

Interview

"We Will Lose this Trade War"

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Donald Trump is not only sowing chaos at home but also globally. In an interview with Chelsea Spieker, Nobel Prize-winner Joseph E. Stiglitz unpacks the roots of American neoliberalism and outlines his vision for a more equitable society, and examines what Trump truly means when he speaks of freedom.

*Joseph E. Stiglitz was the Chief Economist of the World Bank and Chairman of the Council of Economic Advisers for President **Bill Clinton**. In 2001, he was awarded the Nobel Prize for his groundbreaking contributions to economics. In his latest book, "The Road to Freedom," he outlines the relationship between "Economics and the Good Society".*

The Pioneer: Professor Stiglitz, before last year's election, a large number of Americans had mobilized around **Donald Trump** on

economic issues. Now, the U.S. economy has shrunk by 0.3 percent in the first quarter, the stock markets have plummeted, and the trade war is escalating. As someone who lives in the United States, have you noticed any shift of sentiment among those who supported Trump primarily for economic reasons in the past?

Stiglitz: Yes, I have been detecting a shift, but it's slow. People don't like to admit that they made a mistake in judgment about an issue as important as the president. In many cases, **Elon Musk** is getting the blame – with him, Trump brought someone on board who is erratic and has gone overboard. You may have seen the hostility not only towards Musk himself but also towards *Tesla* cars. He is buffering what actually applies to Trump.



Elon Musk mit Kettensäge auf der Conservative Political Action Conference (CPAC) in National Harbor, Maryland, 20.02.2025 © dpa

The Pioneer: Many people are still hoping for an improvement in their economic situation and are hoping that maybe there's a method to the madness.

Stiglitz: The story Trump is telling his voters is that everything big requires pain. In his first administration, he kept talking about the stock market as a barometer of how well he was doing. Right now, the stock market is plummeting. But he doesn't comment on that fact – instead, he claims that the stock market is irrelevant: "We are here for the long run. We're here to make America great again, and it's not

going to come overnight.” He’s bracing Americans for pain. The reason, of course, is that he is inflicting a lot of pain.

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It’s not working out as well as he thought.“

People’s memories are short, but he promised to solve the war in Ukraine on day one and that Gaza would be solved by now – those promises have been broken and thrown into the dustbin. Now he’s discussing whether he should just walk away from the Ukraine war. But on economics, things are not going well at all.



Die ukrainische Hauptstadt Kiew nach einem russischen Drohnenangriff im April. © imago

The Pioneer: His main argument with the tariffs he has placed on most of the world was that the system of global trade is broken and that the United States is at a disadvantage. Does some sort of reset make sense for the United States?

Stiglitz: Well, there’s a certain irony in what he says. The United States was the central player in writing the rules of the game. We wrote all the rules that went into the World Trade Organization and negotiated with Europe. But they were written in the interest – at least the short-term

interest – of America's corporate and financial giants. So it's a little bit precious to say that we are the ones who suffered.

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I spent time as the chief economist of the World Bank, and saw things from the other side. I saw these rules advantaging the United States to the disadvantage of developing countries and the poor.“

The Pioneer: In your book, you discuss the idea that one person's freedom means another person's unfreedom – and you can extrapolate that to global trade agreements as well. Could Trump's policies provide countries in the Global South with an opportunity to improve their position in the global trade system?



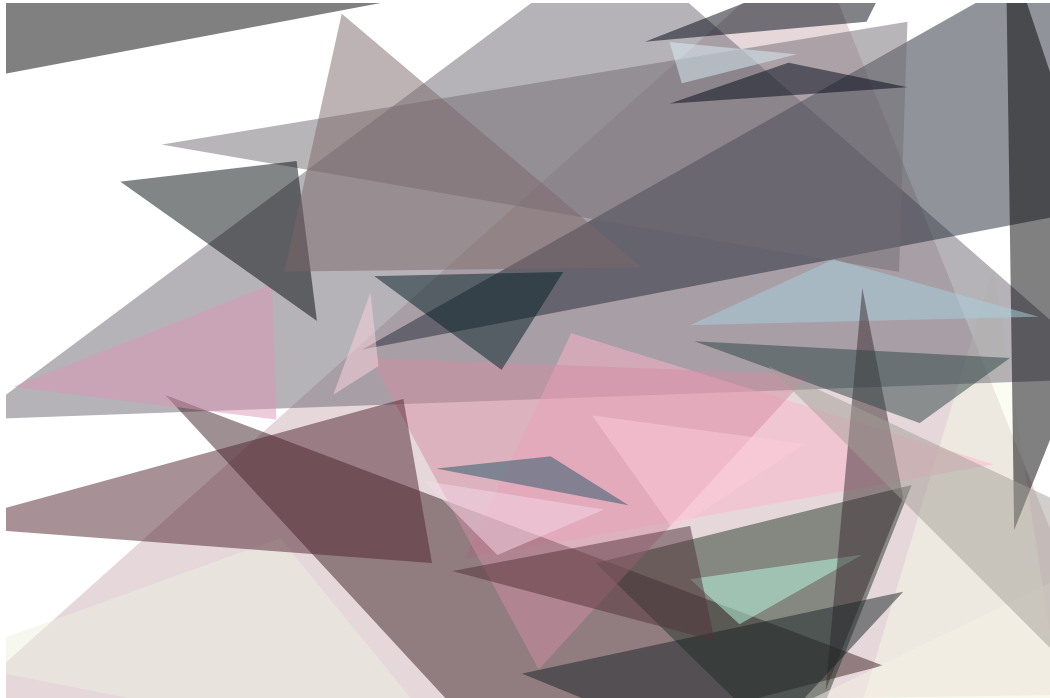
Donald Trumps Zoll-Liste. © dpa

Stiglitz: In interdependent trade relationships, what helps one may hurt the other. But here, I think, is a fundamental difference that I like to emphasize: There are circumstances where cooperation, with a little restraint, can make everyone better off.

Think about a traffic light. A traffic light says we have to take turns, and when we take turns, everybody's better off. Without a traffic light,

we would have gridlock. If we have good trade rules, we can take comparative advantages and have higher standards of living. Each country specializes in what it does best.

Trump looks at the world through a zero-sum lens: "If China is doing well, it must be because the U.S. is doing poorly." The truth is that the companies playing such a big role in drafting our trade agreements were short-sighted. They didn't understand the long-term changes that might come about.



Ein Elektroauto des chinesischen Herstellers BYD – kurz für „Build Your Dreams“ – auf der diesjährigen Automesse in Shanghai. © imago

One big change is that as we started trading with China, China started to learn, develop, and moved from a comparative advantage in simple goods like textiles that required unskilled labor, to one in very sophisticated goods like solar panels, EVs, and batteries.

The Pioneer: There are statistics showing that a large majority of people in the U.S. would like to have manufacturing back, but they themselves don't want to do those jobs. Does it even make sense to try to bring manufacturing back to the United States?

Stiglitz: (*laughs softly*) People want high pay, but they don't want to work in those assembly lines. Let me say, those routine jobs are not coming back.

Even if Trump succeeded in bringing manufacturing back, it wouldn't be the same jobs that were lost in the Midwest – it would be robots

doing these jobs. The people building and working with these robots are engineers. They have college degrees, advanced degrees. And here's the final irony: He's destroying the universities which could train those engineers.

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He's permanently making the U.S. weaker – in this trade war today, that we'll lose if he continues what he's doing – but even weaker tomorrow. And that's even worse.“

The Pioneer: How do you see this playing out? Are we headed for a recession? Are we headed for stagflation?

Stiglitz: In terms of macroeconomics today, we are headed for stagflation. Stagflation is when prices go up, but the economy is very weak. Prices will go up if he continues with the tariffs. Let's be frank: We don't know whether they'll come down again or go up again, but if they stay, even if just on China, it will affect all of us. We are very dependent on China for goods, and those goods go up in price because of the tariffs.

Remember what happened in the pandemic, when Americans couldn't get goods from China? Supply chains broke down, and we had unprecedented inflation. We're headed for the same thing. In addition to that, there will be an economic slowdown.

People are being laid off from government jobs, which creates anxiety. "Who's next?", they ask themselves. This trickles down to all the government contractors. Consumer confidence has fallen enormously. It's been the worst stock market performance in April since the Great Depression. It's not a pretty picture, let me put it like that.

The Pioneer: There's also a power struggle going on between Trump and **Jerome Powell** at the Fed.

Stiglitz: Yes, because the Fed raises interest rates when prices go up. With everyone anticipating that prices will go up due to tariffs, there's an expectation that interest rates will rise, which will slow down the economy even more. He wants to reverse the norms of the central bank. Even if prices go up he wants the Fed to lower interest rates.

He hasn't presented any logic for this. If he tries to do that by firing Jerome Powell, he won't succeed. Remember: Interest rates are set by a

12-member board. He'll have to fire at least a majority of those board members, and many of them feel very strongly that the most important thing for the Fed to perform its role is its independence. So they are likely to get their backs up and resist.

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This is another example of Trump trampling on democratic norms, the norms of the rule of law, both internationally and domestically. It has been an unprecedented three months here in America.“

The Pioneer: That brings us back to the main theme of your book, which is freedom. Donald Trump has done a lot of these things under the guise of defending freedom. What would you say is the current conservative reading of what freedom means in our country?



Jerome Powell in Washington, D.C. am 19.03.2025 © imago

Stiglitz: Well, the conservative reading has always been “my freedom.” It’s a very selfish view: “I can do whatever I want”.

The Pioneer: Freedom for the wolves is death to the sheep.

Stiglitz: Exactly, as **Isaiah Berlin** said. That’s why due process is so important.

Let me give you an example, which has put fear in the hearts of every American. They've been taking people right off the street, sometimes in plain clothes, and shipping them to the most terrible prisons in El Salvador. No due process, no asking if they are American citizens or foreigners, criminals or gang members – no trial.

The Pioneer: In the U.S., we have always thought of capitalism as being synonymous with freedom. But in your book, you argue that this neoliberal approach to our economy and society is not the system that actually awards citizens of this country the greatest freedom.

Stiglitz: That's right. It doesn't give the most freedom to most individuals. It gives the monopolists more freedom to exploit others. It gives freedom to the few and takes away freedom from the many: It doesn't give freedom to those who don't want to get killed by an AK-47 as Americans walk around with machine guns.



Der russisch-britische Philosoph Isaiah Berlin wurde im 20. Jahrhundert durch seine Unterscheidung zwischen „negativer Freiheit“ und „positiver Freiheit“ bekannt. © Isaiah Berlin Association of Latvia

If we had a reasoned discussion about which is more important – the freedom to carry an AK-47 or the freedom to live and the freedom from fear – we'd all agree that it is not a basic freedom to carry around an AK-47. It is, however, a basic a freedom to live.

The Pioneer: Neoliberalism demands that we defend free trade. But that's not what's happening. Do you see a backlash against neoliberalism happening right now?

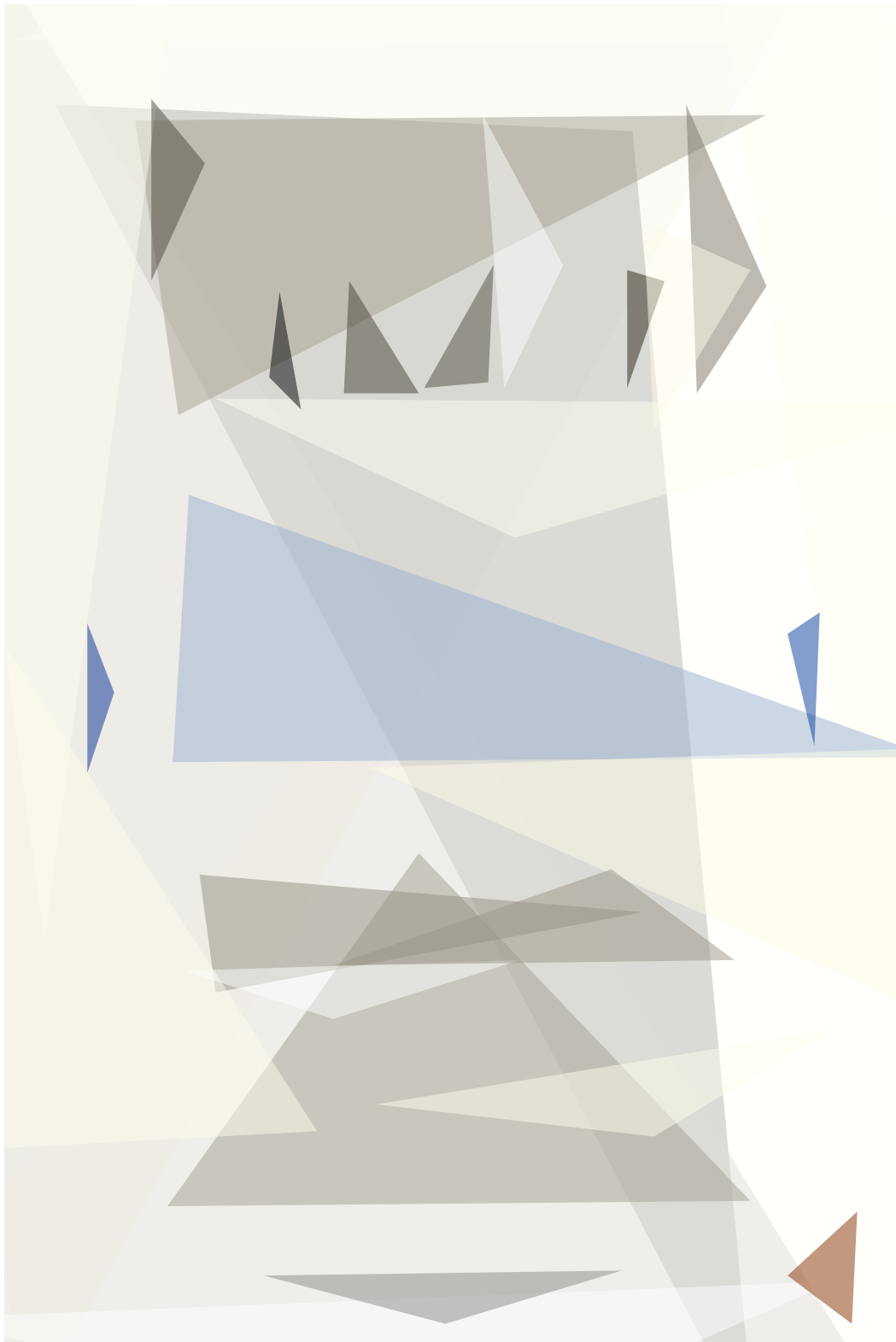
Stiglitz: The irony is that neoliberalism brought on Donald Trump in part because it didn't pay enough attention to the inequality that free trade brought about. It didn't consider the economic havoc that financial market deregulation led to in the 2008 crisis. It gave freedom to the bankers but took away the freedom of people to live in their own homes.

And yet, Donald Trump, having been elected through this neoliberal agenda, is now turning 180 degrees against neoliberalism. On the other hand, he wants to keep all the other tenets of neoliberalism: corporations should be allowed to pollute, and banks should be allowed to engage in risky behavior.

The Pioneer: It's cherry-picking.

Stiglitz: Yes, it's cherry-picking. It's basically a populist demagogue trying to create a peculiar coalition of the very rich and powerful corporations on one hand, and the disaffected, those who've lost their jobs in the Midwest and South, on the other. With this unholy coalition, you get intellectually incoherent policy frameworks.

The Pioneer: How do you go about making corrections to a system that has become so set in its ways as a capitalist, neoliberalist society? How do you go about making the country more free?



"The Road to Freedom – Economics and the Good Society" wurde im englischen Original am 23. April im Penguin Verlag veröffentlicht. © Penguin Books

Stiglitz: That was the third part of my book, where I describe that there is an alternative. I call it “progressive capitalism”.

People in Germany would probably view it as a rejuvenated social democracy or social economy, but it goes beyond where you are today, with a richer set of institutional arrangements: co-ops, highlighting the importance of NGOs, civil society. I emphasize that, for some

purposes, a for-profit institution may be good, but for other purposes – caring for an elderly person suffering from dementia, or prisons – it isn't.

I try to delineate what kinds of institutional arrangements might work, what we might mean by a good society – and how we might strive to achieve it.

Let me just offer one note of optimism in this very dire world.

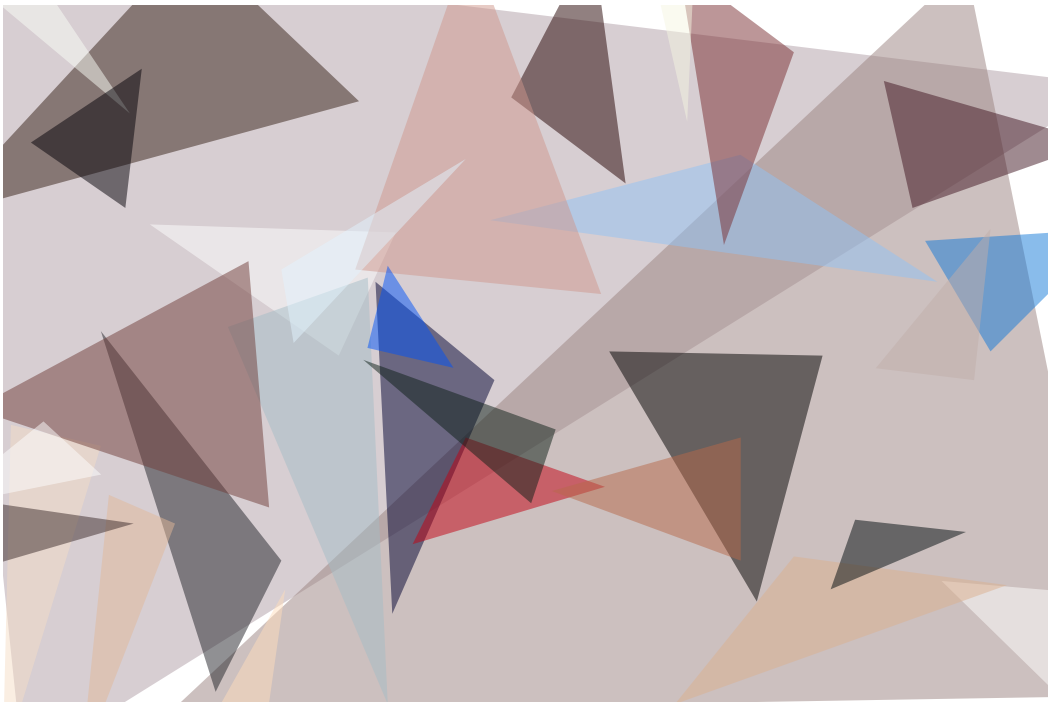
The Pioneer: Yes, please.

Stiglitz: As **Alexandria Ocasio-Cortez** and **Bernie Sanders** have gone around the country advocating ideas similar to some of the ideas in my book, they've been getting huge crowds.

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There's a hunger for an alternative. There's a recognition that Trump is leading the country down the wrong alley. Three months into the Trump administration, it's clear that it's not working.“

There's fear and despondency, but a little hope: Hope that our judicial system protects us in time. How much damage will be done to basic institutions, the rule of law, our universities, our research institutions, the government, the State Department, USAID?



Alexandria Ocasio-Cortez und Bernie Sanders bei ihrer „Fight Oligarchy“-Rallye am 12. April in Los Angeles. © imago

We hope the damage won't be too deep, but as people see the damage and recognize there is an alternative, they will turn to it. Maybe we will see the kind of progressive alternative I have outlined.

The Pioneer: That's a wonderful note to end on. Professor Stiglitz, thank you so much for taking the time to talk to me today.

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