
Book Review

Austrian Social Dems Reject Neo-Liberalism

by Alexander Hartmann

**Wirtschaft für die Menschen—
Alternativen zum Neo-liberalismus im
Zeitalter der Globalisierung (Economy for
Human Beings—Alternatives to Neo-
Liberalism in the Age of Globalization)**

Michael Häupl, ed.

Vienna: Löcker Verlag, 2003

Several leading figures of the Social Democratic Party of Austria (SPÖ) evidently do not wish to share the fate of Germany's Social Democrats, who, holding fast to neo-liberal free-market austerity policies, have lost the support of about 10 million voters, if polls are to be believed. These Austrians have joined forces to settle accounts with the failed concepts of neo-liberalism, and the result is this book, edited by Vienna's Mayor Michael Häupl. Most notable is the discussion of economist Lyndon LaRouche's groundbreaking work in this field, and his proposals for global reform.

The book is the result of deliberations among a working group within the Vienna SPÖ, which discussed alternatives to neo-liberalism in the face of a global economic crisis. The group was initiated by Mayor Häupl, who is one of the most influential Austrian Social Democrats. He and SPÖ Chairman Alfred Gusenbauer co-authored the book's introduction, while former German Social Democratic Party (SPD) Chairman Oskar Lafontaine, also a former Finance Minister, wrote the foreword.

The book is worthy of study not only by German Social Democrats, but by anyone who recognizes that there is a global and systemic economic crisis, as it deals with problems which have arisen elsewhere.

A Bankrupt Ideology

Dr. Andreas Höferl, who has been a years-long advisor to former Austrian Finance Minister Rudolf Edlinger, analyzes the main axioms of neo-liberalism, and states (in his own emphasis): "*Neo-liberalism is a political ideology*. . . Belief in the 'markets' dominates the actions of managers, politi-

cians, mass media and many people. This market fundamentalism *has become sort of a world religion*— which is not being preached in churches, though, but in universities and colleges. And it is being defended with a fervor of religious characteristics. . . . But, the loving God has been replaced by the God of the markets, and he does not forgive his ‘debtors.’ ”

Höferl demonstrates how demands such as the privatization of state enterprises, public services, education and health facilities, and even military and social security systems, follow from the dogmas of neo-liberalism. In particular, he points to a sector of essential importance for economic policies, which has already been privatized: the monetary policy of independent central banks. It was their monetary policies that made rampant speculation possible, and created a widening gulf between poor and rich countries, and between the poor and rich within the so-called “rich” nations. Under conditions of world financial crisis, neo-liberalism fails. The big crash is looming, with incalculable social and political consequences, he writes.

“One axiom of neo-liberalism, according to which the market system tends toward a stable equilibrium, has turned out to be wrong. . . . In the industrial nations, we are experiencing the longest and deepest economic crisis ever since the 1920s and 1930s. . . .

“Thus, in economic policymaking, it no longer suffices to analyze the causes of changing economic trends. *We are experiencing the systemic failure of the current, neo-liberal economic order.* . . .

“But if people would start going to their banks, insurance firms, pension funds, to get their money, which exists on so many pieces of paper, contracts, and policies, then it will really be there: the big crisis, upon which usually follow—as history teaches—social and political upheavals.”

Neo-liberalism is dangerous, he argues, because “it *turns egotism and ruthlessness into principles of human action.* . . . It might well be more appropriate to call ‘neo-liberalism’ ‘neo-egotism’ or ‘new ruthlessness.’ ” Values like solidarity or justice in the distribution of income, liberties, and rights among all men are “maligned and represented as outmoded and especially as hostile to the economy.” Neo-liberalism alienates people from one another, and, “in its basic attitude, neo-liberalism is fascistoid, when it deals only with survival and the law of the stronger. And it is fascistoid and anti-democratic, because it wants, besides economic power, to control the state, too.”

A New Social-Economic Order

To this, Höferl counterposes a vision of a new social-economic order, in which “the value of man and of his basic rights is esteemed more highly than money.” In this new order, the state and the international community would have important tasks. The state not only protects the weak, but actively supports stable economic development. Currencies will have stable relations between them, as there will be no

speculation against currencies and national economies, and because the state intervenes to overcome economic crises. With such measures, the real economy will grow again.

Many of the demands raised by Höferl are in line with the traditional views of the Social Democracy, before it became infected with the neo-liberal virus. But here we have not just a laundry list of pious or populist wishes, but the application of the principle of the pre-eminence of the real economy. This becomes apparent in the section on “new monetary, currency and international policies.” Höferl writes:

“Money is a fundamental steering system of the economy. Monetary policy is policy (and not technocratic administration), and must therefore be subjected to democratic control. One of the biggest tasks of economic policy in the 21st Century will be, to make sure that financial assets do not grow faster than the real economy. . . .

“We also present for discussion, an *expansive monetary policy by the European Central Bank (ECB), a non-inflationary creation of money.* In times of crises and times of tight public budgets, ‘productive credit’ by the ECB should finance productive investments in the public interest. These credits should be issued at zero or low interest rates. Inflationary consequences can be ruled out, if most of that money is directed into the productive sector (industry, infrastructure), and the supply of useful goods and services grows faster than efficient demand. Similar systems have been or are being applied in the United States, in their early years and in the 1930s’ New Deal; in Germany after World War II; and currently, in China. . . .

“Because European monetary policies must aim at economic growth, employment and a just distribution of wealth, a coordination of monetary and economic policies is needed. *Therefore, the Euro Finance and Economics Ministers should be represented, jointly, in the ECB council, in their deliberations on monetary policies, and have a vote.* . . .”

But, the world’s monetary system needs changes, too. “The international financial markets need regulation, which must consider economic aims like employment, a socially just distribution of incomes, growing purchasing power, social safety, as well as development opportunities for poorer countries.”

Besides a tax on currency transactions (Tobin Tax) and a tax on currency transactions to tax havens, it is also necessary to stabilize exchange rates among the most important curren-

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ies. Instead of the formerly leading currency (the dollar), Höferl advocates the creation of a *neutral reserve currency* based on a market basket of goods of all countries. Currency revaluations or devaluations, he says, should be possible “with joint, international coordination.” For this reason, the international financial institutions must be reorganized. If necessary, “*Europe should consider leaving the IMF and creating an independent financial policy*, based on the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), which goes beyond the borders of Europe and is consistent with European interests.”

Harmony of Productive Interests

Höferl’s essay is complemented and elaborated by other high-ranking members of the party. Economist Stephan Schulmeister expands on the analysis of neo-liberalism, documenting the blindness of the neo-liberals to the fact that the instability in the financial markets is the epicenter of the world’s financial crisis.

Schulmeister points to the conflict of interest between “financial capital” and “real capital.” Entrepreneurs in the productive sector have, like their employees, an interest in stable exchange rates and commodity prices, and in low interest rates; whereas the financial sector profits from high interest rates and unstable prices. “Both of these ‘development conditions’ dampen economic growth. The profit and employment interest of labor needs a (sufficiently) high economic growth.”

Whereas entrepreneurs had pursued their interests in alliance with their employees in the first three decades after the war, beginning in the 1970s, they allied with the financial interests, and thus, they threw the switches toward today’s crisis. “It remains to be seen, if the resulting rise in the number of unemployed (to more than 5 million in Germany), will be sufficient to force recognition of the harmful character of neo-liberal therapies, for the real economy, and to undergo the pains of re-thinking. . . . At some point, the end of the dead-end road will be reached. Then, a re-thinking will begin about the necessary conditions for a new phase of prosperity.”

Claudia Schmied calls for a major conference of Social Democrats to discuss these issues. Ernst Tüchler, economist at the Austrian Trade Union Association (ÖGB), demonstrates how neo-liberalism leads to taking down the rights and living standards of labor. Further, the policy of “belt-tightening” is harmful to the economy at large. Instead, the government should invest more money into railroads and highways, for example.

The next six essays address the situation of Austria and Vienna within the world’s economy, with contributions by, among others, former Vienna State Minister for Finance and Economics Brigitte Ederer, her successor Sepp Rieder, and Members of Parliament Hans Moser and Christophe Matznetter.

More relevant for foreign observers, is the section on international economic policies. MPs Dietman Hoscher and

Ewald Nowotny (also former EIB vice president), co-author an essay on the so-called Lisbon Strategy for expansion of the European Union. They write: “One of the main problems in reaching and sustaining the listed aims, lies in the incompatibility of a strict taboo on the Maastricht criteria and a consistent pursuit of the Lisbon aims.” (The EU’s Maastricht Treaty required member states to adhere to strict neo-liberal limitations on government spending—a demand which has broken down as the economic crisis worsened.) Often, “the Lisbon Strategy subsumes merely more liberalization, meaning privatization; a one-sided view of social safety-net systems from the point of financing (combined with budgetary relevance); as well as unlimited ‘freedom of the markets.’ ” On the contrary, say the authors, public finances “must be, first of all, oriented toward employment and growth. . . . This implies, for example, that current public expenditures must be clearly separated from investment expenditures, with a significant rise in the share of public investments.”

The proposals of Franz Nauschnigg, director for international financial institutions (such as the International Monetary Fund/World Bank) at the Austrian National Bank, remain within the axioms of the current financial system—a Tobin Tax, a tax-haven tax, and a formal mechanism to reorganize state debt—and aims for reform solely within the current system.

By contrast, Jürgen Bozsoki, author of *Die blinden Flecken der Sozialdemokratie* (*The Blind Spots of the Social Democracy*), goes further and demands a new global monetary system, and a reform of the ECB, as key for an economic recovery. In order to build a stable monetary system, the financial bubble “must be reduced to the level of the real economy.”

Bozsoki points to Lyndon LaRouche’s proposal to peg currency exchange rates, in the context of a New Bretton Woods conference, on a market basket of goods,¹ and explains how the creation of productive credits works. As successful examples of such a policy, Bozsoki lists Alexander Hamilton and Franklin Roosevelt. Along the same lines, in Germany, he takes up the case of economist Wilhelm Lautenbach, the head of the Friedrich List Society: “If the Lautenbach plan, a similar concept, had been implemented earlier than 1932 under the Schleicher government, the political turn toward Hitler could have been prevented.”²

Certainly, many of Germany’s Social Democrats desire a rejection of neo-liberalism by their party. But Schröder’s government lacks a coalition partner with which it could implement such a turn. Therefore, the demise of Germany’s SPD—and its economy—will continue, until it musters the courage to change the political landscape.

1. Lyndon H. LaRouche, Jr., “Trade Without Currency,” *EIR*, Aug. 4, 2000.

2. Cf. Hartmut Cramer, “Wilhelm Lautenbach’s Concept of Productive Credit Creation,” *EIR*, April 18, 2003.