AOC’s Craaazy Economic Theory Lives On

Government can print money, so spending has no consequences. How’d that go during the pandemic?

Wall Street Journal, By Allysia Finley, Aug. 23, 2026

Remember modern monetary theory? This was the craaaazy economic view that Rep. Alexandria Ocasio-Cortez helped popularize during Woke 1. It held that the U.S. needn’t worry about deficits because the government could print money. Politicians could spend with abandon, and if inflation rose, Congress could subdue it by raising taxes.

Stephanie Kelton, an economist who provided the intellectual imprimatur for modern monetary theory, thanked Ms. Ocasio-Cortez for bringing this radical idea into the mainstream: “People immediately probably started googling ‘modern monetary theory’ to find out what she was referring to.”

“The national debt is nothing to fear,” Ms. Kelton told CNN in 2019. “What should scare Americans is allowing misunderstandings and fear-mongering about the national debt to prevent us from taking bold action to deal with the urgent threat of climate change.”

This theory was central to the left’s pitch for financing the Green New Deal, Medicare for All and other costly ambitions. Modern monetary theory must be “a larger part of our conversation,” Ms. Ocasio-Cortez said. And so it was during the pandemic, until runaway inflation came and the Federal Reserve had to raise interest rates.

Now the liberal intelligentsia and press, who egged on the experiment in modern monetary theory, are raising alarms about the growing debt and increasing yields on long-term Treasury bonds. Yet listen close, and you’ll notice MMT still undergirds Democrats’ economic agenda, even if they have retired the term.

Step 1. Spend without restraint. 2. Lean on the Fed to monetize the debt. 3. Hike taxes. 4. When economic inequality increases and growth slows, spend more. This more or less tracks what the government did during the pandemic, and now the left wants to repeat the failed experiment on an even larger scale. Call it Woke 2 economics.

Lest anyone forget how the U.S. got persistent inflation and a $40 trillion debt: First, Congress undertook a multitrillion-dollar spending binge during the pandemic that showered people with money. The Fed accommodated the spending by keeping interest rates near zero and purchasing Treasurys.

The latter had the effect of pushing down yields on long-dated bonds and U.S. borrowing costs while driving up asset prices, including for housing. Result: Investors piled into riskier assets—crypto, special-purpose acquisition companies, meme stocks—while Congress, businesses and consumers piled on debt. Borrowing was cheap, so why not?

Many Americans refinanced homes at ultralow rates, which increased household liquidity and fueled consumption. After inflation surged, the Fed raised interest rates and began to shrink its balance sheet. Borrowing costs rose across the board, and suddenly running big deficits became much less affordable. Higher mortgage rates—which are tied to yields on long-term Treasurys—also made homes less affordable for people who hadn't locked in low rates.

In 2022 Democrats passed an enormous climate and healthcare bill—hilariously named the Inflation Reduction Act—with tax increases that they claimed would pay for sweetened ObamaCare and Medicare prescription-drug benefits and reduce the deficit. All of this spending cost multiples more than Democrats claimed.

The Congressional Budget Office recently revised upward the Medicare prescription-drug costs by some $700 billion over the next decade, largely because of higher-than-expected costs for the act's enhanced benefits. Government makes something less expensive, and people use more of it. Who would have thought?

This week arrived a faux panic in the press about the upward march of U.S. debt and long-term Treasury rates. Yes, yes. The result will be higher government borrowing costs, but this serves as a useful price signal to America's spendthrift political class.

One reason for rising long-term rates may be that Fed Chairman Kevin Warsh has signaled that he doesn't plan to enable Washington's out-of-control spending by monetizing the U.S. debt, as his predecessors did. He wants no part of MMT.

Enter the left's household remedy: Hike taxes. Sen. Bernie Sanders and his socialist acolytes have promoted a 5% annual wealth tax on billionaires. This would generate only $2.3 trillion over a decade—about as much as this year's deficits. Even if the government were to confiscate all the wealth of America's billionaires, that would only raise $8.4

trillion. This wealth seizure would bring U.S. gross debt back to where it was in spring 2023.

Forget paying for Mr. Sanders's Medicare for All proposal (estimated cost: $34 trillion over 10 years). How about Ms. Ocasio-Cortez's proposal to raise the top marginal rate to 70% on incomes over $10 million? That would raise only about $300 billion over 10 years.

Ms. Ocasio-Cortez is tiptoeing back from some of her earlier radical social positions, like defunding the police. But she and other progressives continue to promote the woke economic idea that raiding the rich can pay for their wildest spending dreams. What will it take for them to wake up?