

ACT 3: JEFFREY SACHS

RATHER (On camera): Welcome back. While the world is full of acclaimed economists, there are few who are as easy to understand as Dr. Jeffrey Sachs. He's a distinguished professor from Columbia University and the author of many books. Dr. Sachs has some keen observations about the growing disenchantment with the current state of affairs and the growing anger displayed by Occupy Wall Street.

RATHER: Well, first of all, Doctor, thank you for doing this.

JEFFREY SACHS, ECONOMIST: Ah, it's my pleasure. Thank you.

RATHER: I have so many questions I want to ask you, but let's begin with the quote, 'Wall Street Protests,' which have spread beyond Wall Street. Put a frame around that, what is that about?

SACHS: People all throughout America are unhappy, though it's mainly-- the young people that have taken to the protests. Why are they unhappy? First, the economy is stagnant or worse. Jobs are scarce. But they also see that not only have all the gains of our economy gone to the very top, but the wealthy in our country have abused that privilege.

Rather than contributing to a renovation, modernization of America, they've just said, "Give us more. Give us our tax cuts. Give us our tax havens." And they also twisted the system in-- really terrible ways. Every major Wall Street firm broke the law in recent years. These are our biggest banks in this country and each one, one by one, is paying hundreds of millions of dollars of fines.

So the young people out-- on the Occupy Wall Street are not envious, they're not-- just-- disdaining wealth. They're disdaining irresponsibility. They're disdaining illegality. They're saying, "What's it that when people become so powerful they became so irresponsible, so reckless that they brought the whole world economy into crisis, but they did it in such a reprehensible way." And they have a very strong point.

RATHER: Can they make a difference or is it once the cold weather gets here this will pretty much evaporate?

SACHS: I think America needs a change of direction. And the Occupy Movement, as they call it, or the 99-Percenters, are tapping into a widespread sentiment. I support it. I think it's on the right track.

But America is a big ocean liner that changes direction only slowly, as has been typically true in our history. Now we've had big changes in the past and I think we're due for another one right now.

And it was Teddy Roosevelt, a Republican, who said, "We've got to bust the trusts," who wrestled down Standard Oil, in his day. We have to look after the interests of the average person.

That's what Teddy Roosevelt did in the first decade of the 20th century. It's what his distant cousin, Franklin Roosevelt, did in the 1930s. Franklin Roosevelt actually said in the Great Depression, "We have become enthralled, almost slaves to a new economic royalty." Oh boy. They hated him on Wall Street. But he said, "We're not gonna let speculation wreck this country anymore." That's why the Securities and Exchange Commission was established. That's why laws like Glass-Steagall were put in place.

RATHER: So banks would be limited basically to the banking business.

SACHS: Not to the gambling business. And Glass-Steagall worked for us from the 1930s until the 1990s. And then, lo and behold, who got rid of Glass-Steagall? It was bipartisan. President Clinton-- and his treasury and the Republicans in Congress got together to deregulate.

And it wasn't a few years after that that we had the biggest financial explosion in history, because if you deregulate the banking sector and allow these banks to gamble, what these CEOs do is they pocket billions and billions of dollars in private bonuses on the fees that they earn writing these assets-- but they don't really care about the long-term consequences. And they blew up the world economy this way.

RATHER: Well, it-- in Abraham Lincoln's words, we aspire to have a government, 'Of the people, by the people, for the people.' There is a sentiment in this country, I wouldn't argue a majority, that says we've reached the point where we now have a government of corporations, by corporations, for corporations. Too strong?

SACHS: Not too strong. Very sad, but not too strong. I call it a corporitocracy. That we really are governed by powerful corporate interests. The most powerful corporate lobbies in this country are first big oil, which has such an effect that we can't make a sensible energy policy in this country because it's oil all the time.

Second is the financial sector. Third is our private health insurance industry which is an extraordinarily powerful lobby and which has led us to the world's most expensive healthcare system. Fourth is the famous military industrial complex that Dwight Eisenhower warned about.

Both political parties are part of this. This isn't one party or another. The last 30 years has been a gift to the richest and most powerful people in this country. And the corporations in a year of very high profits are paying the smallest share of national income in decades.

RATHER: But you know the argument. The people who lead these corporations say, "Dan, Dan. You go to talk to," in their words, "some leftist college professor and he doesn't get it. Or if he does, he doesn't say it straight. By keeping taxes low and get, quote, 'regulators' off our back, we're the job creators."

SACHS: They are creating lots of jobs, especially in China in recent years. Not in the United States. Some of our biggest industries-- companies that I admire, by the way, for what they do. Apple, which, I think we all love what they have brought to the world, employs Chinese workers to make the iPhones, the iPads. That's where they're made. They're made by hundreds of

thousands of workers in Shenzhen, China and other parts of China because our manufacturing base is not competitive in key areas.

If we wanna have good jobs, not just jobs but good jobs, we have to have proper training, we have to have proper education, we have to have proper skill development, not just tax cuts for big businesses.

RATHER: Your latest book is called "The Price of Civilization: Reawakening in America Virtue and Prosperity". Why did you write this book?

SACHS: This is a book I never expected to write and, in a way, never wanted to write, because it's a book that applies the tools that I've learned in 30 years of work in economies all over the world back on the United States, my own-- home and my own country. And I never wanted to write it because I always thought the U.S. would be prosperous-- out of crisis, forging the way.

And as this crisis in fact deepened and we weren't forging the way I felt that I had to take the time to understand better what had really happened in the U.S. to put us in this wrong direction and what could be done about it. And, indeed, the core message is that we don't have just a short-term accident which needs a short-term remedy. We have a long-term crisis that's built up over decades that needs a long-term, very considered and ethical approach to overcome.

RATHER: I wanna go back to something you said earlier. You said, and seem to emphasize, that not only, in your judgment, had the big banks and financial services-- done wrong, done things that were unethical, you said they were-- were-- had done illegal things. If Wall Street has done so many illegal things, why have so few people from there faced criminal charges?

SACHS: Even before the jail time issue the CEOs of many of these banks that behaved so badly, that broke the law, that have paid big fines, not only remain in place, but they remain as the-- star guests at-- state dinners at the White House. We haven't had even moral accountability-- much less legal accountability in this country.

That's because there is a kind of impunity in the United States right now. An attitude-- not just a legal approach, but an attitude of the rich and powerful. There are some exceptions. Warren Buffett famously is saying, "Tax me more. I'm rich. I don't need all of this. I need to be taxed more because I want our country to function." But too many of the rich absolutely don't have that attitude, both in what they say in public and, even more, what they're contributing in private. It's all for their personal gain. And this has gotten out of control. I don't think a republic can flourish with that kind of irresponsibility.

RATHER: Give me one thing that you think President Obama could do and should do right now that would have at least a short-term effect on jobs?

SACHS: Well, the first thing I think he should do is stop the relentless fundraising for his re-election-- which puts him at \$35,800 a plate dinners round the calendar year talking to billionaires and millionaires rather than to the average people. I don't like it. And I don't like it because I think it has twisted our politics.

The second thing that I think really needs to be done right now is even more than giving jobs to our kids who are unemployed, I'd like to see many, many of them back in school. Getting training because when the president said, "We need shovel-ready jobs," I rather cringed. Maybe in 1933, in the Great Depression and more than 70 years ago, a shovel was the right image, but for the 21st century we need computer-ready jobs. We need skilled workers. We need jobs that are going to last. And for that we need training. And for that we need our kids finishing college.

Now moving beyond that, of course we need to renovate our infrastructure. We have an energy system that needs a full redesign. There are plenty of jobs out there that are going to be needed. We have a manufacturing sector which is crying out for hundreds of thousands of skilled workers right now.

But for that we need a policy that isn't just a one year – 'Do it now, gotta be done by next November.' We need a strategy that's going to last several years. This is what I had hoped for when President Obama came into office in 2009. I said, "Don't do the stimulus. It sends the wrong message. That's like throwing money at a problem. It's very short-term. It doesn't put us on a path so that in three years, five years you're gonna really see a difference in this country. It's gonna be quick, sharp, contested, gone.

And that's why I would say that what we really need, most of all, which may be the hardest thing for America right now, is a strategy. One that goes beyond next year. One that goes beyond gimmicks. The Republicans have one note. Cut taxes. Well, this has been 30 years, this trickle-down theory. It has failed. The Democrats, unfortunately, have had a different one note, which is short-term stimulus. That isn't taking us-- very far.

RATHER: How do we get back to somewhat higher ground where Republicans and Democrats can get together and agree on something that will help the country?

SACHS: Our problem is not really the partisan divide, in my opinion. My view is that our problem is that both parties are under the grip of corporate lobbies.

In the opinion surveys, the American people are very clear about three things right now: They want the rich to pay higher taxes, they want these wars to end and they want the social policies of our country, in education, healthcare and Social Security, to be sustained.

And I think that if we could really appreciate that the core of the American-- majority-- good values, decency, moderation. Yes, people should take responsibility but also we should have compassion when people need help. Yes, we expect people to work hard and be on their own but yes, we're also gonna look after kids of poor families to make sure they have a decent chance. That's what America really stands for. That's a big majority waiting to be captured, but it's not the majority-- that is winning right now because narrow interests dominate the real policy making.

RATHER: As an individual American, who's watching and listening to what you say and says, 'I agree with a lot of what he says, but what can I do?' What can the individual America do, or can they do anything?

SACHS: I think as individuals first we need to be well informed and-- that is a challenge right now with all of the noise that is constantly coming at us. We need to step back from the feeder a little bit of the two sides yelling at each other on a cable news show or so called news show-- and realize that actually what the public wants isn't being said by either of those two people. So as individuals I think we have to clear our heads a little bit and understand that we need a deeper way out. And I think another thing we can do as Americans is call on our president, he is our president, to follow through on what he said. And chase Wall Street out. Not out of Wall Street but out of Washington. We don't need them in Washington. We need them doing business. We don't need these lobbies. We need our businesses making business. And we need our legislators making rules to ensure that the business is socially responsible. I think we need to call on our president and our representatives again to take the public interest, not the corporate interest.

RATHER: Professor, thank you.

SACHS: Thanks so much.