

Beat: Miscellaneous

Jeffrey D Sachs from Columbia University explains the critic on Bernie Sanders

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USPA NEWS - Mainstream U.S. economists have criticized Democratic presidential candidate Bernie Sanders's proposals as unworkable, but these economists betray the status quo bias of their economic models and professional experience.

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It's been decades since the United States had a progressive economic strategy, and mainstream economists have forgotten what one can deliver. In fact, Sanders's recipes are supported by overwhelming evidence "" notably from countries that already follow the policies he advocates. On health care, growth and income inequality, Sanders wins the policy debate hands down. On health care, Sanders's proposal for a single-payer system has been roundly attacked as too expensive. His campaign (for which I briefly served as a foreign policy adviser) is told that his plan will raise taxes and burst the budget. But this attack misses the whole point of his health proposals. While health spending by the government would go up in the Sanders health plan, private insurance payments would disappear, generating huge net savings for the American people.

Countries such as Canada, Germany, Sweden and Britain all follow something like a single-payer approach and pay much less for health care than the United States does. While the United States spent 16.4 percent of gross domestic product on health care in 2013, Canada paid only 10.2 percent; Germany, 11 percent; Sweden, 11 percent; and Britain, 8.5 percent. U.S. overspending is about 5 percent of GDP, or nearly \$1 trillion as of 2016, mainly because of the excessive market power of private health insurers and big drug companies. An authoritative study by the U.S. Institute of Medicine confirms this extent of excess costs, finding losses of about 5 percent of GDP in 2009. Critics of Sanders's health plan have failed to recognize or acknowledge the huge savings and cost reductions that would accompany a single-payer system.

On economic growth, Sanders also easily wins the debate. While President Obama opted for a short-term stimulus that peaked after two years and disappeared by the end of his first term, and Hillary Clinton has proposed a modest infrastructure program over five years, Sanders calls for a much bolder public investment program directed at the skills of young people (through free college tuition) and at modernizing and upgrading America's infrastructure, with a focus on renewable energy, high-speed rail, safe drinking water and urban public transport. Sanders's growth strategy would get back to fundamentals: a long-overdue increase in productive investments to underpin good jobs and rising worker productivity.-----

Sanders's mainstream critics are mostly Keynesians. Their focus is on total spending, whether it's consumption or investment. Sanders, instead, focuses on investment because long-term growth depends on more rapid capital accumulation (including in skills and technology). America's slow growth is no mystery. The U.S. net investment rate has declined to about 5 percent of GDP, down from about 10 percent of GDP during the 1960s and 1970s. Sanders's plan would restore a high-investment economy and, with it, a higher growth rate.

On income distribution, Sanders accurately argues that U.S. income inequality is uniquely high among the rich countries. Only the United States has deep poverty alongside soaring wealth. Only the United States tolerates a hedge-fund industry in which poorly performing money managers (not to mention quite a few crooks) take home billions of dollars in pay, backed by unconscionable tax breaks pushed by Democratic and Republican senators who live off of the largesse of Wall Street.

Consider the most basic measure of income inequality, the Gini coefficient. This measures the inequality of income among households, with zero signifying complete equality and 1 complete inequality. For high-income countries, a Gini coefficient below 0.3 reflects a low degree of income inequality; between 0.3 and 0.4, a moderate degree; and at 0.4 or above, a high degree. According to the most recent data from the Organization for Economic Cooperation and Development, the U.S. Gini coefficient stood at 0.40, with Canada at 0.32; Germany, 0.29; Sweden, 0.27; and Britain, 0.35.

What accounts for this striking difference? Most important, U.S. inequality has soared in the past 35 years, since the start of the Reagan era. The U.S. Gini coefficient stood at 0.31 in 1980. All countries have faced market pressures pushing toward more inequality "" especially increased trade with low-wage countries such as China and automation that has claimed the jobs and wages of workers with only high school educations. Yet only in the United States have these pressures turned into massive inequality of income.

The reasons are clear. The United States unleashed the power of CEOs to enrich themselves with mega-salaries, weakened trade

unions and gave massive tax breaks to the super-rich. Sanders's policies would go after all of these unconscionable moves, bringing the United States back into line with the rest of the high-income world. He would, in short, end the age of impunity in which the rich and the powerful get their way, while the rest suffer. Sanders's policies include higher taxes on the rich, strengthening unions, raising the minimum wage, supporting families, providing free tuition at public universities and cracking down on financial crimes.-----

There is nothing magical or utopian about Sanders's recommendations. He is advocating policies of decency long ago adopted by other prosperous high-income countries. Our own neighbor, Canada, is a case in point. Canada has lower-cost health care, a life expectancy two years higher than in the United States, much lower college tuition, far lower poverty rates and, not surprisingly, more happiness (ranking sixth in the world in life satisfaction, behind Scandinavia and well ahead of the United States, which is 12th).-----

Mainstream economists long ago lost the melody line. Their models are oriented to the status quo and underemphasize the benefits of public investment. They take America's bloated health-care costs as a given, not as the result of the influence of the U.S. private health lobby. They treat low growth as natural ("secular stagnation"[?]) rather than as the result of chronic underinvestment. They have come to accept cruelly rising income inequality and rampant impunity for financial crimes. Sanders knows better, based on worldwide experience, an abiding sense of decency and a strong and accurate vision for a brighter economic future. Source Washington Post Jeffrey D Sachs

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