ORDOLIBERALISM AND THE RETHINKING OF LIBERAL RATIONALITY

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Ordoliberalism is best known as one of the central traditions of European neoliberalism and the official economic ideology of post-WWII Germany. Following the German experience of the interwar period, ordoliberal theory is known for its emphasis on the role of state and a strong legal framework for free market economy. Traditionally, ordoliberals have been in favour of strong competition laws that regulate markets by dismantling monopolies, preventing the abuse of controlling market positions, and limiting state aid (see e.g. Brunnermeier et al. 2016; Dullien and Guérot 2012; Demetriades 2015). Ordoliberal theorists have favoured a rule-based approach to macroeconomic coordination and emphasized the neutrality of monetary policy. In the research literature on the European economic model, ordoliberalism is often viewed as the key ideology behind the rule-based economic constitution of the European Union.

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A. M. Cunha and C. E. Suprinyak (eds.), Political Economy and International Order in Interwar Europe, Palgrave Studies in the History of Economic Thought,
https://doi.org/10.1007/978-3-030-47102-6_10
Although economic policies can hardly be explained on the basis of a single intellectual tradition, many claim that ordoliberalism is more relevant than ever. Mechanisms such as the 2012 Fiscal compact have strengthened the implementation of rule-based economic coordination and the future of French-style fiscal union looks bleak (Young 2014). On a more general level, ordoliberal ideas of individual responsibility and moral hazard have surfaced particularly in the German or “Northern” narrative according to which the irresponsible behaviour of problem countries constituted the key cause of the Euro crisis (Fourcade 2013). In this regard, concepts such as authoritarian liberalism or executive federalism are more and more discussed in connection to the contemporary European economic policy (see e.g. Bonefeld 2017; Habermas 2012; Haselbach 1991).

Although the COVID–19 virus has challenged some of the political principles of ordoliberal governance—such as budget rules and limitations on state aid—it has not changed the fundamental division between Northern and Southern Europe and their approaches to economic governance. On the contrary, stark divisions persist between North and South on the viability and scope of EU level fiscal responses. Thus, ordoliberal ideas and policies are thus absolutely crucial for any discussion on national sovereignty, democratic accountability, and the future of liberalism in today’s Europe.

Despite this relevance, the concept itself lacks analytic clarity. Ordoliberalism is frequently conflated with Germany’s political and economic interests, or, it is simply seen as a more socially oriented version of neoliberalism. The story has been primarily institutional with a strong focus on political and economic ideas (for a classic presentation, see Blum 1969. See also Meiers 2015; Hall 2012; Katzenstein 1997).²

1 In the context of the EMU, the influence of ordoliberalism is present in at least three central components: (i) The Stability and Growth Pact (SGP) that focuses on fiscal discipline; (ii) the rejection of joint liability in the Treaties (e.g., Art. 123 & 125 TFEU); and (iii) the mandate of the European Central Bank that focuses on price stability. See also Biebricher (2013) and Ryner (2015).

2 In more popular debates, ordoliberalism is often scorned for being “wacky economics” (Financial Times 16.11.2014) that is slowly “decoupling […] Germany from the rest of the world” (The Economist 9.5.2015). For a critical analysis on the recent emphasis on ordoliberalism, see Hien (2013), Hien and Joerges (2018), Wegmann (2000).
The recent surge of academic literature on the genealogy of ordoliberalism (e.g. Blyth 2013), however, has broadened our understanding on this idea. It is now acknowledged that ordoliberalism was more than a political-legal doctrine: a broader cultural programme with religious, moral-philosophical, and existential underpinnings (Hien 2017; Bonefeld 2017; Slobodian 2018; Goldschmidt 1998. See also Ptak 2009).

This article offers a complementary narrative. Instead of a political or economic doctrine, the article examines ordoliberalism as a philosophically motivated theory that emerged as a response to the crisis of economics and scientific reason in general. Its key context was not only the collapse of the Weimar Republic but also the interwar crisis of science as articulated by philosophers and academics of the time (see e.g. Dekker 2016). This crisis, although having its origins in the late nineteenth century debates on the differences between the natural and the human sciences, was not only about theoretical knowledge but about the role or status of science within culture as a whole. Science had lost not only its unity but also its normative task as the driving force of rational humanity.

Ordoliberalism was not the only variant of neoliberalism, but it was intellectually one of the most radical ones (see Plickert 2008). Unlike many of the representatives of the Austrian School who saw themselves continuing the programme of classical liberalism—or defending it against “foreign ideas” (Tribe 2009, 71)—ordoliberalism presented itself in an explicit opposition to eighteenth and nineteenth century liberalism. Instead of a political-economic doctrine, it formulated a philosophical and moral programme that aimed at a fundamental revision of the ontological and epistemological foundations of liberalism. It did this by reinterpreting some of the key concepts and ideas of the political domain and articulating a new philosophy of history that was critical of the progressive narrative of classical liberalism. It presented an all-encompassing vision of a functioning institutional order supported by a moral philosophy of an autonomous individual. By doing so, it employed theoretical and conceptual resources from a variety of philosophical and intellectual traditions such as Neo-Kantianism, Max Weber’s theory of ideal types, phenomenology, and to some extent, Protestantism and philosophy of life.

\(^3\) For an extensive comparison between ordoliberals and the Austrian School, see Kolev (2015).
The key argument is the following: Unlike classical liberalism that defined itself as moral-philosophical project or an ideology, ordoliberalism employed these philosophical ideas to redefine liberalism as a scientific theory with normative implications. Its political and economic programme was based on a radical rethinking of the ontological and epistemological foundation of liberalism and a thorough critique of the optimistic philosophy of history characteristic of classical liberalism. In the end, the normative appeal of the liberal project was not to be based on moral-philosophical ideas such as freedom or responsibility. Instead, liberalism was to be based on the new idea of economics as a normative science.

1 Ordoliberalism and the Market as a Political Event

Ordoliberalism is not a single and unified movement. Its roots can nevertheless be traced back to the so-called Freiburg School of National Economics, in particular, to the work of economists Walter Eucken (1891–1950), Adolf Lampe (1897–1948), and Friedrich Lutz (1901–1975) as well as jurists such as Franz Böhm (1895–1977) and Hans Großmann-Doerth (1894–1944). Together with sociologists such as Alexander Rüstow (1885–1963) and Wilhelm Röpke (1899–1966), often referred to as the Cologne School, the ordoliberal collective strived for a radical rearticulation of the basic principles of liberalism. One of the key platforms for the renewal of liberalism was the German Economic Association (Verein für Sozialpolitik) that gathered together a wide variety of intellectuals from Lujo Brentano and Max Weber to Austrian economists Ludwig von Mises and Friedrich Hayek. The association also served as a springboard for the Walter Lippmann Colloquium of 1938, often referred to as the key event in the formation of the “neoliberal thought collective” (Mirowski and Plehwe 2009).

Although the influence of ordoliberals in the interwar period was limited, they played a central role in the transition from the planned wartime economy to the post-war “social market economy”—a term coined by Alfred Müller-Armack—and the creation of the so-called Wirtschaftswunder, the German economic miracle (see e.g. Sally 1996; Goldschmidt and Wohlgemuth 2008). Ludwig Erhard (1897–1977), who served as a Minister of Economics under Chancellor Adenauer from 1949 onwards—and became the chief economic architect of the Federal
Republic—was a strong proponent of ordoliberal policies, contributing to the post-war currency reforms, the first antitrust laws, and the creation of a politically neutral Bundesbank in 1957. In the context of the European Economic Community, the ordoliberals influenced significantly the implementation of competition laws from late 1950s onwards.

Although ordoliberalism gained political success only after the WWII, its emergence was closely tied to the collapse of the liberal order in the interwar period. Ordoliberals criticized both fascism and socialism for their trust in central planning, and were critical of Keynesian approaches to macroeconomic adjustment (see Eucken 1948; Allen 2005). Eucken, for one, saw a clear link between full employment policies and central planning, although his position seemed to have become more moderate during the 1930s (Hutchison 1979).

This did not mean, however, that liberalism could have done away with the state. The conscious shaping of political institutions and legal culture, rather than mere trust in the invisible hand of the market place, was to be made the basic principle of market economy.

The representatives of the ordoliberal movement aimed at reconfiguring classical liberalism both theoretically as well as from a practical standpoint. From a theoretical perspective, they criticized classical liberalism for its trust in laissez-faire ideology and naturalistic concepts. According to them, the market was to be seen as an artificial construction that is constantly in danger of losing its essential principle, that of competition. As Leonhard Miksch, one of the leading economists of the Freiburg School put it, economic freedom is a “political event” (Miksch 1947, 9). Rather than growing spontaneously from the natural interaction of humans, it is based on a voluntary choice. From a more practical perspective, liberalism was to be provided with a new, stable foundation that would have secured the success of market economy through changing political trends. Legal or constitutional order, rather than democratic politics, became the central mechanism through which this continuity is secured (Vanberg 2001).

The ordoliberal doctrine became, as Werner Bonefeld puts it, one of strong state and free economy (Bonefeld 2017). Market economy needs the state in order to protect itself against the concentration of power both politically as well as from the point of view of producers. The state needs to be protected from interest groups and lobbyists, and the dynamism of market economy needs to be protected against the concentration of power through monopolies and cartels.
Thus, although the ordoliberals were among the first to use the concept of neoliberalism, their views on the role of state and social policies differed substantially from the more free market oriented versions of neoliberalism. Market economy, according to ordoliberals, could only function within a competitive environment that is sustained by a strong and effective legal framework—what both Eucken and Böhm called an “economic constitution” (*Wirtschaftsverfassung*) (Eucken 1989, 52ff.; Böhm 1937, xix). Constructing such a constitution and giving it a robust theoretical-scientific foundation became the central task of the ordoliberal project.

2 BETWEEN NORMS AND REASON

Ordoliberalism was not purely a rationalistic movement. It emerged from a combination of several intellectual strains such as the natural law tradition, humanism, deontic moral philosophy (e.g. Kant), and of course classical liberalism. Protestantism was another important source of influence, particularly through the so-called *Bonhöffer Kreise*, led by Protestant theologian Dietrich Bonhoeffer from 1938 and 1944, that brought together several Protestant economists, jurists and historians—among them Eucken, Böhm and Miksch (Hien 2017). Protestant virtues such as hard work, ascetism and self-responsibility—rather than Catholic ideas of social justice and redistribution—were at the core of ordoliberal doctrine.

As recent scholarship has shown, ordoliberals believed in the Protestant idea that the essence of human being is fundamentally “empty” or undefined in character. In the words of Luther, the human being is *simul justus et peccator*, both a saint and a sinner, and therefore he needs to be guided by proper societal structures. In this regard—particularly through the works of Rüstow and Röpke—Protestantism coincided with the ordoliberal interest in the concept of biopolitics (*Vitalpolitik*). Politics is not only about institutional design but about shaping the human being. This was not to say, however, that ordoliberalism would have been in conflict with Catholic teachings. The concept of *ordo* itself had of course deep Catholic roots particularly in the Thomist tradition, although
Eucken seems to have distanced himself from the naturalistic interpretations of this concept. Concepts such as Müller-Armack’s “social market economy” were of aid in promoting ordoliberal ideas among the Catholic voters of the CDU. All in all, unlike the kind of market fundamentalism that is sometimes associated with neoliberalism, the ordoliberals emphasized that the legitimation of liberal economy cannot rest solely on the market. It needs a “sociological basis” anchored in cultural and moral values (Goldschmidt 1998; Manow 2001).

Despite this emphasis on culture and morality, the ordoliberal movement was defined, above all, by a firm belief in science. A key part of the ordoliberal narrative was the idea that classical liberalism had failed because it lacked solid foundations in science. It should be recalled that in the context of the nineteenth century, political economy was still conceived a subfield of moral philosophy. The study of production, consumption and exchange within a particular nation was of course conducted with the help of analytic categories, but rarely as distinct from normative issues of justice, equality, honesty, and fairness. The question of values was primary. The modern idea of economics as a value-free science arose not only from this tradition of political economy, but from the more practically oriented fields such as German cameralism (Kameralismus), the science of administration (Langewiesche 2000). Many of the ordoliberals actually worked with concrete issues of public administration from nationalization of the Ruhr Area (Rüstow) to economic governance (Böhm) and competition policy (Miksch).

In this regard, the emphasis on science did not mean a complete break from ethics; rather, scientific arguments played a key part in the intellectual differentiation from ideological or interest-based approach. Science was important because it provided the ordoliberals an aura of neutrality with regard to politics. As the ORDO manifesto of 1936 put it:

If men of science relinquish this role [of serving as experts of national economy] or are deprived of it, then other less competent advisers take over – the interested parties. They are certainly expert in the technical details of their professional field, but equally certainly they are not, nor can they be, competent to assess overall economic interrelationships. Moreover, they are incapable of divorcing themselves from their own economic interests.

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4 See especially Eucken’s manuscript Morphologische Studien, BL 21–23, Walter-Eucken-Archiv, Jena. See also Johnson (1989).
which, as a rule, inevitably results in the welfare of their own professional field being confused with that of the national economy as a whole. (Böhm et al. 2017, 27)

In the eyes of the authors of the manifesto, political actors always have a particular interest when it comes to economic matters. In fact, this is what politics is all about: a battle of individual interests, not a formation of a general will. According to the popular analysis of philosophers such as José Ortega y Gasset, the emergence of mass society in the late nineteenth and early twentieth centuries had brought within itself an almost paradoxical atomization of society whereby classical liberal virtues of responsibility for the self and for others seemed to had lost their ground. The liberal state had vanished and was replaced by a mass state with its mass politics, mass parties and mass men. In this situation, the liberals could no longer rely on the idea of a benevolent elite at the heart of state machinery (Bonefeld 2017, 39). Instead, it had become a short-sighted contest of short-term advantages for individual interest groups.

Science, however, is a way to overcome this interestedness. This is because scientists have the possibility of becoming the general representatives of reason who are able to overcome their particular interests and base their views on objective knowledge. What sets the scientists apart from typical interest groups is their ability to view the domain of economy from the perspective of totality. Other groups may also be directed to totalities, but usually from the perspective of their particular interest. In this sense, scientists constitute what Röpke called a “nobilitas naturalis” (Röpke 1998, 130), a natural aristocracy of the public spirit. This class derives its legitimacy from both supreme, disinterested knowledge and insight as well as incomparable moral example.

This does not mean, however, that their task would be one of pure description. Rather, the theoretical task of economics was intrinsically tied to the practical task of building a concrete economic order:

The authors consider that the most urgent task for the representatives of law and political economy is to work together in an effort to ensure that both disciplines regain their proper place in the life of the nation. This is not only for the sake of science but, more important, in the interests of the economic life of the German nation. (Böhm et al. 2017, 28)
It should be noted, however, that in the context of early twentieth-century German academia, the idea of science as a value-neutral domain was not as dominant as today. On the contrary, one of the defining questions of this era was how to reconcile between facts and values, the descriptive and normative aspects of scientific reasoning. In the works of scholars such as Max Weber and Ferdinand Tönnies, there emerged a new need for analytic distinctions regarding the normative and “value-free” aspects of science. Although Weber’s own distinctions influenced substantially the post-WWII idea of value-free social science, his own account was actually much more nuanced (Bruun 2007). Weber used the concepts of “Wertfreiheit” and “wertfrei” in brackets, and he was primarily concerned of accounting for the emotional or impulsive character of our human choices. Although scientists should strive for ethical-normative neutrality, human intentions play a key part in social-scientific explanations.

Another crucial point to note is that for the German academics of the early twentieth-century, the idea of value-free science was often linked to the Marxist tradition. For it, science had become an important instrument in dissecting what they took as the fetishistic character of capitalist social relations, a fundamentally negative tool in uncovering the un-naturalness and untruth of these relations. Science played a key role also in the Marxist conception of historical and societal laws, which were seen as operating strictly according to logical principles. As the German sociologist Wernert Sombart put it, the entire Marxian system “contains not a single grain of ethics” (quoted in Proctor 1991, 124). The dominance of planned economies in the 1930s and 1940s was by no means a result of purely political decisions, but resulted from a creative combination of science and central planning.

Accordingly, the ordoliberal conception of scientific neutrality emerged in a context that was considerably more complex and nuanced than what is usually accepted. Eucken, for one, repeatedly warned against the kind of historical fatalism represented by Marxism, and argued that science should not have any particular role in the concrete economic decisions of market participants. Instead, science was to discover its new role as the “order-establishing power” (Eucken 1990, 338) of the modern state—a state that was constantly in danger of losing its source of legitimacy or falling into pure despotism. This presupposed, however, that science focuses itself solely to the question of “interdependence of orders” and restricts itself only to the formal conditions of the market (Eucken 1990, 340).
Despite this criticism of Marxism and planned economies, it should be emphasized that a significant part of the ordoliberal critique was actually directed against classical liberalism. Particularly in the works of Rüstow and Röpke, the doctrine of *laissez-faire* characteristic of classical liberalism was under constant critical scrutiny, and this for at least two reasons. First, even though this central doctrine of liberalism had contributed to the freeing of market economy from the control of the state, it offered a limited vision for a positive role of the state. Instead, it had created what Eucken called an “unbearable vacuum” that was replaced by a “belief in the total, all-powerful state” (Eucken 2017, 58). By neglecting the indispensable role of the state, *laissez-faire* had opened the door for both centralized authoritarianism and social democracy.

Second, the doctrine of *laissez-faire* seemed to imply a sort of metaphysical attitude towards market mechanisms. It implied that markets would be something that are born naturally, without human intervention. Röpke called it a “deistic philosophy” (Röpke 2009, 51). There was a need for a critical rethinking of the theological-metaphysical presuppositions arguing for the self-justificatory character of market economy. As Rüstow put it:

This position of economics in relation to the whole system of liberalism arose to a large degree from the developments in the field of thought and, more particularly, in that of science. This was so because liberalism as a science had made its epoch-making discovery in the sphere of economic theory. This discovery was that of the automatism of the market economy, of the self-adjustment which takes place in the competitive system by means of the mechanism of supply and demand, and of the harmony which is established and maintained by means of this subconscious adjustment between the egoism of the individual and the greatest welfare of all. (Rüstow 2017, 152)

Rüstow did not deny the scientific character of classical liberalism as such. As is well known, liberals such as Adam Smith were inspired by Newton and the modern sciences and they aimed at articulating a vision of economy based on discoverable principles. Nevertheless, the language of classical liberalism contained within itself a belief in the automatism and self-adjusting character of markets, expressed most vividly in Smith’s metaphor of the “invisible hand”. As Lisa Hill has argued, this automatism was not based solely on experience but on a set of theological
and metaphysical commitments. Although Smith was a typical Enlightenment era Christian with an anti-dogmatic twist, his thinking combined elements from the natural teleology of Aristotelianism, Stoic theodicy, and Newton’s deism (Hill 2001, 4). There is a divine purpose in nature and the world—a sense of Providence—that goes beyond the will of the individual. And it was exactly these metaphysical connotations that Rüstow was so critical of:

This theologico-metaphysical origin gave liberalism and liberal economics, at a time when the world was still dominated by theology, a tremendous missionary force and a formidable impetus. Its apostles felt themselves carried by the conviction: _Dieu le veult!_ But it contained a fateful defect, and finally contributed to the breakdown of liberalism and to our present world catastrophe. (Rüstow 2017, 154)

In Rüstow’s view, classical liberalism—despite its epistemological differences with German idealism—was likewise committed to the modern idea of universal history defined by divine providence. In his analysis, the key defect of classical liberalism was exactly the belief that history itself would have been on the side of science and reason. This meant that its central doctrine—_laissez-faire_—was nothing more than “a summons to honour God and an adjuration not to allow short-sighted human anxieties to interfere with the eternal wisdom of the natural laws” (Rüstow 2017, 153).

In Rüstow’s own view, however, science had actually very little to do with natural or universal history. As a human construct based on the critical capacities of the mind, science was actually to be seen as an interruptive force within human history fighting all forms of superstition. What the ordoliberals criticized was the kind of fatalism that still left its mark on some of the representatives of both classical liberalism and Marxism. This fatalism was evident also among those theorists such as Immanuel Kant who aimed at articulating the liberal project at the level of interstate institutions (Kant 2007, 109). To construct liberalism as a science was to take it outside of all deterministic forces: nature, God, or even human spontaneity.5

5 As already Michel Foucault already noted in his _Collège de France_ lectures on biopolitics, the ordoliberal idea of science was based on a radical critique of classical liberalism. This critique, he argued, was founded on the refutation of a particular “naturalistic
3 Ordoliberal Idea of Science

The quest for a radically new, scientific foundation for liberalism reached its most analytic formulation in the work of Walter Eucken. Eucken, one of the authors of the aforementioned ORDO manifesto, began his academic career as a theorist of rather conventional topics such as maritime transport and monetary policy. Already in the 1920s, however, Eucken was an active societal commentator of issues such as welfare policies, religion, and the role of the state. Following the work of his father, Nobel-prize winning philosopher Rudolf Eucken, Walter Eucken wrote a series of short essays emphasizing the need to rebuild the social order based on humanistic, idealistic and Christian values. The rise of socialism and the political revolutions of the nineteenth century had coincided with the rise of a materialistic outlook of the world, which had produced a permanent “restlessness” into the life of the modern man. What the progressives called a “turn to realism” (Wendung zum Realismus) was in its core a destruction of the idea of spiritual “self-formation” (Bildung) as a cultural principle (Eucken 1930, 34).

Eucken did not become a philosopher or a theorist of education. His economic interest, however, started to move from more traditional problems such as trade or monetary policy to broader issues of political economy including the historical genealogy of capitalism, the problem of the state, and the role of science in shaping the economy (see Goldschmidt 2013). In one of his more philosophical lecture courses from 1936, titled “Battle of the Sciences” (Eucken 1936, manuscript), Eucken interpreted the task of science in two regards. First, it is an internal battle of the sciences in their quest to attain “objective truth” and the particular ideas that express it. But it is equally a struggle with the outside world on the legitimacy and validity of these ideas. As for Galileo, the key question was not only how to discover ideas but how to stand up for them in the eyes of the general public. Science is not only a battle for truth but for authority, legitimacy, and power.

naivety” (Foucault 2008, 172) of liberal thinkers on the basis of which they treated the market economy as a spontaneous order. For the ordoliberals, however, the very idea of market order was to be treated as fundamentally un-natural, as something that arises only on the basis of voluntary decisions to construct it. Science plays a key role in delineating the conditions for a functioning economic constitution.
Thus, it is possible to claim that for Eucken, the idea of science was not to be equated with a kind of neutral disinterestedness. Instead, science played a key role in the reformation of market economy:

The problem [of national economy] will not solve itself simply by our letting economic systems grow up spontaneously. The history of the century has shown this plainly enough. The economic system has to be consciously shaped. The detailed problems of economic policy, trade policy, credit, monopoly, or tax policy, or of company or bankruptcy law, are part of the great problem of how the whole economy, national and international, and its rules, are to be shaped. (Eucken 1950, 314)

This entailed, however, a fundamental reconfiguration of the science of economics. First, it needed to articulate itself in the form of a strictly universalistic science that founds itself on theoretical insights and ideal concepts. Without this element of universality, economics remains purely an accumulation of empirical facts without any general relevance. Secondly, it must be able to say something meaningful of the concrete economic world that we live in. Instead of being a science of individual transactions or a pure fantasy of the free individual, it must recognize and analyze the concrete political, legal and institutional constrains relating to the constitution of economy as a social phenomenon.

Eucken’s argument was based on his interpretation on the more general methodological dispute known as the “Great Antinomy” (Eucken 1950, 47ff.). This confrontation took place between two competing interpretations of scientific economics in the late nineteenth century, historicism on the one hand, and apriorism on the other. In the works of the so-called Historical School of Gustav von Schmoller, economics had become a field of investigation that focuses on historical forms and institutions of production and exchange. More than mathematics, economics took advantage of ethnological, anthropological and sociological findings. Instead of general rules, historicism was interested in unique historical settings and types such as medieval feudalism or modern capitalism. In the works of apriorists such as Ludwig von Mises, the opposite was the case. Economics should formulate clear, universal principles that can work as a theoretical foundation for the analysis of economic decisions. As Mises argued, the key principles of his approach “are not derived from experience […]”
They are, like those of logic and mathematics, a priori. They are not subject to verification or falsification on the ground of experience and facts. They are both logically and temporally antecedent to any comprehension of historical facts. They are a necessary requirement of any intellectual grasp of historical events. (von Mises 1966, 32)

For Eucken’s need, however, this was clearly not enough. In his view, the science of economics was in danger of collapsing into two completely distinct fields, historical and theoretical economics (Eucken 1950, 56). One would study into the actual history of different forms of production, but without any universal interest. The other would simply be interested in theoretical results, yet say nothing about concrete economic institutions. Thus Schmoller and historicism ended up in relativism, the Austrian School, Mises in particular, in dualism (Eucken 1950, 324).

While it is evident that a genuinely theoretical economics cannot rely solely on the accumulation of empirical facts, there is very little that an economic science of pure, a priori principles can achieve. Instead, there is a real danger that economists end up constructing “a chaos of concepts supplementary to the facts” (Eucken 1950, 54). If theoretical economics is unable to say anything relevant with regard to concrete economic relations, it ends up relying on the help of “practical experts” (Eucken 1950, 304). For liberal theory, this is of course not enough: it needs to be scientific but also relevant for concrete shaping of economic reality.

In Eucken’s view, the only way to overcome this rift is to return to the origin of these concepts in experience (Eucken 1950, 28). To be more exact, it was the task of ordoliberal science to conceive itself with regard to two parallel domains, “everyday experience” and “scientific experience”. As Eucken argued, everyday experience is the starting point of all serious questioning, something without which all research is in danger of falling into pure speculation. At the same time, everyday experience does not amount to science as such. Following the German philosopher and logician Hermann Lotze, Eucken claimed that scientific experience is about transforming “what is given to us as happening together into what is connected together” (Eucken 1950, 40). Economist must start from history, from actual forms of production, but work towards an analytic framework for their theoretical analysis (Eucken 1950, 37).

In the context of early twentieth-century German academia, it was Max Weber’s theory of “ideal types” that had become the central point of reference for objectivity in social sciences (Weber 1949). With the help of
this concept, Weber aimed at analyzing the type of ideality characteristic of social sciences in distinction from natural sciences. Unlike in natural occurrences, in social phenomena there is always involved an element of subjective interpretation and historicity that cannot be fundamentally eliminated without trivializing the whole issue. The Protestant ethic, for instance, is this kind of ideal type that goes beyond mere empirical discussion—it can be understood apart from all particular individuals—however, not without a reference to history and culture.

In Eucken’s view, however, this was not enough. In his view, what Weber failed to recognize was the “fundamental difference between real types and ideal types and their logical character, as well as the differences in the process of abstraction in constructing the two kinds of types” (Eucken 1950, 348, see Kolev 2018). In other words, the mere detachment from empirical events or particulars was not enough in order for economics to rise on the level of objective, theoretical science. What was needed was a more comprehensive and radical concept of ideality that could provide the foundation for universal analysis.

In this attempt to articulate a more radical concept of ideality Eucken was particularly influenced by the phenomenological philosophy of Edmund Husserl. This connection was not purely theoretical but biographical: Eucken and Husserl became family friends as Eucken began his professorship at the University of Freiburg in 1927. Husserl, who retired from his professorship at the same year, became the godfather of Eucken’s daughter and stayed in contact with the Eucken family despite Husserl’s difficult position as a Jew in Nazi Germany. At the heart of Husserl’s phenomenological project, was the demand to return to the “things themselves” (Husserl 2001, 168). Instead of scholastic speculations, philosophy was to return to the origin of our concepts and ideas in experience, to investigate things in regard to their “givenness”. It was only with the help of experience, Husserl argued, that the modern sciences could overcome their state of dispersion and work together in the pursuit for truth.

This did not mean, however, that science would amount to a mere description of everyday experience. Science is about gaining theoretical insights and ideas for the purpose of constructing an axiomatic system of knowledge. But ideas do not come from nowhere: they must be firmly anchored in experience. What Husserl called “eidetic reduction” was an intellectual process in which we vary our possible experience in order to gain insight into the essential structures of experience and the world. The
key question was what can we remove from a particular phenomenon in order for it to remain its essence. Eucken himself called this “isolating abstraction” (Eucken 1950, 107).

It should be noted, however, that Husserl himself operated with a rather broad concept of ideality. He did not assume that all types of generalities from “chairs” to “political institutions”, from “colors” to “numbers” could be analyzed with the help of a single concept of ideality such as exact mathematical ideality. Instead, Husserl developed a rather broad taxonomy of generality from “bound” to “free” idealities, from inexact to exact ideas. The kind of geometrical idealization characteristic of the modern natural sciences was only one type of idealization that was not to be confused with the kind of abstraction characteristic of, for instance, types of observational shapes (“treelike”, “shiny” etc.). What was crucial was to avoid the kind of Kantian interpretation according to which ideas would function as unattainable “limit-values” for possible experience. Ideas should not be hypositized into transcendent principles, but they must be firmly anchored in concrete experience.

4 TOWARDS LIBERALISM AS A SCIENCE: THEORY OF ORDERS

For Eucken and the ordoliberal tradition, it was the concept of order (Ordnung) that became the most important theoretical concept for the analysis of economic forms. “As the course of everyday economic life proceeds differently according to the form of the economic system”, Eucken argued, “the knowledge of the different kinds of orders is the first step towards understanding of economic reality” (Eucken 1989, 58). To put it simply, order is that web of economic relations, institutions and technologies that forms the basis of our economic activity. What defines an economic order are not just economic classes or technologies of production, but all sorts of norms, rules and relations of influence.

Although Eucken occasionally spoke of historical “economic orders” (Wirtschaftsordnungen) such as the Roman or the Medieval ones (Eucken 1950, 76ff.), the key question was how to overcome the historicist idea according to which all economic forms are simply historical notions tied to a particular situation. Unlike “stages” and “styles” of economic development characteristic of the historicist approach, the concept of order was to be understood in terms of a “universal problem” (Eucken 1950, 30) leading to a theory of the essential features of all possible
economic systems. By way of isolating abstraction and eidetic variation, the economist looks at historical orders and tries to isolate their ideal features. It is not for the love of abstraction, however, that the economist performs this variation. The key purpose is to understand the world of facts and their connectedness (Eucken 1954, 19).

In his attempt to arrive at a general scientific theory of economic orders, Eucken played central attention to the concept of the “rules of the game” (Spielregeln) (Eucken 1950, 186ff.). In order to recognize a particular economic order, one must ask what are the structural norms and principles that regulate the decisions of particular economic agents. It is not so much the question of division of labour that matters as it is the question of who makes the relevant economic decisions concerning production and exchange. Who makes the decisions on what to produce, how to do it, and how to exchange the products? Are these decisions made by a single person (or institution) or by the economic agents themselves?

In Eucken’s view, this question could only be answered in two ways. Either the decisions concerning production and distribution are made by a central authority, or, these decisions are made by the individuals who take part in economy. In the first case, we are dealing with an ideal type of “centrally directed economy”. In the latter, it is the case of an “exchange economy” (Eucken 1950, 117ff.). These two constitute the basic answer to the problem of ideality in economic forms: “No other types of economic system, or even traces of others – besides these two – are to be found in economic reality past or present” (Eucken 1950, 118). It is crucial to note, however, that these ideal concepts were not to be conceived as a typology of national economies. A simple household, a medieval village or a modern nation-state can all be analyzed with the help of these two ideal forms.

This is not to say, however, that all particular examples would fall strictly into either camp. In most cases, we are actually dealing with a combination of centralized and decentralized economic decisions (Eucken 1950, 232). Modern market economies are based on the decisions of individual producers and consumers on what to produce or how to sell it; still, modern nations exercise considerable fiscal power regarding all sorts of centralized investments. They are, as we would put it, mixed economies. The ideal types are not to be taken as exclusionary categories, but as theoretical abstractions describing the logic of economic decisions and arrangements: How does the coordination of individual plans and
economic decisions come about? (Eucken 1950, 130). Instead of being labels for economic systems, ideal forms describe how things are connected in the event of a particular institutional or other setting.

A closer look into Eucken’s theory of ideal forms reveals that his typology was, at the end, rich and multifaceted. Exchange economies, for instance, can be divided into a number of sub-types from barter and monetary economies and further into simple (exchange-money) and more complex (credit-money) forms (Eucken 1950, 129ff.). Thus, the choice between exchange vs. centrally directed economies is not one of total presence vs. total absence of the state. Even in exchange economies, state plays a central role as the guardian of price stability and the whole system of prices.

The focus on ideas also means that one should not view economic phenomena primarily from the perspective of particular historical settings. The problems of monopolies and credit bubbles, for instance, appear only in market economies with developed central institutions and a banking system. They are not, however, problems that would characterize merely seventeenth-century mercantilism or contemporary financial capitalism. They are universal problems that have significance beyond individual events.

In this regard, science does not solve primarily the problems of individual historical epochs. Rather, it is only through the rigorous ideal-scientific analysis that economics can help us to solve the problems of national economy.

5 Normative Science

The central challenge of Eucken’s approach—economics should be primarily a descriptive science—was how to comprehend the normative dimension of liberalism. How could market economy hold on to its moral superiority after it had been firmly based on scientific approach?

Here, Eucken resorted to two parallel approaches. First, the superiority of “exchange economy” with regard to all centrally directed forms rested on moral-philosophical arguments in line with the Kantian understanding of liberty and ethics. Exchange economy was morally superior because it corresponded with a view of human being as being responsible for one’s actions. For Kant, freedom and accountability were the key conditions for any understanding of ourselves as moral actors. Centrally directed economy where decisions are made by some central authority
destroys these conditions, or it makes impossible to adhere to them. Particularly in his *Grundsätze der Wirtschaftspolitik*, Eucken treated the state and different interest groups such as private companies as threats not only to the market but to the principle of liberty. This is because they violate another Kantian principle that every human being ought to be treated as an end in itself. In a centrally directed economy, where decisions are made by a central authority, the human being becomes a mere cog in the “anonymous political-economic machine” (Eucken 1990, 177). Thus, centrally directed economy destroys the very possibility of ethical behaviour.

The other line of argumentation is slightly more complex but equally crucial. It relates to Eucken’s theory of ideal forms as carrying a *normative significance* on its own. As already indicated, the central thesis of the authors of the ORDO manifesto (including Eucken) was that the contemporary strains of historicism and marginalism had failed to provide a normative theory of state and market that could have served as an instrument of policy design. Instead, they remained primarily a theoretical analysis of market transactions or a historical description of particular forms of production. For the ordoliberals and Eucken in particular, this was not enough. Science was to be brought together with a more ambitious vision of political transformation with a focus on institutional design and social reform.

It was by no means a coincidence that ordoliberalism focused so heavily on law and rule-based instruments. If the “rules of the game” are constitutive for any form of economic activity, then it is only natural that the key political battles concern how these rules are actually shaped. A rule-based order is central for the limitation of the power of interest groups or ad hoc political decisions. The key question was, however, how to legitimize these rules without falling into yet another type of authoritarianism?

Here, Eucken seemed to follow a very specific line of thought stemming from two philosophical schools of his time, Neo-Kantianism and phenomenology. For the Neo-Kantian tradition—represented by philosophers such as Wilhelm Windelband (1848–1915), Heinrich Rickert (1863–1936) and Emil Lask (1875–1915)—the growing division between the descriptive and normative tasks of science had become one of the key intellectual problems. It reflected two parallel developments: first, the identity crisis of philosophy in the light of advancing natural sciences, and second, the growing division between the natural and the human sciences. It seemed that philosophy had lost its role as the driving
force of modernity and the Enlightenment, and the rapidly advancing natural sciences held the monopoly for progress in the world of ideas. The natural sciences were able to make new discoveries and formulate empirically testable hypotheses. Philosophy and the human sciences could only speak of history or values without any claim for true objectivity, thus potentially plunging into relativism.

Neo-Kantianism sought to change this. By returning to Kant, they aimed at a radical reconfiguration of philosophy as a normative discipline capable of answering questions of validity and justification. Whereas sciences deal with the world as it is, philosophy should be interested in the causes and justifications of our knowledge, how knowledge arises from consciousness and what are the grounds of its justification. As Windelband put it, philosophy was to be reconfigured as a “system of norms”: what are those conditions on the basis of which we take something to be true and valid? In Windelband’s own work, however, this question did not receive a sufficient answer. According to many of his followers, he could not defend the strict separation between the natural and the normative, but had to resort to psychologistic language in explaining the genesis of norms.

Husserl’s phenomenology provided one solution to Windelband’s dilemma. Husserl followed the Neo-Kantian idea of philosophy as a normative discipline, however, with important amendments. For him, ideal and a priori structures of cognition were not just a collection of Platonic ideas but a set of ideal laws, generalities and principles. The normative validity of these laws, however, is not dependent on psychological processes. Rather, their normativity can only be assessed on the basis of a strict transcendental-phenomenological investigation. “There is undeniably a subjective, experiential distinction that corresponds to the fundamental objective-ideal distinction between law and fact”, Husserl argued:

If we never had experienced the consciousness of rationality, of apodeicticity in its characteristic distinction from the consciousness of facticity, we should not have possessed the concept of law. We should not have been able to distinguish generic (ideal, law-determined) generality
from universal (factual, contingent) generality, nor necessary (i.e., law-
determined, generic) implication from factual (i.e., contingently universal) implication. (Husserl 2001, 90)\(^6\)

In other words, our ability to distinguish between fact and law depends on our ability to do conceive a particular idea in its universality. Although a factual generality can be expressed in the form of a general principles (e.g. “All swans are white”), they can never amount to the full sense of lawfulness characteristic of ideal, law-determined generality (e.g. Law of non-contradiction). A priori laws are thus defined by a strictly ideal content. Their normative validity, however, can only be understood with regard to a judging consciousness. It is only through a reflexive process on behalf of the subject that these laws can undergo what Husserl calls a “normative turn” and function as genuine norms for thinking and acting.

It is impossible to go into more details, but it should be noted that Eucken explicitly referred to Husserl on this point. Scientists start from the everyday experience and tried to proceed to ideas by abstracting from the empirical and factual contents. The goal of this investigation is to reach such ideal laws that are not bound to any particular instance. Accordingly, reality itself does not affect the truth of theory (Eucken 1954, 30). Eucken’s so-called constitutive principles such as a “functioning price system”, “freedom of contract” or the “principle of liability” were not simple theoretical generalizations. They were to be conceived as normatively binding principles derived from the ideal form of exchange economy. What concepts such as Max Weber’s “ideal type” or Schumpeter’s analysis of capitalism lacked was exactly this understanding of ideality as governed by a set of general laws, principles and ideal (not empirical) regularities (Eucken 1950, 330).

So, why law as a political instrument? First, because laws and rules themselves carry out an important constitutive principle of exchange economy: principle of continuity of economic policy. In Eucken’s view, one of the central conditions of a functioning exchange economy was a stable environment for decisions on investment. Without some kind of reliability and predictability, economic decisions driving the market are left undone. Second, and more importantly, these constitutive principles that concern the market and the state are not just historical virtues derived

\(^6\)See also Eucken’s reference to Husserl’s *Philosophy as Rigorous Science* in Eucken (1950, 321).
from experience. They are theoretical conditions of the ideal itself. Their normative primacy depends not on their historical success but on their logical necessity as ideal laws.

A stable and permanent rule-based framework is not only for the restriction of democracy. It is necessary because it complies with the ideal form of exchange economy. Eucken was well aware that the relation of theoretical ideals and concrete policies is often complex, and that one should not apply these principles blindly. Particularly in the case of so-called regulative principles such as antitrust policy, income policy (taxation), and correction of externalities, policy-maker cannot simply apply an a priori principle. They require constant vigilance and adjustment in the light of changing circumstances.

6 Conclusion

This article has been about the intellectual foundations of a particular variation of neoliberalism that is central to the post-WWII European economic constitution: German ordoliberalism. I have tried to accomplish two things. First, I have tried to emphasize that despite the tumultuous conditions that characterized the historical origins of ordoliberal movement, it was not a mere political or economic doctrine. Ordoliberalism as a philosophically motivated theory that emerged as a response to the crisis of economics and of scientific reason in general, that is, to the growing dispersion of individual sciences and the loss of their common foundation. Ordoliberalism was in fact a philosophical and moral programme that aimed at a fundamental revision of the ontological and epistemological foundations of liberal theory. It employed theoretical and conceptual resources from a variety of philosophical and intellectual traditions such as Neo-Kantianism, antipositivism, and phenomenology.

Second, the birth of ordoliberalism should be understood in regard to a long history of European neoliberalism as the rearticulation of liberal rationality from the early twentieth century onwards. This rearticulation, I claim, was not only about traditional concepts of liberalism such as freedom, autonomy, and the state. It relied on a new understanding of the role of normativity in science and a new philosophy of history.

To put it succinctly, ordoliberalism was an attempt to respond to the crisis of liberalism by inventing a new rational foundation for liberalism. It did this by reinterpreting some of the key concepts and ideas of the political domain and articulating a new philosophy of history that was
critical of the progressive narrative of classical liberalism. It presented an all-encompassing vision of a functioning institutional order supported by a moral philosophy of an autonomous individual. At the heart of this undertaking, was a radical reversal of the traditional relation between economics and moral philosophy: Rather than being a part of moral philosophy, political economy was to produce a moral philosophy of its own.

The state and future of liberalism is one of the central questions of today’s Europe. Yet I argue we have not understood the most significant revolution of liberal theory in the past hundred years. This is because we have focused primarily in political and economic ideas, or strategies of governance. What politically seems like a shock doctrine was intellectually a result of a long struggle for a new philosophical rationality for liberalism—a fundamental cultural and intellectual transformation. Understanding this transformation is vital for a more critical and nuanced understanding of European political economy.

Acknowledgement This article has been written under the Academy of Finland Centre of Excellence Law, Identity and the European Narrative, funding decision number 312430.

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