

Artiklar av Joseph E Stiglitz

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## Fighting the climate crisis need not mean halting economic growth



The shift to a green economy can spur innovation and prosperity if we change the quality of growth

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Wind turbines and solar panels. The world could meet the Paris agreement's goal of limiting global warming to 2C in a way that enhanced living standards. Photograph: Alamy

Unless we change something , the consequences will be dire. Should that something be our focus on economic growth?

The climate emergency represents the most salient risk we face and we are already getting a glimpse of the costs. And in “we”, I include Americans. The US, where a major political party is dominated by climate-change deniers, is the highest per capita emitter of greenhouse gases and the only country refusing to adhere to the 2015 Paris climate agreement. So there is a certain irony in the fact that the US has also become one of the countries with the highest levels of property damage associated with extreme weather events such as floods, fires, hurricanes, droughts and bitter cold.

At one time, some Americans even hoped that climate change might benefit them. Maine's coastal waters, for example, would become swimmable. Even today, a few economists still [believe](#) that there is not much to worry about, so long as we limit the increase in average global temperature to 3-4C, compared with the 2C limit set by the Paris agreement. This is a foolish gamble. Greenhouse gas concentrations are projected to be at their highest level in millions of years and we have nowhere else to go if we lose.

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Studies suggesting that we could tolerate higher temperatures are deeply flawed. For example, because appropriate risk analyses are systematically omitted, their models do not give sufficient weight to the probability of “bad outcomes”. The greater the weight we assign to the risk of bad outcomes, and the worse those outcomes are, the more precautions we should take. By assigning little weight – far too little weight – to very adverse outcomes, these studies systematically bias the analysis against doing anything.

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Moreover, these studies underestimate the non-linearities in the damage functions. In other words, our economic and ecological systems may be resilient to small changes in temperature, with damage increasing only proportionally to temperature, but once climate change reaches a certain threshold, the increase in damages accelerates relative to the rise in temperature. For example, crop loss becomes serious as a result of frosts and droughts. Whereas a below-threshold level of climate change may not affect the risk of frost or drought, a higher level increases disproportionately the risk of these extreme events.

It is precisely when the consequences of climate change are large that we are least able to absorb the costs. There's no insurance fund to draw upon if we need investments to respond to large increases in sea levels, unforeseen health risks and migration on a massive scale as a result of climate change. The fact is that in these circumstances, our world will be poorer, and less able to absorb these losses.



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Finally, those who argue for a wait-and-see approach to climate change – that it's a waste of money to take large actions today for an uncertain risk far in the future – typically discount these future losses at a high rate. That is, whenever one takes an action that has a future cost or benefit, one must assess the present value of these future costs or benefits. If \$1 50 years from now is worth the same as \$1 today, one might be motivated to take strong action to prevent a loss; but if \$1 50 years from now is worth 3c, one wouldn't.

The discount rate (how we value future costs and benefits relative to today) thus becomes critical. Donald Trump's administration has in fact said that one wouldn't want to spend more than roughly 3c today to prevent \$1 loss in 50 years. Future generations just don't count much. This is morally wrong. But the do-nothing advocates, ignoring all the advances in public economics over the past half-century that have explained otherwise, argue that economic efficiency requires it. They are wrong.

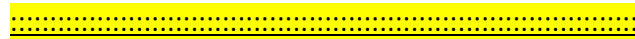
We must take strong action now to avoid the climate disaster toward which the world is heading. And it is a welcome development that so many European leaders are spearheading efforts to ensure that the world is carbon neutral by 2050. The [report](#) of the High-Level Commission on Carbon Prices, which I co-chaired with [Nicholas Stern](#), argued that we could achieve the Paris agreement's goal of limiting global warming to 2C in a way that enhanced living standards: the transition to a green economy could spur innovation and prosperity.

That view sets us apart from those who [suggest](#) that the Paris agreement's goals can be achieved only by stopping economic expansion. I believe that is wrong. However misguided the obsession with ever-increasing GDP may be, without economic growth, billions of people will remain without inadequate food, housing, clothing, education, and medical care. But there is ample room to change the quality of growth, to reduce its environmental impact significantly. For example, even without major technological advances, we can [achieve](#) carbon neutrality by 2050.

But it won't happen on its own and it won't happen if we just leave it to the market. It will happen only if we combine high levels of public investment with strong regulation and appropriate environmental pricing. And it can't, or won't, happen if we put the burden of adjustment on the poor: environmental sustainability can be achieved only in tandem with efforts to achieve greater social justice.

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## **CNN Business News**

# **Joseph Stiglitz: Corporate greed is accelerating climate change. But we can still head off disaster**

By Joseph E. Stiglitz for [CNN Business](#) Perspectives

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Joseph E. Stiglitz is University Professor at Columbia University and winner of the Nobel Prize in Economics. He is also the co-chair of the High-Level Expert Group on the Measurement of Economic Performance and Social Progress at the OECD, and the chief economist of the Roosevelt Institute. His latest book, *People, Power, and Profits: Progressive Capitalism for an Age of Discontent*, will be released by W.W. Norton on April 23. The opinions expressed in this commentary are his own.



**JOSEPH E. STIGLITZ**

America's economy has not been working for a large portion of the country. Workers at the bottom of the income scale earn wages, adjusted for inflation, that are not much higher than what they were [60 years ago](#), while the income of a typical full-time male worker hasn't budged much from [40 years ago](#). In addition, [life expectancy](#) is in decline. But the economy is not only failing American citizens. It's failing the planet, and that means it's failing future generations.

There are many reasons for our plight, including corporate power and greed centered on immediate profits and little regard for the impacts business decisions have on low-income Americans and the environment. Corporations have translated their economic power into political power, lobbying for policies that give them free rein to despoil the environment; and the swamp President Donald Trump promised to drain has been overflowing. At the same time, Trump has publicly asserted that climate change is a hoax, and yet his administration has repeatedly been [forced to admit](#) it is a reality — in response to climate lawsuits such as *Juliana v. United States*, for which I'm an expert witness.

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Climate change is real, and it includes not only an increase in the average temperature, but also more extreme weather events including droughts, floods and hurricanes that have led to a large number of deaths. The United States has borne enormous costs as a result of the warming planet — [in 2017](#), more than 1.5% of [GDP](#). By the end of this century, some sectors of the US economy, including [agriculture](#) and [energy](#), could lose hundreds of billions of dollars a year because of climate change, according to the latest report issued by the [U.S. Global Change Research Program](#).

So there is a real urgency to respond to our economic malaise and our climate crisis. The good news on this Earth Day is that these are problems of our own making, and that means a

change toward pro-Earth policies can make a big difference. Even better, the major investments we need to respond to the crisis would be a spur to the economy. This is one of the central messages of the Green New Deal.

The transition to the "green economy," in which we rely on renewable energy, won't happen on its own, however. It will require a mobilization of resources — the kind we saw during the New Deal and the Second World War. Government will have to take the lead, and it will require public investments — including in infrastructure and research — and regulations. Environmental regulations such as the Clean Air Act can and have worked, and typically are very cost-effective. Without these measures, our air would be even more unbreathable than the air in New Delhi or Beijing today.

Dealing effectively with climate change is well within our reach; in fact, I recently co-chaired an [international commission](#) that showed that the global goals of limiting the increase in global temperatures to 1.5 to 2 degrees Celsius were clearly achievable. It would make so much more sense to spend money retrofitting our economy to reduce the risk of disastrous climate change rather than spending money to deal with the enormous economic and human costs of coping with its consequences.

Some of the required resources would come simply from eliminating the huge subsidies we provide for fossil fuels, or from taxing corporations that inflict damage on our environment. This would encourage corporations to work hard to prevent it. But there are broader changes that would help grow the economy, providing some of the needed resources: curbing the excesses of corporate power more generally would lead to a more efficient economy and to more equality. So, too, would curbing the abuses of corporate governance, like CEOs paying themselves so much at the expense both of workers and investment. Policies that reduce discrimination in the labor market and provide more flexibility in hours are examples of supply-side measures that work. And over the long run, education policies that help all citizens live up to their potential would also help the economy grow.

The mobilization during World War II had some long-term salutary effects on our economy and society: It brought women into the labor force and it helped transform us from an agrarian to an urban society. The mobilization required to fight climate change has a similar potential. As we restructure our economy and society away from a high-carbon economy and toward a more sustainable one, we should seize this opportunity to create the society that benefits all of us, as well as the planet.





<https://www.theguardian.com/commentisfree/2019/jun/04/climate-change-world-war-iii-green-new-deal>

## The climate crisis is our third world war. It needs a bold response



[Joseph Stiglitz](#)

Critics of the Green New Deal ask if we can afford it. But we can't afford not to: our civilisation is at stake

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□ ‘The war on the climate emergency, if correctly waged, would actually be good for the economy’ Photograph: Press Enterpr/Rex/Shutterstock

Advocates of the Green New Deal say there is great urgency in dealing with the climate crisis and highlight the scale and scope of what is required to combat it. They are right. They use the term “New Deal” to evoke the massive response by Franklin Delano Roosevelt and the United States government to the Great Depression. An even better analogy would be the country’s mobilization to fight World War II.

Critics ask, “Can we afford it?” and complain that Green New Deal proponents confound the fight to preserve the planet, to which all right-minded individuals should agree, with a more controversial agenda for societal transformation. On both accounts the critics are wrong.

Yes, we can afford it, with the right fiscal policies and collective will. But more importantly, we must afford it. The climate emergency is our third world war. Our lives and civilization as we know it are at stake, just as they were in the second world war.

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When the US was attacked during the second world war no one asked, “Can we afford to fight the war?” It was an existential matter. We could not afford *not* to fight it. The same goes for the climate crisis. Here, we are already experiencing the direct costs of ignoring the issue – in recent years the country has lost almost 2% of GDP in weather-related disasters, which include floods, hurricanes, and forest fires. The cost to our health from climate-related diseases is just being tabulated, but it, too, will run into the tens of billions of dollars – not to mention the as-yet-uncounted number of lives lost. We will pay for climate breakdown one way or another, so it makes sense to spend money now to reduce emissions rather than wait until later to pay a lot more for the consequences – not just from weather but also from rising sea levels. It’s a cliché, but it’s true: an ounce of prevention is worth a pound of cure.

The war on the climate emergency, if correctly waged, would actually be good for the economy – just as the second world war set the stage for America’s golden economic era , with the fastest rate of growth in its history amidst shared prosperity. The Green New Deal would stimulate demand, ensuring that all available resources were used; and the transition to the green economy would likely usher in a new boom. Trump’s focus on the industries of the past, like coal, is strangling the much more sensible move to wind and solar power. More jobs by far will be created in renewable energy than will be lost in coal.

The war on the climate emergency, if correctly waged, would actually be good for the economy

The biggest challenge will be marshalling the resources for the Green New Deal. In spite of the low “headline” unemployment rate, the United States has large amounts of under-used and inefficiently allocated resources. The ratio of employed people to those of working age in the US is still low, lower than in our past, lower than in many other countries, and especially low for women and minorities. With well-designed family leave and support policies and more time-flexibility in our labor market, we could bring more women and more citizens over 65 into the labor force. Because of our long legacy of discrimination, many of our human resources are not used as efficiently as they could or should be. Together with better education and health policies and more investment in infrastructure and technology – true supply side policies – the productive capacity of the economy could increase, providing some of the resources the economy needs to fight and adapt to the climate breakdown.





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While most economists agree that there is still room for some economic expansion, even in the short run – additional output, some of which could be used to fight the battle against the climate crisis – there remains controversy over how much output could be increased without running into at least short-term bottlenecks. Almost surely, however, there will have to be a redeployment of resources to fight this war just as with the second world war, when bringing women into the labor force expanded productive capacity but it did not suffice.

Some changes will be easy, for instance, eliminating the tens of billions of dollars of fossil fuel subsidies and moving resources from producing dirty energy to producing clean energy. You could say, though, that America is lucky: we have such a poorly designed tax system that's regressive and rife with loopholes that it would be easy to raise more money at the same time that we increase economic efficiency. Taxing dirty industries, ensuring that capital pays at least as high a tax rate as those who work for a living, and closing tax loopholes would provide trillions of dollars to the government over the next 10 years, money that could be spent on fighting the climate emergency. Moreover, the creation of a national Green Bank would provide funding to the private sector for climate breakdown – to homeowners who want to make the high-return investments in insulation that enables them to wage their own battle against the climate crisis, or businesses that want to retrofit their plants and headquarters for the green economy.

The mobilization efforts of the second world war transformed our society. We went from an agricultural economy and a largely rural society to a manufacturing economy and a largely urban society. The temporary liberation of women as they entered the labor force so the country could meet its war needs had long-term effects. This is the advocates' ambition, a not unrealistic one, for the Green New Deal.

There is absolutely no reason the innovative and green economy of the 21st century has to follow the economic and social models of the 20th-century manufacturing economy based on fossil fuels, just as there was no reason that that economy had to follow the economic and social models of the agrarian and rural economies of earlier centuries.

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