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'In the end, we have to decide what are the bigger risks.'

Nobel Prize winner Joseph E. Stiglitz on Putin's war of aggression, the global debt crisis, German nuclear power plants and ways out of the crisis

Looking at political developments these days it seems we are moving from one crisis to the next. Is there one development in particular that keeps you up at night?

> Obviously, the most serious crisis facing the world today is the Russian invasion of Ukraine. Everybody is worried about Putin's threat and his irrationality — this is particularly worrisome because you are dealing with an authoritarian figure who is effectively unrestrained and maybe not fully rational.

Looking at the economic sphere, the US dollar is getting stronger by the day. Are we going to see a new international debt crisis with repercussions in particular for the Global South as a consequence?

> I am very worried about that. Many countries were already over-indebted before the pandemic which made it worse and then the war in Ukraine made it still worse. Climate change certainly has made it worse. Therefore, food prices are up, energy prices are up, and now the central banks are making it even worse by raising interest rates, which will increase the value of the dollar. Many of these countries have debts denominated in the dollar. For many of them, that’s a huge problem. I don't think the increase in interest rates is going to have much effect on the rate of inflation because it's basically about shortages. If the war in Ukraine ended, most of the shortages would disappear – assuming that OPEC doesn't decide to try to take advantage of the current chaos to raise energy prices.

Many central banks around the world are raising interest rates. Is there a feasible alternative from a progressive policy point of view?

> Yes, there is. The problem of inflation is basically caused by mostly

temporary supply shortages. The appropriate response is fiscal policies that alleviate the supply shortages. The increase of interest rates however will exacerbate the supply shortages because it will impede investments which makes things worse. That's what I really worry about. Let me give just a few examples. We have an energy price problem. It would make a great deal of sense for us to have a massive effort of expanding green and renewable energy. It's not like we are discovering new oil. However, we know how to produce low-cost green energy and most of the materials are available. We could have an expansion of the scale of our investments in renewables.

Germany decided that they would leave some nuclear reactors running to confront the crisis. Do you think, at this point, this is the right thing to do?

Fighting a war takes precedence over other issues. I understand the aversion to using nuclear energy and why after the accident in Japan people would feel nervous. However, most scientists feel that there is no ground for nervousness. In the end, we have to decide what are the bigger risks. To me, right now, the first-order risk is Russia winning this war. It would be a form of appeasement and undermine international law. It also would show that you can get away with aggression. So, to me, it is a fundamental issue that we have to win if we're going to have a stable future. That's the priority. Extending the life of nuclear power plants safely is not anywhere near as much of a threat as the threat of Russia winning.

Looking back at previous economic crises, we know that political repercussions can be complicated, complex and extremely negative. Do you feel that the world, economically speaking, has learned lessons from 2008, from previous waves of crises or are we doomed to repeat history or, at least, an echo of it?

I think learning is a very gradual process. We should have learned from 2008 that the market economy is not very resilient. It doesn't consider risk. We also know it doesn't take into account climate change. But we saw in 2008 that the financial markets weren't resilient. The Pandemic showed us that the lack of resilience was not just the fault of the financial markets, but our whole economy. I sometimes describe it as we build cars without spare tires. That's fine as long as you don't have a flat tire. We constructed an entire economic system that was too short-sighted and didn't take into account risk.

In 2006, I wrote in my book ‘Making Globalization Work’, that it was foolish for Germany and Europe to become so dependent on Russian

gas. I said it didn't take a genius to figure out that Russia was not reliable. I have to say I'm sorry that it proved prescient. In the past, markets did not take account of risk and that is a lesson that we did not learn adequately after 2008. I hope now we will take that into account.

This interview was conducted by Michael Bröning.



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Joseph E. Stiglitz, recipient of the Nobel Memorial Prize in Economic Sciences in 2001, is University Professor at Columbia University. A former senior vice president and chief economist of the World Bank and chair of the US president's Council of Economic Advisers under Bill Clinton, in 2000 he founded the Initiative for Policy Dialogue, a think tank on international development based at Columbia University.