

### III. Interview

INTERVIEW: Prof. Jeffrey Sachs

## China's Model for Africa— IMF Model's Failure

by Mike Billington

*Mike Billington, representing Executive Intelligence Review and the Schiller Institute, interviewed Jeffrey Sachs Oct. 24, 2023. Prof. Sachs has held leading positions at Harvard and Columbia universities, as well as at the United Nations and other international institutions. He is also the author of numerous books. This is an edited transcript of the interview. Subheads and embedded links to source documents have been added.*

**Mike Billington:** In what I thought was a very interesting interview with you which I watched this morning, you focused on the arrogance and hubris of the West, as being “out of date.” You referred to the UK this way: “It still thinks it is an empire which is long since gone.” I appreciated those sentiments. But you also said that there’s nothing stopping the U.S. and Europe from changing, from joining with the BRICS and the Global South in development, instead of issuing threats and carrying out war policies against them.

I think there’s a huge irony in the fact that the Chinese are actually, in a very real sense, using the American System approach of economics, the policy of Alexander Hamilton, which focused on government-directed credit for basic infrastructure and the general welfare, while the U.S. has given up on the American System altogether, adopting the British Hobbesian each-against-all model and unregulated free market anarchy.



Prof. Jeffrey Sachs

Gabriella C. Marino

### ‘All Successful Economies Are Mixed Economies’

In that interview, you indicated that the three aspects of the Belt and Road are infrastructure, energy, and digital, and that China actually leads the world in all three. Would you agree that China is using the Hamiltonian approach to economics, perhaps coming via Sun Yat-sen, who was highly influenced by Hamilton?

**Prof. Jeffrey Sachs:** China has what I would simply call a mixed economy, which means it’s partly state directed, partly market directed. I think all successful economies are mixed economies and the U.S., even when it uses free market rhetoric, has a large role of the gov-

ernment, not necessarily an accurate role, but a large role of government in the economy. Different countries come down differently on how they carve up the relative weights and responsibilities of public, private, and civil society sectors. It’s true that the UK and U.S. approach is relatively more on the *laissez faire* side. I’d say relatively more, with lower taxes, certainly, as a share of national income, and much lower social outlays. The UK more than the United States, even though it started with *laissez faire* in the 19th century, adopted a National Health Service, of course, after World War II. The United States never did that.

China’s a very pragmatic and economically well-

governed country, very impressive during the past 40 years, because they've had a planning model with a major role of state finance, combined with a very dynamic and competitive market sector and very entrepreneurial lead in many sectors as well. I was just in China and noted a huge rise of electric vehicles; there are hundreds of electric vehicle companies right now, start-ups. It's expected that the number will whittle down quickly to perhaps between 5 and 10 such companies, but right now it's hundreds of companies producing electric vehicles, and it's a fiercely competitive market inside China.

Now, when it comes to the international side, China's doing a lot of things that the United States did for a while after World War II, which was to help finance infrastructure abroad, make the way for U.S. multinational companies, in fact. China right now is doing that. The United States doesn't do much internationally at all other than war; it doesn't do peaceful economic development activities.

You can hear in the rhetoric of American leaders, politicians, their resentment that China dares to help other countries to build infrastructure. The Belt and Road Initiative, which is a very valid and quite beneficial win-win program of China, together with more than 150 other countries participating, by the way, is badmouthed every day by the United States, mainly out of resentment and jealousy because the U.S. doesn't have that kind of spirit to make connections with other countries.

China is making massive investments and working with other countries to help them with developing an electric power grid, basic renewable energy sources, fast rail, 5G technologies, paved roads and highways, and many other desirable things that those counterpart countries really need. Now President Joe Biden is talking about a road project from India to the Mideast [the India-Middle East-Europe Economic Corridor (IMEC)], and he's so proud of this one road. It doesn't exist. It's not financed. It may be a good idea, but it's a little pathetic, actually, to tell you the truth, because China has *dozens* of projects like this all over the world. The United States has thought only about one, literally. I guess they took the "One Belt, One Road" idea, but they took only the One Road part of it, one! Whereas China is doing dozens of these projects. So the U.S. is kind of looking on.

**Billington:** I think this IMEC is dead with the war now in Gaza.

**Prof. Sachs:** Yes, I think that's right. We're so ineffective, so paralyzed with everything, so war-driven, that an idea of a road becomes about the best that we can do and a road that perhaps never will be built.

**Billington:** I'll come back to China.

## Prospects for a New International Currency and Trade Mechanism

I also know that you were at the Valdai Discussion Club's Annual Meeting Oct. 2–5 in Sochi, Russia. Prof. Richard Sakwa, whom I interviewed yesterday, whom you know, and who was also a speaker at Valdai, told me that. He told me that you were speaking there on the prospects for a new currency and a new international trade mechanism that's taking place within the BRICS. I think you know that Prof. Sergei Glazyev [Commissioner for Integration and Macroeconomics within the Eurasian Economic Commission, the executive body of the Eurasian Economic Union], who has been a key economist in the process of formulating these ideas, is working with China and with the other BRICS countries, and now really the whole Global South, working on putting together this kind of idea. You probably know that Glazyev has openly praised Lyndon LaRouche's economic ideas and especially the [article](#) LaRouche wrote in the year 2000, "Toward a Basket of Hard Commodities: Trade Without Currency." Perhaps you can say a bit about where you think that whole plan stands today.

**Prof. Sachs:** Basically, I noted that having one dominant currency in the world, which has been the U.S. dollar after World War II, and which was the pound sterling before World War I, has certain advantages because money is just a means of settling transactions for the real economy, for the non-monetary economy. So having a single currency can be efficient.

But the U.S. has blown it up by weaponizing the dollar. The U.S. had an advantage because other countries and international businesses use the dollar, and that does give benefits to the U.S.—so-called seigniorage benefits and other benefits, essentially ease of borrowing abroad and very high liquidity of your own national currency. But the U.S. started to weaponize

the dollar, meaning rather than letting it be used just for transactions purposes, the United States used this special situation of having transactions pass through the dollar banking system and ultimately through the central bank of the U.S., the Federal Reserve, to start confiscating the dollars of other countries that the U.S. disagreed with in foreign policy.

This is really obnoxious behavior, by the way, because the idea of money is, again, as a transactions medium, not as a hostage to foreign policy. And because the dollar was so dominant, even after the U.S. confiscated the reserves of Iran or North Korea, then Venezuela, now Russia, now many countries use the dollar, but they don't like to use it because they're a little afraid of saying a word that's cross to the U.S. and then seeing the U.S. government come down on them, even freezing their money.

It's pretty bad behavior in my view, but basically very ill advised because the BRICS countries now—it started with the original five—Brazil, Russia, India, China and South Africa—but now it's going to include the new six—Argentina, Egypt, Ethiopia, Saudi Arabia, the Emirates and Iran—is a big group of countries. And they're saying “We don't want to use the dollar because frankly, we don't want our money confiscated.” And so they're going to develop an alternative payments system. They will be successful at that because it's not so hard to make payments in other ways, in renminbi or in rubles or in rupees or in a [new] R5 currency, so-called because the original BRICS five all have an R as the initial letter of their national currencies: the rial, the ruble, the rupee, the renminbi, and the rand. They call it the R5. And they may just make a basket using those five currencies for denomination, and even for lending and borrowing in a bond, denominated in a basket of currencies.

I expect something interesting and good to come out of this. Again, it's a little bit regrettable in a way. If having a single medium of exchange, it wouldn't even have to be one country. [Lord John Maynard] Keynes had the idea that it would be the currency of the IMF, the “bancor” he called it in a famous writing. The bancor would have a certain convenience, but if it's then used monopolistically for militarized or foreign policy or geopolitical purposes, it's not going to last long, because there are always workarounds when it comes to trade and to financial settlements. And that's what the BRICS are doing right now. They're going to do a workaround.

## The Issues of an International Currency and of Managing Monetary Policy

**Billington:** Just before this call, I emailed you a link to an [interview](#) of Sergey Glazyev published Oct. 23 by TV BRICS on this issue, in which he emphasizes that while the basket of currencies and the R5 are definitely being implemented already in various forms, eventually the idea of a separate currency, maybe the R5, but maybe some separate currency, would also be tied to a basket of commodities rather than just currencies, in order to, in a certain sense, tie it to the actual cost of production in the real economy. He thinks this is something that it can be simple to finish completing, that he's hopeful that it can be done by next year when Russia is head of the of BRICS and will be holding the BRICS conference in Kazan. I'd be interested in your response to his article.

**Prof. Sachs:** I haven't read it yet. Let me just say that there are several different issues involved in our discussion. One, is the privilege of the U.S. to host the international currency. I've explained why the U.S. has misused that privilege and why it's now going to lose a lot of the business from settlements in dollars. A second is the mechanics of the payment systems. The third is the management of monetary policy. These are all distinct issues.

On the payments mechanisms, we can now do something that could never have been done before, and that is digital settlements. We don't even need a banking system now, and we don't need cash in circulation or gold bars or gold coins and other mechanisms that were mechanisms of settlement, because now digitally, every transaction can be tracked. We know there are different ways to do it. Blockchain is one, but there are many others, probably more efficient ways to do it with central bank clearing, for example. That means that even the method of payments, I think, will likely be digital and there could well be a central bank digital currency in the future.

The third question, that of the management of monetary policy, is a long debate. John Maynard Keynes wrote brilliantly about it in the 1920s and the 1930s. Should a currency, whether digital or physical, be convertible into something else, for example, gold or into some commodity basket? Or should it be what economists call a fiat currency, which is that it is only backed by the policies of the central bank or banks? In that case, the currency and its value depend on expectations

about those policies. We've had more than 100 years of debate about that.

The advantage of linking a currency to a commodity basket is that it can't be issued for political purposes, especially to finance government payments not backed by a flow of tax revenues, for example. So you can't get a hyperinflation in a backed currency. And that's been deemed to be the advantage; that it is a kind of straitjacket and focuses on the real economy, limiting the capacity to issue credit.

On the other hand, it proved to be highly disadvantageous in other circumstances, for example, when the world was on a gold standard or a gold exchange standard. If there were long periods in which major gold deposits were not discovered, that gave, on average, a deflationary weight to the world price trends, and that was deemed to have distributional and real economy effects that were not highly desirable, although it also had some desirable effects as well. It also made it harder for central banks to be lenders of last resort in financial panics.

The Great Depression is a very complicated, fascinating, and important subject to understand about central banking, and whether the gold standard was a contributor to the persistence of the Great Depression. Well, I don't want us to get into a long excursus about monetary theory, except to say that there are several questions on the table right now. First, whose currency? Second, the technology of settlement. And third, the organization of monetary policy. They're all very interesting. I spent many decades studying them, and I think there's no ideal system here, which is why we continue to have these discussions decade after decade after decade.

## The Chinese Economic Miracle

**Billington:** Well, getting back to China, I listened to your presentation in Beijing, to the UN headquarters there, to the international ambassadors and Chinese officials. You focused on the Chinese miracle, the transformation of China over a mere 40 years, from one of the poorest to one of the richest in history, and the elimination of poverty, and so forth.

What I really found interesting was your discussion of the idea that the Chinese model would be the proper approach for dealing with the development of Africa, which of course, is also very much part of China's policy with the Belt and Road. In particular, you contrasted that directly to the policies of the IMF, which I thought

I'd ask you to elaborate on here, because it was a very interesting way of showing the failure of the IMF to bring about real development in Africa or any other part of the developing sector.

**Prof. Sachs:** To put it very straightforwardly, the rapid economic growth of China, which was, by traditional measures, around 10% per year growth of the domestic economy persistently between 1980 and nearly the year 2020. So an increase that was more than 30-fold if you accumulate in the size of the Chinese economy, came about by investment. What does investment mean? Investment means building the capital stock of a country. What is a capital stock? A capital stock means the productive assets of an economy. What are those as well? Those are three main categories. First, what we carry in our own bodies and brains, the so-called human capital. That's the education and the skills and the health of the population. The second is the physical infrastructure, which is the roads, the power grid, the fiber optics grid, the water and sewerage systems and fast rail, highways, all of the networking that the economy depends on. And the third is the business sector, the manufacturing industries, agriculture, and so forth.

Well, if you look at China's growth during 1980 to 2020, the rates of investment were extraordinary. The rate of investment means essentially the share of the national income invested each year in new capital. In the United States, the gross investment rate, which means the amount of investment that we undertake, not recognizing that some of it's just offsetting depreciation, is something on the order of 15 to 20% of the national income. But in China, it was typically 40 to 50% of the national income. So a supercharged investment rate.

Before our eyes, China built thousands of kilometers of fast rail, thousands of kilometers of a highway system, thousands of kilometers of an electricity distribution system, and on and on and on. Really impressive! And that's what powered China. That, plus the huge investments in education and skills. China started without much infrastructure at all. It started with very poor education levels. By the late 1970s, however, after so much turmoil over the preceding 150 years, China finally woke up. Starting in 1978, China said, "Okay, we're going for it." Deng Xiaoping came to power. He was perhaps modern history's single most successful economic reformer. He pointed China in the right direction, said go for growth, open the economy, make a market economy, make a mixed economy, build in-

infrastructure, invest in the people. Lo and behold, that extraordinarily high investment rate led to 40 years of rapid growth.

When it comes to the IMF, the problem is that the IMF does not have that vision in mind. The IMF's vision to a finance minister of a poor country is, "Don't bother us with your problems. Don't get into excessive debt. Don't get into a financial crisis and don't bother us about your poverty, thank you very much." So nobody thinks very hard about the way for these countries to get out of poverty. But the way is just like China did, which is massive investments.

Then comes the question how to finance those investments. China partly borrowed in the early years, but also had a massively high saving rate internally. So as the income was rising, China wasn't consuming it in a lot of household consumer spending. Chinese households were saving a lot of their rising income. Chinese businesses were reinvesting a lot of their profits. The government wasn't running huge deficits on its current transactions and so forth. All of this meant a very high saving rate that could be turned into a high investment rate.

Now, Africa right now has a very, very low saving rate. Because people are impoverished, they can't save more. They have to survive. So they need some help with the financing right now by essentially some international financing, say from the African Development Bank or from the Belt and Road Program, in which China can provide some of the financing to build that infrastructure in Africa.

But that's the advice that Africa should be getting. Invest, invest strongly, invest heavily, borrow where you need to borrow. Get your kids in school, electrify the economy, build the roads, build the fast rail, and so forth. China can help to give some very good advice in that direction. China shows you can have 40 years of supercharged growth. And that's what Africa needs.

## On Human Nature

**Billington:** Forty years, I agree. You also spoke at Qufu, the birthplace of Confucius, which now is a shrine and a museum, a major site.

**Prof. Jeffrey Sachs:** That temple, the Confucian temple, has been there for more than 2,000 years, and each emperor has come and added a stone, added an inscription, added calligraphy. Confucius has been an intellectual hero and guidepost for China for 2,500

years. So it was really impressive to have been there at a Confucius birthday party, which I was, because this goes back essentially 2,500 years. There's a large, large complex of buildings, because Emperor after Emperor added their own building to it. You really get the feel of China's very long, remarkable history.

**Billington:** Right. And you focused there on the idea that we find our common humanity by studying the great philosophers and thinkers of every culture in particular. You looked at Confucius and Buddha and Aristotle. I think I would differ with you on Aristotle and would have focused on Plato. But that's a discussion for another time.

In any case, this idea of looking at the great cultures and the history, the best moments of the great cultures is the exact opposite of so-called geopolitics, which is what guides the Western leaders today, deriving from ideologues like Halford Mackinder and other ideologues of the British Empire. Their view is that the only way to advance is by putting down the other guy—the opposite of the interest of the other.

This, of course, leads to the sanctions policy. You didn't mention the sanctions when you talked about the theft of reserves. Even the sanctions policy, as I understand it, is based on the fact that people have to use the dollar in trade and that therefore the U.S. thinks they have a right to impose these sanctions on countries. China, of course, is not looking to suppress anybody else. The massive sanctions against China and Russia and many other countries indicate a failure of thinking in terms of the great cultures and what can be done with a culture for the future.

So how do we restore that process in the West, of looking to the great minds of antiquity?

**Prof. Sachs:** I think that there are two philosophical points that we really need to pay attention to that are quite fascinating, quite deep. One is the question of human nature. I like Aristotle personally, but also I like the fact that Aristotle, Buddha and Confucius allow us to talk about the ABCs of philosophy. So it's getting back to the core ABCs, and what ABCs Aristotle, Buddha and Confucius had in mind about human nature is that it is potentially good, meaning that with proper cultivation, proper education, proper mentoring, living in a decent community, people can learn to be harmonious. People can learn to be fairer. Trustworthy people can learn reciprocity. So this is sometimes called "virtue

ethics.” The idea that people can be decent, pretty good.

There’s another philosophical strain, which is deeply pessimistic. Augustine in Christian history is the exemplar of that. Man is fallen, and so man is a sinner and there’s no way out except perhaps by God’s grace. But the sinfulness can’t be washed away. Pessimists in history have believed that.

Another pessimist like that, who had a huge influence, is relevant to my second dimension, which is how people behave or how states interact. [Thomas] Hobbes, in a way, is a follower of Augustine. Hobbes, of course, wrote in the 1600s, whereas Augustine was more than a millennium earlier. Hobbes, the quintessential British philosopher, said that people are rapacious. They are greedy. They are pushy. They are violent. And the best you can hope for is that someone controls them from killing each other. So he called for a very tight, centralized state for that purpose. Basically, the Hobbesian idea is that you can’t do anything in a state of nature, other than to defend yourself from being killed by someone else.

Strangely enough, while British thinkers accepted that there would be a national government that would stop people from killing each other inside Britain, they took the view that internationally, it is a Hobbesian war of all against all, that just countries fight with each other. This is in the current thinking of international relations known as the “realist school.”

Our leading realist thinker in the United States is John Mearsheimer at the University of Chicago. He’s a wonderful person, a tremendous gentleman, and a great scholar. But he thinks that countries, and especially great powers, are inevitably at each other’s throats. Unfortunately, there’s a lot of empirical evidence that this is often the case. John Mearsheimer says the implication of this is that the world is tragic. His most famous book is called *The Tragedy of Great Power Politics* because he says conflict is just about inevitable between major powers, because nobody trusts each other, you can’t trust each other. It’s a war of all against all. It’s eat or be eaten, kill or be killed. And so, yes, life’s tragic.

I debate him. Again, we’re friends and I admire him a lot—I want to be clear. But I say, “John, we can’t accept tragedy as our fate. We have to do better than that.” And so I go back to the philosophers and the philosophers taught, you know, you can have harmony. That was Confucius’s main message, which is that it’s possible actually to be decent. It’s possible to observe what was famous for Confucius and in similar terms, for us in the Western culture, as the Golden Rule: “Do

not do to others what you would not have them do to you.” If you’re a Hobbesian, however, you say, “Oh, there goes Sachs moralizing, but that’s not how the world is. I’m going to do what I can to the others, because otherwise they’re going to do something terrible to me; I’m going to get there first.”

**Billington:** Because that’s human nature. That’s what they argue.

**Prof. Jeffrey Sachs:** Because that’s the deep human nature. That’s inevitable. But I don’t believe it. It’s certainly not the case that we’re always at war against each other. We can be better than that.

By the way, China absolutely has a different history and a different mindset. This is also a fascinating point. It’s not just Confucius versus Hobbes; it’s actually history, 2,000 years of statecraft. What have we learned? Well, in China, for most of those 2,000 years, there was a centralized state. This is very important. For most of the 2,000 years, there was the Han dynasty, or the Tang dynasty, or the Song dynasty, or the Yuan dynasty, or the Ming dynasty, or the Qing dynasty, or today the People’s Republic of China. And for most of those 2,000 years there was one country, and while there were rebellions and there were a lot of invasions from the north, mainly from the nomadic peoples in the dry, grassland steppe regions, there was one country, with a big, big population.

Now in Europe after 476 AD, when the Roman Empire fell in the West, there never again was one dominant power of Western Europe. So there was war non-stop. Think of Britain and France, for example. How many years were they at war during the past 1,000 years? An incredible amount across the channel. Compare that with China and Japan. How many years were China and Japan at war between each other? You could take it back before 1000 AD, but say from 1000 AD to 1890. The answer is *two years!* I think was in 1274 and 1281, if I remember correctly. And there was actually one incursion a third year. Now, two of those were when the Mongols ruled China, and they tried to invade Japan and failed on two occasions. Once was when a shogun, military commander of Japan, ridiculously tried to invade China and was terribly defeated in the Korean Peninsula.

But my point is not that. My point is they didn’t fight for a thousand years. Barely a skirmish. By the way, when Japan industrialized, becoming the first industrializing nation of Asia, Japan followed the realist



approach. Sadly, Japan said, “Okay, now we’re part of the Imperial Club. Now we’re going to go invade China.” And the Chinese diplomats said, “What are you doing? We’re Asians.” And Japan said, “No, no, no. Now we’re part of the Western club.”

This was back in the 1890s. So Japan really behaved badly by becoming an imperialist power for some period. But China never did in that way. And if we understand the different philosophical roots, this is crucial. If we understand the different experience of Europe and China, we can come to appreciate that our mindset in the West that, well, the idea that “it’s war all the time, China is an enemy, so we better go at it,” is nothing like the way that China thinks.

When I said to John Mearsheimer—again, I want to stress he’s a friend and a brilliant scholar—all this war mongering against China is going to create a self-fulfilling prophecy of war. He said “Yes.” I said, “John, self-fulfilling. We don’t need to have that war.” He said “Yes, but that’s how it is.” And I said, “No, we don’t need to have it that way. We can do better than that.” So that’s the debate.

### **The Tenth Principle of Helga Zepp-LaRouche**

**Billington:** Back on Nov. 30, 2022, Helga Zepp-LaRouche, founder of the Schiller Institute, issued what she calls [Ten Principles](#) of a New International Security and Development Architecture. Most of those principles are sort of self-evident: that you need education, you need cultural training, you need health, so forth.

But the tenth principle is exactly what you just brought up: that the nature of man is good. This principle is the one that’s most difficult for people to accept or understand. But it’s the fundamental one. It’s really the issue as I think you correctly just located. This is what distinguishes the idea of being committed to global development rather than global war. And of course, as you said, also the Confucian concept of harmony and the concentration on education is really at the center of the Chinese development of their own country over the last 40 years, and is what they are now taking out to the rest of the world through the Belt and Road.

As you know, China just hosted the Third Belt and Road Forum in Beijing with 150 countries represented, which certainly demonstrates that the West has failed miserably in the isolation of China in the world. Their idea to get countries to “decouple” from China has just forced most countries to say, “You’re crazy. This is where development is, rather than war and sanctions.”

The issue title of our *EIR* magazine this week is

“\$100 Billion, for Life or for Death,” referring to the \$100 billion in new investments through the Belt and Road being offered by Xi Jinping, comparing that with the \$100 billion investment in wars, naming specifically against Russia, meaning Ukraine; Israel, the genocide being carried out against the Palestinians; and China, as proposed by Joe Biden. Taiwan is one of the places where part of Biden’s \$100 billion is going. It’s pretty clear that they’re talking about a global war.

The only question is, how can this madness be stopped and reversed?

### **The Tragic Arrogance of American Foreign Policy-Makers**

**Prof. Sachs:** Well, it is so unacceptable: American foreign policy. I hope people are coming to understand that the arrogance and the militarization of the United States that has been demonstrated time and again now over the past 30 years, is not bringing security to the U.S. It has busted the budget. We’ve spent trillions of dollars on these horrible wars that have accomplished nothing except violence and destruction and rising debt. They’re not making America safer at all; that the never-ending wars are a reflection of that arrogance.

Because of that arrogance, American policy-makers have thought, “We can do what we want, and we don’t have to talk with anybody about it. We don’t need diplomacy. We just need our military.” But the military can’t solve political problems. We’re finding out again and again that the military approach doesn’t work to solve the deeper problems of humanity.

And the military can’t settle political issues. For that, you need politics. You need diplomacy, and I mean politics in the positive sense of getting together to work out arrangements for people to live peacefully together. The failures of American foreign policy are on full display.

Also the ignorance of it. I’ll cite a statement from Jake Sullivan, our National Security Advisor, from about a week before the violence blew up in Israel and Gaza with the Hamas attack and now the bombing of Gaza. Jake Sullivan said, “The Middle East is the quietest that it’s been in two decades.”

That shows they don’t know anything except what their own imagination is, and they don’t understand what’s happening around the world. And what’s happening around the world is that people want a different approach. They want development. They want social justice. They want the chance for decent lives. They don’t want the militarized approach.