

***H.J. Witteveen at 100 – introduction to his life and economics***  
***Jan Middendorp, June 11 2021, Erasmus University, Rotterdam***  
***Introduction to the centennial Witteveen Lecture***

Thanks very much prof. de Vries for your kind introduction.

I would like to thank Erasmus University, ESB and de TeldersStichting for organizing this important event about the inspiring human being and economist H.J. Witteveen. It is a privilege to stand here ahead of DNB president Knots centennial Witteveen lecture.

Tomorrow it's 100 years ago that Witteveen was born.

I will be speaking about Witteveens leadership, economic thinking and policy making and why they matter for our world today. Considering the deep and interesting person Witteveen was I will have to cut many corners in the time I have to get to three key messages I wanted to leave with you this morning.

No 1. Facts, analysis and science matter for policymaking

No 2. Open exchange of ideas, also from outsiders makes democracy stronger

No 3. Innovate, remain open minded

These messages are highly relevant today.

***Life***

Witteveen was born in 1921. Imagine that: before the Great Depression. Before Keynes *General Theory* was published and before econometrics.

He studied here in Rotterdam, wrote his PhD thesis under Tinbergen ...

... became professor at the age of 28. Many of his students became important policymakers such as Neelie Kroes, Pieter Korteweg, Onno Ruding and Ruud Lubbers ....

... he was among the first members of the VVD ...

... founded the scientific bureau of his party de TeldersStichting ...

... moved from academics to politics to become minister of finance twice ...

... is the only Dutch IMF managing director until today ...

... after leaving public service played an important role at Dutch businesses like ING and ABN AMRO ...

... in the last part of his life he wrote several books on the cutting edge of economics and religion / climate.

People who visited Witteveen the last decade of his life remember a soft-spoken but opinionated and frail but strong and inspiring man. In a room with a little candle, a view on a garden he wrote about his life, his religion Sufism. From that room he also provided cutting edge views on current events. At the age of 91 in 2012 he flew to Washington to discuss with the then IMF MD Lagarde his solutions for the monetary and financial crisis. Again I am giving a very condensed version cause I also remember noticing in 2015 in a wellbeing magazine that Witteveen was on the line up to lead a yoga session at a festival. He was until he deceased 2 years ago in the middle of it up to the end of his long , diverse and rich life.

On a day as today it makes you wonder what would Witteveen have advised on today's events?

We will never know

### ***Science and policy***

But what we do know is that Witteveens answers would have been based on thorough analysis and an innovative mindset and he would engage in an open debate.

How science can contribute to better policy grounded in real world developments is an important question in this time of social media, fast societal change and the rebound from the Covid19-pandemic. Responsible decision-making is only possible if economists provided unanimous and clear information and advice was Witteveens answer.

In a world in which Twitter and Facebook did not exist, he as a young academic became a force in the Dutch policy debate in the 1950s. He quickly became a "public economists". His ESB articles on the national budget cited often in parliament. When in the media it is tempting skip academic work. Not so for Witteveen. Both as an academic, as a policymaker, he kept looking to analysis and science to construct optimal economic policy. Just an example when at AMRO Bank at the end of his career, he did not spend his time drinking wine with clients but developed an international credit model.

Witteveen was unique as an academic and as an economist and especially the combination. Many economists speak truth to powerful politicians as academics. Many other economists, as politicians use science to underpin their policy. I had the great privilege as an MP to be part of this process in action in parliament. I must admit that often unfortunately, politicians are tempted to use science, as they deem fit, or worst as a guiding light to direct them on a road already chosen based on the politics of the day.

Witteveen did not. He championed state intervention to stabilize the business cycle, but emphasized thorough analysis ahead of that. Even when he was at the pinnacle of national and international policymaking he was busy determining the right, statistics and theories to get a grip on the direction of the economy of the day, and the forces that drove the real and monetary economy. After all, if you did not know where you were, you could not determine what to do to steer the economy in the right direction.

### ***No 1: Inflation – focus***

In the fifties Witteveen as a very young professor challenged the monetary approach of the Dutch central bank. In short, the Bank-analysis was not grounded enough in the real world and the transmission mechanism for monetary shocks was not clear. In fact he said monetary policy was based on judgement of the president not on the extensive statistics that were gathered. Witteveens alternative was to analyze monetary variables based on a Keynesian model he also used for the real sphere. The debate that followed is one of the important debates in Dutch monetarism.

Today Inflation is rising. Will that be transitory? Central banks and capital markets seem to think so. For now. In NL we are talking about to prohibit banks to ask negative interest rates. What questions would Witteveen have focused on ? It seems a very important time for policymakers to get it right.

### ***No 2: democracy – open debate***

7 years after the debate with Holtrop Witteveen engaged with another important institution in the Dutch consensus model: the SER. A more than 200 pages advice by the SER contained good analysis he said. However this analysis was not used in the recommendations of the report. One of them increasing salaries would lead to inflation. And that would be at the

detriment of stakeholders that were not part of the report writing committee. As the English say if you are not at the dinner table, you are on the menu.

I wonder whether economists / politicians will scrutinize the SER advice on the labor market released last week like Witteveen did end of the fifties.

### ***No 3: innovation – adapt***

Witteveen was an innovator in a Schumpeterian sense. The wiebeltax, the oil facilities and I can mention many more. He was an academic and politician of strong conviction but always kept a flexible mind to adapt when the facts changed, the market changed or his model of the economy had to change.

He presided over the IMF, during a turbulent breakdown of the system of Bretton Woods. After gold and fixed exchanges as anchors were gone, he spend a lot of time making the idea of special drawing rights SDR a new and real policy instrument at the IMF. In the process answered many of the difficult questions policy makers have to answer today about digital currencies. It strikes me that his approach on how to regulate the new and unforeseen, without forbidding it straight-out, is highly important today. I noticed an article to prohibit Bitcoin in the Netherlands this morning.

### **Harmony**

I talked about how Witteveen engaged in debates and how he created new instruments for policymakers in times of rapid change. He did all that in an outright straightforward way trying to convince people in open debate.

Witteveen contributions to economics are broad and enduring. The way he bridged the gap between science and policy to shape economic policy and a better society whilst remaining a strong believer in facts, analysis and science is an important part of his legacy.

Innovation is not always disruption. An open debate with the objective to exchange facts and new ideas bring out the best solutions and even harmony. Harmony was an important word for Witteveen. Just as economists seek equilibrium between the chaotic forces that drive the economy, Witteveen seeked harmony in life.

Thank you

Middendorp, 11 June 2021

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