

# Climate on the ballot: Joseph Stiglitz and José Manuel Durão Barroso discuss US and EU elections

**Joseph Stiglitz and José Manuel Durão Barroso weigh the challenges of the green transition and see forks in the road ahead of the U.S. presidential election.**



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In 2024, nearly half the world's population is voting in national elections, in which climate

change has become a flashpoint. Perhaps no election is more hotly watched than the next U.S. presidential election on November 5, 2024, between Donald Trump and Kamala Harris, whose distinct visions, governing styles and priorities will have very different impacts on the world. Discussing the risks and challenges at IESE in Madrid were:

- **Joseph Stiglitz**, the Nobel prize-winning economist, public policy analyst and professor at Columbia University. He was Chief Economist of the World Bank and Chair of the U.S. President's Council of Economic Advisers.
- **José Manuel Durão Barroso**, a Portuguese politician and law professor who was Prime Minister of Portugal and President of the European Commission.

During an [Energy Prospectives](#) event organized with [Naturgy Foundation](#), which was moderated by IESE economics professor [Jordi Gual](#), the two experts discussed the future of energy and climate policy in this banner election year. Here, we present the highlights.

## The Divided States of America

**Joseph Stiglitz:** In the U.S., there's a bifurcation in the direction of climate policy. Trump is a climate skeptic who has made climate part of the culture wars. If Trump is elected, there will be a marked change in policy, not only in the energy industry but also in the financial sector.

For instance, the U.S. central bank doesn't assess climate risk, based on the argument that climate is a long-term phenomenon and central banks should be focusing on the short term. Where that's wrong is that climate is already affecting real estate.

There is what we call "transition risk" — that the market hasn't fully taken on board the carbon risk and there will be a big adjustment of asset values. And we know what happened in 2008 when the price of real estate adjusted: it caused a global financial crisis.

The importance of carbon assets is much greater than the subprime housing market. If there were an adjustment of asset prices to reflect a recognition of carbon risk, it could be very disturbing to financial markets. And the U.S. doesn't assess this.

If there were another Democratic Administration, it's likely that the new head of the Federal Reserve would recognize carbon risk.

One distinct difference from the EU is that the U.S. is now energy independent. In fact, the U.S. has become a major exporter of energy, particularly oil and gas. We have this kind of net energy security that is different from the dependence Europe has.

That's likely to continue whoever is elected, but the direction will be different for each. Under Trump, you will see a big expansion of fossil fuels, whereas under the Democrats that would be limited and you would see an expansion of renewables.

## The U.S. Inflation Reduction Act

**Joseph Stiglitz:** This was done with good intentions to move the U.S. toward a green transition, but it violates WTO trade law. By making the subsidies generous, the Biden Administration has created a special interest in maintaining them, and companies receiving these subsidies will be a strong force to keep them. And because they are going disproportionately to Republican states, it will be hard for Republican congressmen and senators to repeal them. In a sense, they are Trump-proof, which is good for the climate, but not so good for global competition.

**José Manuel Durão Barroso:** Although the Inflation Reduction Act is basically a protectionist measure to relocate investment to the U.S., it was relatively well received by the EU. Why? Because, in fact, it's the first time the U.S. has done something meaningful to fight climate change. So overall, it was well received.

But I know many cases of investments that were planning to come to Europe that now are going to the U.S. because the U.S. can offer subsidies worth hundreds of millions of dollars, which, according to our rules, we cannot give in Europe. It goes completely against the rules of the WTO because of its so-called local-content requirement, which says it has to be made in the U.S.A.

If Trump is elected, we believe the probabilities of having a global trade war are extremely high.

## U.S. companies and courts

**Joseph Stiglitz:** The direction of U.S. policy won't change overnight. Individual states play a big role in regulation, the most important being California, which is progressive and concerned about the climate. The standards that California sets for cars, for instance, end up becoming the national standards.

Multinational companies are other important players. They don't want to produce green products for Europe and dirty products for America. This is where I think Europe is really

important. By having higher standards in Europe, what happens in the U.S. will be better than it otherwise would have been.

The final thing that I think is going to stabilize is our judiciary. Our judiciary at the top is not very good in terms of climate change. It moves slowly, in general. But there are currently a lot of lawsuits, both in state courts and national courts, on climate. There's a judicial movement to try to be more climate friendly.

## Europe's climate backlash

**José Manuel Durão Barroso:** I'm concerned about what's going on in Europe. In the June 2024 European elections, the party that lost the most seats was the Greens. I'm afraid we're seeing some backlash against climate action at the European level, not because there is less awareness about the dangers of climate change and the existential need to do something to save our planet, but because there are so many pressures on our governments.

Climate transition has a cost. All these measures, in terms of support to sectors affected, have a cost. The fiscal pressure is huge.

While I think most people in Europe want strong action against global warming, the problem is: how to do it in a way that is socially acceptable and also efficient from a global competition point of view?

I don't see European industry accepting they're going to continue with the highest standards yet not be able to import anything from the U.S., China or India.

Some industries are highly exposed to international competition, and the only way for Europe to keep some kind of industry is to have a carbon border adjustment mechanism. If not, our industries are going to close, simple as that.

This is a problem of global competition, whether we like it or not, which has a direct impact on jobs. We can say the green transition is going to create new jobs — that's true — but there are some extremely exposed industries where, if Europe doesn't act, we will have not only an economic problem but also a political problem. This is already appearing.

I believe there is already a recalibration of objectives going on at the European level. In Brussels, it's difficult to make decisions, and even more difficult to change those decisions once made. Most likely there won't be a change in European legislation, but the creativity of

European lawyers is boundless, and they will find ways of postponing, of tweaking, of making exceptions.

## The geopolitics of climate

**Joseph Stiglitz:** Any discussion of U.S. energy and climate policy must recognize it is embedded in geopolitics. And the dominant discussion in the U.S. right now is China.

It may be hard for Europeans to comprehend the paranoia that the U.S. feels about China, but it's there and it's bipartisan. It shows up in the conflict between greening our economy and our economic policy.

For instance, we've put high tariffs on solar panels, electric vehicles and batteries. What we're basically saying is, more important than our citizens getting cheap green products and greening our economy is making sure that we have the capacity to produce them ourselves. We're sacrificing the pace of greening for our geopolitical economic strategy.

While it's important that we have the capacity to produce and compete on these new technologies, I think transitioning faster is more important.

**José Manuel Durão Barroso:** China has been a net beneficiary of climate change policy. If there's one country that has been gaining in all industries climate-related — not only solar panels but also in wind and electric vehicles — it's China. At the same time, even as they have the No. 1 green industry in the world, they continue to build coal-powered plants.

What the Chinese are doing is keeping their fossil fuel industry — developing and investing in it, in fact — as they also invest in renewables. They have the benefit of both worlds.

## Need for coordinated global action

**Joseph Stiglitz:** Global warming and climate change are global issues. The policies we undertake must take that into account. Even if the U.S. and Europe are both carbon neutral by 2050, unless the emerging markets and developing countries get on board, we're all doomed. And if we engage in policies that are viewed as unfair, it will make it that much harder for them to get on board.

Trump, as we know from him withdrawing from the Paris Agreement, doesn't believe in multilateralism. If he wins, the difficulty of getting a global agreement is going to be that

much greater.

**José Manuel Durão Barroso:** The problem isn't Trump. The U.S. hasn't ratified any significant international instrument to fight climate change. The Chinese will also not do it. In both cases, it's because of their concept of sovereignty.

They don't do what the EU has done, which is to accept binding legal obligations, internationally and nationally, in the fight against climate change. This is the most important difference we have.

Let's remember, the U.S. was the only country in the world that left the Paris Agreement. It's a challenge when the most important power in the world isn't part of the global effort to fight climate change.

The EU is generally delivering on its commitments. Other countries can't say the same. To lead, we need others to follow, but unfortunately that hasn't been the case with climate change.

Climate changes the planet. We need a global agreement but I'm pessimistic about the possibility.

For any U.S. president, America has to come first. For each of us, our own country has to come first — but not alone. With Trump, it's not just America first; it's America alone. And that's extremely worrying for those of us who have a multilateral approach.

**MORE INFO:** [Nobel Prize winner Joseph Stiglitz warns of risk of abrupt shift in U.S. energy policy](#)

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