

Jeffrey Sachs
By Imran Amed
Portrait by Ryan McGinley



“Reagan said the fateful words: ‘Government is not the solution to our problems, government is the problem.’ So just as globalisation was getting underway, what did we start in this country? Slashing the taxes of the rich”

In the world of development economics, Jeffrey Sachs is a veritable rock star. He is the director of The Earth Institute, Quetelet professor of sustainable development, professor of health policy and management at Columbia University and special advisor to United Nations secretary-general Ban Ki-moon. For over 25 years, he has advised international governments in the developing world – from Africa to Eastern Europe to Latin America – on economic development, environmental sustainability, poverty alleviation, debt cancellation, and globalisation.

In an exclusive and wide-ranging conversation for AnOther Magazine, Imran Amed, founder of the Business of Fashion, asked Professor Sachs his views on the Occupy movement, his new book *The Price of Civilisation*, the role of the fashion industry in global development, and the solutions he offers for rebalancing an increasingly unequal world.

Imran Amed: 2011 was a harrowing year, with continued economic problems, political upheaval and growing inequality between rich and poor. What is your view on the state of the world as we begin 2012?
Jeffrey Sachs: 2011 was a complicated year when viewed through the eyes of a development economist. We have a major economic crisis in the United States and Europe. We have places like the Horn of Africa, which are in a downward spiral of economic and ecological catastrophe. We have other parts of the developing world, like China and major parts of India and Brazil, which are booming. So the world is absolutely in a very complicated and unstable state of affairs, and there are tensions everywhere.

The plate tectonics of an interconnected world, where the different parts of the planet are moving at different speeds and where the rules of the game aren't really properly defined – especially in the world of finance, but more generally in trade, migration, climate, energy and international development – are in flux.

IA: Over the course of 2011, we've seen the rise of citizen movements all over the world. Ordinary people have been gathering in town squares seeking to challenge the political and economic elites.
JS: My take on these social movements is that they are reflecting some deep problems in this wide range of societies. Of course the nature of those crises differ a lot, there is a big difference between the authoritarian rule of a Ben Ali or a Mubarak and the kind of crisis we have in the United States. But it's also true that there are some common elements because in all of these



Protestors march during a day of action by the Occupy Wall Street movement near the New York Stock Exchange, 17 November 2011

circumstances there is a tremendous amount of inequality of income and political power. There has also been a strong sense of inequity, a lack of fairness, rigged politics.

IA: Typically we think of extreme income inequality as a problem of the developing world. How did we end up in a situation where western economic leaders are also exhibiting signs of extreme inequality?

JS: It took a long time to build. This is not a short-term blip. It's not the result of the 2008 financial crisis. It's not the work of one president or one political party. I think that it is a combination, and an interaction of economy and politics. Many, many societies over the world have experienced a marked rise of inequality over the last three decades, and the United States has really been exceptional in this, in regards to the high-income world.

It seems to me that we have to take the emergence of a new global economy as a starting point. On the whole, I have been and I remain a big fan of it in many ways, because globalisation means a world society coming together. It means a greater flow of knowledge. It means a greater interaction of cultures, which I find to be very exciting and positive if we get it right. It means technologies flow much faster. It means poor countries have a much greater chance to escape from poverty. It means many wonderful things.

But it also means that jobs change location in the world. The most dramatic aspect of that in America was that the traditional manufacturing sector, which was the hallmark of the post-war middle class, diminished incredibly rapidly. This meant large swathes of America found that middle class expectations and the path from high school diploma to a good job in the local factory to owning one's home and raising a family in the suburbs, which was the 1950s-1960s dream of many households in America, started to disappear.

IA: The end of the American dream, as it were.
JS: Yes, and I think politics has played a really terrible hand in all of this. When Norway, Sweden, Denmark or the Netherlands saw this happening, they took action to make sure that education systems were strengthened; that there were better employment programs for young people; and that the social welfare state was expanded so women could go to work and have good childcare and pre-school for their young children.

The United States oddly, and very devastatingly, went in exactly the reverse direction. Because while globalisation was just getting underway, so was what we should call the Reagan era, which started in 1981 and really set America on an incredibly odd, and I think in the end, incredibly debilitating political course. Because whereas Reagan might have come in and said, “We've got new global competition. We've got the beginnings of rising inequality. We have to raise the education levels; we are going to face more competition over energy resources so we better develop alternatives,” and so on, he gave exactly the opposite speech. On 20 January 1981 he said the fateful and famous words: “Government is not the solution to our problems, government is the problem.” So just as globalisation was getting underway, what did we start in this country? Slashing the taxes of the rich. Slashing the social programs that are addressed to the poor.

IA: And that also happened in Britain around the same time, with Margaret Thatcher.

JS: Yes, exactly. This was Thatcher and Reagan almost hand in hand. Britain at least had the National Health Service. In this regard Britain is kind of in-between the US and the countries that I hold in highest admiration, which are the social democracies of northern Europe.

IA: Fast-forward 30 years to 2009 when Barack Obama became the US President. America effectively had another chance, right? He campaigned passionately on a platform of change.
JS: Well I was a huge fan of Obama in 2008.

I was speaking everywhere about him and the great opportunities. I loved his message of the need to reinvest in and modernise America, and so on. But I knew one thing quite strongly as a macro-economist, and that was that there was a basic disconnect completely unresolved in his campaign. It just worried the heck out of me, even though it was pretty much glossed over by everybody else.

He said during the campaign – in the midst

of all the great vision and high-rhetoric, about education, skills, science, technology, infrastructure, renewable energy, climate change control – that he was going to keep tax revenues as a share of our national income at the same level as they were during the Reagan administration. This was written by his economic advisors during the campaign and published in a *Wall Street Journal* op-ed. One of them was a former student of mine, and I shot them a note saying, “What are you talking about? Reagan started this whole thing... Reagan cut taxes exactly so we cannot make these investments.”

I didn't hear back from them, but when I was in the White House a few months after Obama had come in, I met one of them in the corridor and he said I was the only person in the United States who emailed him after that article, expressing my worry. I found this deeply disturbing, but it's symptomatic of the kind of slide that America has taken over 30 years, in not recognising the core inconsistency of thinking about a future, but not being willing to invest in that future.

The day of Obama's inauguration I was asked to give a speech to the Royal Institute of International Affairs of Norway, and I said Obama's Nobel Peace Prize was probably already on the way for many in the audience, but it's not going to be what you think. There is going to be this big basic problem at the core of all of this, which is that if you want this change you have to be ready to pay for it. And they were furious with me. I was basically saying Obama might not fix everything. He never came close to overcoming that inconsistency, and now I've watched, as a close observer for three years, a president who gives a wonderful speech about the vision but is always disconnected from the underlying financial reality. Which is that we pay for the future we want or we don't get it.

That's a very long way to say why I wrote a book titled *The Price of Civilisation* because if the society isn't ready to pay for decency it's not going to come automatically, especially not in this incredibly competitive world.

IA: So is that another way of saying that the solution to the problem is simply to raise taxes for both corporations and the extremely wealthy?

JS: It is, but not as a punitive measure. I have nothing against wealth, it's poverty that I really despise and the point of all my work for a quarter of a century is that if we make modest but intelligent investments we can solve some

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very big problems. Even the biggest problems we face, like energy, climate change, youth unemployment and high income inequality, are susceptible to solutions and actually at remarkably low costs, but not for free.

The point is to think through what needs to be done. There are places that are doing it, where they have low budget deficits, lower unemployment, almost no poverty, and a high-shared level of prosperity. Of course they pay for it through taxation, but they also accept that the goals of the richest people should not be to do anything possible to get massively richer, at whatever cost to the rest of society. It's understood that there are rich people, but there is a certain responsibility and civic virtue that goes along with that.

IA: In your book you also frame this as a moral problem, in that the people in the political and economic elite are taking advantage of their positions of power to further enrich themselves.

JS: Where we are right now is absolutely a moral crisis. I felt this increasingly on America's campuses during the past 30 years. I saw the magnetism of Wall Street for both faculty and students, the decline of a sense of responsibility, a loss of a compass of what's normal. There's a brutal neglect of these issues. There is a point where someone can have so much wealth that they really ought to be thinking a lot harder to make sure society functions rather than how fast they can jump the Forbes list in the next issue. Until we get that change we are going to continue in this very dangerous direction.

We have so few leaders right now in this country that are ready to speak in even the most basic terms of responsibility. Both the Democrats and the Republicans have become untethered from a basic sense of fairness and fair play. The politicians of both parties are playing the markets, using their insider information, and playing the lobbying and the campaign contributor games and not representing the American people.

IA: What are your thoughts on the role that the Occupy movement can play in helping to restore the moral balance in our society?

JS: I talk about this as a new Progressive Era, just beginning. Of course, there is a bit of a wish in that and also some prediction. But really I am riffing on the ideas of Arthur Schlesinger Jr., the late, great American historian, who talked about these long waves in America between periods driven basically by greed and profit and periods driven by public purpose. They both

have some merit by the way, because even in eras of greed you can get industry built up, you can get the good things happening, but you leave a lot of society behind, and quite dangerously, and at very high cost.

This should be the beginning of a new swing towards public purpose and recognising that if we are going to hold it together as a society we need a very different strategy. We are not seeing this yet in mainstream politics, but the Occupy Wall Street movement could be the beginnings of that. This has happened in the past, where a social movement becomes a pre-cursor to political change. What I found to be absolutely striking was that a very small number of very creative activists, essentially in a kind of street theatre, opened up a new political discourse in the US in just a few weeks.

IA: It's the 1% and 99%. Everyone is using those words now, and they came from that movement.

JS: Yes, my wife and I went down there for the first time on 1 October, so it would have been there for about two weeks. We marched with the crowd, and the first time I heard the chant, "We are the 99%", I turned to my wife and said, "That's it, that is great. That absolutely captures it!" My book was coming out a couple of days later but did not have anything like that great slogan in it. It changed the dialogue in just a few weeks because it was so ripe for changing, but also because this was so creative. I marvel at what an impact it had. I certainly didn't have the imagination to see what it would become.

It so quickly penetrated the nearly impenetrable media world. But then the powers that be had to close it down. Of course they didn't close down Occupy Wall Street because it was a health hazard, they closed it down because it was so incredibly effective. One tiny little park, in an insignificant little blip on a Google Earth map of Manhattan, was changing politics in America in just a few weeks.

It raises a major point though which is, the discourse has started to change, but the real change is a long and difficult battle and process. The Progressive Era was essentially a quarter of a century, and things took time. Some of the really major changes came towards the end of the period, even though there were 20 to 25 years of political campaigns.

Everything moves faster now, so I don't think we need 25 years to bring about some of the major reforms of getting the corruption out of our politics, but it's not going to come from a few weeks of powerful public demonstration. I am

thinking maybe 2016 at the earliest could be a target for a truly progressive presidential run. This is the kind of timetable that one has to be realistic about, because the current politics are quite deeply dug in.

IA: We've been talking about income inequality in America and Britain, but income inequality is also a global problem. What are your thoughts on the future of the economic situation in Africa?

JS: My thinking, whether in the United States or in the very different context of Africa, is that if you give a bit of help through education and helping kids in poor families find good skills and good jobs for example, then you can break the cycle of poverty. I wrote a book a few years ago called *The End of Poverty* which was about the possibility of using the technologies that we have, the knowledge of world economy, the leverage that comes from globalisation to really make a breakthrough so that we could end at least the extreme forms of poverty on the planet. I said that this could be done by our generation and I did give a timetable to it, in the year 2025. We're going to have to run to meet that date as unfortunately some of the things I'm calling for, which is a much greater focus on the rich countries helping this process, has probably turned out even worse than I might have feared when I wrote that book six years ago, in that Europe and the US went into an internal financial crisis.

What we need to do to make a profound and lasting difference in helping the world's very poor people achieve their basic needs so they can get on with their own economic development is a small lift for us, less than 1% of our income if it's properly directed. To show this, I have been working with lots of different companies, partners, creative individuals around the world from all different spheres of life, from telecommunications companies like Ericsson



Edun spring/summer 2012. Edun is an ethical fashion brand founded by Ali Hewson and Bono

to pharmaceutical companies like Novartis to manufacturing companies like Sumitomo Chemical, to show that if we can mobilise these best practices, whether it's a bed net to protect people from malaria, or a medicine to treat it or a better seed to grow more crops or a mobile phone in the hands of a community health worker, we can absolutely empower very poor communities to get on with it. To be able to see their children healthy, staying alive, getting to school, getting the skills they need so they will not grow up in the same kind of poverty.

We call this project the Millennium Villages Project, and it's all over Africa right now and spreading to more and more countries, because leaders are seeing it and saying, "we want to do that, it seems more practical". People are growing more, water is safer, solar power is coming. In other words, take the best things you can do and put them together and you can get tremendously powerful outcomes in a short period of time, to really help communities and people to lift themselves up. It's not handouts. It's not food aid. It's not transferring cash. It's actually helping communities to invest in their own future, in a way that will make a lasting difference.

In this process I've been incredibly fortunate to meet many people in the fashion industry who are committed and creative. We are working with Renzo Rosso of Diesel, who is not only a sponsor of one of these villages, but is bringing fashion and designers and technologies to African apparel for his worldwide markets. Tommy Hilfiger has joined us, first as a philanthropist, but now also getting into design, working with some of the artists and local craftsmen in African villages to make jewellery. And of course with Bono and Ali and their work with Edun, they are doing fantastic things for local production, bringing textiles and apparel to rural areas in Africa and I'm trying to help on the agricultural side to empower the farmers to be more productive so that they can be supplying higher quality cotton and so on. It's something I didn't expect at all, but the fashion industry is finding fantastic ways to bring the values of fashion and link them with incredible artistry and local culture, to really add phenomenally to this whole effort. To my mind it exemplifies the best of what globalisation can mean. It's of course globalisation in technologies and globalisation in markets, but it's also this phenomenal globalisation in cultures and in values.

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