



THE END OF AN ERA: THE DECLINE OF NEOLIBERALISM AND THE EMERGING INTERREGNUM

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The era of neoliberal and unconditional globalization, once heralded as the ultimate phase of human history, is in slow but likely irreversible decline. The frameworks and assumptions that underpinned global integration for decades are eroding, leaving behind a fragmented landscape and an uncertain future.

Periods of upheaval like this compel us to reconsider the structures that shape our lives. Central to these is the notion of political order. Historian Gary Gerstle, in the U.S. context, defines it as a set of dominant political ideas broadly shared across partisan lines. These ideas persist over significant periods of time and can only be challenged to a certain degree. Contrarian views may simultaneously still exist but remain on the fringes, unable to disrupt the mainstream consensus upheld by the political order. Historically, political orders collapse when crises expose their inability to adapt and adequately respond. These moments of systemic failure pave the way for new paradigms. The stagflation crisis of the 1970s—marked by high inflation and unemployment—marked the end of the New Deal order and its Keynesian economics. In its place emerged a once-radical fringe idea: neoliberalism, soon to become the new dominant order.

The “neo” in neoliberalism can be confusing, as this set of ideas is closely aligned with classical liberalism (e.g., Adam Smith’s focus on free markets and limited government). It was labelled “neoliberalism” to distinguish its market-oriented approach

from the interventionist liberalism of the mid-20th century, such as New Deal policies, which also identified as liberal. Neoliberalism is a philosophy that desires to free capitalism from its fetters. It holds that economic growth and prosperity for all is best achieved by freeing capitalism from regulation and allowing markets to drive economic activity with minimal government intervention. Internationally, this has translated into a globalist paradigm, with falling trade barriers, the rise of multinational corporations and global supply chains becoming the norm.

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The era of neoliberal trade, once defined by unrestrained globalization, is drawing to a close. This shift has been underscored by statements from key figures like U.S. National Security Advisor Jake Sullivan (2023), Treasury Secretary Janet Yellen (2022) and Trade Representative Katherine Tai (2023), who have articulated a new economic vision that departs from free trade orthodoxy. A “new Washington consensus” was declared, whereby notions opposed to unconditional global free trade such as supply chain security, near-shoring and so-called de-risking play central roles. Moreover, policies aiming at protecting American workers from unemployment and economic decline through trade tariffs vis-à-vis imports from low-wage countries, implemented

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by the Biden administration, are diametrically opposed to neoliberal notions and indicate a true turning of the tide. Especially when one considers that both parties in the US now share the idea of prioritising the interests of domestic workers over those of the markets, one can conclude that a paradigm shift has taken place. The re-election of Donald Trump, whose first administration kickstarted this realignment, definitively shuts the door on neoliberal trade practices in the United States. As the term "Washington Consensus" underscores, this shift extends beyond the United States. The EU and G7 have embraced concepts like de-risking and near-shoring, signalling a broader Western alignment. Meanwhile, the paralysis within the World Trade Organisation hints at a world moving away from a unified global trading network. Instead, we may be witnessing the emergence of two competing trading blocs—one led by the United States and the other by China.

Neoliberalism's decline is not confined to shifts in trade policies or economic frameworks. It has also become visible in tangible and symbolic ways—most notably, the proliferation of physical border walls across the globe.

Currently there are around 74 border walls worldwide, with at least 15 more in various stages of planning. While the concept of physical barriers between nations is centuries old, the scale of their construction today is unprecedented. At the end of World War II, fewer than five such walls existed, and even by the close of the Cold War—when the fall of the Berlin Wall symbolized the triumph of democracy and the promise of open borders—there were fewer than a dozen (Vallet 2022). With the outlook of a world moving towards ever more capitalism and liberalism, the concept of physical border walls between nations seemed obsolete. Their rapid and surprising

renaissance—just remember how Donald Trump's border wall proposal was considered a joke less than ten years ago—clearly marks a shift away from an ever more connected world. It can be seen as a Biedermeierian retreat to localised safe-spaces where the illusion of control is upheld as long as possible in a world in turmoil. Even states that are still considered to be at the forefront of the neoliberal paradigm, are erecting and expanding border walls to fence themselves off their neighbours, as can be seen on the Polish-Belarusian (Sanderson 2024) or the Greek-Turkish border (Deutsche Welle 2023). In a similar vein, the Schengen agreement, enabling border-free travel within participating countries, is in crisis as the "temporary" border controls in no less than ten EU member states clearly indicate (European Commission 2024).

These developments—border walls, strained trade systems, and fractured agreements—are clear indicators of neoliberalism's unravelling. The political consequences of this erosion are apparent. Given the rise of anti-globalism populism and the results of the super election year 2024 worldwide, an erosion of the believe that the old set of ideas can confront and overcome the challenges of today becomes obvious. The two major trends of last year's elections are that incumbents had a hard time staying in power, with the great majority of them having been voted out, and the staying power of right-wing, anti-globalist populism. A key factor was dissatisfaction with the economic status quo, with roughly two-thirds globally describing the current economic situation in their country as bad (Wike, Fagan & Clancy 2024). The fading of neoliberalism is evident in the shrinking support for its policies and the realignment of mainstream parties toward what were once considered radical or fringe positions. Established parties are increasingly adopting more restrictive

approaches to migration, borders, and trade—clear signs of the crumbling political order. Neoliberalism is gradually being pushed out of the door as its political support base collapses in front of our eyes.

Unlike past orders, neoliberalism's decline cannot be attributed to a single, clear-cut crisis. Instead, it has been undermined by a series of economic shocks that it has failed to address effectively. These began with the 2008 banking crisis, continued with the global disruptions of the COVID-19 pandemic, and have been compounded by the economic fallout of Russia's invasion of Ukraine. From a foreign policy perspective, the latter represents a particularly decisive blow. It starkly contradicts (neo-)liberalism's central tenet: that deepening trade relations enhance security and foster peace. Add to this the return of great power competition through the rise of an assertive China, which, from U.S. perspective, has been able to exploit globalisation for its own strategic gain without aligning normatively with the West. This cascading series of crises has exposed the limits of neoliberalism, leaving its foundational logic increasingly untenable. While the decline of neoliberalism is becoming ever more evident, the shape of what will replace it remains elusive. It seems as if we are entering an interregnum period—a transitional phase where the old order fades but a clear replacement has yet to take shape. Decision-makers, party leaders, and political strategists are grappling with the challenge of crafting a coherent vision for a post-neoliberal world. What ultimately replaces neoliberalism will likely be for future historians to define. We can, however, speculate based on the trends we are currently observing. The post-neoliberal world may be defined by international protectionism in strategic goods, competing geopolitical blocs, and strengthened regionalism, as nations prioritize security and localized resilience over global integration. We may also

witness a resurgence in the legitimacy of force in international politics, amid the erosion of multilateral conflict-resolution mechanisms. Domestically, this era could see a rise in technological sovereignty, decentralization, and populist or authoritarian governance, while economically, a shift toward Neo-Keynesianism or post-capitalist experiments, such as universal basic income, may emerge to address inequality and systemic challenges. Many saw neoliberalism as the root cause of numerous global problems and eagerly anticipated its downfall. For now, its aftermath is defined less by progress than by the rise of figures like Trump, Le Pen, and Kickl.



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