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Statement of Dr. Robert Johnson at the opening of HLPF 2017

>> Thank you. It's a pleasure to be able to meet and speak with you today at the High Level Political Forum on Sustainable Development. As a life-long sailor, I'm very fond of navigation systems. And the goals that you put forward seem to me a very noteworthy and important navigation system for us to aspire to.

Victor Frankel who wrote the famous book "Man's Search for Meaning", said, "life can be pulled by goals just as surely as can be pushed by drives". Muhammad Ali said, "it's goals that keep me going!"

I think having goals is very important. Particularly in a secular economic world where the notion of values and ethics are supposedly somewhere mysteriously embedded in market outcomes. I think they need to be more explicit than that.

In my work in the Institute for New Economic Thinking we often talk about contexts, incentives, and values. We do not see markets as gods. Markets are not magical carriers of goodness. They're tools. That inspires production and facilitates exchange and primarily reflect the desires of those who have purchasing power.

Similarly, there is a romance associated with government. Governments are human and social constructs and they are not magical entities. Their function must be thoughtfully designed and administered and informed by the kind of goals you put forward.

INET's work is really about the failure of two romances: The romance of unfettered free markets and idealistic romance of government.

In the particular context we face today, the scope of the market is much larger than the domain of the sovereign. Local governance is overwhelmed by global forces, as you know commodity price movements, particularly food prices, can be very destructive to social order, and global governance lacks sensitivity to people's need.

Right now in the advanced countries, the challenge of our context is very formidable and at this point potentially dangerous to the sustainable development goals.

### **The Dangerous Discontents.**

Nobel Laureate Joseph Stiglitz is writing a book "The New Discontents." Globalization has now shown itself to be questionable in the way it's structured for the people within advanced economies.

The discontents are very evident. Our current political turmoil is in many ways a symptom of them. There is a book called "The Vanishing Middle Class" By Peter Temin of MIT that was created from a paper he had written for an INET conference on Race and Economics in Detroit last November. And that discontent, which INET research director Thomas Ferguson has called the "High-Income Trap" sees dysfunction in the representation and the resulting economic structure in advanced economies.

The problem is that the citizens of the advanced economies are right to be discontent, but they should not be directing their discontent at the emerging and poorer countries. They should be directing their discontent at the elites and experts in their own countries who have created a system where the wealthiest take more than 100 percent of the gains from trade and technological innovation and use their influence over politics through lobbying, PR and the financing of elections to diminish the social infrastructures related to health, education, retirement, and infrastructure and to reduce the tax burden of elites.

Of all of the things I would recommend to meet you're the sustainable development goals, the first would be to maintain an openness to the poorest countries on the part of the advanced countries or the system. In fact both advanced and emerging countries will suffer if this is not achieved.

The problems within the advanced countries are a serious danger to this world's system. These are human constructions. They're not natural forces and they are not inevitable. The German and Scandinavian countries are doing much better in adjusting to these shocks and challenges of globalization and technological disruption than is

the USA. Those countries are also, as you have noted in the report of the Secretary General, doing better meeting the goals of overseas development assistance as well.

### **Development in Poor Countries: Past is not Prologue**

Another formidable challenge at this point is the notion that models of development, particularly rely on manufacturing for advancing a nation's fortunes. This will not likely be the roadmap for the poorer countries in Africa and Asia in the future as it was in East Asia in the last 50 years. Past is not prologue.

What I mean by that is we've had a belief that a move into manufacturing would lead into learning by doing, improving the balance of payments, and countries would continue to move up the ladder of development. But the rungs in the ladder at this juncture, using what some called the East Asian model. The nature of production, whether through automation, or because of global supply chains does not constitute the development ladder, or the rungs in the ladder for the process of learning by doing. In addition, the balance of payments is not fortified nearly as much as it was in the past because the relative value of manufactured goods has gone down.

As Nobel laureate A. Michael Spence at New York University has explained, learning by doing does not take place when a robot is doing the assembly. We have to find other means of knowledge intensive growth for what you might call the rungs in the ladder for emerging society particularly in Africa and to some degree in southern Asia, as well.

### **Energy Transformation**

With regard to energy challenges, my colleague and friend Adair Turner, from the United Kingdom is leading a commission on energy transformation. Dr. Turner is working at this point on the difficulties that on the surface appear almost a mystery. You have zero or negative real interest rates all over the world, and massive infrastructure needs related to energy transformation. Both the need to produce energy that is not reliant on carbon and the need to be conserving energy are formidable for the insuring the planets future, yet far too little of this is actually being done.

But what Turner's commissions work suggests is that the structure of new forms of renewable energy create energy is essentially produce at zero marginal cost. There is a lump sum associated with investing, but with zero marginal cost, the price of it in the marketplace tends toward zero. So very few people are interested in the private sector in investing in this type of energy and it does require very formidable use of public fiscal resource to address this challenge on the scale that's needed.

### **Public Private Fantasies**

I believe that it is somewhat of an illusion to believe that some magic can occur in public-private partnerships in this regard. Because public-private partnerships appear to be vigorous and potentially helpful only in those places where there is a revenue stream to be capitalized. But when you have that structure of zero marginal cost output, the idea that you, because of your competitors being able to sell things close to zero, will make very much money makes me quite suspicious of believing that a public-private partnerships will be of great value to meet this challenge.

It's also somewhat difficult because many public-private partnerships are the result of corruption within governments and they're more designed to raise money for election campaigns than they are to provide social services, and there is often very powerful monopoly in societies suffering because PPP created excessively costly services.

We should do much better. There are good examples, and I would point you to the wonderful book on 13 examples of revolutions that changed the American economy called "Bold Endeavors." By Felix Rohatyn.

### **Gender and Oceans**

I'll turn now to two of your goals that I find personally important. The first relates to gender. At INET we have done a lot of work on what we call "otherness." Our focus has largely been on the tensions and racial animosity in the United States during periods of economic insecurity and how this exacerbates the racial animosity between African Americans and Caucasians. I have written a paper with Arjun Jayadev that is quantitatively quite rigorous showing that measures of economic insecurity correlate very strongly with measures of racial animosity.

But racial animosity in America is just one special case. The notion of "otherness" which has been championed by John Powell from The University of California at Berkeley Haas Center for Fairness and Inequality talks about the otherness in many contexts and particularly what concerns me is in relation to gender.

At this time, citing the data from your interim report, even though I know it's early in the process for meeting your sustainable development goals, we have a dreadful dysfunction in our world in relation to gender. The idea that it can just be alleviated by recognizing it is, I believe, one step too simple. I would encourage you to see John Powell's work and there is a company here in New York called Perception Strategies that works on the healing of otherness, on the racial divide.

Healing is not created just by shaming. It's about uncovering the anxiety of the perpetrators. It's a tremendous vein for new thinking. Anybody who would like to learn more can call me on this. It really matters and the leverage for all of your goals is formidable. If you can improve the condition of women, therefore the condition of mothers, the health, leverage on alleviating poverty is enormous. I would make this goal, in the next phase of your work, the most important goal, perhaps along with climate change because of the urgency in that environmental realm.

Finally, I mentioned to you at the outset that I'm a life-long sailor, so I can't resist talking about sustainable development goal number 14 on the oceans. And what I saw in your conference here just a month or so ago was an extraordinary woman, the Deputy Prime Minister of Sweden who has already written a book in this realm called "Silent Seas" and I think her work is a call to action. I think her work is an extraordinary act of leadership. And I would hope that that call to action will gather, both in the private sector, NGO world, and among yourselves, further momentum over time.

The preceding speaker talked a great deal about coastal communities and how that relates to poverty and it's just overpowering. I've sailed all over the world. To Antarctica and to the North Pole and everywhere else. And the devastation in the ocean right now leaves every marine biologist and oceanographer I have encountered feeling devastated. There is an enormous need, and my being out in that realm of nature frequently in my life, suggests the problems are accelerating.

Finally, I turn to the words of wisdom of two extraordinary thinkers. First a quote a book that was written in this city by the Frenchman Antoine de Saint Exupery. In *The Little Prince* he writes, "It is only with the heart one can see. What is essential is invisible to the eye"

The second is the Indian wisdom of Tagore. I quote him because I passed a church this morning on the way to this conference and was reminded that when I look at what you're challenging to world to do with the development goals, it is extraordinary.

What Tagore said is "Every child comes with the message that God is not yet discouraged" You can look at the progress you make on the 17 goals each year and know that progress would be less without your urging. We cannot afford to be discouraged. And in being given the opportunity to appear before you I get the message and I am encouraged. I thank all of you and I thank God for the work that you do.