

Dambisa Moyo

bonuses for successful politicians!

That and much more demands the economist Dambisa Moyo. A conversation about capitalism and its limitations.

Interview: **Uwe Jean Heuser**

May 8, 2018, 4:59 pm / Edited on May 10, 2018, 8:15 am / TIME No 20/2018, 9 May 2018

FROM THE TIME NO. 20/2018



The world economy is dominated by shortsightedness, says Dambisa Moyo. © AMELIE QUERFURTH / AFP / Getty Images

THE TIME: You are considered the master of the direct argument. What is the core of your new book?

Dambisa Moyo: There are a number of key issues, but first and foremost, the world economy is dominated by shortsightedness. This applies primarily to politics, but also to companies.

TIME: Do you mean that the acting people are simply selfish?

Moyo: "Selfish" is in my view too critical a rating. Politicians simply behave rationally. For them, success means staying in office. In that sense, they behave

exactly as they should. They focus on short-term concerns of voters and waste relatively little time thinking about the long-term consequences of their decisions.



The economist Dambisa Moyo
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TIME: And the business people?

Moyo: Companies are reacting to the short-term orientation of the capital markets, because here too, many investors only keep their shares for a short time and are therefore very much focused on quarterly profits rather than a long-term strategy. In both cases, one ultimately has a situation where corporate and state

leaders are focused on the immediate future and spend little time on the long-term challenges.

TIME: It has been observed for some time that the productivity gains that should result from the digital revolution are missing. Is the short-term the reason for that?

Moyo: No, I do not think so. It just takes time for the digital effects to take effect. Look at the electricity. It took several decades for it to be commercially available to households. Just as we are still in the first decade of the use of social media and other innovations, also in artificial intelligence and robotics is still happening a lot. And there is another explanation: Beneficial technologies like Wikipedia are free, they were created by volunteers, and none of us will pay for their use. But of course they have an enormous value for us, which is not reflected in the GDP figures. It is a question of wrong measurement.

FROM ZAMBIA TO WALL STREET: DAMBISA MOYO - THE ECONOMIST +

Dambisa Moyo was born in 1969 in Zambia. As a scholarship she came to study chemistry in the USA. Then she studied finance and went to the World Bank, studied economics at Harvard and received her doctorate in Oxford. For almost ten years she worked as an analyst for Wall Street Bank Goldman Sachs. Today she sits on the boards of Barclay's Bank and the oil company Chevron.

THE AUTHOR +

ZEIT: What are the consequences of the described short-term orientation of corporate leaders and politicians?

Moyo: The main problem is the wrong allocation of capital. Business leaders and politicians invest in short-term goggles and ignore long-term problems such as inequality of wages, technological upheaval, unemployment in certain parts of the population, demographic trends, concerns over natural resources in the country, and increases in debt while productivity is not the same Measure increases.

ZEIT: Where does this neglect lead?

Moyo: First, the number of listed companies has shrunk by 50 percent over the past few decades. About 15,000 years ago, there were about 7,000 in the USA, and today there are about 3,000 companies. This means companies can more easily get into trouble with raising capital when it comes to financing investments and long-term business. At the same time, this development leads to a bundle of new problems. With so many companies going public, pension funds and insurance companies have a hard time investing. And we average people depend on these funds and insurers when it comes to financing our plans.



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ZEIT: Are the shorter terms of office of CEOs an expression of short-term thinking?

Moyo: Right. If you were previously hired as CEO in America, that was on average for seven to ten years. Today it's three, maybe four years. And another example of short-term orientation: Dividends are higher than retained earnings. This means that companies quickly return the money back to shareholders. There is less and less room for investment. This also affects areas such as education and infrastructure, where we urgently need investment.

ZEIT: Does all this ensure that the full growth potential is not exhausted?

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Moyo: That's right! There is a lack of investment and that means we are not providing the growth we need in the long term. At the same time, we do not arm ourselves for risks that come from the future. The US Congressional Budget Office has been warning for a long time that the debt and deficits that we will face over the next 30 years could ruin the economy. But nobody focuses on that. We are experiencing tax cuts, we are experiencing a lot of overspending, all because people are not worried about what will be in the long run.

Economic growth means participating in the democratic process

TIME: In your book, you seem focused on creating more economic growth so that the world can overcome its financial and social problems.

Moyo: I am a trained macro economist. In this field, economic growth is the most important goal of all, but not just for its own sake. It is also about the ability of people to participate in the democratic process. I am firmly convinced that nations must have a strong middle class and that it is good if they participate in the democratic process. For low-income people we observe a very low participation. In my view, there is a direct link to lack of economic growth, lack of opportunities for advancement, lack of participation in the economy. For me, growth is about access to education, about social mobility, about civil society, and about innovation. The hierarchy of needs plays an important role in this context. Only when the basic needs are satisfied can one begin to think about more innovative ideas.

ZEIT: If we need more economic well-being and more public investment to appease society and make it more innovative, will not we destroy the planet in the long run if it can not cope with growth?

Moyo: I am optimistic in this regard. Already in 1798 Thomas Malthus wrote about the scarcity of natural resources and the threat to the world economy. We heard these arguments from the Club of Rome back in the 1970s. So the question is: how could we maneuver ourselves out? Mostly thanks to the technology! We have succeeded in becoming significantly more efficient. We should try to

continue on this path. Let's not forget: 90 percent of the world's population lives in emerging markets. Who sits down and explains the people there, they should not live like the average German? Is it okay for Germans to reach a certain level and have access to cars, clean air, water, food and electricity, but for the people of Latin America, Africa and Asia, is it "bad luck"? We suddenly decided that natural resources should be protected and that environmental concerns should prevail. You and I may agree that this is an important discussion, but which politician will stand up and tell his people that it has to give up their expectations of a high standard of living? I think that's unrealistic. We need to find solutions to noticeably improve people's living standards so that these improvements are not only affordable and sustainable in terms of long-term growth, but also in terms of natural resources and environmental concerns. ? We suddenly decided that natural resources should be protected and that environmental concerns should prevail. You and I may agree that this is an important discussion, but which politician will stand up and tell his people that it has to give up their expectations of a high standard of living? I think that's unrealistic. We need to find solutions to noticeably improve people's living standards so that these improvements are not only affordable and sustainable in terms of long-term growth, but also in terms of natural resources and environmental concerns. ? We suddenly decided that natural resources should be protected and that environmental concerns should prevail. You and I may agree that this is an important discussion, but which politician will stand up and tell his people that it has to give up their expectations of a high standard of living? I think that's unrealistic. We need to find solutions to noticeably improve people's living standards so that these improvements are not only affordable and sustainable in terms of long-term growth, but also in terms of natural resources and environmental concerns. that this is an important discussion, but which politician will stand up and tell his people that they must give up their expectations of a high standard of living? I think that's unrealistic. We need to find solutions to noticeably improve people's living standards so that these improvements are not only affordable and sustainable in terms of long-term growth, but also in terms of natural resources and environmental concerns. that this is an important discussion, but which politician will stand up and tell his people that they must give up their expectations of a high standard of living? I think that's unrealistic. We need to find solutions to noticeably improve people's living standards so that these improvements are not only affordable and sustainable in terms of long-term growth, but also in terms of natural resources and environmental concerns.

TIME: Historically, there have hardly been any phases of strong growth and declining environmental impact. The promises of so-called qualitative growth instead of quantitative have simply not been fulfilled.

Moyo: It did not happen because it had a unique and unique evolution in terms of human history: the demographic factor. The pace at which the world's population has grown is unprecedented and will remain an extremely difficult aspect of the global economy by the year 2100. Only then will the world population settle at eleven billion. That is why we do not experience dematerialisation of growth. And that's an important part of the puzzle, because around the year 2075, 40 percent of the world's population will live in Africa, where they do not work efficiently and still use very simple technologies, such as energy transmission. I am optimistic

ZEIT: What incentives would you give politicians as an economist to act long term?

Moyo: Let me first emphasize that there are precedents for all the suggestions I have in *The Edge of Chaos* make. I did not just conjure up these approaches, they already exist somewhere in the world in one form or another. This applies to both the public and the private sector. In the private sector, we have seen tremendous reforms in wages and rewards. We are deeply concerned about the relationship between the CEO and the ordinary worker, we are dealing with gender inequality, and we are paying - and penalizing - CEOs and managers, depending on their performance. I do not know why that would not work in the same way with politicians. Why not create a situation in which they depend on what they have done for the public good,

ZEIT: Is there an example from the real world?

Moyo: The base salary of the head of state in Singapore amounts to 1.4 million dollars, significantly more than in the US or Germany. In addition, there are incentives in the form of bonuses: Ministers receive around 30 percent bonus, depending on a whole range of performance data, such as unemployment, health, gross domestic product. That seems very reasonable to me, because it is about justifying political action, and I am very pleased that there is also a long-term aspect: if, in ten years, you realize that the economy has been deliberately and artificially inflated to produce better GDP Payments can come back, the payments can be reclaimed. The same is true in the private sector.

ZEIT: You also plead for longer terms in politics ...

Moyo: Yes, as in Mexico, where you serve as President for six years. I am also in favor of limiting the number of terms. In the United States, Senator Robert Byrd or Congressman John Dingell junior were in office for more than 50 years. That does not differ to me from an authoritarian state. At the same time I talk about minimum requirements: politicians should also bring some experience from

outside politics. Take, for example, the British Parliament in the 1960s. The average age was 62 at the time, and the delegates brought a very colorful bunch of experiences that reflected the complexity of the economy. There were doctors, farmers, teachers, lawyers. Today, people are much younger and often professional politicians. That's not good if you want to control an economy.

TIME: The longer terms could also be misused by populists to strengthen their power base. Just think of all the autocrats who started out as democratically elected representatives of the state and then did not leave office. In Hungary, Turkey, Russia and so on.

Moyo: But they have always been chosen unfree. We have always known that Russia is an illiberal democracy, as well as Turkey. So let's look at what we mean when we talk about an acceptable democracy. That's another question than the length of the term.

Better informed voters can defy the populists

TIME: Your proposals amount to a more rational political system and more technocratic government work. Is that a good idea at a time when voters tend to be more emotional?

Moyo: Many people are angry with anger because they are tired of a system where they think in the short term, where opportunism reigns, and where there is a leadership vacuum. But they would be willing to give up their own benefits for the long-term benefit of all, much as they did in the New Deal in the US or reunification in Germany. There was a clear agenda and clear presentation by politicians who were interested in a long-term vision.

TIME: A big issue is the growing inequality. On this issue, do you agree with the famous analysis by the Parisian economist Thomas Piketty that growth and wealth taxes are too low?

Moyo: No. I think his work is about an old debate between supporters of supply and supply. But look at the consequences: Europe has been very good at taxation and redistribution, and yet inequality has increased there. There has been much more effort in the US to intervene on the supply side, but that has not stopped the growing inequality in income. What worries me more is the topic of social mobility, which has completely collapsed in the US. The probability of being born in one class and moving from there to another class has dropped by 50 percent. In my view, such indicators are much more important than playing around with higher or lower taxes. It has been shown that these approaches do not work.

TIME: But Piketty argues in his book *The Capital in the 21st Century* that more equality requires more growth. Is not there a congruence with what you say?

Moyo: I had the book *The Great Leveler*, published last year Stanford professor Walter Scheidel very much. It looks back over a period of 3000 years, which happens in cases where income inequality is growing. The conclusion is that it almost always ends in civil unrest. We should not be too ideological about the tools we use. I think about social mobility and what happens when people feel well integrated into an economy. This is a mitigation approach that we need to think more strategically. McKinsey's management warns that America could slide into a permanent recession because too little has been invested in the education of minorities such as blacks and Latinos - the groups, which from 2050 will be the majority of the American population. This is a really drastic and concrete reason for concern for me.

ZEIT: What is your approach to improving education in general? Is it just about more money?

Moyo: Of course not. 97 percent of the blacks who study at the American Ivy League universities today, so Harvard and Co., are from Africa or the Caribbean. Let it sit on it for a few seconds. We spend so much time talking about Africa in a negative way: poverty, war, corruption, disease ... and yet 97 percent of black people in Africa are from Harvard, Yale, Stanford and Princeton, America's best colleges and the Caribbean. Even though America spends more money on education per capita than almost anyone else. The money is not used well.

ZEIT: But how do you change the education system then?

Moyo: First let me answer with a more ideological and fundamental question. I love to live in the west. I like my freedom, I love to vote, I love to live in a capitalist society with a free market economy. At the same time, I am aware that society demands a price from the freedom of the individual. I am talking about the idea that as an individual I am sacrosanct, that I can do what I want, even if it harms me, and that, nevertheless, everything is fine, as long as I do not hurt anyone else directly. This way of thinking has led to many of the problems we see today in America, especially in education. In contrast, the ideological attitude is in a place like China, where society is first and foremost. There is much more distrust of the individual and his behavior. There one recognizes that individuals do many bad things and that this causes costs to society. There are points that we should think about. It should, for example, be compulsory for children to go to school as young as possible, as staying away involves social costs. I think we should be open to following up issues like this. that individuals do a lot of bad things and that this causes costs to society. There are points that we should think about. It should, for

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TIME: Touching the idea of freedom means going into dangerous terrain. Does this approach also apply to you? Do you think that the West will only be able to shake off the threats posed by populists and autocrats by hardening its societies?

Moyo: I believe that autocrats target societies where voters or citizens are not educated. In which people are largely alienated and do not participate in civil society and political debates. Ultimately, the goal of my book and the goal of democracy should be to provide as many well-informed voters as possible. However, looking at the latest polls, people do not even understand the difference between the executive, legislative and judicial branches. Even here in America, people do not understand how their own government works. That's why in my book I also talk about testing voters. If I want to immigrate to the UK or America, I have to undergo a test. You do not just give me a green card or a passport and say "Welcome, you're a citizen" now. I have to pass a test. So why is not such a test being considered for ordinary electors as well as performance to be performed as part of their civic duties?

Dambisa Moyo: Edge of Chaos. Why Democracy Is Failing to Deliver Economic Growth - and How to Fix It.

Little, Brown Book Group, London 2018; 320 p., 12,99 €