



## **Future of Democratic, Economic and Political Institutions**

**Day 1 – November 9<sup>th</sup>, 2021: The Future of Democracy**

### **Opening remarks:**

#### **Professor Heinz W. Engl, Rector, University of Vienna**

The challenges that the contemporary world is facing, concerning political and economic institutions, pose a substantial threat to global stability and sustainability. The first step of the collaboration between the University of Vienna and The Boris Mints Institute for Strategic Policy Solutions is this webinar featuring world-renowned members of academia and decision-makers. The next step to continue this is a three-day in-person conference in Europe in the second half of 2022. Tel-Aviv University is a strategic partner to the University of Vienna. Both universities have a significant public policy focus and use the conferences to understand the level of resilience of economic and political institutions, explicitly inquiring into such challenges as rising populism and polarization, the COVID-19 Pandemic, and economic inequality.

#### **Dr. Boris Mints, Founder and President, the Boris Mints Institute**

“The topic of our conference is the future of democracy, economic and political institutions. The events of the past two years have shown these institutions' helplessness in solving challenges caused by the COVID-19 pandemic. As a result - we can see fundamental violations of human rights in all countries, even in those which until recently have been the cornerstones of democratic values. It is crucial to understand that the violation of democratic principles is hidden under the thesis that this is done in the public's interest. I will dare to remind everyone that the government of Nazi Germany adopted legislation, such as the Law for the Prevention of Hereditarily Diseased Offspring, convincing the society that it is in its interests. Very quickly, we have forgotten the main fundamental conclusion, which the Tribunal made of the Nuremberg Trials of the 1st of October 1946, that the vital interests of an individual are above the interests of the state. Nowadays, I believe that it is essential for us to understand the catalyst of moving in the reverse direction from the fundamental foundations of modern civilized society.

I will state my assumption regarding this issue - one of the dominant reasons for this process is the sharp weakening and compression of the middle class within the past fifty years. Political consequences of these processes are fatal. Today, the average voters are the economic class of dependents, receiving benefits, not those paying taxes. For this group of voters, unlike the representatives of the middle class, the notions of participating in creation, development, and activity of small and medium businesses or carrying out professional activities, such as self-employment,

freedom of identity, freedom of entrepreneurship, protection of private property among others are abstract and thus secondary. While adequately reacting to this electoral change, the political elite rapidly shifted toward hardcore populism, which is always accompanied by a sharp decline in the level of professionalism and political accountability. Populists are concerned with one thing only - winning the next election while not being involved with the future generations. Because of this, we experience a distorted understanding of long-term calls for action. Therefore - the formation of the contemporary global agenda, not adequately focused on global challenges.

The reasoning above is one of the episodes of the reality in which we live. Creating conditions for forming a significant middle class has a fundamental value for resuming a meaningful political process and providing sustainable development and recovery of the economic space. The change of the global demographic growth, modernization of the system and norms of international law (the purposes of this would be to ensure conditions for an unconditional compliance with the norms, including defending vital interests of an individual from unlawful actions done by the states), creation of an international infrastructure, providing coordination of collaborative actions of national governmental institutions for revealing, preventing and liquidating consequences of global catastrophes. These are examples of challenges, the solutions necessary for the progressive development of modern civilization. Ignoring these types of answers leads to discrediting current civilizational values.”

In conclusion, I would like to express my sincere gratitude to all the conference participants and its organizers. It is a big honour for me to be next to you. I am convinced that this conference will contribute vastly to understanding the challenges and processes as they pertain to the development of contemporary society.”

### **Panel 1 – Academic experts**

**Moderator: Mr. Rainer Nowak, Chief Editor of Die Presse**

**Prof. John Carey, Professor of Government, Dartmouth College**

Prof. Carey's presentation, entitled "Are Americans committed to democracy? Or even to America?" focused on the political situation in the United States at the moment. It was evident that partisanship divides the public more deeply than policy preferences and even more than demographics. People tend to believe the worst of opposing partisans and often act accordingly. Prof. Carey presented some of his research supporting this assertion; it includes a candidate choice experiment and a survey questionnaire regarding secession. The former discussed the choice of candidate in the Republican primary election for the party's nominee. The study, initially conducted in February 2021 and later replicated in June, yielded very similar results. Neither democrats nor republicans or independent voters cared much about candidates' race, ethnicity, or gender. Participants care more about the candidate's spending policy (Covid relief, infrastructure), but they don't separate much on it. The polarization occurs sharply with

the affirmation of the 2020 election and Trump's role in the January 6th riots. There was no movement among republicans and democrats on these issues from February to June.

The other study focused on the support for secession from the United States to join new, regional units. The participants had to answer the following question: “Would you support your state seceding from the United States to join a union with XYZ states?” The XYZ states were chosen previously, according to neighbouring, similarly politically affiliated regions. Support for secession is higher among Republicans than democrats overall, but in democratic areas, it is higher among democrats. Prof. Carey explained that this shows that people are more committed to partisan affiliation than democratic values or the country itself.

Additionally, Prof. Carey presented another study about the case of a post-2020 election audit in Maricopa, Arizona. Before completing the survey - participants were told about either: Maricopa demographics, an automatic, official audit, or a partisan (Cyber Ninjas) audit. Learning about audits among democrats changed nothing; however, among republicans, the confidence in the vote count improved post-introduction of audit information. In response to a question from Mr. Nowak, Prof. Carey said that overruling the electoral college is possible; however, other changes may occur first. According to him, the democratic party is very divided now, so such legislation will not pass and lose their chambers. Recent and pending legislation in several states makes voting harder for Republicans. As a reaction to voter restriction laws, democratic efforts are countering these attempts.

**Prof. Sylvia Kritzinger, Department of Government, University of Vienna**

Prof. Kritzinger presented the current political outlook in Austria. Over the past decade, satisfaction with democracy in Austria has been rising, but during the COVID-19 crisis, satisfaction with democracy has decreased. Attitude development is interesting, but there is a much more practical implication in that, as she explained. Survival of democracy is possible as long as efficiency is given. Still, legitimacy is lost if the system remains inefficient over a more extended period if neither of the two criteria is met. There are specific and diffuse types of support, depending on the objects, such as political community (identity), regime (trust), and actors (negative trust). Within the evaluation of trust in the Austrian government - the trust in the police and healthcare system is decreasing. Still, the political institutions and the media are considered much less trustworthy. The evaluation is dissatisfactory according to recent surveys. Prof. Kritzinger argued that the democratic narrative needs to be kept alive and developed further. She concluded that we must reassess the assets of democracy, its ambivalences and think of ways forward since these factors are crucial for a functioning political system.

**Prof. Wolfgang C. Müller, Department of Government, University of Vienna**

Presenting a rather global outlook on democracy and following the primary assumption of this conference, Prof. Müller explained that there is widespread discomfort with politics as we know it. In the citizenry, even among rich democracies, academic findings show that the levels of dissatisfaction are on the rise. Professor Müller says the world is faced with understanding the essence of the challenge, how it impacts society, and ways to mitigate it. The nature of the challenge relies on economic, socio-cultural, and environmental changes that are changing how governments handle challenges, individual life conditions, and therefore creating discomfort. Politicians must address the magnitude and complexity of substantive problems and potential strategies to resolve substantive issues. Such policies touch upon overextending limits of acceptability among citizens. The main toolbox of politics is substantive problem solving, communicating, and persuading society. There are new forms of governance within existing decision-making. Tools of substantive problem-solving cause complex outcomes and are risky for incumbents; thus, using other tools is increasing. Incumbents within a liberal democracy are ruling under constraints and for a limited time. Creating policies is sometimes an attempt to solve problems, but many fall under political opportunism, including symbolic policies. The regulatory and market framework should ensure factualness and civility. Media licensing restrictions, censorship, penalties for reporting, economic market interventions, distraction, problem re-definition, and scapegoating all contribute to the problems of politics—new forms of governance in existing institutional frameworks. Coalitions are being built on tangential preferences, more flexible forms of cooperation. One side is increased effectiveness; the other is political manipulation. Parliamentary rules need to be more efficient, but there is no panacea. Apart from the need to resolve the problems of substantive policy complexity - it is easy to identify the virtual path in terms of making policies and communicating institutional change. However, it is unclear if the virtual way turns into a virtual cycle for incumbents.

**Prof. Daniela Gianetti, Faculty of Political and Social Sciences, University of Bologna**

Prof. Gianetti talked about the populist erosion of democracy following Italy's election of a populist government in 2018. Once thought of as a temporary phenomenon - it is unlikely to disappear in the near future. Following the US election in 2020, when Donald J. Trump lost the election - many are now speculating about republicans winning the 2022 midterm elections, the same republicans that are still fascinated by Trump, which will affect the result of the future election. Currently, a vast group in the Italian parliament has different contradictory stigmas, which are trying to outnumber the populist government. In the next election, the five-star movement may not replicate its success, as a likely result is a pre-electoral coalition, like in the past years. The pandemic, however, changed the landscape, as, unfortunately, it has created targets of discontent, and had brought the party competition around in the

more conventional left-right dimension: many states faced a populist erosion of democracy, which will not disappear any time soon.

**Panel 2 – Leaders and Decision Makers**

**Moderator: Prof. Itamar Rabinovich, Former Ambassador of Israel to USA; President Emeritus of Tel-Aviv University**

**Prof. Yuli Tamir, President of Beit-Berl College, Former Israeli Minister of Immigrant Absorption and Education**

The leaders' crisis, which was reflected in the previous panel, is also a problem of ideological opinion. Today, the differences between parties are somehow minimized regarding the ongoing phenomenon. There is a tendency for growing polarization to support other parties when the differences are shrinking in reality. In the Era of Post-Corona, liberal and libertarian parties are moving towards more state-intervention processes, like Boris Johnson's policies in the United Kingdom. Right-wing parties are moving more to the left on issues like immigration, making leadership a somewhat confusing assignment with very artificial distinctions, since they do not have anything personal. Prof. Tamir also commented on the political situation in Israel: leadership is complex because there is a lot of uncertainty about the future of all political parties. The present prime minister, Naftali Bennett, is very functional and rated very low as a candidate for the next term. However, Benjamin Netanyahu, who was removed from office, is rated very high in the public perception. The question of who the public prefers seems quite detached from the actual performance. Identity issues are becoming much more than a political issue. Netanyahu outnumbers Bennett, who has a very small base of voters. It is evident that people either admire or despise a political leader. At present, there is an ideological issue in Israeli politics. There is interconnectivity in the globalized world, certainly during the Trump presidency and Netanyahu's rule, relating to populism. Populism is based on mimicry, and these leaders have a universal impact. This is not a question of behaviour; there are other factors such as breaking the traditional systems, thus producing this type of leadership. There is no shortage of candidates in Israel; we gave up the requirements for a “proper candidate” or leader with the growing populism. Populism believes that everyone is entitled to run for government, which contradicts any other profession. Changes have happened in politics, especially seeing that there is greater representation, certainly from theoretical and practical views, but as Prof. Tamir concluded, we should carefully see how and who we choose and create conditions for political leadership.

**Prof. Armen Darbinian, Rector of Russian-Armenian State University and former Prime-Minister of Armenia**

We are living in a vulnerable time regarding a new world order rethinking. The role of leadership is to push the idea of democracy forward. Prof. Darbinian presented the future of democratic institutions from the perspective of post-soviet states. Historically, the first stage is known as institutional building, taking about ten years in the 1990s. These countries were built based on experienced institutions, with the assistance of the World Bank and the IMF. Democracy was the choice, and there were not any discussions on that matter. The second decade that started in the year 2000 was when the efficiency of institutions was being tested. People did not get the living standards they wanted, and the values contradicted national and cultural values. The third decade started in 2010, which was the decade of reconsideration. Nowadays, many leaders focus on better living standards rather than democracy. The next decade will focus on the post-pandemic world; each state will take as much as it can swallow.

Enhancing the spectrum of think tanks should be put in the developing nations, bringing democracy to the stage where we can have the expected standards. Prof. Darbinian explained that the Armenian democracy is weakened, specifically through the rise of populism. Independent political parties and institutions belonging to the society are the pillars of a functional democracy. Populism is the continuation of democracy according to many studies; however, it is absolutely against democratic values and is detrimental to the idea of democracy. Armenians have great difficulty with the constitutional court at the moment, as there were three decades of institution-building put into it, and Prof. Darbinian believes that Nikol Pashinyan's administration will dismantle it. He continued to explain that Russia has always been considered a strategic partner in security and military support. Armenia has no problems arising from Russian influence, but it lacks an independent culture, like other post-Soviet states. After all, it benefits from social and economic ties with other post-Soviets, while at the same time, it is becoming increasingly disaffected. It is one thing to consider yourself a part of a big country, like the Soviet Union, where you feel the impact on the world, but completely different to be a small country like Armenia, which has no natural resources and talented people leave. This phenomenon, according to Prof. Darbinian, is natural and not constructed. Russia has always been of imperial order, but all countries should create the conditions for their own success.

The election of the populist regime was contrary to Russian preference, as Prof. Darbinian explained. The United States, Russia, and China need to start finding a way of cooperation in order to develop the world. The regional division of the world break the development strategies and perspective of different countries; while they should not be contradicting one another, otherwise we will lose the world. The strategy of non-sharing experience and information caused 35 million people to die. The leaders should stop that, Prof. Darbinian concluded, saying that a New World Order is needed.

**Dr. Igor Luksic, Former Prime Minister of Montenegro; University of Donja Gorica**

Dr. Luksic argued that we are living in a world of uncertainty. We are experiencing weak leadership, contrary to what the people expect. Globally, democracy is changing, and we still do not know what will happen. As a result of the multipolar world and democratic changes, institutions and leadership weaken. We don't see authentic leadership emerging in situations such as COVID-19 or Climate change. The issue of trust and legitimacy we see daily has to do with the media advancing and taking on new shapes and forms with a poisonous effect. Dr. Luksic stated that such phenomena as Twitter politics are degenerative to the democratic foundations. Can it be improved? There has been some depolarization of identity issues in places like the Balkans, where illiberal democracies are implemented. EU integration is not powerful enough to address these challenges or has not been viewed in this light. The only way forward is a rule of law, culture and dialogue between the polarized world. Climate change impact is used in the current generation of politicians for opportunistic voter gain. We are still up to see where human activity will take us.

What was seen in Montenegro recently is similar to what happened in Israel. There are significant ideological differences between the parties in the current coalition. However, the main goal is to be against the leader of the previous government, Milo Dukanovic, who is still the President of Montenegro. The EU integration has not helped with the polarization; the only tool it has is creating gentle pressure and understanding that dismantling the old government does not mean dismantling the whole system, because there are still some good things in it. The country is somewhere between adjusting to the new political reality of changing governments and re-emerging populism due to COVID-19 and the inability to quicken up the pace of economic reforms. The religious community's influence over the political process is quite big. New political processes can see the desire to test change in political habitat manifested in some neighbouring states.

Following Prof. Rabinovich's question - Dr. Luksic stated that there is a reminiscence of the times of Yugoslavia. In a way, the country has seen this sentiment of only remembering the good times, which is the case with older people, who are nostalgic and believe that Yugoslavia should have survived. There were long columns of people bidding goodbyes to Tito at the funeral, but it was clear that the state could not live very soon after. There was an attempt to liberalize the economy and introduce a free market, but that did not help as previously - ethnic nationalism was brewing and erupted post-Tito's death.

The future for the Balkans could have been a common market, independent countries, or another framework, but it should be determined rationally, leaving emotions aside - This is how EU integration should work. However, while previously, the talks about expanding the Union were regular, it seems as if they have changed direction and priorities.

The world must focus on developing the political systems and working out the rule of law, throwing themselves in constructive dialogue and growing more mature. It is essential to see what will happen in the Hungarian election next year, where politicians are trying to outrun Orban, which could significantly

impact the EU. The democratic political system needs to be strengthened by inclusive dialogue, specifically an intergenerational one, which is not composed of the youth of political parties, but young people from academia, NGOs, etc. That dialogue should better inform decision-makers, which will be better able to face the new challenges. This won't produce quick results or actions, but this is very important, rather than political discussions with the media and constituents. Some factors will be more critical than others, such as technological progress, crucial to young people. The public sphere should provide the issues for discussions and indirectly influence the political process.

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## **Day 2 – November 10<sup>th</sup>, 2021: The Future of the Economic Institutions of the Neo-Liberal Era**

### ***Opening Remarks:***

#### **Prof. Milette Shamir, Vice President for International Affairs, Tel Aviv University**

Prof. Shamir believes that the topic invites transnational and interconnectivity perspectives. Discussing the fate of economic and political institutions is crucial in the world in the pandemic era. The remedies should be understood comparatively, locally, and globally. Trust, populism, and dedication of citizens are all very pressing challenges, which is why it is very informative to listen to the most prominent thinkers participating in the conference, an impressively international array of scholars.

### ***Panel 1 – Academic experts***

#### **Moderator: Prof. Itai Sened, Dean, the Gershon H. Gordon Faculty of Social Sciences, and Head of the Boris Mints Institute**

#### **Prof. Paul Romer, Nobel Prize Laureate, Department of Economics, NYU**

Prof. Romer suggested pinpointing what is wrong with institutions. Signs of institutional deterioration are clear, and they go back 30-50 years, but it is hard to understand what is driving them. The end of the cold war removed the external threat, which acted as a unifying factor. Israel still perceives an external threat due to ongoing conflict and the threat from Iran; however, some signs of worsening institutions are relevant to both countries. Counterintuitively, the rise of prominence of economics is another possible reason. Technology in the background is making changes, and while the systems are adapting slowly - the changes are coming quickly. There is an overlay of crises, which should lead to a political response. There is a popular demand for decisive government action. However, that is not going down by building more robust institutions. Technology is a significant driver, while financial



guidance has worsened, and the financial crisis, migration, and pandemics worry people. Governments cannot do their jobs, and the challenges are creating new demands for governments to do things. We are facing a reduced capacity in combination with new demands.

Increasing corporate power is a more plausible story for institutional failure. Economics is a cover for corporate interests that undermine governments, a good indication of institutional failure. There are ways to see the difference between governments defending the ozone layer in the 1980s and reacting to climate change now. Governments all around the world are not doing their jobs and losing time. What could be the constructive thing? Institutional competition can be an excellent method to promote innovation. What if we had decentralized the powers of the FDA and CDC to different states? When funding the education system in the US - instead of having one university for the country, the government created universities in every state. Stronger governments would delegate the power to closer, smaller, more independent units of governments.

Prof. Romer was worried that if we delegated powers to the states - the power imbalance would be even higher with corporations; that issue should be dealt with on a national level, while decentralizing the government decision-making. Most governments in the world cannot pay for cybersecurity, as they have to hire the best and the brightest - right now, they can't hire and retain them, as they all go to the private sector due to higher salaries better jobs. There is a need to consider a broad civil service reform in combination with more decentralization. The situation should be working well in both developed and developing countries when more resources are allocated to buying and distributing vaccines instead of being centralized over their uses.

Central banks have set examples for solid governmental institutions, but the distribution of resources has been a challenge. Technology driving corporate power creates a monopolist market. Software is becoming a central part of what firms do, making huge returns on investments. This creates a movement of our familiar markets to a "winner takes all" monopolies, where mighty giants undermine political processes. Corporate power is surpassing governmental power; decentralization won't limit power. Populism, however, becomes anti-monopolist through a legislative process, which is perhaps, its only advantage. You can interpret subsidies as a response of governmental actors; however, that usually only happens when a corporate actor is working. Trade policy is designed to assume that every country would have a role, but many are not convinced that a limited part is enough, causing significant tensions. The concern is that governments should have a more active role, so it's more beneficial for everyone, not only for the corporations. Demand from the public is to exert this dynamic role, channelling it in how you can work with the government. Re-establishing the neoliberal consensus is not feasible; rethinking the types of agreement where governments are more active is much more plausible. Prof. Romer concluded by saying that we are left with open-ended challenges, solutions that may not be as obvious as we once thought.

**Prof. Michael Kremer, Nobel Prize Laureate; Director, Development Innovation Lab, the Kenneth C. Griffin Department of Economics, University of Chicago**

The world is facing multiple crises in public health, economics, finance, and politics. If there is an underlying problem - a politically acceptable or feasible solution is unlikely. The major challenge of any economic system is how it produces innovation and reduces poverty. Innovation is not just the gadgets - it is also new ideas, policies, and practices that allow us to handle challenges. Meta-innovations are tools to improve the process of innovation. The current system creates certain incentives for specific areas of innovation. Social needs are enormous, but the institutions are weaker and unable to address innovation challenges systematically.

On the one hand, covid vaccines are delivered to high-income countries fast; on the other hand, many people have yet to receive vaccines. What's wrong with our system of innovation? Manufacturing capacity has enormous value in the Pandemic. Companies had strong enough incentives to deliver vaccines outside of high-income states. Research & Development is highly neglected, illustrated by half or quarter doses of some vaccines like Moderna and Pfizer, allowing for 1.5 billion extra doses while simultaneously reducing side effects. The cost of funding to find this out would be a few million USD.

The global inequality can be seen in other areas as well - monitoring free speech in the US is high, however in more dangerous places - not so much. The problems that the world is facing are not intractable. One promising approach is analysing the results and comparing the cost and benefit, Prof. Kremer stated from his personal experience working in economics and agricultural R&D. Currently, there are fewer types of social innovation. The world needs to think about how to harness the private sector's energy, for instance, putting out a reward for the energy of the private sector. Advanced market methods include groups of donors committing to purchasing a developed technology. Proof of concept that this approach can be helpful would be designed to reward innovators. This is a relatively standard approach that possesses essential trade-offs - committing in advance to efficiency, achieving the objectives of both ensuring access and innovation. Innovation needs to happen continuously so that the incentives happen as well. Competition among countries is immense, and the world benefits from that.

Prof. Kremer noted that there are dangers of giving all the R&D funding to one body. In general, some central bank systems can recruit good people, but you do not see the level of research capabilities if you do not count exceptions. So how does the US system of funding work? There is a competitive base of researchers, which generates productivity. Other states, however, may be focused on local issues rather than globally significant challenges. Thus, innovation will not necessarily happen in a fundamental method. There has been a lot of competition among research funding bodies amid the Pandemic, and the World Bank and WHO have not stepped up to the challenge. Having competition at the global level would be a chance to get more funding and find the best researchers globally. One institution that

stepped up during the Pandemic was the IMF. There are limits of what institutions can do; however, the research department started to move things through quicker. Thus, Prof. Kremer pointed out that competition is vital, alongside decentralization.

**Prof. Anat Admati, Stanford Graduate School of Business**

A central theme of Prof. Admati's presentation was the relationship between corporations and democracy. Essentially, corporations are legal entities which exist independently of the people controlling them. We have to pay attention to what corporations do and how they fit into society. The corporations lobby and sway politicians to influence the legislative process, thus being influential yet lacking democratic accountability. Corporations as a group have undermined democracy, which has lost control over corporations, harming society, as seen in social media. For instance, Facebook enables weaponized speech that harms people. The legal system did not consider how to handle these creations.

Prof. Admati calls this “the intertwined crisis of democracy and capitalism”, which is related to misinformation and disinformation. One cannot solve a problem without understanding it, and most problems are not rocket science. Demagogies misdirect public anger. Understanding corporate governance and how it fits with democratic government is crucial for the world. The capability to disrupt all systems is there, but the governments and corporations must do more about policy. After all, as Prof. Admati noted - the government is the ultimate risk bearer.

What can Academic institutions do? The main goal is to counter all the nonsense that corporations put out. Once you explain it to people, it becomes straightforward, especially for the younger generation. The government needs the A-team of talents, but the youth people are going into the private sector. Making governments and democracies work, economists should do more as well. For instance, in Singapore, public sector salaries are now matching up to the private level. Sufficient pay and compensation in institutions compatible with human rights and compassion are essential to work in the public sector. Central banks have a lot of power - money printing, hiring researchers, buying corporate bonds. We have seen some central banks' super activity, with balance sheets jumping - activities not filtering well through the economy. How can such power work in a democracy without providing blurriness with fiscal policy? Covid bailout went beyond anything is seen before; thus, understanding these challenges is crucial towards progress.

*Panel 2 – Leaders and Decision Makers*

**Moderator: Professor Simeon Djankov – Co-Director, Financial Markets group; London School of Economics**

**Prof. Mike Plummer, Eni Professor of International Economics, Director of SAIS Europe**

Subsidies are an interesting question when it comes to central banking and governance. Due to the naivete of politicization and liberalization, neoliberalism became a strange word for economists. The world made a lot of progress there; however, we are entering the age of subsidies. Prof. Plummer explained that the World Trade Organization has struggled, and we do not have reasonable expectations. We are entering the era where China has industrial development programs, and the United States and the European Union are following. There are different stages in industrial development regarding subsidies, but a significant need for developing public goods and modern infrastructure. Old political elements can be seen in subsidies, causing a lot of arguments in the US. We need to make sure we are not entering an era with only a new way of the state managing the economy with a firm hand. There is an apparent trade problem - increasing protectionism and delving away from global integration with distributional issues. There needs to be a better way of international cooperation without neoliberalism. The influence of corporate interests in guiding the policies and governmental impact on subsidies is a negative factor, while acting on pressing issues with income distribution and poverty could do a lot of good.

**Dr. Nadine Baudot-Trajtenberg, Former Deputy Governor of the Bank of Israel**

Dr. Baudot-Trajtenberg explained that Central Banks have an enlarged role in economic policymaking. Yet, there is a growing importance of their political independence, which is a paradox. Central banks have played a crucial role in the 2008 financial and 2020 Pandemic-induced crises, which is true in many countries. In Israel, for example - the foreign reserves increased dramatically not just through the size of CB's unconventional policies but also through offering liquidity facilities and temporary adaptation of policies. There is also increased deregulation using macroprudential policies, limiting the fallout of the real estate market. Policies being widely implemented in the world are used to keep interest rates low, prevent job loss, protect financial stability while keeping the economy afloat.

The evolution of central banks as independent institutions is a modern phenomenon, and in macroeconomics - meeting the inflation targets becomes easier with such independence. Dr. Baudot-Trajtenberg noted that monetary policy needs to be credible and impactful. How does a central bank handle inflation vary? It is a proven phenomenon that governmental structures that allow central banks to function independently are more successful. Central banks are much more essential due to the increase in policies and activity.

What are the main significant macroeconomic challenges in the next decade? The recent Glasgow Summit reminded us that climate change is here, and the fallout will be dramatic. Furthermore, another one of the main challenges we face is wealth disparity, which has worsened. These issues, distributional impact, and climate change are not typical issues to be addressed by central banks but cannot be overlooked either. The extent of regulatory requirements needs to meet the risks. Externalities can be tackled by approving taxes, getting the attention of central banks. The tricky issue of distributional consequences of monetary policy on wealth inequality hasn't been given thought by economists. As Dr. Baudot-Trajtenberg pointed out, research in central banks has overlooked the distributional impact of monetary policy. One of the essential things that institutions have gathered is data. At the beginning of the pandemic, the usual dashboard did not work anymore, and it wasn't easy to understand what was happening. Apple and Google allowed central banks mobility data, which is very important. However, giving them 'generously' and 'for free' may cause later consequences. Dr. Baudot-Trajtenberg said that the role of Central Banks is making sure financial risk is not internalized by the markets, assessing the distributional impact of monetary policy. History presents a lesson that Central Banks need to be protected from political pressure, as they can't expand activity and remain independent; thus, we need restraint and focus.

**Prof. Sergei K. Dubinin, Member of VTB Capital Supervisory Board, Russia**

All the financial systems in Russia are controlled by the Bank of Russia, which is a macro regulator of everything except federal governmental budgets. All these issues are working under immense pressure, and thus, it would be impossible to be working without the government's support. Globally, governments and central banks are finding answers to the same challenges. After the financial crisis of 2008, the world was facing stagnation without economic growth. The massive pumping of money resulted in a new inflation wave. We will have 5-10 years of advanced inflation, which will be even more dangerous in emerging economies. Emerging markets are decoupling the rich and poor further apart. Central banks must participate in coordination with the governments to find answers to the contemporary meta-challenges, such as the climate crisis and the Covid-19 pandemic. The central bank is independent in the monetary policy and macroprudential policy. Prof. Dubinin stated that Russia is currently looking into the digitalization of the financial sector, including a broad number of targets. Thirty banks have control of 80% of the banking system and financial conglomerates, including investment funds, insurance companies, etc. At this time, it is a very typical position to the demand of the people for new services, even in the situation of lockdowns in the Covid crisis. Big tech or data companies cooperate with the banks, controlling personal data and cybersecurity, which became one of the most critical targets for central bank regulation, giving it a new role.