

## **Regaining the Language of Freedom**

### **A Conversation with Joseph Stiglitz**

**In this conversation, Joseph Stiglitz discusses key features of progressive capitalism; explains what motivated him to want to reclaim the language of freedom from the Right; and reflects on what toolkit economists use to contribute to our understanding of the relationship between freedom and democracy.**

**Joseph Stiglitz** is among the best-known economists and public policy analysts in the world. He was senior vice president and chief economist of the World Bank and chairman of the US president's Council of Economic Advisers. Stiglitz was the recipient of the Nobel Memorial Prize in Economic Sciences in 2001. He is a professor at Columbia University.

**Ferenc Laczó:** You just published a new book under the title *The Road to Freedom: Economics and the Good Society*. In it, you aim to reclaim the word “freedom” from the Right and recapture the language around it for progressives. What do you see as particularly problematic about the Right's uses of freedom, and what would key aspects of that progressive reclamation look like?

**Joseph Stiglitz:** The Right has always said that they are the advocates of freedom, but they have never taken into account how the freedom they advocate for affects the freedom of other individuals. The obvious example within the United States is their claim that everybody should have the freedom to carry a gun, an assault weapon, an AK-47. That freedom results in mass killings almost every day. It takes away the freedom of others to live. Which is more important, the freedom to carry an AK-47 or the freedom to live? The answer is obvious.

That issue of how one person's freedom affects another's underlies many issues, whether it's the right not to get vaccinated or the right not to wear a mask, and it all goes back to the Ten Commandments. The commandment, “Thou shalt not steal,” was taking away the freedom of the thief, but it gave everyone else the freedom of not fearing their property would be stolen.

What is striking to me is how little thought the Right has given to the question of how to conceive of freedom.

For progressives, the question is “what do we mean by freedom and how can we expand it for the vast majority of our citizens?” What we mean by freedom is the right to do. Somebody who is at the point of starvation does not have any freedom. He does what he must just to survive. Economists think of opportunity sets, they think of what you can do. The notion that I have talked about where one person's freedom leads to the unfreedom of others implies that our freedoms in a modern society are totally interdependent.

**FL: You develop an alternative framework of progressive or social democratic capitalism on these pages. How would you describe some of the key elements of that framework? How fundamental an alternative would such a progressive form be to the currently dominant model?**

**JS:** It begins with the recognition of our interdependence and goes further than that to say that some restraint can actually be freeing. For example, stop lights that stop you from driving across the intersection and make us take turns means that we can all go. Otherwise, in New York, we would have gridlock and nobody could go. We are freer with stop lights, a simple regulation, than we would be with no regulation. That same idea poses that some taxation, the imposition of a restraint, a compulsion to pay a certain amount to the government, means that we can make investments in research, infrastructure, education and health that expand the opportunity sets of all of us. It is freeing.

The basic notion of progressive capitalism is that good regulations, public investments, and redistributions to enhance the well-being of those who are below all increase social cohesion and makes our society more productive. We can all be freer that way, or at least most of us can.

**FL: You emphasize in this book that freedom and coercion are not necessarily opposites. We therefore need to consider trade-offs carefully. You underline that policy in fact entails facing such trade-offs. And when we try to face them, we also need to think about and make moral judgments – to think about how to judge these questions from a moral point of view, assessing the various consequences of freedoms. How to**

**draw the right boundaries then becomes one of the key issues. What are some of your main considerations concerning such trade-offs? What kind of role would you assign to moral judgments in them?**

**JS:** I think moral judgments play a very important role. When we assess, for instance, the freedom to exploit versus the freedom of the exploited, I think we clearly say that the ability, the freedom, of the exploiter to exploit—such as the firm that takes advantage of somebody who is less well-educated or the firm that tries to mislead others and pushes foods that are dangerous for young people's health – needs to be restrained.

We have food companies trying to get children to eat foods that are addictive and leads to a wave of childhood diabetes. I call that a form of exploitation. Cigarette companies that produce cigarettes that are more addictive are similarly exploitative. I think we need to restrain the freedom of these exploiters for the benefit of the rest of society.

When I say that, that implies a moral judgment. But I think it is a moral judgment that most people would agree with. I could continue as a philosopher and give you all the arguments behind these moral judgments, and why it is a better way of organizing society to have a legal framework that reflects these moral judgments. I could appeal to certain philosophers like John Rawls, for example. But in the end, I think most people see the obvious moral perspective that I am putting forward here.

Of course, while in many cases, how to make the appropriate trade-offs is clear, there are some situations where that is not the case. We will need to debate and discuss; in such situations frameworks for reasoning such as that provided by Rawls may be useful. In the end, in these cases, disagreements may persist.

**FL:** **As you state at the very beginning of your acknowledgments, this is a book that builds on and extends a lifetime of scholarship on the questions at hand. It would therefore be impossible to acknowledge all those authors who have contributed to the development of the ideas contained here. Could I nonetheless ask you about some of your main inspirations? It seems to me that you draw rather extensively on the writings of Adam Smith and John Rawls. You also mention a host of contemporary economists, such as, for example, Amartya Sen, and many other thinkers and scholars. How do you view the relationship between your own**

**perspective and the insights of those just mentioned and similarly distinguished predecessors and colleagues of yours?**

**JS:**

I was lucky to have great teachers at MIT, where I got my Ph.D., and Cambridge, U.K., where I went as a young 22-year-old economist on a Fulbright fellowship to study—Samuelson, Solow, Kaldor, Domar, Modigliani, Robinson, Meade, Champernowne, Hahn, Arrow...And I had amazing classmates, like George Akerlof, from whom I also learned a lot. From some, I learned how to do good modeling, to construct simple and incisive theories. From others, I learned about what questions to ask. In some cases, what inspired me was that the theories seemed counter to what I saw in the world around me. I was challenged to explain what was wrong with these elegant constructions. While the Fundamental Welfare Theorems that we were taught constituted an impressive intellectual achievement, it was clear to me that the economy was not efficient, and the inefficiencies went beyond those noted in the standard commentary, e.g. imperfections of competition. This provided the inspiration for my work on imperfect and asymmetric information and incomplete markets.

Unfortunately, some you cite, like Rawls, I never had the chance to work with. Rawls talked about the idea of making judgments behind a veil of ignorance, where you did not know where in society you would be, and his philosophical writings have been an inspiration over the past half a century. Adam Smith actually proposed a very similar idea, less rigorously, speaking of the judgments that an impartial spectator might make. If you knew you were going to be rich, you would say “do not tax the rich.” But if you had an equal likelihood of being born poor or rich, you would ask, “What kind of society do I want to live in?” An impartial spectator would say that progressive taxation would be desirable on many grounds, including that it would create a more cohesive society.

It seems almost obvious to me that this is the kind of framework that you want to bring to bear in thinking about the very difficult trade-offs that we sometimes face when we have to say which freedom is more important. At the same time, there are many cases of the kind that I mentioned earlier where it just seems obvious that there is a right and a wrong. In such cases, you do not need a subtle philosophical framework for assessing what a good society would look like.

Maybe I should also mention people like Milton Friedman and Friedrich Hayek because they inspired me by how wrong they were. In a way, they helped me crystallize my ideas; it was also an important inspiration to try to correct their misguided ideas. The ideas that they propagated, for instance that markets are always efficient, became popular. Anyone with open eyes could see that that was not the case, but they inspired me to expose the analytic flaws in their reasoning. There was the idea that shareholder value maximization would lead to the well-being of all. I showed how that was wrong. There was also the idea that making the rich better off would make everybody better off through wealth trickling down—and that was wrong, too.

**FL: The book also articulates an explicit defense of the democratic system and the values of the philosophical Enlightenment. You write that “to me, the only answer is to push for as large a change as our democratic system will permit.” In closing, could I ask you how you conceive of that relationship between freedom, democracy, and the philosophical project of the Enlightenment? And what specific contribution can the highly refined toolkit of the economists that you use make to our understanding of that relationship?**

**JS:** Let me say a little about the role of the Enlightenment first, which was indeed very important. The Enlightenment meant a sea change in the development of civilization, where we said that we could learn about the world around us through the scientific method, and could make choices about social, economic, and political relationships. That is where the notion of freedom comes in. It is through the recognition that we have choices that we can then ask how we can make choices that expand our freedoms and enhance our opportunity sets by making our economy grow in a way that is consistent with a broader sense of moral values and societal wellbeing. That is why the subtitle of my book is *Economics and the Good Society*.

Now I do not have space in these pages to define precisely what a good society is, but I think we have broad intuitions about some of the key components. We know what a bad society is but the subtleties of the trade-offs of a good society inevitably involve a lot of discussion and debate.

The perspective that economics brings to this long-standing discussion is to begin with the notion of freedom as opportunity. It is to recognize that one person's freedom is another unfreedom, or as Isaiah Berlin basically put it, freedom for the wolves has often meant death for the sheep. At the same time, as we just said, a little bit of constraint and a little bit of coercion can actually expand the opportunity set of everybody. That gives a new lens to thinking about what a good society is: it consists of a balance of these constraints (of regulations, and of taxation and the public investments and redistributions that taxes finance).

What I emphasize finally in terms of the structure of progressive capitalism is that it entails a rich ecology of institutional arrangements. It entails not just the for-profits, but also the not-for-profits, civil society, and cooperatives. When it comes to caring for older people, something I am very sensitive to these days, private enterprises have often been very exploitive because older people cannot defend themselves. Not-for-profits, such as church groups, have often been far better in providing that kind of care to those who cannot fend for themselves than for-profit institutions.

So what is the relationship between economic and political freedom? Going back to Friedman and Hayek, they said that if you want political freedom, you have to have neoliberalism, you have to have an unfettered economy, what they called a “free” economy (which I’ve suggested is a misnomer, because while it expanded the freedom of the exploitive firms, it contracted that of the exploited workers and consumers). Their argument was always suspect to me. Milton Friedman did not feel very uncomfortable going down to Chile and advising its ruthless dictator Augusto Pinochet, to use his compulsion to force “free enterprise” on the Chilean people, leading to, for instance, what was called free banking, which in fact led to a huge bank collapse that took the country a quarter of a century to bail itself out of. Let us take the commitment to freedom that he had with a grain of salt.

When we think about it more broadly, we come to realize that neoliberalism resulted in so many people being left behind that it led to authoritarian populism, to demagogues like Trump. It is not governments doing too much that has led to the road to serfdom, as Hayek seemed to suggest. The problem is governments doing too little. That’s why I say the road to freedom will be found through progressive capitalism.

