

## **Ordoliberalism and Political Theology**

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The ordoliberal argument that free economy is an eminently political practice of government has been analysed as an expression of authoritarian liberalism (Heller, Marcuse, Streeck), as Schmittian in origin (Bentin, Cristi, Haselbach, Ptak, and Tribe), as a genuine manifestation of a specific governing rationality (Foucault), and rejected as undemocratic in character (Habermas). The paper treats ordoliberalism as a liberal political theology. Theology is the opposite of critical reason. The one enquires about the social constitution of the economic forces that manifest themselves behind the backs of the social individuals that comprise society. It asks why human social reproduction takes the form of a relationship between seemingly independent, self-moving economic things. In contrast, political theology moralises the relations of economic freedom and asks what needs to be done, what is required, to secure the governmentality of enterprise in the conduct of the governed. The paper does not 'think' about ordoliberalism as a feasible or purely imaginary, desirable or undesirable political project of capitalist organisation. Rather, it 'thinks' in and through ordoliberalism as a political theology of market freedom in a context of mass democratic contestation and parliamentary systems of democratic accountability.

## **The Ordo-Liberal Tradition: How German Is It?**

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This paper develops four arguments: firstly, that examined historically Ordo-liberalism represents a tradition rather than a theory or a school; secondly, like all traditions, it has its 'natives' and its 'migrants'; thirdly, that both its enduring attraction and its particular susceptibility to critique stem from its multiple functions as a narrative justifying decisions rather than from its position in mainstream economic theory; fourthly, that its character as a tradition is bound up with its internally varying combination of conservative with liberal ideologies (making it alien to centre-Left thinking); and, finally, that as a tradition it is more than just a German phenomenon, with iconic figures in France, Italy and the United States. At the same time the paper qualifies these arguments by pointing to the variability in the institutionalization of Ordo-liberalism. Processes of institutionalization have privileged the roles and status of the Freiburg School and the Bundesbank and given the tradition a stronger German than French, Italian or US face. In the process the significant contributions to the tradition of figures like Luigi Einaudi, Jacques Rueff, and Henry Simons have been neglected. Institutions matter in terms of who and what is remembered and forgotten. Equally, traditions are often richer in meanings and implications than the way in which institutions appropriate and use them.

## Ordo-liberalism vs Liberal Neo-welfarism: A Comment

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According to a famous terminological distinction by De Ruggero, the concept/ideology of liberalism can be broken down into three sub-concepts of increasing connotational specificity: liberalesimo, liberalismo and liberismo. Ordo-liberalism is mainly treated as a variant of liberismo, rooted in its turn in variants of economic liberalismo. The absence of an articulated analytical map to classify contemporary varieties of liberalismi raises two dangers: 1) collapsing the notion of liberalism with ordo-liberalism – thus throwing away the baby with the dirty water; 2) neglecting or mis-understanding other original variants of liberalismo (such as liberal neo-welfarism) which have been developed in the last couple of decades, as alternatives to ordo-liberalism.

### **Lutheranism, Reformed Protestantism, Deism, Deontology or Neo-Protestantism? The Role of Protestant Ideas in Ordoliberal Thinking**

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Many scholars see a biographical and ideational connection between Ordoliberalism and Protestantism. However, we know little about the quality of this relationship. Central questions that still need to be addressed are whether Ordoliberal authors were inspired by ascetic Protestantism or mainline Lutheranism, how big the influence of Protestant deism such as Kant or Eucken senior's philosophies was or whether the Protestant roots of Ordoliberalism survived the transition from the first generation (Eucken, Böhm, Röpke; Rüstow) to the second (Hayek; Mestmäcker). The study will use a morphological approach borrowed from Political Theory to explore the protestant components of Ordoliberalism. This will ultimately serve to answer the question how much today's ordoliberalism has still to do with the ordoliberalism of the first generation and whether it represents a form of neo-Protestantism holding the European Union in a tight grip as some authors claim today.

## **The Crisis of Law in the Integration of Europe**

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The focus of this contribution will be a reconstruction of the impact of the ordo-liberal concept of an economic constitution on the legal configuration of the integration project during its various phases. The formative years of the EEC were dominated by the by the integration-through-law agenda which corresponded essentially to the ordo-liberal idea of a European economic constitution. After the regulatory turn in the mid-1980, the prospects for a further realisation of that vision started to erode. Contrary to widely held views, the establishment of EMU by the Maastricht Treaty of 1992 was but a Pyrrhic victory of Ordo-liberalism. The design failures of Maastricht are the background of the concern of the paper with the responses to the financial crisis. It will be submitted that these are, their ideational imprint on a widespread rhetoric notwithstanding, in anything but ordoliberal, but must be characterised as an authoritarian mode of governance which is irreconcilable with the European commitments to the rule of law and democracy. Is this unruly state of the integration project provisional and invertible? A cure through a return to the provisions of EMU of 1992/1997 or their strengthening seems inconceivable. The recent legalisation of the transformation of Europe's constitutional constellation by the CJEU may have facilitated the management of the crisis by the ECB but it has deepened the constitutional malaise.

## **Traditional Ordoliberalism and Modern Constitutional Economics**

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This paper deals with the future of "Ordnungsökonomik" (constitutional economics) within economic science regarding its dual character as a positive science on the one side and as a normative analysis trying to give policy advice on the other. From the perspective of normative individualism the criteria of legitimacy of individual consent or the ideals of governance of citizen and consumer sovereignty can serve as a basis for a modern adjustment of constitutional economics. In accordance with the constitutional economics approach of James Buchanan citizens' interest will therefore be used as reference criteria. After an overview on the recent methodological debate ("Methodenstreit") among economists we will discuss, based on the constitutional economics approach, recent arguments on the future development of constitutional economics. Finally we will present our own position concerning the future of the constitutional economics approach.

## **The ordoliberal imprint on Social Europe: A French issue**

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This paper aims at analysing the German ordoliberal imprint on the European integration, especially from the point of view of the Social Europe, and how far it has conflicted with the French tradition of economic and social policies.

The first part presents the main ideas of German ordoliberalism, interpreted as a project of a competitive 'order' promoted and framed by constitutional and regulative principles and binding rules. The influence of the ordoliberal school of thought on the treaty on the European Economic Community and subsequently on the architecture of the Economic and Monetary Union (EMU) is then analysed for its significance for social Eu on some key issues rope. Against this background, the content of the debates between French and German governments on some key issues will be highlighted.

The second part of the paper analyses and explains the responses to the Eurozone crisis and the issues rose about the social situation in the Economic and Monetary Union. Tracing the policy implemented, it returns to the 'crisis narrative' before analysing responses addressed to the crisis at the European level with regard to the "long shadow of the German ordoliberalism" compared to the approach defended by French governments.

## **Competition or Conflict? Beyond Traditional Ordoliberalism**

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According to the traditional ordoliberal view of the Freiburg School, the central role of the state in economic affairs is to set up rules that create a competitive order within which private actors have sufficient incentives to coordinate their economic affairs efficiently. Underlying this view is the assumption that competition within markets is characterized by peaceful and conflict-free rivalry between actors and that it thus leads to an optimal allocation of resources. In such a setting, competition may be

described as a “record-type” game. This view, however, ignores the possibility that competition itself may very well trigger conflict rather than having an appeasing effect. In this case, competition appears to be a “struggle-type” game in which competitors invest in conflict activities that are not efficiency enhancing but rather resource wasting. Against this background, ordoliberalism has yet to provide a clear-cut distinction between competition and conflict. In addition, it fails to identify – in a normative way – which institutional and regulatory framework could hamper conflict sensitivity of political and economic competition, given the harmful effect of conflict on the security of property rights. Any such framework has to take into account, however, that the line between fierce competition and mild conflict is blurred.

## **Germany in the Eurozone – an Ordoliberal Economy / Polity?**

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Postwar Germany’s political economy was never ordoliberal, and this remains to be true for its role in the Eurozone. Much of the functioning of the German political economy depends on an encompassing welfare state, vehemently opposed by Ordoliberals in the 1950s and 1960s and ever since. The German ‘social market economy’ therefore always represented a compromise between a non-interventionist economic policy and a substantially redistributive social policy, and their interaction produced something not at all resembling a (ordo-)liberal outcome. The position of the German government in the Eurocrisis reflected core ingredients of this *Modell Deutschland*, namely the importance of a non-accommodating monetary policy and fiscal restraint to secure wage moderation (essential for Germany’s export-led growth model). It was thus rational interest in the protection of a successful economic model, not ordoliberal ideology or irrational German inflation angst, which explained the German position during the crisis.

## **The Tepid Reception of Ordoliberalism in Italy and Present Day Dissent**

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While the label of Social Market Economy had a certain success in both the Italian politics and in the academy, the Ordoliberal thought found no particular appreciation. The former met the appreciation of Catholics due to its ethical and practical orientation. As regards the latter, besides the good relationships between Luigi Einaudi and Carlo Antoni with the other members of Mont Pélerin society (actually closer to Röpke than to Eucken), we find a very superficial appreciation of

Ordoliberalism. This is due to the specific trajectory of Italian economic liberalism divided in two main groups: the social (or ethical) and the rationalistic. The latter was Ferrara in the late nineteenth century and followed by many that adhered to the mainstream. The former group has always been very attentive to German theories, including Ordoliberalism, but kept its own theoretical trajectory until its exhaustion due to the prevailing of American theorizing. Other scholars with a similar attitude, as Bruno Leoni, were not exactly economists. In fact, we record a certain interest among law scholars. However, even if not directly affected by Ordoliberalism, many Italian scholars had positions close to the Freiburg school, favourable to a legally shaped market competition (We will see Bagiotti and De Maria interest for "the Germans"). As this generation exited Academy, they were replaced by a new generation of scholars educated in the US (particularly at the Bocconi University), methodologically far from German liberalism. Even if this americanization of liberalism occurred also in Germany (by monetarism?), the effect was different.

In the present difficulties of the EMU governance, it is highly questionable that the bad consequences of the euro and of economic policies enacted to control the effect of the financial crisis are due to the application of Ordoliberal ideas. The latter have been pointed as the only identifiable theoretical reference at hand that could be charged with the responsibility for "austerity" – in a context in which even monetarists had reversed their ideas (desperately adopting inflationary monetary policies) to save illiquid large financial companies at the world level. The procedural application of austerity as an exit strategy has nevertheless been interpreted by many scholars as an Ordoliberal policy. Moreover, some scholars as Giulio Sapelli (economic anthropologist and historian of the economy) have directly pointed Ordoliberal culture as responsible for European bad management. As regards liberal economists, while the Bocconi scholars have been favourable to austerity, that was not due to any sympathy with Ordo theories. On the other hand, some liberal conservative scholars, certainly more in line with Continental liberalism (e.g. Paolo Savona) have been rather critical with German liberalism and with European governance. The result is that today we cannot find any more support for Ordoliberalism in Italy.

### **Foucault's Reading of Ordoliberalism**

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In 1979, Michel Foucault spent five out of twelve lectures on German ordoliberalism, arguing that ordoliberalism and American neoliberalism are the two most crucial mutations within liberalism conceived as a political rationality. The question my comment seeks to clarify is: What is it that Foucault deemed so important in German ordoliberalism and on what interpretative premises does his claim depend? With regards to Foucault's reading of ordoliberalism, all of his claims rest on interpreting

ordoliberalism as a political rationality: as a systematic reflection on how to govern best. Foucault analyses of political rationalities specifically seek to uncover the conceptions of truth which guide their reflections. From this methodological standpoint, Foucault sees two fundamental changes that distinguish ordoliberalism from classical 19th century liberalism: Ordoliberalism takes the shift from exchange to competition in economic thought very seriously and articulates the changes this has for how we understand the positions of the market, the state and civil society vis-à-vis each other. This has profound political implications for a liberal political rationality; first and foremost, on Foucault's reading, ordoliberalism reverses classical liberalism's central idea to limit the state with the economic sphere and instead founds the state on the economy.

## **Two Ways of Thinking About a Constitutional Order**

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Ordo-liberalism has played an important intellectual role in the development of the EU's economic order, particularly in respect of monetary policy. However, many doubt that it can play a constructive role in shaping the future of that order. How far is this scepticism justified?

To examine this question, this paper distinguishes the thinking of Eucken, taken to represent ordo-liberalism, from that of Hayek, with his own distinctive brand of liberalism. Though Eucken and Hayek shared much, they also differed on such matters as the extent to which legislative decision making could play a constructive role in establishing an economic order, the control of economic power and the logical form taken by a sound understanding of the economy. Eucken's idea that an economic order could be constructed differed from Hayek's stress upon order emerging as the unintended consequence of human action. These differences are replicated in competing views about European integration, as exemplified in the contrast between the Monnet method, in which no final goal is prescribed, and the 'convention method' by which there is a constitutional moment at which the ever closer union of the peoples of Europe is constituted.

Constructive use of ordo-liberal ideas requires an account of the politics of monetary policy that goes beyond Hayekian counter-majoritarianism. In particular, the attempt to depoliticise monetary policy in the construction of the European economic and monetary union needs to be complemented by a respecification of political responsibilities involving national political representatives, who are both accountable to their domestic constituencies and who deal fairly with the political representatives of other countries.

## **Policy between Rules and Discretion**

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The paper examines how technocratic efforts to design a policy regime governed by rules – in the spirit of Ordoliberal ‘rational automatism’ – may lead on the contrary to recurrent and far-reaching political discretion. Where periodic shifts in policy are excluded, unforeseen situations will typically provoke last-minute unconventional actions. In order to preserve the ideal of a rule-governed order, such actions must be cast as exceptional measures for exceptional times – as the politics of emergency, that is. The authors of such moves claim the special capacity to act outside the rules so as to preserve their spirit, reproducing with this claim the technocratic sensibility. Whereas modern political thought of various stripes tends to defend constitutional rules as the condition of policy discretion, here one sees the converse scenario of constitutional discretion pursued in the name of policy rules (tending ultimately to the distinction’s collapse). These themes are elaborated in connection with the ongoing crisis of the European Union.

## **States, Markets, and Desert in the Ordoliberals and Karl Polanyi**

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Though they are seldom paired, there are important points of contact between the thought of Ordoliberals like Eucken and Böhm and that of idiosyncratic social democratic theorist Karl Polanyi. Like Polanyi, the Ordoliberals recognised the crucial historical and contemporary role of the state in creating and sustaining market economies, and the consequent emptiness of the laissez faire slogan. Some of Polanyi's interwar analyses of the political use of state power to create monopolies show significant parallels with Ordoliberal diagnoses. There were points of contact in moral perspectives as well: both Polanyi and the Ordoliberals emphasised that interwar markets were producing manifestly unjust outcomes, incompatible with any notion of desert. Their reactions, of course, were very different. To put it in Polanyi's terms, Ordoliberals accepted that laissez faire was planned, and argued it needed to be replanned: more consistently, with the state mobilised to structure markets in ways that ensured market earnings reflected desert. Polanyi, for his part, felt that the state structures underpinning any market order made the very idea of individual desert unintelligible, and a barrier to clear thought about how society ought to be organised. The proposed paper will analyse these parallels and distinctions, and discuss the ways in which Polanyi offers significant resources for analysing contemporary Ordoliberal positions.



## **What Kind of Neoliberalisms in Germany's and Eurozone Crisis Politics?**

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It is puzzling that in some recent publications on the Eurozone crisis management German ordoliberalism is interpreted as synonymous with Anglo-Saxon neoliberalism, a term associated with the radical market fundamentalism based on the universal imperatives of competitive deregulation, liberalization, and privatization pursued as a political project by Margaret Thatcher and Ronald Reagan in the 1980s. To avoid conceptual confusion, the first part of the presentation suggests to differentiate between Two Neoliberalisms: 'German or continental European' which hails from the 1930s intended to create a Third Way between *laisse-faire* capitalism and fascism and the 'Anglo-Saxon neoliberalism' which describes the structural changes in the economy resulting from the crisis in Keynesianism in the 1970s. A starting point is to disentangle the existing 'conceptual terminological irritation'.

Subsequently, the conceptual differentiation between the two neoliberalisms will be used to analyze the creation of the European Monetary Union (EMU), the European Central Bank, and the Eurozone crisis management. The intent is to interrogate these institutions in so far as their actions can be explained according to these different concepts of neoliberalism. I will argue that there is no such thing as 'pure ordoliberal knowledge' that has weathered the political and economic travail since the 1930s. Ordoliberal ideas have to be seen in the context of competing ideational contexts, which necessitates accommodations and pragmatism in political negotiations and decision-making. The goal is to engage in a more nuanced theoretical and empirical debate and ask whether German and European leaders have blindly followed the ideas of German ordoliberalism or more closely Anglo-Saxon neoliberalism in creating the EMU, and in the subsequent management of the Eurozone crisis.