IPS

INTERVIEWS 12.06.2017

Trump's actions "reflect the corruption of the US political system"

World-renowned economist Jeffrey Sachs on Trump, trade with Germany and climate change

Donald Trump's first official trip abroad to Saudi Arabia, Israel, Belgium and Italy left many politicians in Europe feeling helpless. German Foreign Minister Sigmar Gabriel says the West has become smaller. Are we entering a new era of transatlantic relations?

We are definitely in a new era, although the US has been less of a reliable partner for years now. It invaded Iraq in 2003. It created, together with the UK and France, the war in Libya in 2011. Along with Saudi Arabia, it began contributing to the destabilisation of Syria in 2011. It's the country that triggered the 2008 financial crisis.

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What has happened with Trump is a move from a slow decline to an utter negative shock. We have a President completely unequipped for office, psychologically unstable, narcissistic, on all evidence sociopathic, and this is extremely dangerous for us in the United States and for the world. The good news is that he doesn't command strong public support in the United States - maybe he has 35-40 percent approval. It's not enough to make him quit though, and this means that in many different areas he's blocked by courts, by paralysis in congress, by inaction. But that doesn't make him any more reliable, and as Commander-in-Chief he has a tremendous amount of power in the foreign policy sphere. That, from my point of view, is a danger.

It sounds like times are hard for the cooperative international order.

Well Trump came out swinging in a way. If you give an inaugural address that says America first, America first, America first, it displays

a theory of power that says if you have a counterpart with different interests, the first thing you should do is hit them in the face so you have their attention.

It's a kind of bullying approach. It's naive and potentially very dangerous. Also Trump is completely incompetent on economics. To misinterpret a bilateral trade imbalance as a sign that the country with the surplus is doing something improper is a shocking show of ignorance. You would expect more of a first year economic student.

But he's not alone in complaining about Germany's trade surplus. Other European countries are saying the same thing.

I think there are two issues here. One is whether Germany should do something different in its macroeconomic policies. When the neighbours complain, they're not complaining about Germany doing something treacherously wrong in terms of trade policy. They're really asking about fiscal policy and macroeconomic policy.

Germany should have facilitated debt relief for Greece years ago

I happen to have the view that Germany's trade surplus, even with its neighbours, is not really a hindrance to the rest of the eurozone or the rest of the European Union. Europe is not a closed system and countries in Europe export to the whole world.

And if Germany saves more by having a smaller budget deficit or larger national saving above investment and thereby has a trade surplus, that doesn't really bar even close trading partners from finding global markets and achieving full employment.

I do, however, have a totally different complaint about German policy. I think Germany should have facilitated debt relief for Greece years ago. It's a big mistake geopolitically, as well as morally, to leave a country like Greece in such a desperate situation, even if Greece was the author of its own mistakes in previous years. Greece needs debt relief and it's really up to Germany to help lead that.

But the gap between rich and poor in Germany is widening. Many people there want more protectionism and no immigration because they feel they're being left behind by globalisation.

I think in general, globalisation and technology have increased inequality significantly and that behoves us, as societies, to counteract those forces with policies we know, and others we still need to invent. This means making sure there is universal provision for health, for education, for family support, for early childhood development, for childcare, for vacation time and leisure time so that fiscal transfers

really help make it possible for everybody in society to enjoy the benefits of overall economic growth rather, than being divided into two camps of winners and losers.

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On the whole, Germany does this well. Scandinavia probably does it better than any other country the world, and we should all learn from them. The United States doesn't do it at all right now. It is going in the other direction.

But it's also true that with continued advances in technology these pressures have become stronger. With automation, jobs for low-skilled workers either disappear or wages go down a lot. Either way, you have a big problem for people without the skills to be enjoying what economists call a complementary relationship with the robots and the artificial systems.

In my field as a professor, a knowledge-worker in the economy, these technological advances have been a great boost to productivity so far, not a substitute. In other fields they've just replaced the workers. This means we'll have more and more inequality in future years. We'll have to train people differently. Maybe a higher proportion of people will have to go to university, and we'll have to move away from the current vocational model practised in Germany.

So imposing punitive tariffs on German cars won't help the United States recover?

Well, I don't think Trump will do this. If he did, it would be awful because it really would be the unwinding of the trade system. If Trump tries to interfere with that, I expect Germany will haul the US into WTO proceedings straightaway because this would go absolutely against our trade rules. If Trump merely isolated the United States, it mainly hurts the US. But if imposing tariffs leads to a spiralling of protection, as in 1930 when the US introduced the Smoot-Hawley tariff which led to a cascading round of protectionism all over the major economies – well, that was one of the great disasters of economic policy of the last couple of centuries.

Do you think a little protectionism can sometimes be healthy or is it always wrong?

Trade generally raises economic efficiency and expands the size of the economy. It also redistributes income. You can have a larger economy but have losers within that larger economy. Smart trade policy understands both of these facts. It's right to keep our borders open because globalisation is good for us, but when people suffer from the forces of trade, help them. We should help them at the most basic

level through retraining and adjustment, but also by making sure the economy is run in a way that is fair and keeps inequality low.

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The big problem therefore is not trade. It is internal policies. Are we nice to each other? Are we keeping a social consensus? Again, the countries of Scandinavia, are incredibly open countries. They have enormously high trade to GDP ratios. But they're also remarkably consensus-oriented in their policies. They offer massive transfers, universal access to quality services and the benefits of work, and they've proven you can have globalisation and low levels of inequality.

Donald Trump has decided to pull the US out of the Paris climate agreement. Does this spell the end of global climate protection?

The first thing to do is take a deep breath and realise that 195 signatories are still in and one is out. The US represents only 4.4% of the world population. Almost everyone else remains in. The US produces about 14% of global emissions, so almost 86% is still within the treaty. So I don't think Trump can unravel the effort to stop global warming.

Also, no-one cares whether Trump thinks climate change is real or not. He's about the most ignorant man I know on these issues so his views will not induce anyone else to doubt the evidence. I expect China will soon reconfirm its intentions to fight climate change and work multilaterally with the rest of the world to do this. Geopolitically, The US will be weakened by pulling out of the agreement. I think these geopolitical consequences are actually bigger than the effect on climate change itself.

Do you think Trump's presidency will endure for four years?

I would not bet on him being president a year from now. I don't have a particular scenario but he's driving everyone crazy. Whether it's impeachment or he storms out of the office or tweets his way out of a job, I don't know.

But what Trump is doing reflects the corruption of the American political system more than the man himself

Trump has created profound doubts, perhaps engaged in cooperation with Russia to tamper with the US elections, is under multiple investigations and has an approval rating that is not strong enough to govern. So people should keep that in mind.

But what Trump is doing reflects the corruption of the American political system more than the man himself. It's a corporate driven system which gives extraordinary, unacceptable power to right-wing wealthy corporate interests.

What key decisions should be taken at the G20 summit in July?

Well of course I would like the G20 to unanimously confirm the Paris climate agreement, to strongly say that Agenda 2030 and the Sustainable Development Goals (SDGs) are the core organising principles for global economic cooperation, including the G20. I would like the G20 to strengthen its capacity for continuity year to year. There is no secretariat right now, there's no set work planned. I'd like to see a deepening of structures, especially around the SDGs, so that these meetings will have a long term impact.

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