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WELCOME REMARKS

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End of neoliberalism? What is the Future of Global Economic Governance?

Meine Damen und Herren,
Ladies and gentlemen,
Mesdames et Messieurs,
Welcome to the Oesterreichische Nationalbank.

I would like to extend a special welcome to the four renowned panelists, who will be introduced in more detail by the panel chair, Mr. Thomas Wieser, after my opening remarks:

- Ms. Natacha Valla, Dean of Sciences, Po's School of Management and Impact, Paris,
- Mr. Mario Holzner, Executive Director, Vienna Institute for International Economic Studies (wiiw), Vienna,
- Mr. Lajos Bokros, Professor of Economics and Public Policy at the Central European University (CEU), Vienna, and
- Mr. Karel Lannoo, Chief Executive Officer of the Centre for European Policy Studies (CEPS), Brussels.

A special welcome, of course, also goes to the initiator of this event, Mr. Dietmar Schweisgut, Secretary General of the Austro-French Centre for Rapprochement in Europe, Vienna.

Soyez les bienvenus à la Banque centrale autrichienne et particulièrement à la Halle des Caisses (Kassensaal) qui a été récemment rénovée – J'espère que vous allez bien ici dans un cadre fait pour les conférences diverses mais qui sert aussi comme salle de concert (maintenant avec une acoustique excellente).

Je vous salue en tant que gouverneur et maître de la maison, comme je le fais pour beaucoup d'évènements.

Je vous salue comme un personnage qui étais toute sa vie proche du libéralisme européenne. Je vous salue aussi comme un économiste qui a travaillé plus que la moitié de sa vie professionnelle pour le multilatéralisme et dans les organisations internationales : à l'OCDE, au FMI et à la Banque Mondiale.

I know your French is outstanding, so I will not repeat my welcome in English word by word. But let me take the opportunity to explain why I am opening this event. As governor of the OeNB, I like opening conferences hosted at the OeNB because I consider the central bank of any country an important knowledge hub and an ideal place to exchange views and to learn. As a declared liberal since my youth, I see the conference title announce a topic that I do not want to miss, a topic where I want to be part of the discourse. And last but not least, as an economist who has worked for much of his life within the framework of multilateralism, both for and at international institutions like the OECD, IMF, World Bank, but also the ILO, I can offer an angle that is hopefully enriching for this event.

I plan to cover three points in my opening remarks: first, issues regarding the definition neoliberalism; second, the question of how our discussion relates to, say, the economic comparison of the United States and Europe and its explanations; and third, the question of how the upcoming challenges to multilateralism relate to the conference topic.

First, I would like to rectify some of the misunderstandings relating to the notion of neoliberalism. The term had been used – off and on – for some time, but its first recognized and wide-spread interpretation stems from the period from the 1930s to the 1970s and is contrary to how the term is used today (*see Wikipedia Neoliberalism*).

In 1938 at the [Colloque Walter Lippmann](#), the term “neoliberalism” was proposed, among other terms, and ultimately chosen to be used to describe a certain set of economic beliefs. The colloquium defined the concept of neoliberalism as involving “the priority of the price mechanism, free enterprise, the system of competition, and a strong and impartial state,” and later others added social and other interventions to address weaknesses of unconstrained capitalism. To be neoliberal meant advocating a modern economic policy with [state intervention](#). Neoliberal state interventionism brought – of course – a clash with the opposing laissez-faire camp of classical liberals, like [Ludwig von Mises](#). Most scholars in the 1950s and 1960s understood neoliberalism as referring to social market economy and its principal economic theorists, like [Walter Eucken](#) and [Wilhelm Röpke](#). The term “neoliberalism” is rarely used by proponents of free-market policies.

In Chile, during the [military rule under Augusto Pinochet](#) (1973–1990), opposition scholars took up the expression to describe the [economic reforms implemented there](#) and their proponents (the [Chicago Boys](#)). Once this new meaning was established among Spanish-speaking scholars, it diffused into English-language studies of political economy. According to one study of 148 scholarly articles, neoliberalism is almost never defined. It has come to be used largely as a [term of abuse](#) and/or to imply a laissez-faire [market fundamentalism](#) virtually identical to that of classical liberalism – rather than a term relating to the ideas of those who attended the 1938 colloquium. As a result, there are controversies as to the precise meaning of the term and its usefulness as a descriptor in the social sciences, especially as the number of different kinds of market economies has proliferated in recent years.

I personally relate to the notion of neoliberalism as it was used between the 1930s and the 1970s, explicitly adding the importance of international trade, capital flows, and multilateralism and its institutions (UN, IMF, WB, ILO, etc.) when it comes to fostering stability at the economic, political, and social level. If you want, a “Washington plus” consensus.

Second, how do these elements play out in the current international policy dialogue? To answer this question, let me use the example of the recent discussions that took place before, during and after this year’s Spring Meeting of the IMF and the World Bank and the answers to the question of what makes the current economic results of the US so much more favorable than those of Europe or the European Union?

Economic growth in the United States – which is higher than in Europe – is driven by:

1. expansionary fiscal policy (an overall fiscal deficit of 7 percent that may not be sustainable),
2. strong productivity growth and economic dynamism (due to “more Schumpeter,” i.e. more creative destruction than in Europe),
3. a strong labor supply due to high (economic) immigration (compared with asylum migration in Europe), and supported by
4. a positive terms-of-trade shock (compared with a negative shock in the EU) and
5. a well-functioning and dynamic capital market (where deep-pocket pension funds and capitalists dominate).

These features and the differences to Europe have been around for some time and result in US GDP per capita that is now 30 percent higher than that of the European Union.

What features of the differences between both economic areas do we have to change to better compete, and how would this adjustment fit the characteristics of neoliberalism that need to be strengthened or weakened?

Third and last, whatever element of neoliberalism is strengthened or weakened to reduce the gap, for the EU and the total Global North (i.e. including also Canada, Japan, Australia, New Zealand, etc) it is important to keep and re-strengthen multilateralism and the workings and functioning of the WTO, IMF, World Bank, ILO and others. For these institutions, major decisions are ante portas regarding quota adjustments, in particular at the IMF and World Bank. The most recent quota increase at the IMF was a 50% equi-proportionate increase, based on the understanding that the next increase would favor the emerged and emerging economies of the Global South, in particular China, India, Indonesia or Brazil.

Such an increase would be to the detriment of the Global North, in particular to Europe, which holds, for the time being, a number of separate independent chairs (Germany, Italy, France, UK) as well as joint chairs or constituencies such as the Netherlands together with Belgium and others, Switzerland together with Poland and others, and Turkey together with Austria and others. A reduction in the numbers of chairs and a reduction in countries’ quota shares seems unavoidable for Europe to keep the Global South in the multilateral fold. The Global South’s commitment to multilateralism, however, is yet untested and may be frayed, inter alia, by demands regarding un-responded compensation claims by the Global South, as can already be heard loudly in the hallways of the UN in New York and elsewhere (including in a number of European countries and at their

universities, at least in the current – French – literature; see Le Voyant d'Etampes d'Abel Quentin, 2021, [Éditions Voir de Près](#)).

A possible result of these tensions may be a bipolar multilateralism with the US and its allies on one side and China with its allies on the other side, to the economic and social detriment of all. Possible solutions are quite likely beyond the scope of any neoliberal conceptualization.