America now spends on health care can be trimmed back by at least several percentage points, bringing the US health care bill down toward levels common in other advanced countries. Every one of those percentage points is a deduction from GDP and employment. Reducing US health care to the French or Italian levels, not to mention the British, would, taken alone — if it were possible at all — induce a major decline in total output and a major increase in joblessness, strongly affecting the cities where major health installations are concentrated. Some of this effect would be offset by a reduced burden of health costs on households — premiums, deductibles, co-pays and bills not covered by insurance — allowing them to increase their spending on other types of consumption. But by any reasonable calculation the net effect on economic activity of moving to M4A would be to reduce it.

In short, the Core Sanders proposals are progressive, egalitarian and highly popular measures that, if taken by themselves — and apart from new infrastructure or expanded Social Security — would induce a contraction of overall economic activity. It is therefore fortunate that they are now accompanied by the Expanded Sanders portfolio of programs, introduced in 2019 for the 2020 campaign.

Expanded Sanders

Major elements in the Sanders 2020 program that have been added to the portfolio in this campaign are the Green New Deal, a job guarantee, a wealth tax, and the abolition and forgiveness of student and medical debts. Of these four, the first two are expansionary or at least stabilizing in their economic effects. The third is, in my view, impractical, and the fourth is perhaps more far-reaching than is generally realized, because it opens a window to increasingly radical demands, and indeed toward a new economy not founded on debt dependence and debt peonage.

The Green New Deal has become a signature initiative of the 2020 campaign and a worldwide rallying cry in response to the climate crisis. In spirit, it evokes the memory of Franklin Roosevelt's New Deal, an era of comprehensive social and economic reform: it included worker rights and minimum wage guarantees, the creation of the welfare state, the introduction of effective financial regulation, the beginning of modern fair employment practices and civil rights legislation, and large-scale federal spending on conservation and the environment.

Green New Deal proposals largely target the energy sector, covering both production and consumption of fossil fuels and renewable alternatives, especially solar and wind power. There are proposals to rebuild the electrical grid, to weatherize houses and office buildings, to move toward all-electric ground transportation, and to ban fracking for natural gas and oil. Whether the implied technological changes are actually possible is an important question. Whether these proposals, if both possible and enacted, would meet the IPCC targets for reduction of fossil fuel emissions is another important, problematic question. But one can take the GND proposals, in the spirit of a presidential campaign, as an earnest commitment to put resources to the task — $16 trillion in new spending over ten years, 20 million new jobs — in an effort to address the climate crisis. Though results rather than effort count for climate policy, it is effort that counts as economic activity.

In an economy of about $21 trillion, $1.6 trillion per year amounts to a bit less than 8 percent additional activity, exclusive of "multiplier effects" — which amplify the initial effect of increased public spending on overall activity. Sanders proposes that the GND be "paid for" through increased revenues over 15 years, indicating — as a rough order of magnitude — that half a trillion per year would not be "paid for" in the first ten years of the program.

In budget terms, for a program to be "paid for" means that new revenues offset the new spending. This is widely thought to mean that the program also has a neutral effect — no net effect — on economic activity as a whole. But this is a misunderstanding. A result known as the "balanced-budget-multiplier theorem" states — counterintuitively to many — that an increase of federal spending by a dollar, offset by a tax increase of one dollar, increases GDP by exactly one dollar. Thus, both the part that is paid for and the part that is not have positive effects on total activity. The difference is only of degree. We can thus estimate an effect of about five percent on nominal output from the part of the GND that is "paid for." The part that is not paid for immediately is smaller, but that part has multiplier effects and would be more expansionary. So one may allow another three to five percentage points of GDP from that, for a total increase of, very roughly, eight to ten percent.

By itself, then, the Green New Deal would have a very strong expansionary effect on the economy, even though it is partially "paid for." This effect would be sufficient to absorb the deflationary effects of reducing the financial and medical sectors (and also the military budget) by large amounts, and to support a high level of employment. The effects on individual workers might be more troubling: the jobs created would be quite different from those lost, and different people would get them. All economic change is like that; in the transition to anything new there is disruption.

It is important to realize, though, that the GND would not create new consumption goods to go along with the increased income and new jobs. The GND is mainly a program for *investment* spending. The work would go mainly toward improving the climate consequences of output already being produced, and toward changing the structure of what we produce, in order to live better without fossil fuels. In creating incomes without new consumption goods to match, the GND is similar in kind to industrial mobilization for warfare. The increased incomes from GND activities will be partly offset by decreases in wasteful finance, private health insurance and excessive medical provision (somehow defined). But on balance, there will most probably be a net increase in personal incomes relative to consumption. One consequence will be rising imports, a channel that will have to be monitored closely and curtailed if necessary. The other risk is price inflation, which will have to be the target of specific measures if it arises.

Unlike the GND proper, the Sanders job guarantee is not a measure that necessarily grows the economy. It is instead a form of insurance against recessions and unemployment, and a fallback for those, especially lower paid workers, who may find themselves displaced by economic and social transformation. It is entirely elastic: jobs at a relatively modest living wage will be provided for those who want them, when they want them, and no one would be forced to work. In the face of a broadly strong economy with high employment, bolstered by the GND initiative, the scale of the job guarantee, in practice, will be small. Most people, even those released from prisons under Sanders's criminal justice reforms, will be working in better jobs with higher wages and stronger career prospects, and many who are released from previous jobs will quickly find new work. But some will not, and the job guarantee means that they need not face unemployment and privation.

It is only as the private economy falters, when the credit boom is replaced by a credit crunch, that the alternative offered by the job guarantee will become attractive to many people. Moreover, even then, spending on the job guarantee program will replace unemployment compensation, welfare, and disability insurance as the safety net of choice for people who are able to work, since having a job is the best way to remain attractive to a future employer. Under normal conditions, the job guarantee's expansionary effect is positive but modest. Its chief virtue lies in creating a reserve capacity for dealing quickly with the human consequences of crises.

The wealth tax, a popular proposal on the Democratic left, is anomalous in its origins compared to the Green New Deal and the job guarantee. It did not emerge from close consultation with the progressive economists most closely associated with the Sanders campaign. It was, rather, largely offered up from the outside, by policy-entrepreneur academics from the University of California and Paris, France, who sold a similar notion first to Elizabeth Warren. The proposal for a wealth tax would require annual appraisals of capital wealth for families above some specified threshold and the conversion of some part of that wealth to cash for tax purposes. In cases where wealth is concentrated in corporate equities, provision would be made to transfer stock, presumably at the market price, in lieu of cash. Like all taxes, the wealth tax would cut into economic activity, although less than taxes on income, since only a small number of large fortunes would be hit.

The problem with the wealth tax is mainly that it is impractical. It can't be done. To institute it would oblige the United States to create a new tax administration aimed at assessing and valuing all forms of taxable wealth, presumably as of a certain date each year. Since many forms of wealth are illiquid and not easy to appraise — while others are volatile and also difficult to appraise precisely on a certain date — this would be an enormous boon for appraisers and for tax lawyers. For everyone else, including the federal government, it would be an impossible headache.

One can, therefore, mostly disregard the wealth tax as a political gesture, noting that academic economists make poor tax advisers. However, although promised revenues will not materialize, this is not a bad thing: the true "financing" of the GND is a matter of real resources, which will come from cutting back on Big Finance, health insurance, unnecessary medical provision, and also the military. To curtail the oligarchy, Sanders's original instinct was to strengthen the existing estate and gift taxes, and this approach, which remains part of his program along with more progressive income tax rates, is sound. The estate and gift taxes target dynasties. They also have the great advantage of providing a strong incentive for philanthropic donations, giving life to universities, cultural centers, hospitals and churches in advance of the grim reaper and the tax man. (For further effective ways to soak the rich, University of Texas Law professor Calvin Johnson's Shelf Project is a useful source of ideas.)

Finally, we come to the forgiveness of student and medical debts. On the face of it these proposals will support growth, since the cash flows otherwise used to pay down the debts would be directed to other spending, producing new activity and new jobs. The Sanders proposals as written envisage canceling student debts owed to the government and repaying those debts owed to private institutions. The former move is clearly pro-growth. The latter isn't so clear, since paying off the capital value of a loan early deprives the lender of interest income that would otherwise be received.

But are there consequences for lending that need to be taken into account? Will lenders, seeing customers newly liberated from one kind of debt, be willing to extend new loans for other purposes? There could be a feeling — not entirely unreasonable — that if some categories of debt are to be written down, others may not be far behind.

Here the social dynamics of a revolutionary development begin to play a hand, as the Sanders movement gathers momentum. The underlying radicalism of his outlook, and his willingness to embrace bold proposals, may begin to assume a prominent role in the development of popular expectations for his presidency. As this happens, the perception of self-interest for a vast part of the American population which now feels disenfranchised and demoralized may begin to change. Debt is a weapon of the oligarchy. It is not entirely unreasonable to see in debt cancellation a key mobilizing element in a social movement that could eventually force even deeper and more profound social democratic and democratic socialist reforms.

In 2016, Bernie Sanders became prominent in national politics on a set of policy proposals that were relatively simple, straightforward, radical by the standards of the time, and yet in economic — which is to say fiscal and budget — terms quite conventional, even conservative. The Sanders program *as economic policy* was never deeply examined, because Sanders was never given much chance of winning the nomination, still less the presidency. And so his popularity grew on the progressive substance of these proposals.

The situation today is very different. Despite a relatively good economy since 2016, the perception that "the system" is rigged against ordinary Americans is more pervasive than ever. It is possible — entirely possible, if not yet perhaps the most likely thing — that Sanders will be the nominee in 2020, and if so that he could defeat Donald Trump for the presidency.

But the campaign is also different today than it was four years ago. Without having actually advanced an overarching economic perspective, perhaps without having changed his basic views on the need to "pay for" new programs — a position now ingrained in every member of Congress, minus all the Republicans — Sanders has expanded his policy portfolio in two critical directions. One is the Green New Deal, buttressed by the job guarantee. The other is the abolition of several classes of personal debt. The GND would assure that the economy would continue to operate at a high level, while necessitating transitional and precautionary measures to guard against inflation and excessive trade deficits. The proposals for debt abolition carry a deeper signal about the future course of American society. If they catch on politically, they could grow into a fundamental challenge to an economy dominated by Big Finance and the oligarchs of our Gilded Age.

The question posed by this paper at the outset was a matter of basic economics. If we take each major element of the Sanders program, both the "Core" and the "Expanded," and put them together in a package, do they add up to a reasonable strategy *for the economy*, as well as for the goals of justice, jobs, and dealing with climate change? If he is given the chance, *Can Bernie Do It*?

It appears that a reasonable answer, based on a general evaluation of his agenda, is: yes he can.

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