In 1960, Gary, Indiana, was home to 178,000 people. The town’s lifeblood was the steel industry – Gary was even named after the first chairman of the United States Steel Corporation, Elbert Gary – and at its height the steelworks directly employed over 30,000 people. In the early 20th century, waves of migrants flowed into the city seeking work on the southern coast of Lake Michigan in factories well-placed to feed the assembly lines of Chicago and Detroit as the US became the world’s dominant industrial powerhouse following the First World War. But in the second half of the 1900s, the city went into decline. Like many Rust Belt towns, its over-reliance on a single industry left it vulnerable to the ebb and flows of world trade, globalisation and technological advance.

Today, the town’s population is barely over a third of its peak. The exodus began as US steel became exposed to lower-cost imports. The industry now employs just a sixth of the workers it once did, and Gary is more likely to be mentioned for its 13,000 abandoned, decaying buildings than for its impressive output of quality steel.

“There must have been something in the air of Gary that led one into economics,” writes Joseph E Stiglitz, the Nobel prize-winning economist, former chief economist at the World Bank, former chair of Bill Clinton’s Council of Economic Advisers, and university professor at Columbia University. “Certainly, the poverty, the discrimination, the episodic unemployment could not but strike an inquiring youngster: why did these exist, and what could we do about them?”

Far from echoing the paeans to economic liberalisation that have often been the hallmark of mainstream economists for the past four decades, Stiglitz has been a consistent critic of untramelled globalisation and laissez-faire, free-market orthodoxies. Speaking over the phone from his office in New York, he tells Spotlight “the world faces a huge inequality crisis. Anybody looking at the data of the last 40 or 50 years has been astounded... in my own academic lifetime I have seen numbers moving in ways that are hard to believe.”

Born in 1943, the neo-Keynesian came of age in a period of healthy post-war growth, robust, interventionist states; and a heavily unionised labour force. He was a fervent opponent of the extreme fiscal conservatism embraced by governments in response to the 2008 financial crisis. During the Occupy movement he wrote that inequality and austerity dampened productivity, harmed growth and threatened the future of our democratic politics (as well as hampering our ability to deal with long-term threats such as climate change). “What is disturbing to me,” he says, “is that when people are not content, if they don’t understand the underlying sources... They can fall prey to a demagogue.”

In the 1990s, Stiglitz sat on the Intergovernmental Panel on Climate Change (IPCC), the UN body established to monitor and study human-induced global warming and its effects. At that time, he says, “it was already clear that it was real, significant, and was going to have a big impact”. But since then, the potentially devastating shockwaves have only become more apparent.

The latest IPCC report, released in February of this year, warned that the impacts of climate change were making themselves felt beyond the upper limit of previous estimates. Secondary effects are accelerating warming in ways that were previously unforeseen. “Several of the issues that have come to prominence over the last 30 years just weren’t part of our awareness,” Stiglitz says. “The melting of the Arctic ice cap, which...”

“Everything the neoliberals said was wrong”

The Nobel laureate Joseph E Stiglitz on the economics of the climate emergency
Climate Finance  |  Spotlight

side of the economy, “Stiglitz says. “I focus on the real
affordability of ambitious inflation on the horizon, some question
household spending power, and rapid levels of sovereign debt, a squeeze on
be a stickler for balanced budgets that
the Chancellor, Rishi Sunak, is known to
exorbitant cost of the green transition:
the government benches bemoan the
state Thatcherites and deficit hawks on
Industrial Revolution for its excessively
baulk at the government’s Green
to save new coal power stations, and others
change, some think we should save
are sceptical of man-made climate
the European Research Group. Some
success of the Eurosceptic Spartans of
backbenches, hoping to emulate the

“Discontented people can fall prey to a demagogue”

Yet these warnings look set to be
ignored. Spooked by rising prices, the
major central banks are expected to
begin successive rounds of rate
increases in the coming months and
even years (although, at 0.5 per cent, the
cost of money is still extremely low in
historical terms). The ongoing conflict
in the Ukraine will further increase
pressure on prices, as agricultural
exports from the bountiful Black Sea
region, as well as from the world’s
largest wheat exporter, Russia, are
interrupted. With much of their foreign
currency reserve cut off by sanctions,
Moscow’s lucrative trade in oil and gas
to Europe – now effectively financing
their foreign wars both in Syria and in
Europe’s periphery – will come under
intense scrutiny as costs per barrel reach
14 years high. Despite troop build-ups
and the warnings of US and UK
demagoguery, when Stiglitz spoke to
Spotlight the mooted invasion of Ukraine
felt distant and implausible. He referred
omniously to “new tensions that have
arisen between the advanced
democracies and some of the countries
that are not so democratic”, hoping that
“we can manage those, recognising that
we need to engage even if we don’t
agree with somebody”.

The coming years could see a
period of ‘stagflation’, with
growth stymied by geopolitical
instability, an ineffective severing of the economic ties between the
West on the one hand and China
and Russia on the other, continued price
rises in the midst of resource scarcity,
and a period of deglobalisation. Even
prior to the conflict, a shift in economic
thinking had been diagnosed in a world
transformed by both the imperatives of the coronavirus and of accelerating
climate change. The age of neoliberal
triumphalism, of worldwide market
integration, of trade liberalisation and
of limited government is over.

“I think that many people took
globalisation too far,” Stiglitz contends.
“Everything that the neoliberals told us
– that everything was going fine, that
there was trickle-down economics, that
everybody was doing well – that was all
so obviously a lie, was so obviously
wrong. And there was such discontent
growing, with people not knowing why
it was failing – but something was
clearly wrong.”

leaves the Earth unable to absorb as
much heat; the methane gas release in the
tundra, which is seen as an explosive
kind of event; the breaking off of the
Antarctic ice caps and glaciers – we were
aware of the presence and possibilities
of these non-linear systems and
feedbacks of that kind but we weren’t
really aware of the magnitude of it. We
just didn’t really know.”

In spite of the increasingly dire warnings
of climate scientists, the Nobel laureate
remains “basically fairly optimistic”
that the world can limit warming, adapt
and mitigate its effects. But it will take
new approaches to public investment, a
rethinking of the relationship between markets and the state, and dynamic
ways of mobilising financial resources
that break with the past four decades of
omnipotent market fundamentalism.
Not everyone is convinced. Conservatives on both sides of the
Atlantic have the green agenda in their
crosshairs. The Trumpist Republican
Party remains resolutely opposed to the
Paris Agreement. Stiglitz recalls that
even Republicans were worried [about the
climate] 30 years ago. “The
question was only how fast we should
take action. There was no movement of
climate denial... it wasn’t
politicalised in the way that it has now.”

In the UK, a Net Zero Scrutiny Group
has formed on the Tory party’s
backbenches, hoping to emulate the
success of the Eurosceptic Spartans of
the European Research Group. Some
are sceptical of man-made climate
change, some think we should save
ourselves the trouble while China opens
up new coal power stations, and others
bask at the government’s Green
Industrial Revolution for its excessively
status, tax-and-spend, Labour-ish
policy proposals. Traditional, small-
state Thatcherites and deficit hawks on
the government benches bemoan the
exorbitant cost of the green transition:
the Chancellor, Rishi Sunak, is known to
be a stickler for balanced budgets that
have reined in the natural tendencies of a
spendthrift Prime Minister.
In the post-Covid era, with bloated
levels of sovereign debt, a squeeze on
household spending power, and rapid
inflation on the horizon, some question
the affordability of ambitious
environmentalism. “I focus on the real

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