

Stiglitz: there's only one rational economic action for...

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From Joe Stiglitz in [the FT this morning](#):

But the real answer, at least for countries such as the US that can borrow at low rates, is simple: use the money to make high-return investments. This will both promote growth and generate tax revenues, lowering debt to gross domestic product ratios in the medium term and increasing debt sustainability. Even given the same budget situation, restructuring spending and taxes towards growth — by lowering payroll taxes, increasing taxes on the rich, as well as lowering taxes for corporations that invest and raising them on those that do not — can improve debt sustainability.

As he then notes:

The politics, however, are elsewhere. Markets know that the mix of low tax and debt fetishism sweeping the North Atlantic means that there are no instruments at hand: monetary policy won't work, fiscal policy is constrained, growth will slow and the improvement in deficits (brought by austerity) will be disappointing.

I think he knows, and I know, the last comment is being generous.

That's the political reality at present. Right wing politics is crippling the market. It's crippling growth. It's crippling hope.

But, as I'll note elsewhere soon, and as Stiglitz hints at in the article, the markets are realising that this political failure exists. To date they have supported the mad policy of austerity. But I think there are beginning to be signs that they no longer do so and that they are realising austerity will fail, as it surely will.

Those of us on the left - like Stiglitz - don't need to change our narrative. We have the right one. But I think what will happen is the markets will join us. When that happens will the politics of the right stand up to a new narrative of intervention? Personally I doubt it.

There has to be hope!