That's easy: just keep doing what both parties have been doing, and keep cutting government investment in people and programs. Want to turn this sorry trend around? Spend. Build. Grow. A Progressive Alternative.

Published in the April 2013 issue

Jeffrey D. Sachs is an economist, the director of the Earth Institute at Columbia University, and the author of The Price of Civilization.
For thirty years, the Republican party has been trying to "starve the government beast" by rejecting the taxation needed to finance the public sector. The Democratic party has timorously followed along. Despite Barack Obama's recent paeans to liberalism in his Inaugural and State of the Union addresses, the Republican agenda is very far advanced: The Age of Sequestration is at hand.

The Democrats have walked into the Republican trap with eyes open. From the 2008 campaign until today, Obama campaigned on tax cuts for almost all American households. He embraced George W. Bush's unaffordable tax cuts of 2001 and 2003 and championed making them permanent. Observers of last year's campaign may have thought that a great debate over national priorities had been framed. Here's our great debate: Obama wanted to make them permanent for 98 percent of households, and the Republicans wanted to make them permanent for 100 percent of households. In the cliff-hanger deal on New Year's Day (to avert the media-contrived "fiscal cliff"), Congress and the White House agreed to make the cuts permanent for 99 percent of households (those with less than $450,000 in annual income).

Now Obama ciamors for more revenues, especially cutting mostly unidentified loopholes. Lord knows there are enough of those to fill the coffers of government. The problem, however, is that Obama negotiated away the tax cuts without ever achieving anything to build the revenue side for the long term. He campaigned on the Republican side for five years: tax cuts now, tax cuts in the future.

Yes, he did that to win in 2008 and again in 2012. Now, facing the consequences of the thirty-year Republican war, aided and abetted by the Democrats, including himself, Obama begs for higher revenues to prevent the throttling of government programs. But the Republicans in Congress just sit quietly and smile. They know they've won: The government is on the path of steep cuts.

Many Americans will smile as well. Aren't we just trying to kill the incompetent, engorged federal beast? Yet before making that final, fatal blow, perhaps we should look at that incompetent beast just one more time.

It's the one that just put a land rover on Mars that has been sending back stunning data on the Martian atmosphere and surface. It's the same beast that used high-altitude satellite and weather-balloon readings, coupled to sophisticated supercomputers, to accurately forecast the rare storm track that carried Sandy onto the New Jersey coast. It's the raging, blind beast that made possible the satellites, semiconductors, computers, aircraft, Internet, vaccines, highways, radar, and health controls that have already touched you in countless ways today by the time you are reading this sentence.

Nobody called government incompetent when it led to triumph in World War II. Nobody felt that the government couldn't manage when it developed the atomic bomb. Nobody argued that the government was irrelevant when it built the Interstate Highway System. Nobody called the government a slouch when in eight years it created an engineering miracle that put a man on the moon and returned him safely to earth, a timetable set by JFK just weeks after the first American had flown into space.

So what gives today? Four things.

First, many Americans, especially older Tea Party Americans, believe that the government is a machine for taking their hard-earned money and turning it over to undeserving, slothful Americans, the "moochers" in Ayn Rand's fervid imagery. This must seem like some kind of joke to the down-and-out Americans who receive ample evidence every day of the year that there is no way that America has much care at all for their fate, much less a system for channeling money their way! Let me put it this way: The federal welfare program (now called Temporary Assistance for Needy Families) has been around for more than thirty years and is a front of the biggest fraud in American welfare policy.

Second, Obama and the Democrats have been trying to "starve the government beast" by rejecting the taxation needed to finance the public sector. The Democratic party has timorously followed along. Despite Barack Obama's recent paeans to liberalism in his Inaugural and State of the Union addresses, the Republican agenda is very far advanced: The Age of Sequestration is at hand.

Third, Obama negotiated away the tax cuts without ever achieving anything to build the revenue side for the long term. He campaigned on the Republican side for five years: tax cuts now, tax cuts in the future.

Fourth, Congress just sit quietly and smile. They know they've won: The government is on the path of steep cuts.

Jeffrey Sachs on How Not to Make America Great

A Confederacy of Dunces

Getting Iraq Wrong

The Lawyer Who Won by Losing

America the Empire

The Iraq Apology Tour, Cont'd

Penance Before Absolution

ABOUT THE AUTHORS

Charles P. Pierce

Charlie has been a working journalist since 1976. He is the author of four books, most recently idiot America. He lives near Boston with his wife but no longer his three children.

Esquire Contributors

Thomas P.M. Barnett, Chris Jones, Tom Junod, Scott Raab, Eric Rauchway, John H. Richardson, Eli Sanders, Mark Warren, John Weaver, and other smart people, occasionally.

VIEW ALL POSTS

ARCHIVE

Select a Month

BLOGS WE LIKE

Roger Ailes

Alas, a Blog

Alicublog (Roy Edroso)

AMERICAblog

Americans United

Andrew Sullivan

Atrios (Eschaton)

Attytood (Will Bunch)

Bad Attitudes

Balloon Juice

Bark Bark Woof Woof

Thomas P.M. Barnett

Ben Smith

Steve Benen

BuzzFlash

Bill Campbell

Cautious Man

C.J. Chivers

Ta-Nehisi Coates

Tyler Coewen

Juan Cole

Comments from Left

Crooked Timber

Crooks and Liars

DAILY Kos

Daily Menace

Dangerous Minds

Brad DeLong

Dependable Renegade

Doghouse Riley

DonkeyHotey

Diftglass

Kevin Drum

Echidne

David Ehrenstein

Feministing

Five ThirtyEight

Pure Garlic

Gin and Tacos

HOTHD

HuffPo

If I Ran the Zoo

Jesus' General

www.esquire.com/blogs/politics/how-not-to-make-america-great-0413
earned income and child tax credits, unemployment compensation, and a handful of other programs come in at 5 percent of GDP.

6 percent of GDP in 2020, Medicare (net of offsetting receipts), Medicaid, and other federal programs for health care, around 5 percent of GDP is in marquee federal government programs such as Medicare and Medicaid. The whole health system needs an overhaul: It is inefficient and wasteful, duplicative, and overpriced weapons systems. We're down to $450 billion, or around 3 percent of GDP. We'd still be spending more money than the next ten countries combined, but we will have saved $250 billion. Even more savings are possible in a world in which we work harder on negotiating the control of nuclear and other weapons.

An essential purpose of government is to defend the nation. How much do we need for that? Much less than we are spending today. Start with the $700 billion military budget and subtract the $100 billion we are wasting in Afghanistan, another $100 billion for hundreds of military bases around the world to defend against the Soviet Union (RIP), and at least another $50 billion for wasteful, duplicative, and overpriced weapons systems. We're down to $450 billion, or around 3 percent of GDP. We'd still be spending more money than the next ten countries combined, but we will have saved $250 billion. Even more savings are possible in a world in which we work harder on negotiating the control of nuclear and other weapons.

Next, let's turn to retirement and disability support. Federal retirement programs, including Social Security, federal employees, and military personnel, total around 5 percent of GDP. Disability adds in another 1 percent of GDP. In my view, these should be treated as pretty rock-solid commitments, at least for the coming decade: People have worked for decades, paying payroll taxes and counting on the retirement and disability support.

Then we can add in the health programs. Of the 18 percent of GDP that America spends these days on health care, around 5 percent of GDP is in marquee federal government programs such as Medicare and Medicaid. The whole health system needs an overhaul: It is inefficient and hugely expensive for the services it delivers. That overhaul would save money for everybody: households, businesses, and the government.

Good health care requires seamless connections among the family doctor, specialists, hospitals, diagnostics units, and others. Instead we have a horrid maze of separate organizations, insurers, and providers, each on its own accounts and information systems. The result is waste, fraud, and abuse of hundreds of billions of dollars each year, and a happy, overfed health industry employing legions of highly paid consultants, lawyers, accountants, managers, and bankers.

Health-care costs could probably be cut by at least 20 percent during five to ten years of reform by putting our health delivery on a true systems basis. The private industry will scream, the rest of us will get affordable care, and the budget will be spared. Let's assume that instead of rising to 6 percent of GDP in 2020, Medicare (net of offsetting receipts), Medicaid, and other federal programs come in at 5 percent of GDP.

Let's now turn to income support for the poor. These programs are not all that popular, but no matter what one's views, they are also not all that large. There's family support, food stamps, the earned income and child tax credits, unemployment compensation, and a handful of other
programs. They total just 2 percent of GDP. I'd give them a pass, or even raise them. It's very tough to be down-and-out in America today, and we are by far the least generous country in the high-income world to our own poor.

The next major category of spending is interest on the debt. I'm for paying rather than defaulting. The bill will come to around 3 percent of GDP later this decade, but could rise higher if interest rates are not cooperatively low.

Let's take stock. So far we are at 19 percent of GDP (3 + 6 + 5 + 2 + 3). But there's more to add to the tab. We still need to factor in the road networks, supercomputers, emergency-response systems, research labs, training grants, disease-control units, weather balloons, and other public investments that make our economy run effectively.

Eisenhower built the federal highway system, quite a contribution and by a Republican president. Many of today's Republicans can't be bothered to care about infrastructure until their own homes are flooded, or the local bridge collapses, or the fifty-year-old highway system cries out for an overhaul, or we finally think through why we have the slowest passenger trains in the West. Let's add in a bare minimum of 1.5 percent of GDP on infrastructure and environmental protection, including a national low-carbon energy supply that draws on our country's vast potential in wind and solar power and that captures and safely stores the carbon dioxide of the fossil-fuel-burning power plants.

Then there is our education crisis. Our poor kids can't get preschool, and a frighteningly large number of college kids are dropping out early after taking on unpayable debts. In between are the primary and secondary schools falling behind in information technology, physical buildings, and teacher training. Currently we spend around 0.5 percent of GDP on education at the federal level. It would be nuts if we failed to bump that up to at least 1 percent of GDP.

Other countries such as Germany and the Netherlands have shown that an "active labor-market policy," including apprenticeships, job training, job matching, and other job services, can boost employment and save the economy a lot of grief. We've been skimping badly in this area, leaving a large number of young people without labor-market skills. As a rough estimate, looking at outlays by other countries, a labor budget for training, matching, adjustment assistance for those displaced by trade, and other labor-market outlays could total around 0.5 percent of GDP.

Finally, let's add in science and technology, whether it be the space wizardry of NASA, the health breakthroughs of the National Institutes of Health, the earth sciences of the National Oceanographic and Atmospheric Administration, or the basic scientific frontiers of the National Science Foundation. Here, too, is another 1 percent of GDP in needed outlays.

There's more, a lot more: justice, public administration, commerce, small business, community development, diplomacy, and, yes, foreign aid (which could save lives, win hearts and minds, and build hope and trust in the communities). As a shorthand, I'll add in another 1 percent of GDP.

The total of these programs today is around 4 percent of GDP, but I'm advocating that the total rise to at least 5 percent of GDP so that we can modernize the skills, science and technology, and infrastructure that America needs to compete, save the environment, and remain prosperous. In sum, I'd cut around 3 percent of GDP in two areas, the military and health, and I'd add back 1 to 2 percent of GDP in investments in infrastructure, human capital, and basic science and technology.

On net, I figure that we need around 24 percent of GDP in total federal outlays in order to have the prosperous, fair, and environmentally sound economy we aspire to. That, in short, is our fiscal bill, or what I have recently called "the price of civilization."

How does it stack up compared with other well-run countries? If we add in state and local spending, we'd have around 38 percent of GDP by governments at all levels. Germany is at 45 percent, the Netherlands at 50 percent, and Sweden at 49 percent. In other words, I am low-balling the estimates given American frugality and bias against government. It's hard to see how we'd get by with any less, unless of course we really decide to live through the twenty-first century with broken twentieth-century infrastructure and technology.

If we need 24 percent of national income on federal spending, we could probably scrape by with total revenues of 22 percent of GDP. Yes, that would leave a deficit of 2 percent of GDP. The public debt would continue to rise, but roughly at the same pace as the economy, thereby keeping the debt-to-GDP ratio stable rather than rising. To reduce the ratio of public debt to GDP,
we need even higher revenues.

Houston, we have a problem. While we need around 22 percent of GDP in revenues, our tax system as it currently stands — even after the New Year’s deal — will collect only around 19 percent of GDP in the next few years, and that’s assuming a pretty good recovery of the economy. We therefore need another 2 to 3 percent of GDP in revenues or we can kiss goodbye the investments in science, technology, infrastructure, education, and skills that will allow the U.S. economy to create the jobs and growth we seek.

Given the wealth at the top of the heap, we could raise this amount without too much heavy lifting, that is, if the top of the heap didn’t actually run our two-party duopoly. In the revenue treasure hunt, here’s where to look for the loot of the superrich.

First, a lot of it is in the Cayman Islands, Bermuda, and the British Virgin Islands, a fact that Mitt Romney helped us to understand vividly during the campaign. The Caribbean tax havens book an estimated $3 trillion in bank assets, not bad for a few British colonies of about 160,000 people in total. These colonies are very industrious indeed, as their populations must scurry about sitting on hundreds of corporate boards each in order to hide the profits of our major multinational companies like Google and Apple, and the richest Americans.

A true corporate tax system, not the monstrosity of tax havens, deferrals, and transfer pricing we have today, would raise at least another 1 percent of GDP. The corporations are going to beat the drums of tax relief in the coming weeks, even as they sit on $1.7 trillion or so of tax-deferred cash. Or, I should say, they will beat the drums precisely because they are sitting on this mountain of cash, hoping to repatriate it tax-free. I have a better idea. How about they actually pay their taxes instead, to help sustain the country that enabled them to make this money in the first place?

Second, the biggest wealth hoards have grown massively in the past twenty-five years as the rest of America has lost jobs and suffered falling incomes. A modest wealth tax, say 1 percent on net worth above $5 million, would raise significant sums, perhaps around 1 percent of GDP.

Third, the overgrown financial sector has been heavily subsidized and bailed out. Now it’s time for the sector to pay its share of America’s upkeep. France, Germany, and other European countries have adopted a Financial Transactions Tax (FTT), and so should we. This would bring in perhaps 0.3 percent of GDP if properly applied.

Finally, and for all of us, I would argue that we need a carbon-emissions tax, to tilt the playing field toward the kind of energy systems — solar, wind, and carbon-capture — that won’t kill us. A modest carbon tax, say, ten dollars per ton of CO2, would raise the cost of electricity from coal by around 0.5 cents per kilowatt-hour, and the cost of gasoline at the pump by around eight cents, and would bring in close to 0.3 percent of GDP. More important, it might just help save the planet.

Would higher taxes cut growth by cutting incentives? Theory and evidence say no, indeed a resounding no.

But there are far more powerful reasons to believe that economic growth would rise, not fall, when added revenues are collected. Higher taxes, if properly invested, thereby raise the national growth rate by shifting income from consumption to investment. The government not only makes investments that the marketplace won’t make, it raises the national investment rate as well.

Here then is the true Progressive Alternative: It’s time to get our economy revved again by investing in the areas that will raise productivity and skills. This is the true jobs plan, not through temporary cuts of payroll taxes or stimulus packages that do little or nothing for the long term.

The role of the true progressive is to prove that government can live up to its promise. Obama’s failure is not one of vision or eloquence; it’s one of management, planning, and stewardship. It’s time to back off the absurd cliché that government is all waste and pay the price of civilization in a decent, adequate tax structure that collects enough to do the job.

And for the many who might not remember how this country was built, and who might doubt that the investments are worth it, remind them of the moon, the genome, the Internet, GPS, and the Mars explorer. Not bad for government work.
JOIN THE CONVERSATION

6 comments  Add a comment

Charley James · Top Commenter

This is the same guy who advised the Russians and Poles back in the late 80s and early 90s to privatize everything?

I find it hard to take seriously any calls for Keynesian policies from the same man who acted as a defender of Joe Scarborough in his losing argument with Paul Krugman. From Dr. Krugman's blog on March 8, 2013: "I don't know what's happened to Jeff Sachs. He's been critical of "crude Keynesianism" throughout this crisis, without ever explaining what's crude about viewing a huge slump in aggregate demand through a Keynesian lens. So his position has been a mystery. But now — playing wingman to Joe Scarborough? Really?" 'Nuff said.

Reply · 4 Like · Follow Post · Yesterday at 8:35am

Michael Doane · Top Commenter

Exactly. Sachs is one of the Very Serious People who had the nerve to co-author an article with, choke, Joe Scarborough. As my Austrian friend used to say, neither "is my cup of coffee".

Reply · 2 Like · Yesterday at 9:10am

Samuel L. Baker · South Carolina

Dr. Sachs's crucial mistake is, "This is the true jobs plan, not through ... stimulus packages that do little or nothing for the long term." As Dr. Krugman has pointed out, some "stimulus" of the recent type has built public infrastructure. Also, as businesses and families spend the dollars from the government, that encourages investment in new plant and equipment. Allowing the economy to wallow in high unemployment is the greatest threat to our children's ability to support old folks like me in the long term.

Reply · Like · 3 hours ago

Steve Weingarten · Louisville, Kentucky

Hey, guys, I understand your frustration with some of the author's past pronouncements, but what are your objections to this piece?

Overall, to me, it reads like a pretty solid explanation of why our economy has gone down the shitter, who is responsible, and what we should do about it.

Reply · 3 Like · Follow Post · 16 hours ago

Barry Friedman · Top Commenter · University of Tulsa

The Price of Civilization--the GDP is concentrating on the wrong noun. Thanks for this.

Reply · 2 Like · Follow Post · Yesterday at 8:23am

Stephan Alan Sonn · Top Commenter · University of Florida

Profound commentary. My most cynical reaction would be that it is up to them. As long as they have the House and can count on disinformation they hold the upper hand.

Reply · 1 Like · Follow Post · Yesterday at 8:28am

Greg Bonkowski · Follow · Top Commenter · Senior Recruiter at Headhunters Are Us

The problem is that govt can't live up to its promise. Just look at Obamacare. The Prez says that EVERYONE will be covered when there will be millions who won't. Not to mention the fact that tons are going to lose their jobs and their doctors. The country wasn't built by government, but by people that government tried to destroy—the Carnegies, the Rockefellers, the Forbs--just look at the Sherman Anti-trust Act. Basically, they said—we don't trust you running your own business, so we're going to do it for you.

Reply · Like · Follow Post · 19 hours ago

Peter D. Mikkelsen · Top Commenter · Richland, Washington

sooo, is Esquire attempting to give Sachs the benefit of the prodigal returning? Sachs has yet to return to true sanity... he only bothers on with a lesser degree of the platitudes deemed appropriate and acceptable by the corporatocracy.

Reply · Like · Follow Post · 18 hours ago
What Is Wrong With These Morons?

Your Morning Dooley

More from Esquire

Style
Celebrity Style Tips
Dressing for Formal Events
New Suits
Men's Denim

Politic
Benghazi Hearings
USPS History
Pipeline News
Female Military

Food
Breakfast Recipes
Best Grilling Recipes
Easy Dinner Recipes
Dessert Recipes

Reviews
Best TV Shows 2012
Lincoln Movie Review
Movie Trailers
Django Unchained Review

Cocktails
Martini Recipes
Rum Drinks
Tequila Drinks
21 Best Cocktails

Grooming
Grooming Tips
Best Skin Products
Skin Care Tips
How to Shave

Features
Impressing Women
Dr. Oz Health QA
Best New Movies
Violence in America

Trending
Arnold Schwarzenegger
Celebrity Quotes
Skyfall Movie Review
Sean Penn Quotes

Master of Public Admin
OnlineMPA.UNC.edu
Earn Your Public Administration Master’s Online at UNC. Get Info.

Los Angeles Tax Attorney
www.HollywoodTaxLitigation.com
OICs. Settlements. Audits & Appeals Get tax relief! (800) 301-3924

AARP® Medicare Supplement
www.GoLong.com/Medicare-Supplement