Webinar Title

Professor Joseph E. Stiglitz
Chief Economist of the Roosevelt Institute, Professor and President of The Initiative for Policy Dialogue at Columbia

Richard Denniss
Chief Economist at the Australia Institute

In conversation with

Ebony Bennett
Deputy Director at the Australia Institute

Ebony Bennett [00:00:02] G'day, everyone. I'm Ebony Bennett. I'm the deputy director at the Australia Institute. And welcome to our webinar series. Thank you so much for joining us today. We've got three and a half thousand people or more have registered today, so it's very exciting to have you all with us. And for those of you joining us for the first time, the Australia Institute is an independent public policy think tank and we're based in Canberra. To officially begin, I would like to acknowledge that Canberra is on Ngunnawal and Ngambri country and pay my respects to elders past and present and acknowledge that sovereignty was never stated and this always was and always will be Aboriginal land and that it's an exciting time at the moment with a new parliament and a new government and an excellent time for all of us to recommit to the Uluru Statement from the heart. For a voice to Parliament Treaty and truth telling. Our webinar series does vary in dates and times, so head on over to our website at Australia Institute dot org dot au to sign up for future webinars. And thank you again so much for coming along today. Just a few tips before we begin to help things run smoothly today. If you hover over the bottom of your zoom screen, you should be out of, say, a Q&A box where you can type in questions for our panel. And you should also be able to upvote other people's excellent questions and make comments as well. A reminder to please keep things civil and on topic in the chat or we will beat you out. And lastly, a reminder that this discussion is being recorded and if you have to duck out for any reason, you can find it up on our YouTube channel, that's Australia Institute TV. So governments around the world and here in Australia are currently negotiating rising inflation, cost of living pressures, rising interest rates and expect expectations to deliver high quality public services. Here in Australia we are managing historically low wages growth, under-employment and rising inequality as well and that's before we even touch on big economic issues like climate change impacts and rising inequality. Today's topic is the role of government in the modern economy and of course, the pandemic. And before that, the global financial crisis has really shown us that governments can and should play a major role in the economy. And so to discuss that in depth today, I'm delighted to introduce our special guest, Nobel Prize Laureate economist Professor Joseph Stiglitz. He's the president of the Initiative for Policy Dialogue at Columbia University and chief economist of the Roosevelt Institute. He's a recipient of the Nobel Memorial Prise in Economic Sciences, the John Bates Clark Medal, and of course, the Sydney Peace Prize here in 2018. He's a former senior vice president and chief economist of the

World Bank and author of several books, including the Recent People, Power and Profits Progressive Capitalism for an Age of Discontent. Professor Stiglitz is currently visiting Australia as a guest of the Australia Institute, and today he will be in conversation with our chief economists, Richard Denniss. Richard is the former executive director of the Australia Institute and our current chief economist. He's a prominent economist, author and public policy commentator here in Australia and he's also the author of several books including Econobabble and Big The Role of the State in the Modern Economy. Richard, thank you so much. Professor Stiglitz, thank you so much for joining us. Richard, I'll hand over to you now.

Richard Denniss [00:03:35] Now thanks, Ebony and thanks, Joe. Welcome to Australia. You've been here for a week or so now. How does the Australian economic conversation differ to what you see in other countries or does everyone just ask you about interest rates?

Joseph Stiglitz [00:03:49] Well, it does differ from that. In the United States, a lot more civil America is engaged in a new civil war, and it's hard to have a rational conversation about what is going on. And and so for me, it's been a real pleasure to be here where where I think more thought is being brought to these issues, especially at this time, because you mentioned there's a new government. And so it's an opportunity to to think about which direction the Australia Australia should go.

Richard Denniss [00:04:29] Well, I think a lot of people today will be surprised to hear you think the Australian debate is civil because for the past ten years it's been rather forceful. But yeah, I think you've got a great time. Look at the Australia Institute. We try to take good economic theory and turn it into practise. And you won the Nobel prize for talking about information asymmetry that when not everyone knows the same things, markets don't always work. So will you. And so many other good economists have pointed out that reducing inequality is good for. The economy, that reducing market power is good and competition is good for the economy. Yet so many people think that if we're if we're hard on poor people and if we're kind of big companies, that's the way to help the economy. So there's no theory behind that. But why is this why is it so easy to be mean to the vulnerable and nice to the powerful? And how can the economics gets used to justify that?

Joseph Stiglitz [00:05:29] Well, it's not surprise that those who are in a position of power, which disproportionately are people of wealth, use that wealth and power to make up arguments that assert themselves. I don't I don't buy anything surprising about that. I find it a little bit disappointing that so many economists join them in that effort. The critical point here is that there is this. These are issues that have been debated for more than 200 years. Adam Smith, who is the founding father of economics, is often cited for one of his insights, which was sometimes called The Invisible Hand, which says that the pursuit of self-interest leagues as if by an invisible hand to the well-being of everybody in society. And that is the kind of argument that those people on the right that you were referring to often use. The interesting thing is Adam Smith didn't believe it. He explained why you need a large role of government. He explained that whenever firms get together, they conspire against the public interest to create monopolies that could exploit people. He also explained how whenever they can, they get together in secret. It's actually interesting. He talked about secrecy here to suppress wages of workers. So he saw all the conflict that was going on. Now he was writing before the modern age of science and industry. So he was picking up a little bit of of what was going on in a relatively primitive commercial agricultural economy. And all the forces that he talked about that were a worry to him why markets wouldn't work. It played out enormously. Moreover, there was one thing that he never really crystallised in the way that modern economics has, which is the importance of externalities. And we've just been through one big episode of Externalities, The Pandemic. If I have the disease and I go to work and public space. It increases the probability of your getting the disease you're dying. Climate change is another big externality. These are core of modern life today. And finally, there were two other things that that that those ideas are three other things that that were left out. One, he actually thought about one of them, as I mentioned, the asymmetries that you mentioned, asymmetries, information which mean that markets don't work quite as perfectly as those who pretend that they do. And where that's important is imperfect. Information gives rise to the potential for exploitation, people taking advantage of other people's ignorance. When we think about the opioid crisis, the childhood diabetes crisis caused by the food industry, you go through a whole list of the financial crises. All those were really based on a lot of asymmetries, information. People would not have done these things if they if if they fully knew what was going on. So that was one thing that he was not fully cognisant of. The second thing he didn't really take into account because it was he was just at the beginning abandoned science. And the reason we have a higher standard of living today is because of science. Science is a production of science and knowledge. It's a public good, and all the basic advances in science have been properly funded from the Internet and to the MRI and a platform for vaccines. We can go out in the whole West. And so public a strong public sector is really important for our well-being. And finally, the concept of market failure. That we talk about all the time now was not crystalised he talked about a little bit, but the particular market failures I'm referring to is that poor, ordinary people often cannot provide for the education and health of their children. And if these children don't get adequate health and education, they're not going to turn out to be productive members as productive as they could be in society. So actually a small government harms growth.

Richard Denniss [00:11:07] Well, I agree. In Australia where I guess we're seeing the debate begin to catch up. But I guess it's it's decades since economists like yourself, you know, literally won the Nobel prise for pointing it out. Now our policymakers lag. I've heard you laugh that the thing about the invisible hand is we can't see it because it's not there. There seems to be so much, you know, people, I guess The Wealth of Nations, Adam Smith's famous book is a bit like the Bible. People talk about it, but they don't really read it. And there's all those chapters in there that people don't want to deal with. How do you think in the US, in Australia, how do you think the role of government is going to change in coming decades, not just because of climate change and COVID, which are acute, but everything from Facebook and Google. You know, there are new opportunities as well as new threats. Do you think governments are going to get bigger or smaller to cope with these things?

Joseph Stiglitz [00:12:07] Well, let me first say that that I think we're at a critical moment, because it's been 40 years that the doctrines of what are sometimes called neoliberalism, small government, have dominated things. The era of Thatcher and Reagan was so influential around the world, No.

One. Friedman And in academia, we've had an experiment, you might call it that, for 40 years. 40 years is a long time. And if you think about capitalism only being somehow 240 years ago, it's a sixth of the life of capitalism.

Richard Denniss [00:12:49] It's good data.

Joseph Stiglitz [00:12:49] Is good data. And we now know that that has failed. Growth is lower than the era that preceded it. And. A disproportionate share of that limited growth went to the people at the top. People at the bottom are actually worse off. But, you know, things are worse in the United States than they are in Australia. You may complain, but you look across the Pacific, you know, wages adjusted for inflation at the bottom. The United States have the same level as they were 65 years ago. This is the most prosperous, you know, large country in the world. Life expectancy has been on decline. So, you know, it's very clear that that system has failed and people are becoming increasingly aware that the economy is not resilient. The market economy is supposed to be able to produce goods. In COVID 19, we couldn't produce simple products like masks or protective gear, let alone complicated products like ventilators and tests. And now we are having monkey pox. And again, the private sector can't produce the tests that we need. And we're seeing it in ability to respond to the Russian invasion of Ukraine. So the market is not resilient, doesn't manage risk well. We saw that in the 2008 crisis where we needed a massive government bailout or the whole market system would have collapsed. And the irony was it was those people in finance who argue that the market was resilient and can take care of itself. That came pleading for help in the mount magnitude of $1,000,000,000,000.

Richard Denniss [00:14:47] Well, Paulson introduced the regulations. Yeah. So and.

Joseph Stiglitz [00:14:53] So. And then finally, I think there with the tech giants, there's an awareness of market power. And it's just not just the tech giants. I don't know if you read about the shortage of baby formula in the United States where where mothers were desperate to find baby formula in a way that happened, it was because one company that had 50% of the baby formula market was unsafe and had to shut down. And we didn't have a diversified production system.

Richard Denniss [00:15:37] It's as if monopoly and concentration led to concentration of risk.

Joseph Stiglitz [00:15:41] Exactly. So I think there's a beginning of an awareness that we don't have a competitive market, free market economy. We have a monopoly exploitive economy that depends a lot on government subsidies in certain areas. And and the result of that is that a beginning of thinking about, well, how can we reshape our economy to make it serve better our citizens in so many ways, not only material goods, but but the working conditions that we live in, the way that they've been exploiting our workers. We have these things called cyclic schedules that just sometimes get going, just terrible for ordinary people's lives.

Richard Denniss [00:16:37] Hmm. Well, on that, because I've heard you say a number of times that in which you talk about language and in the US, the Chicago school, the kind of neo liberal sort of economists, that's where they started off in in Australia. We used to call that economic rationalism. But in the US, I've heard you say that the shot at Chicago schools, real success was kind of getting their economic ideas written into the rules, written into the laws. So our competition policy in Australia was very influenced by the I will say our consumer watchdog does a good job, but the laws it implements were laws kind of crafted in the shadow of that Chicago school. So do you think that those well, we'll call them right wing economists. Do you think they were just better at building institutions to amplify their ideas? You know, because the ideas are long, kind of dismissed, but the institutions are still there. And if so, what would a progressive institutions look like? What do we need? What do we need to build? Not just think in order to take things forward. Is it? Is it? Do we need to go back to wage fixing? Do we need to? You know what? What bodies do we need to provide lasting force?

Joseph Stiglitz [00:17:51] Well, you know, people like Milton Friedman were good economists, but they were even. Propagandist. And he knew that what mattered in the long run was the rules. And so he succeeded. Burns thinks in writing a very influential paper at night in 1970. In The New York Times about shareholder capitalism.

Richard Denniss [00:18:24] One of the better economic journals you make.

Joseph Stiglitz [00:18:25] Yeah. And he argued that the objective of firms should be to maximise shareholder value. And anything else was a crime. And then many, many states in the United States and many countries around the world adopted that. Now, I was writing at the same number who were around the same time proving that that was not true. And I and fortunately, I published them in places like the Quarterly Journal, like Economics Journal of Finance. But I got to admit, he had more influence. You know, I showed that what he was arguing was not good economics. And we actually had occasion where we have face to face debate. And I, I, I think I won.

Richard Denniss [00:19:15] The.

Joseph Stiglitz [00:19:15] Book. But the fact of the matter was that he won because he got it into into legislation. Now, I've done two books with a groups of people in Europe and America Code. One of them called Rewriting the Rules of the American Economy and Rewriting the Rules the European Economy and talking about, you know, the fact that markets don't exist in a vacuum. They are shaped by rules and regulations. And we have to rethink all the rules and regulations. So we have to go from. Corporate governance laws say you have to maximise shareholder value to one that say you have to take into account all the stakeholders, workers, communities, environment, customers that. But actually one example fiduciary responsibility laws governing that. Competition law is one of the problems is the competition laws were written under the influence of Chicago where their belief was that markets were naturally competitive and the burden of proof was placed on anybody trying to say what those is.

Richard Denniss [00:20:40] To.

Joseph Stiglitz [00:20:40] Intervene. To intervene where as I look out and data is so overwhelming that in so many markets it's so clear that there is market power. And, you know, the antitrust authorities didn't go after baby formula markets. They didn't go after a box of other examples that we could talk about because the laws make it very, very hard. So we have to change the presumptions. We have to be aware of the way that market power gets exercised often in very, very subtle ways. And, you know, people don't realise the extent of the exploitation. I gave the example and and the foods that lead to childhood diabetes in the financial products, but there are so many they don't realise how they're being cheated on airline reservations on credit cards, you know, you, you, you name it. And almost certainly there's some kind of exploitation going on. Consumers are beginning to feel that, you know, they say, you know, in America, we broke up AT&T, one company. And we wound up with two and people say, What choice do I have? And most places they're still only one. But even if I have to, they're equally bad. And so you get discontent with the mind. You know, if you switch to the other, you'll be equally discontent because there's not the competition that you the kind of service that you would have thought in a highly competitive market. Yeah.

Richard Denniss [00:22:29] And I've heard you say in the US and I think most Australians would be surprised about this, that there are even big companies putting restrictions on their workers ability to go and work for their competitors. So non-compete clause, you've said actually apply to people working in the fast food industry?

Joseph Stiglitz [00:22:48] That's right.

Richard Denniss [00:22:48] And how does that work? No one in Australia has heard of this.

Joseph Stiglitz [00:22:51] Yeah, well, these are I mention that Adam Smith talked about how the subtle ways in which employers work to drive wages down. Well, that's what they're doing in the fast food industry in the United States. Wages, by the way, are not that great. They're, you know, eight, nine, $10 an hour. And, you know, you can't live on that particular in a place like New York. And the non-compete clause does mean that. The supply of labour to the competition of one guy against the other is very limited because if I work at McDonald's, I can't be hired by by Burger King because there's a non-compete clause. So our antitrust authorities are trying to figure out how within these laws that were not well designed for 21st century. Monopoly monopsony. How they can try to attack tac their problems. And the the underlying difficulties we haven't come to is the political system and so hard, at least in America, to change the legal framework. Which is where we ought to be beginning. But where one of the two parties. Totally in the pocket of business. Very hard to get the legislation that we need.

Richard Denniss [00:24:30] So in Australia, the Australia Institute research has shown this. We've we've got real wages falling. We've got profits at record share of GDP. And now that we've imported some inflation, mainly in the form of higher energy prices, people instantly go to a wage price spiral. And these are workers driving up prices. And if we if we gave low paid workers a pay rise to keep up with the cost of living, they would be causing inflation. So instantly, as soon as inflation arrives, even after decade of low wage growth, we've blamed low paid workers. So, you know, how is it is this the case in America of workers being blamed for inflation over there?

Joseph Stiglitz [00:25:16] Unfortunately, that's true. But as you were suggesting, you look at the data, it's clearly not the case. Wages are not even keeping up with prices. So when we look at that, wages are a dampener on inflation. And I feel very strongly that advocating governments ought to be helping lower middle income people deal with inflation, that they're that that is going on. But if you ask, what are the sources of inflation, it's clear that much of it is what you call imported inflation. It's inflation with energy prices, with food prices. And the idea that raising interest rates is going to solve the problem, I think is a fantasy. Raising interest rates doesn't make more oil. It doesn't make more food. There'll still be high global oil and food prices unless you get a really good global recession. And then, of course. You know, low wages adjusted for inflation are bad, but no wages. I.e., unemployment is even worse. Yeah. And so. The other aspect, we back some studies at the Roosevelt Institute that have highlighted the fact that those sectors, roughly those sectors of the economy, where there's more market power, as indicated by higher mark-ups the sectors where inflation is higher. So it would so, in fact, it would it seemed to be going on in the same economic theory, all too complex. But the economic theory that supports this that there. Firms with market power are using the opportunity of the current turmoil to raise prices even more. So what we really need, I think, right now to deal with inflation are the medium run some supply side measures. You know, what can we do to increase the supply of labour? What can we do to resolve some of the other bottlenecks that we have in the economy? And then the second thing we we need to do is more medium term, but it will start having impact right away. A better competition policy, better competition will drive some of those high prices down. One of the real irony, ironies in the American situation is that you will get energy prices. One of the big sources of inflation, USC is close to energy neutral. And what does that mean? That means when the energy prices go up, the country as a whole is neither better off nor worse off because we're not importing or exporting. But that increase in the price of energy. Result in a transfer of wealth of income from ordinary consumers. To the oil companies and oil gas companies. Do they work for that? No, there is. Russia invaded Ukraine. That's why the oil company is doing so well. So that's why we need a tax, a windfall profits tax on the oil and gas companies are making off like that.

Richard Denniss [00:29:25] And you say we you ultimate the US.

Joseph Stiglitz [00:29:27] And the US.

Richard Denniss [00:29:27] Imagine you are an energy exporter, the world's largest exporter of liquefied natural gas, the second largest exporter of coal. Usually energy exporting countries enjoy the benefits of high oil prices. Yet here we are in Australia feeling poor, even though we're the third biggest fossil fuel exporter in the world. So I suspect you support a windfall profits tax for us here as.

Joseph Stiglitz [00:29:55] Well, even more strongly. And again, it's a redistribution. A redistribution. From. Ordinary consumers to the producers. And the data that I've seen, I think some of it it may be from the Australia Institute hopefully is that a disproportionate share of the those companies are owned abroad. So that means the Australians, even though the energy resources are or should be Australian, should be owned by the Australian people. In fact, with this Russian invasion in Ukraine, you're transferring money out of the country to foreign investors. It makes no sense. I, you know, I.

Richard Denniss [00:30:48] Thank you. Thank you. Yeah. I mean, just to be clear, in Australia, we are importing price increases and exporting profit.

Joseph Stiglitz [00:30:56] Exactly. Okay. It is mind boggling that that you are engaged in doing it. But, you know, you might say that's all politics.

Richard Denniss [00:31:04] Yeah. Well, one last question before we go to the audience and it relates to this is that our Treasurer Jim Chalmers has recently proposed introducing a wellbeing framework for our budget. We're not just. Which would both, both include formally in the budgeting process what our objectives are. From a wellbeing point of view and include new non-financial measures to track progress. Now you were commissioned by the French president, Nicolas Sarkozy, along with one of my other favourite economists. Amity is saying to look into the limitations of GDP. So here we've finally got an Australian Treasurer, you know, saying, well, let's go down this path instantly being mocked by the right for taking his eye off the main game, having looked deeply into GDP as a measure of well-being. Is it a good idea for the Australian Government to broaden its framework?

Joseph Stiglitz [00:32:04] Very much so. And we looked into both the flaws in the metrics of GDP and why it was very important as a society to look beyond GDP. So for instance, we were just talking about the transfer of profits abroad. That's an example where GNP would be, which is gross national product. How much are the citizens of the country getting, not how much goods are being produced.

Richard Denniss [00:32:40] In the borders?

Joseph Stiglitz [00:32:41] Within the borders and GDP was introduced. Interestingly, just when globalisation expanded, just when it became a worse measure of what was relevant for a country, you know, a country cares about the well-being of its citizens, not how much goods are being produced. The other basic idea is that GDP can go up, but the well-being of the citizens could go down and has gone up every year. And there it states our life expectancy is going down. The incomes of the people in the middle have stagnated. The bottom are going down. You know, anybody looking at the United States, you you look at the infrastructure, things are not good. So the correlation between GDP and what you care about. Is very low.

Richard Denniss [00:33:48] But Elon Musk might be a trillionaire. So that's that's going to be good, isn't it?

Joseph Stiglitz [00:33:52] Because it doesn't help ordinary citizens. We can say, you know, Bill Gates can be doing well, Jeff Bezos could be doing well. But that doesn't tell you that at all. Included in GDP. But it doesn't tell you how the ordinary citizen we call the median person in the middle is doing, let alone, you know, all those who are down below that. So and it doesn't tell you anything about what's happening desirement how well, so many sense of insecurity, anxiety. So there's so many dimensions to what most people think of. Constitute a good society.

Richard Denniss [00:34:39] What's the Kennedy quote about?

Joseph Stiglitz [00:34:41] GDP measures everything except that which is important.

Richard Denniss [00:34:46] Well, on that note, Ebony, I suspect there might be one, maybe even two questions for our audience in the books.

Ebony Bennett [00:34:52] We just cracked 200 questions. And I'm sorry, we're not going to be able to get to all of them, but I have been trying to log them as we go through. We've got more than 2100 people on the line with us. Thanks so much for joining us today, Joseph Stiglitz. The question that I want to start with is one here from Lachlan Kirkwood McCall. He says in your 2019 book you endorsed a job guarantee, writing that in the 21st Century America, we should recognise a new right, the right of every person able and willing to have a job if the market fails and fiscal and monetary policies fail. Can you talk about why a job guarantee is so important to replace the so-called natural rate of unemployment?

Joseph Stiglitz [00:35:35] Well, the the notion is here is to two ideas that I thought was very important, were very important first. But there are so many things that we need people to do. We need to make the green transition. Some people say we can't afford it. But the question, if we can't not afford to do it and the question is where do we get the resources? So we need labour for that. We need labour infrastructure for making sure everybody gets a good education. But also and there are people to work who want to work. If there are somebody who wants to work and there are these jobs to be done, it is a failure of our society not to provide them with a job. It's a failure of our economy. And we should admit that that something is not working right.

Richard Denniss [00:36:34] It's the ultimate inefficiency.

Joseph Stiglitz [00:36:36] It's the ultimate inefficiency. And so that was the first point. I said, if there's that inefficiency, our responsibility as a society is to get rid of it and back to where the job guarantee was important. The second point is that for most people, not all, but for most people, work is an important part of their life. The fact that they're contributing to society, whether it's addressing climate change or helping somebody do something they couldn't do themselves, whatever they're doing work is part of what gives meaning to life. And for somebody who want to work and for society, you say, Oh, you don't have any anything to contribute.

Richard Denniss [00:37:29] You're not skilled enough.

Joseph Stiglitz [00:37:29] You're not. You don't. That's a failure of us as a society and as degrading. Demeaning. So I'm both of those accounts. I think having that kind of work guarantee is important. I am hopeful that if we actually created a more competitive economy and got rid of some of these monopolies, that the market would do a better job in creating full employment. And also, if we did a better job with health and education for everybody, then the system on its own might produce two jobs for at least most people. If you look at where we failed most dramatically getting poor employment in some of the marginalised groups, when I say marginalised, those that have not been provided adequate education and health.

Ebony Bennett [00:38:27] The next question that I've got relates I think particularly to the Australian context at the moment with neoliberalism obviously dominating the economic debate here for the past couple of decades, we tend to focus a lot on reducing debt and deficit and cutting public spending. But I've got a question here from Andrew Plaza, who says, what are your thoughts on the revenue side of things, on the efficacy of inheritance taxes, wealth taxes, in reducing widening wealth inequality? And how can governments deliver? This is a big question. How can governments deliver tax reform without losing the popularity of the voters?

Joseph Stiglitz [00:39:07] Well, I think. On the latter question, the surveys in the United States show that most voters support a higher taxation on wealth. They support a wealth tax. It's only within what we call the Beltway inside Washington, DC, which are the political people who have been overly influenced by money, by financial interests and moneyed interests that oppose it. And that's been one of the problems that the Biden administration has been facing. They read the polls and the polls say 70% think we ought to have a wealth tax. You try to get that through Congress. It's really, really difficult. So they're trying to deliver what Americans want. But our political system is broken. I think the answer the first part of the question is, I think actually a good system of income and wealth taxes, more progressive income taxes. We have a lot of loopholes on capital gains on lots of areas, particularly corporate income tax. But a better, more progressive income tax system and more progressive inheritance and wealth taxes would actually increase growth in the economy and create a kind of social solidarity that would actually enhance it to go back to worse societal well-being. There are actually a number of studies that have been done with OECD and IMF that show that societies, economies in which there is more poverty grow faster and easy to understand. In my book, The Price of Inequality, I explain a large number of reasons for which that is true. But the easiest one to understand is that in Australia, in the United States, those at the bottom are not getting the education that allows them to live up to their potential. So we are wasting some of our most valuable resource, our human resources.

Ebony Bennett [00:41:38] And is there anything you want to add there to the Australian context in particular?

Richard Denniss [00:41:43] Yeah, no, I was just going to chime in. I mean, Joe made reference before to some research that one of our researchers, David Richardson, did that says, you know, 97% of the oil and gas industry foreign owned. So to me, it kind of blows my mind that in Australia, the sort of we can't win a populist public debate about imposing a tax on an industry that's causing the petrol price to go up, causing your energy price to go up is overwhelmingly foreign owned. But the idea that it has to be politically dangerous to impose a tax like that, yeah, it kind of blows my mind and it sort of shows how captured to some extent our our debate has been over many decades by these industries. But I think they've overplayed their hands and and broadly as with the US, I think in Australia, while the fear campaign from the right is always Labour, governments wanted to tax the economy into oblivion. I think the debate has to be carefully managed and I think it's easier for Labour to do this from government in this they look, we're not increasing your tax rate, we're closing the loopholes.

Joseph Stiglitz [00:42:51] Yeah. And let me just one more thing, which is some of the research I've done over the last 50 years has shown that well-designed progressive, say corporate profits taxes do not decrease investment. They are taxes on pure profits, rents, really, we call it rents. And so they can be the basis of important investments in people, infrastructure, technology, and at least in that way, the productivity I've talked about how important that was for a 21st century economy without discouraging private investment.

Richard Denniss [00:43:39] And just sorry, one last point. We did some research a few years ago pointing out that if you look at when neoliberalism fired up in Australia in the nineties, GDP per person was about the same as Norway back then. And ever since we became neoliberal, ever since we started cutting our taxes and cutting public spending, no one has got richer and richer and we've lagged behind them. So there's clear empirical proof that higher tax countries have outperformed Australia. During this long experiment, you know, so we can look around the world and find clear evidence that the idea that high taxes will discourage labour market effort or discourage investment is it's a very convenient, powerful fantasy, but there's no evidence.

Ebony Bennett [00:44:25] And that takes me from taxes to subsidies. The next question is from Jen Sinclaire, and she asks, How can the Australian economy desist from fossil fuel subsidies in order to help halt the production and exploration of fossil fuels in an age of climate change and have a more sustainable economy? Could you talk to us a little bit about subsidies?

Joseph Stiglitz [00:44:46] Well, this is one of the ironies of neoliberalism, which is that while it preached the notion of no intervention in the market in practise, it didn't do that. And fossil fuel subsidies are one of the biggest examples. But there are every country has their own examples. Sometimes in Oakland, subsidies, sometimes in heating subsidies. For example, in the United States financial sector, derivatives were given preference over any other claimant in the process of bankruptcy. And that was a way of encouraging the derivatives. Now, why would you want to encourage a risky industry like that and discourage, at the same time some more productive industries? Blows my mind. But the the the the answer is that it would be a double value to get rid of those fossil fuel subsidies. I say double value a you are those subsidies are destroying the atmosphere destroy leading to climate change which dealing with climate change is costing you. You are having the floods, wildfires. We have hurricanes, tornadoes. I mean, we these extreme events are in the United States are costing us between one and 2% a year in our GDP to repair the damage. So that's, you know, so so and the money that you. Save by not subsidising them. And there are lots of is hidden. Open subsidies could be used more productively in so many ways. Investment and health, education, technology, research to make the economy more productive. So Australia loses, you know, in multiple ways from these fossil fuel subsidies. And then to repeat what Richard said, the irony is who is the beneficiary of the subsidies? Foreign foreigners? Now, why would Australian taxpayers want to subsidise foreign owners?

Richard Denniss [00:47:17] I was hoping you could answer this question, Gerri, because as many people in these webinars have heard me say for years, this makes no economic sense, but it.

Joseph Stiglitz [00:47:25] Doesn't even make political say.

Richard Denniss [00:47:29] That's reassuring and makes me happy that you can say it. But let me just add that, you know, the I in Australia the same you said it's ironic, Joe, that the neoliberals support subsidies for things, things they like. But the same group who worry about the cost of avoiding climate change never talk about the cost of experiencing climate change.

Joseph Stiglitz [00:47:52] Exactly. And it's you know, these kinds of epoxy has been there since the beginning of neoliberalism. I remember doing an early study of of Reagan's trade policy. He talked about how important free trade and all that was. He had import controls on about 25% of all. You know, what of the things he did was to threaten Japan. Either you put, quote, boundary export restraints on your cars or we import we imposed tariffs. Now, is that is free trade?

Richard Denniss [00:48:36] Free trade. He insisted it be voluntary, said, yeah, yeah.

Joseph Stiglitz [00:48:41] Voluntary. Like a guy with a gun at your heading says, give me your money. And he said, Well, he did it voluntarily.

Richard Denniss [00:48:49] You know, you us free trade agreement is 1400 pages long. I always thought I could write one in one page. There will be no restrictions on trade. The other 1400 pages spell out all the agreed restrictions.

Joseph Stiglitz [00:49:02] Exactly.

Richard Denniss [00:49:04] What do we got?

Ebony Bennett [00:49:05] I will just say if anyone is interested in that subject of fossil fuel subsidies. The Australia Institute has done some quite recent research on that and we calculated that the combined state and federal subsidies to the fossil fuel industry are upwards of about 11 and a half billion dollars each year and have been growing. So not good news on that front. The next question that I've got is from Kate Crawford. She asks, How do you think the modern role of the media to spread and amplify disinformation has impacted on our economy? Joe?

Joseph Stiglitz [00:49:43] Yeah, that is something I've been very, very concerned with. But let me just say, just step back. One of Australia's really, really negative contributions to the world I know I shouldn't be saying this in a Australian blog is Murdoch and Fox News. So Fox News, the evidence is unambiguous that it has real effects and they have been very adverse. But they those effects have been amplified, as you say, by by what's been happening on social media and so forth. And the real concern is the growth of mis and disinformation, and it has economic social effects. We've just been through a pandemic and we've seen one of the dimensions of that, which is the anti-vaxxers and the growth of vaccine resistance. And, you know, the fact of the matter is. If large fractions of people don't get vaccinated, the disease spreads. It's a remarkably good vaccine, better than most vaccines. And even if it's not perfect, it works to reduce the spread of the disease. And that's an example of what we call externalities. And it the the social media, by spreading that kind of missing disinformation, has had a very negative externality, not only on the lives of the people and their well-being, but, of course, on the economy. Because if people can't go to their sick, they don't work. And and as long as the disease is so prevalent, it gives it opportunity for mutations that can be more deadly and dangerous, contagious and so forth. But myths and disinformation then affect every aspect of the running of our society and our economy. And I think. That has been part of the basis of the. Battle that we've been talking about between new liberalism and the critics of neo liberalism. Fox News in the United States has a very devoted group of listeners and they're told, you know, end times a day that markets are perfect.

Richard Denniss [00:52:44] And progressive governments will ruin the economy. And, you know, what do they come up with for, you know, Medicare over there? Death panels, doctor. Death panel. Yeah.

Joseph Stiglitz [00:52:55] Yeah. And, you know, the the the level of misunderstanding, I mean, famously in one of the presidential debates, one of the. Somebody raised their hand and said, I want government to keep its hands off of my Social Security and Medicare. Oh, and.

Richard Denniss [00:53:25] Okay.

Joseph Stiglitz [00:53:25] Fox News. And and this these social media have been so successful in conveying the idea that anything that is successful had to be private. That they believe that these. Public programmes that they depended on and loved had to be private.

Ebony Bennett [00:53:46] And I want to come back to the title of this. The Role of Government in the Modern Economy. We spoke to you a couple of years back, kind of at the beginning of the pandemic, about a month or two after most countries had started locking down and that type of thing. And you talked about kind of inequality in the pandemic. But looking back now, after two years, I wonder if you could just give your reflections on how the pandemic has changed the role of government, or how we understand the role of government in the modern economy. Just as a result of that in particular, because I think we saw in Australia our Conservative government, you know, implemented after a big campaign by the unions a wage subsidy scheme, for example, that, you know, would have been unheard of kind of six months prior to that. And what do we know about what have we learnt during the pandemic about that role of government in the economy?

Joseph Stiglitz [00:54:45] Well, I do hope we've learnt some lessons and, and some of the lesson goes go to what should happen before a pandemic. A good government helps you prepare for crises.

And we in the United States had a preparedness office within the White House for preparedness for pandemics, because it was so clear after stars emerged we were going to have another pandemic. And it was clear. And the question was, were we prepared? Interesting thing is Trump disbanded that. She knew. Who cares about a pandemic? So we we took that away. Another example of preparedness is stockpiles. One, have stockpiles of masks? No. Normally you don't need them, but you want to have it. And so those stockpiles erode. So when when it hit with suddenness, we didn't have any mass. We didn't have any protective gear. We were. And we lost the ability to produce them. We have a very good institution. You're talking about institutions called the CDC, the Centre for Disease Control, which is important in studying and controlling contagious diseases. He defunded that. And so and that meant key personnel that left. It wasn't the robust institution. We had trained people all over, creating institutions all over the world, and we defunded it. So they still are not up to the capacity that we needed, for example. Our hospitals prided themselves on having no spare beds. We were using every bed. It's like. Cars without a spare tire.

Richard Denniss [00:56:51] And they were efficient.

Joseph Stiglitz [00:56:53] Very efficient. Except when you have a flat tyre and hospitals with no spare beds are fine as long as you don't have a surge. But we had no capacity and we've shifted people to old age from where they died. And that's why we had more than a 1 million Americans die in the pandemic because of the lack of preparedness. So that's the beginning of being prepared. It's a responsibility of government. But the second thing is, as you said, is the response to the crisis. If we had not had government action, the unemployment rate would have soared. There would have been people who literally would have been starving, you know, no income. And we don't have it. Unlike Australia, we don't have really a basic framework of support. So it would have been literally a disaster. And by the way, the fact that we seen that in the United States responded so strongly was one of the reasons why our GDP did not go down as much as many other countries did. But we didn't have you know, one of the issues is how much you spend. And the other issue is how you spend it and how you shape your programmes. One of the things that we made a very big mistake on is that we didn't try to keep workers connected with their firms. Many European governments, and I think you did that as just kept kept at a programme that was designed to keep workers connected with their employer. One of the. Consequences of of the fact that we didn't do that is that many workers lost all loyalty to their firm. And now in the United States, a lot of people have just dropped out of the labour force. You know, we have a very low unemployment rate. People talk about that. But what they don't talk about is that our employment rate is also very low and we're just getting back to the level of employment that we had before the pandemic, even though in the meanwhile cause normally population growth would have were 2 to 3% more workers working in the labour force. And many people have gone into self-employment because they say, I don't want to work for an employer who treats me so badly, and that that connexion with the workplace has really been eroded. We didn't design a programme, but it is very clear that both in preparation and in response, the Government was absolutely critical here. And just think for a moment where we would be if the government hadn't stepped in and finally. The disease would have ravaged us far more if we didn't have the vaccines and if we didn't have the public health measures that we took. Who created the vaccines. Let's be clear. It was government. The platform RNA vaccine, you know, it was supported by government. The government spent billions of dollars making sure that they. This platform got adapted to this particular disease. The private sector did put in money. It was minuscule compared to what the public sector put in and. So our ability so so the bottom line is the the response to the vaccine to the to the the pandemic in terms of health was also crucially shaped by government. So I got to say, you know, it was a moment of collective action and it worked. And I hope that's the lesson that we take out of this pandemic.

Richard Denniss [01:01:20] And when it hit, of course, when the COVID hit, Australia, I assume was the same in the US, no one went, Oh, there's a big problem, the market will fix this. No one thought for a minute that the market solutions would get us through. Everyone turns to the government in a crisis.

Joseph Stiglitz [01:01:36] Exactly. And no one said, Oh, we can't afford to respond. They all said, we will do what it takes to to address this, the COVID 19, both in terms of health and in terms of the economy.

Ebony Bennett [01:02:00] Well, I'm afraid we're going to have to wrap it up there. Thank you so much. What a fantastic discussion, Professor Joseph Stiglitz. And thank you to Richard Denniss as well. Thank you, everyone, who has attended today. Thanks for all your wonderful questions. I'm sorry we couldn't get to all of them. Please make sure you subscribe to the Australia Institute's podcast. Follow the Money where we explain big economic issues in plain English. You can find that on iTunes or ever. You normally listen to podcasts and we'll be turning today's talk into a podcast as well. So make sure you sign up for that and join us tomorrow on our fortnightly poll position. Unpacking the latest Guardian Essential Poll Results and the Week in Politics with Guardian Australia's Katherine Murphy and the Essential Media's Peter Lewis. We had more than 2000 of you on the line with us today. Thank you so much for joining us, and thank you again for your time, Joe and Richard. Thanks very much. Everyone stay safe out there and we'll see you soon. Bye bye.

Richard Denniss [01:02:55] Thanks, everyone.