
Rewriting the rulebook for 21st-century capitalism

One of President Barack Obama's historic contributions will be a grand act of policy jujitsu - turning the crushing economic crisis into the launch of a new age of sustainable development. His macroeconomic stimulus may or may not cushion the recession, and bitter partisan fights over priorities no doubt lie ahead. But Obama is already setting a new historic course by reorienting the economy from private consumption to public investments directed at the great challenges of energy, climate, food production, water and biodiversity.

The new president has taken every opportunity to underscore that the economic crisis will not slow, but rather will accelerate, the much-needed economic transformation to sustainability. He made this clear again on Monday with new commitments on [climate change](#). The fiscal stimulus, soon to go before Congress, will lay down the first steps of a massive generation-long technological overhaul - embracing the power sector, energy efficiency in buildings, public and private transportation, and much more. The US has lagged behind the world in such efforts for 30 years. Yet with America's technological prowess, and Obama's pivotal commitment, it is likely to jump to the lead.

Obama has started with the most important first step: a team of scientific and technological advisers of stunning quality, including two Nobel laureates (Steven Chu and Harold Varmus), and longstanding leaders in climate, energy, ecology and cutting-edge technologies. He has also focused on two core truths of sustainable development: that technological overhaul lies at the core of the challenge, and that such an overhaul requires a public-private partnership for success. Taking shape, therefore, is nothing less than a new 21st-century model of capitalism itself,

one which is committed to the dual objectives of economic development and sustainability, and is organised to steer core technologies to achieve these twin goals.

Consider the challenge of a bankrupt automobile sector, with General Motors and Chrysler on the verge of insolvency, and Ford not far behind. Rather than viewing the crisis merely as a traditional left-right debate over bail-outs versus market-driven bankruptcy, Obama recognised that the near-bankruptcy of the sector calls for a hands-on approach to transform the core of automotive technology itself. In the Obama strategy, GM will not be closed to punish it for past corporate or societal mistakes. It's worth far too much as a world leader in the electric vehicles of the 21st century.

The work of moving from a few demonstration vehicles to a new mass industry will take at least a decade. The government will have to support research and development, the high costs of early models, public awareness and acceptance, and the supporting infrastructure. In the case of plug-in hybrids, this means a high-performance power grid fed by sustainable power generation, such as solar or wind power, or coal plants that capture and store the carbon dioxide. For fuel cells, it means a new infrastructure of hydrogen filling stations along the interstate highways and in the major cities.

Conservatives are aghast. The bail-out of the auto industry was hard enough to swallow. Government investments in infrastructure and research and development are viewed with scorn, compared with the tried and true (if disastrously failed) tax cuts of the Bush era. Rightwing pundits bemoan the evident intention of Obama and team to «tell us what kind of

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car to drive». Yet that is exactly what they intend to do (at least with regard to the power source under the hood), and rightly so. Free-market ideology is an anachronism in an era of climate change, water stress, food scarcity and energy insecurity. Public-private efforts to steer the economy to a safe technological harbour will be the order of the new era.

There is plenty of room for blunders, to be sure. Government activism can founder on the shoals of massive budget deficits, tax-cutting populism pushed by the right, politically motivated investments such as corn-based ethanol rather than science-based public investments, and more. Yet Obama is absolutely correct that we have no choice but to try.

John F Kennedy used to tell the Irish tale of the boys who would throw their hats over the high wall, to ensure that they would make the heroic efforts to surmount it. Obama is throwing the hat over the wall of environmental crisis, and asking us to surmount it together. This is a new era of public action, with the US back in the lead, and we will all find a new economy and new opportunities on the other side of the wall.

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