

Freedom, Crisis and the Strong State: On German Ordoliberalism

Werner Bonefeld¹

Introduction

The German ordoliberal tradition is better known in the Anglo-Saxon world as the Freiburg School, or German neo-liberalism, or indeed as the theoretical foundation of the German social market economy. Its origins date back to the late 1920 / early 1930. Its foundation lies in the works of Walter Eucken, Franz Böhm, Alexander Rüstow, Wilhelm Röpke and Alfred Müller-Armack. These authors saw their work as providing a third way, a (neo-)liberal alternative to laissez faire liberalism and collective forms of political economy, ranging from Bismarckian paternalism to social-democratic ideas of social justice, from Keynesianism and Bolshevism. In the face of Weimar mass democracy, economic crisis and political turmoil, they advanced a programme of liberal-conservative transformation that focused on the strong state as the locus of social and economic order. The dictum that the free economy depends on the strong state is key to its theoretical stance.²

The fundamental question at the heart of ordo-liberal thought is how to sustain market liberal governance in the face of mass-democratic challenges, class conflicts, and political strife. How, in other words, to promote enterprise and secure the role of the entrepreneur in the face of powerful demands for employment and welfare, and protection from competitive pressures. For the ordo-liberals, yielding to any one of these demands was seen to lead to ‘collectivist tyranny’. Hayek’s Road to Serfdom (1944) brought this insight to wider attention, but did not provide its original formulation, which lies in the ordo-liberal thought of the late 1920s.³ It holds that a functioning free economy requires robust social and economic frameworks to assure undistorted competitive relations. Markets, they argue, also require provision of an ethical framework to secure the viability of liberal values in the face of ‘greedy self-seekers’ (Rüstow, 1932/1963, p. 255) and antagonistic class interests. The provision of these legal-social-ethical frameworks belongs to the state. The state is held responsible transforming a class-divided society into, and maintaining, an entrepreneurial market society. For the ordo-liberals, competition is the indispensable ‘instrument of any free

¹ An earlier version was presented to the staff/student research seminar at Ruskin College (Oxford). I am grateful for the many useful insights and comments.

² Nicholls (1994) provides some useful historical insights. Tribe (1995) expounds ordo-liberalism in the context of Buchanan (1991), as recent endorsements and developments in English. the evolution of German economic thought. Foucault (2008) delineates its programme of liberal governance as a practice of power. Peacock and Willgerodt (1989) published key texts in English translation. See also Paul, Miller and Paul (eds.) (1993), Vanberg (2001), and the school of constitutional economics associated with James

³ Hayek’s work is key to Freiburg neo-liberalism, and will be referenced as such.

mass society', and the promotion of enterprise and entrepreneurial freedom is thus a 'public duty' (Müller-Armack, 1979, pp. 146, 147). They thus propose the strong state as the political form of the free economy.

The works of Wilhelm Röpke⁴ and Alfred Müller-Armack are of particular importance concerning the sociological and ethical formation of free markets. Both were adamant that the preconditions of economic freedom can neither be found nor generated in the economic sphere. A competitive market society is by definition unsocial, and without strong state authority, will 'degenerate into a vulgar brawl' (Röpke, 1982, p. 188) that threatens to break it up. In this context, Müller-Armack focuses on myth as the 'metaphysical glue' (Fried, 1950, p. 352) to hold it together. In the 1920s he espoused the myth of the nation as the overarching framework beyond class, in the 1930s he addressed the national myth as the unity between movement and leader, and advocated 'total mobilisation' (Müller-Armack, 1933, p. 38), in the post-war period he argued for the 're-christianization of our culture as the only realistic means to prevent its imminent collapse' (1981c, p. 496). Yet, in the context of the so-called West-German economic miracle, he perceived social cohesion to derive from an economic development that Erhard (1958) termed 'prosperity through competition'. It offered a new kind of national myth rooted in the idea of an economic miracle as the founding myth of the new Republic (see Haselbach, 1994a,b). Sustained economic growth is the best possible social policy (Müller-Armack, 1976) – it placates working class dissatisfaction by providing employment and security of wage income. In contrast, Röpke had started out as a rationalist thinker of economic value, and in the course of his life he bemoaned the disappearance of traditional means of social cohesion in peasant life, and the relations of nobility and authority, hierarchy, community, and family. In his view, the free economy destroys its own social conditions in what he called human community. In his view, the 'social market economy' endangered the social preconditions of competition in 'human community' - the economic miracle created materialist workers; it did not create satisfied workers who as self-responsible entrepreneurs, maintain their vitality by means of a 'human community' of family and natural community (cf. Röpke, 1936 with Röpke, 1998). He perceived the 'menacing dissatisfaction of the workers' (Röpke, 1942, p. 3) as a constant threat, and demanded that social policy '[attack] the source of the evil and...do away with the proletariat itself...True welfare policy', he argued, 'is...equivalent to a policy of eliminating the proletariat' (Röpke, 2009, p. 225). In this same context, Eucken argued that economic constitution is a political matter. The economic and the political comprise distinct spheres social organisation, which need to operate interdependently for each other to maintain the

⁴ Alexander Rüstow work also belongs into this category. His work shadows that of Röpke, with one notable exception - the enunciation of the strong state in 1932, see below.

system as a whole. For the ordo-liberals the state is the power of interdependence and is thus fundamental as the locus of liberal governance.

This brief outline reveals ‘a rather different orientation from that usually attributed to the term’ social market economy (Tribe, 1995, p. 205) and makes it clear why a Terence Hutchinson (1981)⁵ or a Keith Joseph (1975)⁶ should find its stance agreeable. In contrast, Maurice Glasman (1996) conceives of it as a socially responsible political economy that in contrast to neo-liberal ideas of free markets, is not a market economy at all (p. 56). In distinction to the idea of a market equilibrium governed by the democracy of demand and supply, it is said to be governed by the idea of a social equilibrium – a state of affairs, in which, the individual is protected from the sort of homogenisation and strife that markets bring about (Glasman, 1996, p. 54). Similarly, the varieties of capitalism literature draws a distinction between the neoliberal model of Anglo-Saxon capitalism and the ‘social’ market model of Rhineland capitalism, and conceives of the latter as an alternative to neo-liberalism (see, for example, Bruff, 2008). From this same perspective, it is also argued that the crisis of 2008 put paid to the idea of distinct capitalist regimes. The political response to the crisis – financial socialism and austerity – is said to transform neo-liberalism in an authoritarian direction, and this ‘authoritarian neo-liberalism’ is seen as the foundation of a new post-neoliberal capitalist regime (Wissen and Brandt, 2011).⁷ These in any case perplexing views on the social market economy are a world apart from its ordo-liberal conception, which is indeed premised on the idea of an authoritarian liberalism.

The paper examines the ordoliberal view of the free economy and the strong state, in three sections. The first develops the fundamental convictions and assumptions of ordo-liberal thought. The second presents the ordo-liberal understanding of social policy as a form of liberal interventionism. The final section concludes on the ordo-liberal meaning of the strong state. Ordo-liberalism holds an acute understanding of class as a basic social category, and inverts the liberal idea that economic freedom gives rise to political arrangements, to the idea that economic freedom derives from the strong state.

I Convictions, Assumptions, Positions

In the late 1920s, in a context of economic crisis and political turmoil, conflicting ideologies and entrenched class relations, ordo-liberal thought emerged as a particular account on how to

⁵ Hutchinson take on the ordo-liberal critique of laissez faire liberalism is to the point: it concedes too much power to economic agents, whose greed, though required to oil the wheels of competition, is all consuming to the extent that it destroys its own foundation.

⁶ Joseph’s (1975, p.3) grasp of the social market economy is succinct: it provides for ‘responsible policies, which work with and through the market to achieve[the] wider social aims’ of enterprise and social cohesion.

⁷ For a critique of such conception of post-neoliberal regime change, see Bonefeld (2010).

make capitalism work as a liberal economy, or as Foucault (2008, p. 106) saw it, on how to define or redefine, or rediscover ‘the economic rationality’ of capitalist social relations. The ordo-liberals conceived of individual freedom as the freedom of the entrepreneur to engage in competition, and seek gratification by means of voluntary exchanges on the market. The free economy is the purpose of its theoretical effort, the political state is endorsed as the means towards that end, and the social policy is the instrument with which to develop, promote and maintain undistorted competition. They recognised the ‘social irrationality of capitalism’, particularly that irrationality which they called proletarianization, and proposed means to restore the entrepreneurial vitality of the workers. Social crisis is brought about by the ‘revolt of the masses’,⁸ which destroys the culture of achievement in favour of a permissive society. For the ordo-liberals, this development called for a decisive defence of economic freedom by the elite (Böhm, et al, 1936, Röpke, 1998) to restore liberty, individual self-responsibility and entrepreneurial vitality. That is, ‘the “revolt of the masses” must to be countered by another revolt, “the revolt of the elite”’ (Röpke, 1998, p. 130). They identified the welfare state as an expression of proletarianised social structures, and demanded the de-proletarianisation of social relations⁹; they argued that socio-economic relations had become politicised as a consequence of class conflict, and demanded the depoliticisation of social-labour relations; they saw unrestrained democracy as replacing the sovereignty of the rule of law by the sovereignty of the demos, and demanded that, if indeed there has to be democracy, it must be ‘hedged in by such limitations and safeguards as will prevent liberalism being devoured by democracy. Mass man fights against liberal-democracy in order to replace it by illiberal democracy’ (Röpke, 1969, p. 97). For the ordo-liberals, the resolution to proletarianization lies in determining the true interest of the worker in sustained accumulation, as the basis of social security and employment. De-proletarianisation is the precondition of ‘civitas’. Freedom, they say, comes with responsibility. They thus conceive of society as an enterprise society consisting of entrepreneurial individuals, regardless of social position.

The ordoliberalists conceive of the free economy in conventional terms: free markets are governed by the principles of scarcity, private property, freedom of contract, exchange between equal legal subjects, each pursuing their own self-interested ends. Free markets allow social cooperation between autonomous individuals that communicate with each other by means of a ‘signalling system’ that is, the price mechanism. They thus require monetary stability to permit its effective operation as a ‘calculating machine’ (Eucken, 1948, p. 28) that informs consumers and producers of the degree of scarcity in the whole economy. As such a

⁸ Ortega y Gasset’s book the ‘revolt of the masses’ is a key reference for the ordo-liberals.

⁹ Röpke assessment of the Beveridge Report is to the point. It is, he says, an expression of the ‘highly pathological character of the English social structure’, which he defines as ‘proletarianised’ (2002, p. 147).

‘scarcity gauge’ (ibid., p. 29) it sustains the ‘automatic’, non-coerced coordination and balancing of the interests of millions and millions of people, each partaking in a ‘continuous consumer plebiscite’ (Röpke, 1951, p. 76). The free market is thus endorsed as a particular ‘social instrument’ that allows for the spontaneous and free cooperation between self-interested participants.

The ordo-liberals espousal of the free economy does not entail a weak night-watchman state. The ordo-liberals declare for the strong state. They argue that economic freedom needs to be ordered so that freedom is not misused, as prices can be fixed, markets carved up, and competitive adjustment avoided by means of protectionism and manipulation of monetary policy; and workers can strike, the masses can revolt, and a proletarianised mass society can force the state to concede welfare. Just as the Hobbsian man requires the Leviathan to sustain her fundamental sociability, full competition requires strong state authority to assure the orderly conduct of self-interested entrepreneurs. Economic freedom is not unlimited. It is based on order, and exists only by means of order, and freedom is effective only as ordered freedom. Indeed, laissez-faire is ‘a highly ambiguous and misleading description of the principles on which a liberal policy is based’ (Hayek, 1944, p. 84). For the ordo-liberals, the sanctity of individual freedom depends on the state as the coercive force of that freedom; freedom is viable as a rule-based freedom. The free economy and political authority are thus two sides of the same coin. There is an innate connection between the economic sphere and the political sphere, a connection defined by Eucken (2004) as interdependence. Each sphere is interdependent with all other spheres, so that dysfunction in one disrupts all other spheres - all spheres need to be treated together interdependently. There is thus need for coordinating the economic, social, moral and political, to achieve and maintain systemic cohesion. The organisational centre is the state. It ‘intervenes’ into the ‘economic sphere’ and the ‘non-economic spheres’ to secure the social and ethical conditions upon which ‘efficiency competition’ rests (Müller-Armack, 1979, p. 147). The ordoliberal state is thus a planner, not for discernable social ends, but for undistorted competitive relations. The state, as it were, plans for the free price mechanism.¹⁰ ‘The problem’, says Eucken (1951, p. 36), ‘of economic power can never be solved by further concentration of power, in the form of cartels or monopolies’ Nor can the solution be found in ‘a policy of laissez faire which permits misuse of the freedom of contract to destroy freedom’ (ibid., p. 37). According to Eucken (p. 54) the ‘problem of economic power can only be solved by an intelligent co-ordination of all economic and legal policy...Any single measure of economic policy should, if it is to be successful, be regarded as part of a policy designed and to establish and maintain economic

¹⁰ This paraphrases **Balogh** (1950), who identified social market economy as planning by the free mechanism.

order as a whole'. That is to say, free markets do not by themselves produce and maintain an effective economic system. On the contrary, they destroy the 'economic system based on freedom'. They thus require the authority of the state to facilitate that very economic freedom upon which the free economy rests. For the ordoliberal, the economic system has thus to be consciously shaped (Eucken, 2004) and any such shaping is a matter of political authority (Böhm, 1937).

The interdependence between the economic system and the political system is one of 'freedom' and 'authority', of 'enterprise' and 'order'. Freedom depends on the capacity of the state to secure the market facilitating use of that freedom. For economic freedom to be effective, the state needs to 'wield power' (Haselbach, 1991, p. 18). Vanberg (2001) focuses this well: 'social order is made possible by effective limits being put on the strategies allowed in competition' (p.2), it is the role of government to maintain 'a conducive legal-institutional framework for market competition (p. 4) and the fulfilment of this task entails a 'strong state' that 'cannot serve as a promising target of special interest rent-seeking'(p. 51). The state is 'the guardian of enterprise' (p. 50) – it does not yield to the social interests, it governs over them. Political interference with the free price mechanism is bound to weaken, not to strengthen, state authority. Ordoliberalism is about the creation of an economic order that protects competition from distortions created by laissez-faire (cf. Nicolls, 1984, p, 169). The ordo-liberals thus dismiss the association of liberalism with the weak state as a hostage to fortune – social order they say, is the precondition of free markets; and social order derives from political authority. That is, the 'authoritarian direction of the state is the necessary condition of economic freedom' (Böhm, 1937, p. 161, also p. 56).

Ordo-liberalism saw itself as a third way between collectivism and laissez-faire liberalism – a new liberalism that commits itself to battle to secure liberty in the face of selfish interest groups and the proletarian adversary. That is to say, laissez-faire is neither an answer 'to the hungry hordes of vested interests' (Röpke, 2009, p. 181) nor to the 'disease of statism' (Barry, 1989, p. 118) that the proletarian masses exact when in the face of class conflict the state weakens in its liberal resolve by conceding collective welfare provisions. Nor is it an 'answer to riots' (Willgerodt and Peacock, 1989, p. 6). That is, laissez-faire liberalism is unable to posit either political aims or definite social values. In the end, then, the laissez faire liberalism 'dissolves [the state] into an apolitical exchange society' (Müller-Armack, 1933, p. 21). Instead of defending liberty, the apolitical state becomes the prey of vested interests, and succumbs to proletarian demands. Laissez-faire conceptions of freedom are inherently self-destructive. For freedom to prevail a more or less 'authoritarian direction of the state' is

necessary (Böhm, 1937, p. 67) to facilitate the utility of freedom within the limits of its form, that is, the individual as entrepreneur.

The strongest critique of laissez-faire liberalism can be found in the works of Wilhelm Röpke and Alexander Rüstow. For Röpke the crisis of liberal capitalism was the necessary outcome of a socially and psychologically unbalanced mass society in revolt. He criticises laissez-faire liberalism for turning a blind eye to the sociological effect of industrialisation and market competition on workers¹¹. It could therefore not defend what it cherished the most - liberty. Rüstow (1942) argued similarly. In his view 'traditional liberalism' was 'blind to the problems lying in the obscurity of sociology' (p. 270), that is, laissez faire conceptions of the invisible hand amounted to 'deist providentialism' (p. 271), which he believed to define the 'theological-metaphysical character of liberal economics' (ibid.). It asserted the 'unconditional validity of economic laws' (pp. 272-2) without enquiry into their social, ethical, and political preconditions. That is, 'the "invisible" hand does not create "harmony" just like that' (Eucken, 2004, p. 360). That the free market order is 'invisible and not brought about by a conscious effort of individuals, is one of the reason for the tremendous advantage it has over other economic systems as far as the production of material wealth is concerned' (Röpke, 1942, p. 6). Thus, competition, and therewith, economic regulation by the invisible hand, is indispensable - in the economic sphere. However, it 'does not breed social integration' (ibid.). Laissez-faire liberalism is thus seen to hold a 'superstitious belief' in the automatism of market economy, which 'prevented the necessary sociological conditions from being secured in economic life' (Rüstow, 1942, p. 272). Competition, he says, 'appeals...solely to selfishness' and is therefore 'dependent upon either ethical and social forces of coherence' (ibid). Laissez-faire liberalism is charged with '[overlooking] the sociological necessity of searching outside the market for that integration which was lacking within it' (ibid., p. 272). It is 'totally blind to this problem' of social integration (Röpke, 1942, p. 6). The ordo-liberals reject the idea that competition should be applied as a universal principle to every aspect of life. Competition does not provide 'the general framework of society...it is unable to integrate society as a whole, to define those common attitudes and beliefs or those common value standards without which a society cannot exist.' It consumes

¹¹ Röpke describes the proletarian conditions as follows: 'Their misfortune is no longer thin wage envelopes or excessive working hours...What characterises proletarianization is its psycho-physiological side: the devitalizing effect of the proletarian-industrial way of life and work which cannot be improved upon either by higher wages or by bigger cinemas; the dependence and insecurity which rule out ownership as well as long-term incomes; the regimentation of labour which has to be performed anonymously and under the invisible overseer's whip of the machine giants, under constant discipline and as part of an oppressive totality, thus largely losing all meaning and dignity; a form of existence estranged from nature and an organic community life, unsuited to man's constitution and depriving him of the natural and social integration he needs. In brief, this is a mode of life, work and habitation which in the physiological sense is unsatisfactory to the highest degree, and which has never existed before to this extent' (Röpke, 2009, p. 14).

and destroys ‘the substance of binding forces inherited from history and places the individual in often painfully felt isolation’ (Müller-Armack, 1979, p. 152). Competitive markets depend thus on the provision of a ‘robust political-legal-ethical-institutional framework’ (Röpke, 1950, p. 143) to sustain free economy.

Ordoliberalism identifies the weak state as the Achilles-heel of liberalism. The weak state is one that is unable to defend itself from preying social interests, and which has thus lost its ‘independence’ from society. It succumbs to the ‘attacks of pressure groups...monopolies and...unionised workers’ (Rüstow, 1942, p. 276), and is ‘devoured by them’ (Rüstow, 1932/1963, p. 258). Instead of governing over them, they govern through the state, fragmenting and dissolving its liberal authority to say what the law is. Instead the law becomes subject to mass democratic majority decisions. The demos decide what the law will be. That is, the weak state is deemed unable to decide upon the rules of the game and instead concedes to social pressures, unable to restrain itself from interfering with the free price mechanism. Only the strong state is able to determine these rules and ‘as an umpire to interpret and enforce the rules decided upon’ and enforcement is necessary ‘on the part of those few who would otherwise not play the game’ (Friedman, 1962, pp. 15, 25). The strong state has the capacity to organise ‘economic activity through voluntary exchanges (p. 27), to ‘promote competition’ (p. 34) and do for the market what the market ‘cannot do for itself’ (p. 27). That is, only a strong state can act as an ‘economic planner for competition’ (Hayek, 1944, p. 31) to which society has to ‘submit’ as a matter of ‘public duty’ (Müller-Armack, 1979, p. 147).

Liberal state purpose, they argue, is not subject to shifting democratic majorities or the power of private interests. Its purpose is to facilitate (economic) competition but is not itself subject to (political) competition. According to Röpke (2009, 181), ‘we do not demand more from competition than it can give. It is a means of establishing order and exercising control in the narrow sphere of a market economy based on the division of labour, but not a principle on which the whole society can be built. From the sociological and moral point of view, it is even dangerous because it tends more to dissolve than to unite. If competition is not to have the effect of a social explosive and is at the same time not to degenerate, its premise will be a correspondingly sound political and moral framework. There should be strong state...a high standard of business ethics, an undegenerated community of people ready to co-operate with each other, who have a natural attachment to, and a firm place in society’. The interdependency of social spheres upon which the freedom of the entrepreneur rests (on this see Foucault, 1994, p. 415) entails thus also a specific intellectual investment. That is, the ‘internal integration of our society’ requires (Müller-Armack, 1976, p. 288) a comprehensive

effort ‘to put the intellectual...order into a meaningful relationship to the economic order’ (Müller-Armack, 1978, p. 329). Liberals, they are argue, have to accept their role as the organic intellectuals of capitalist social relations. Their task is to develop and sustain the ‘ethical values’ and common beliefs (Barry, 1993, p. 118) that promote ‘a life style under which we can life in freedom and social security’ (Müller-Armack, 1978, p. 329).

In sum ‘Ordo-liberalism’ asserts the authority of the state as the political master of the free economy. Freedom is freedom within the framework of order, and order is a political matter. Order is a matter of law, ethics, and sociology. Only on the basis of order can freedom flourish, and can a free people be trusted to adjust to the price mechanism self-responsibly. Maintenance of order depends on a strong state that governs over the social interests. That is, the ordoliberal state is charged with removing all ‘orderlessness’ form markets, and thus, with monopolising the provision of order in the form of the state. The state, says Müller-Armack (1981b, p. 102) ‘has to be as strong as possible within its own sphere, but outside its own sphere, in the economic sphere, it has to have as little power as possible’¹² Depoliticisation of socio-economic relations and politicisation of the state as the enforcer of the rules agreed upon, belong together as interdependent forms of social organisation (Eucken, 2004). They reject laissez faire liberalism as a doctrine of faith that, when the going gets tough, is incapable of defending liberty. Against the background of the crisis of the Weimar Republic, they set about to determine the appropriate economic and constitutional ‘order’ or ‘system’ which would restore and perpetuate the individual as a self-responsible entrepreneur. As the next section argues, the point of a social policy is to prevent the politicisation of the worker as a proletarian. It aims at formatting workers into energetic, vitalised, and self-responsible labour force employers. That is, the ‘first principle of liberal interventionism is that state intervention is never conducted against the natural tendency of economic development, but only harmony with them, in order to bring about unavoidable changes with the least possible hardship and losses’ (Röpke, 1934, p. 50).

II Social Policy: Freedom and Enterprise

Social policy is about the provision of a ‘stable framework of political, moral and legal standards’ (Röpke, 1959, p. 255). It is a means of liberal governance. Its purpose is to secure a market economy within the confines of what Adam Smith called the ‘laws of justice’ (1976, p. 87). A social policy that concedes to working class demand for social justice ‘by wage fixing, shortening of the working day, social insurance and protection of labour...offers only

¹² Müller-Armack is in fact quoting from Benjamin Constant (REF), whose insights on the state as the political force of the unsocial sociability of civil society, and indeed its antagonistic character are regularly reference in ordoliberal writing (see Röpke, ...).

palliatives, instead of a solution to the challenging problem of the proletariat' (Röpke, 1942, p. 3). It leads to the 'rotten fruit' of the welfare state (Röpke, 1957, p. 14) which is 'the "woddenleg" of a society crippled by its proletariat' (ibid., p. 36). The welfare state is the institution of 'mass man' who 'shirk their own responsibility' (ibid., p. 24). That is, social policy aims at transforming the proletarian into a citizen 'in the truest and noblest sense' (Röpke, 2009, p. 95).

Haselbach (1991) has rightly pointed out that Schumpeter's identification of capitalism with entrepreneurial freedom is key to the ordo-liberal conception of the free economy. For Eucken (1932, p. 297) the well-being of capitalism is synonymous with the well-being of the entrepreneurial spirit – innovative, energetic, enterprising, competitive, risk-taking, self-reliant, self-responsible, eternally mobile, always ready to adjust to price signals, etc. Müller-Armack (1932) speaks of the 'doing' of the entrepreneur, whom he likens to civilisation's most advanced form of human self-realisation. Ordo-liberalism identifies capitalism with the figure of the entrepreneur, a figure of enduring vitality, innovative energy, and industrious leadership qualities. This then also means that they conceive of capitalist crisis as a crisis of the entrepreneur. Things are at a standstill because the entrepreneur is denied – not just by 'mass man' but by a state that yields to mass man. Crisis resolution has thus to restore the entrepreneurial vitality of society. For the ordo-liberals this task entailed a 'policy towards the organisation of the market' (Eucken, 1948, p. 45, fn 2) that secures 'the possibility of spontaneous action' without which 'man was not a "human being"' (ibid. p. 34). In this conception, 'state-organised mass welfare' (Röpke, 1957, p. 14) amount to a 'revolt against civilisation' (Röpke, 1969, p. 96) – it expresses a state of profound 'devitalisation and loss of personality' (Röpke, 2002, p. 140), which for the ordo-liberals characterises proletarianised social structures.

Institutionally capitalist crisis is expressed in the growing importance of the state for economic and social development, leading to the 'dependence of economic problems on political conditions' (Rüstow, 1932/1963, p. 249). This loss of distinction between the political and the economic manifests a form of 'statism' (Barry, 1993). Eucken conceives of statism as an 'economic state', which he describes with reference to Carl Schmitt's quantitative total state (1932, p. 301, fn 78).¹³ The economic state is a weak state: it failed to resist social pressures and class specific demands for intervention and is thus unable to limit

¹³ Like Schmitt's quantitative total state, Eucken's economic state does not have absolute control over the economy. On the contrary it is a state that has lost its independence vis-à-vis the social interests; it does no longer govern over society. Instead, society governs through the state. Eucken's economic state is a state of 'lamentable weakness', as Rüstow (1932/1963, p. 255) puts it when making the same point. Rüstow, too, makes explicit reference to Carl Schmitt's account of the crisis of Weimar ungovernability and endorses his crisis-resolution by means of the strong state, see below.

itself to the ‘political’ as the locus of liberal governance. Instead of depoliticising socio-economic relations, it politicises the economic and social spheres; and instead to facilitating the individual freedom of the entrepreneur, it suppresses enterprise in the name of social justice. The weak state and socio-economic chaos, class conflict and strife, are two sides of the same coin: politicised socio-economic relations curtail freedom, and government is in fact government by the proletarian masses that demand welfare protection, from the cradle to the grave (Röpke, 1957, p. 14).¹⁴ The weak state is a state of a de-vitalised society, in which enterprise and individual responsibility have run to ground. Crisis resolution focuses therefore on two things: on the one hand the state has to be ‘rolled back’ to establish its independence and restore its capacity to govern on behalf of economic freedom (section III); and on the other hand, there is need for a social policy that facilitates free markets. The purpose of social policy is to ‘de-proletarianise’ capitalist social structures – it seeks to entrench freedom with self-responsibility.

However, de-proletarianisation is a Sisyphean undertaking. The emergence of the proletariat that social policy is meant to ‘eliminate’ (Röpke, 2002, pp. 152-166) is innate to capitalist social relations (see Röpke, 1942, p. 240). There is, says Röpke (ibid.) a ‘remarkable loss of social integration – brought about by the general atomisation of society, the individualisation ...and the increasing standardisation and uniformity that are destroying the vertical coherence of society, the emancipation from natural bonds and community, the uprooted character of modern urban existence with its extreme changeability and anonymity (‘nomadisation’) and the progressive displacement of spontaneous order and coherence by organisation and regimentation’. Then there is the ‘equally remarkable loss of vital satisfaction brought about by the devitalising influence of these conditions of work and life imposed by the urban-industrial existence and environment’. Finally, there is the ‘machine technology, the manner of its application, the forms shortsightedly favoured in factory organisation’ that makes ‘proletarianization the fate of the masses’ (2009, p. 14). In a system based on ‘private ownership of the means of production’ (Röpke, 1998, p. 97), the masses are ‘characterised by economic and social dependence, a rootless, tenemented life, where men are strangers to nature and overwhelmed by the dreariness of work’ (Röpke, 2009, p. 14). They are ‘without property and the essential liberty provided by property’ is absent. Instead they ‘become...regimented members of the industrial-commercial business hierarchy’ (Röpke, 1942, p. 242, fn. 3). The proletariat is as a consequence of industrialisation, which according to Röpke (1957, p. 36), led to the massification of society, which is no longer based on the noble and refined values that are in fact ‘repulsive...to proletarianised mass society’ (Röpke,

¹⁴ See also Bernard Baruch’s condemnation of Roosevelt’s abandonment of the Gold Standard: ‘the mob’, he says, ‘has seized the seat of government’ (quoted in Schlesinger, 1959, p. 202).

1998, p. 99). The masses are deprived of 'civitas' (Röpke, 2002, p. 95), and do not know what is best for them 'due to the dehumanizing impact of individualisation and uprooting of populations' (Röpke, 1957, p. 36). The 'radical dissatisfaction and unrest of the working classes' is the fundamental disintegrating force of society and responsible for dislocating the 'economic machinery' (Röpke, 1942, p. 3).

There is thus need for a social policy that focuses on the 'real cause of discontent of the working class' (Röpke, 1942, p. 3), and that is, the 'devitalisation of their existence' which 'neither higher wages nor better cinemas can cure' (ibid.). The proletarian, he says, is numbed by her existence, and therefore seeks misconceived remedies, which only exacerbate the problem. In short, 'economic crisis' needs to be understood 'as the manifestation of a world which has been proletarianised and largely deprived of its regulatory forces and the appropriate psychological atmosphere of security, continuity, confidence and balanced judgements' (Röpke, 1942, p. 4). The solution to the proletarian condition subsists in the constantly-renewed effort of eliminating the proletariat by means of a 'market conform' social policy that, instead of imprisoning workers in the welfare state, facilitates their freedom and responsibility akin to a propertied entrepreneur. The worker has thus to become an entrepreneur of labour power, endowed with firm social and ethical values, and roots in tradition, family, and community.

Ordoliberal social policy seeks the realisation of Man as an 'ethical social individual' (Müller-Armack, 1976, p. 177) who contributes to the wealth of nations as self-responsible enterprising individuals, whatever their social position. In fact, says Müller-Armack (1976, p. 182), the proletarian masses 'long' for this kind of social policy. As he put it, full employment policies are 'repugnant to the workers' own sense of freedom'. Müller-Armack favoured social integration by means of ideological cohesion, from the mobilisation of the national myth at the time of Weimar, via the national socialist myth of the unity between movement and leader, to the post-war endorsement of religious values, demanding the re-christianisation of (West-)German society to secure the responsible use of economic freedom (1981c, p. 496). Röpke had little time for religion. He favoured the 're-rooting' of the proletariat in de-congested settlements and de-centralised workplaces, peasant farming, community, family and above all, proposed the spread of private property as means of entrenching the acceptance of law of private property. It was to secure 'the independence and autonomy of [the workers'] whole existence; their roots in home, property, environment, family and occupation, the personal character and the tradition of their work' (Röpke, 2002, p. 140). Whatever the techniques of liberal governance, the free economy requires not only a 'corresponding legal and institutional framework'. It requires also an integrated 'society of

freely cooperating and vitally satisfied men'. This, says Röpke, 'is the only alternative to laissez-faire, and totalitarianism, which we have to offer' (Röpke, 1942. p. 6). Social policy seeks to 'restore' to the worker that enterprising vitality upon which the 'social humanism' of capitalist social relations rests (Müller-Armack, 1981a, p. 277).

Röpke's list of measures to affect de-proletarianisation seems desperate, as does Müller Armack's notion that competitiveness 'requires...incorporation into a total life style (1978, p. 328). Nevertheless, ordo social policy ideas cannot be dismissed easily – it recognises the disruptive character of the proletariat and asks how to curtail it for the purposes of enterprise. Anthony Giddens' (1998) political philosophy of the 'Third Way' build upon this concern when he argued for the release of the workers from the welfare-state prison, transforming society into a stakeholder society. Ulrich Beck asserted that this new society was one of self-responsible and enterprising workers who are also possessed by a degree of social responsibility that transcends their fragmentation into 'labour-force employers'. He put forth the idea of a new Man who integrates entrepreneurial qualities with communitarian commitments. This then is the figure of what he termed the 'communal-welfare employer' whose personality combines the entrepreneurial spirit of Bill Gates with the communitarian ideals of Mother Teresa (Beck, 1998, p. 332), a personality that has now taken residence in the idea of the Big Society (Norman, 2010). Müller-Armack conceived of such cohesion of economy, society, politics, personality and myth as an irenic organisation of social being, by which he understood a seamless integration of interdependent spheres that cohere into a distinct social style (1976, p. 300, 1981b, 131)¹⁵. Sam Brittan's (1984) idea of how to de-proletarianise social structures seems mundane in comparison. He advocated the spreading of private property as a means of creating a property owning democracy, which he saw to result from the Thatcher governments' privatisation programme, especially council houses, transforming quarrelsome workers into pacified shareholders and responsible property owners. The circumstance that this property owning democracy transformed by the early 1990s into a property owning democracy of debt in no way contradicted the attempt at using the market as a restraint on working class militancy (Bonefeld, 1995).

In short, ordo social policy seeks to overcome and prevent (proletarian) statism, which replaces the 'democratic sovereign, the market, by the autocratic sovereign, the state' (Röpke, 1942, p. 254), and to secure the 'moral legitimacy of markets and the ethical properties of market institutions' (Gray, 1992, p. 2). It aims at embedding markets 'in broader, social and political institutions, which shaped and constrained them' (p. 83). A 'well ordered' economy

¹⁵ The Gramscian idea of an historical bloc might help to illustrate Müller-Armack's idea of 'social style'.

presupposes market conform ‘common values, norms and common attitudes’ (Müller-Armack, 1978, p. 327). That is, the ‘conscious unfolding of the competitive order is not enough. The job does not consist merely in shaping an economic order, but also requires its incorporation into a total life’ (Müller-Armack, 1978, p. 328, see also 1951, p. 237). Alexander Rüstow (2009, p. 50) demanded therefore a ‘social liberalism’ that overcomes the ‘sociological blindness of economic liberalism’. This, then, is what they called neo-liberalism. It is a liberalism that understands that markets are destructive of their own social preconditions, and that they entail proletarianization and social massification (gesellschaftliche Vermassung), and that they thus pose a threat to themselves. The German neo-liberals recognised this, and demanded a pre-emptive social policy to maintain and sustain free markets. It fell to Müller-Armack to provide the ordo-liberal conception of the entrepreneurial society with a catchy slogan. He called it ‘social market economy’ (1946, in Müller-Armack, 1976).

The attribute ‘social’ was not met with unanimous approval. Hayek was the most vocal. His critique of the word ‘social’ in the ‘social market economy’ warned about the kind of misperception that sees ordoliberalism to advocate a social alternative to neo-liberalism. It is, he says, a ‘weasel word’ (Hayek, 1979, p. 16, see also Bernholz, 1979) that allows the idea of ‘social justice’ to take hold. The demand for ‘social justice’ is a ‘dishonest insinuation’ (Hayek, 1960, p. 97). It contradicts the very essence of a ‘market’ economy. Social justice declares for a ‘freedom’ that Röpke and his colleagues despised. Not only is ‘government-organized mass relief [...] the crutch of a society crippled by proletarianism and enmassment’ (1998, p. 155). It also entails the most ‘dangerous and seductive’ enunciation of tyranny that is intrinsic to the expression ‘freedom from want’ (ibid., p. 172). As he puts it, this expression amounts to a ‘demagogic misuse of the word “freedom”. Freedom from want means no more than absence of something disagreeable, rather like freedom from pain...How can this be put on par with genuine “freedom” as one of the supreme moral concepts, the opposite of compulsion by others, as it is meant in the phrases freedom of person, freedom of opinion, and other rights of liberty without which we cannot conceive of truly ethical behavior. A prisoner enjoys complete ‘freedom from want’ but he would rightly feel taunted if we were to hold this up to him as rue and enviable freedom’ (ibid.). That is to say, “‘freedom from want’” entails a ‘state which robs us of true freedom in the name of the false and where, unawares, we hardly differ from the prisoner, except that there might be no escape from our jail, the totalitarian or quasi-totalitarian state’ (ibid., p. 173). Foucault’s comment on ordo social policy is succinct: for the social market economy there ‘can only be only one true and fundamental social policy: economic growth’ (2008, p. 144). Indeed, the free market is social because it ‘stimulates production and increases output, leading to greater demand for labour’

(Müller-Armack, 1976, p. 253). The ‘general increase in productivity’ (Böhm, 1937, p. 11) will eventually trigger the (in)famous trickle-down effect, bringing wealth to the downtrodden (Müller-Armack, 1976, p. 179). Prolarianisation, class conflict and political strife, is a misguided response to pressing economic problems and conditions of work. A proper ‘social policy’ does not redistribute wealth, it aims instead at establishing a connection between the ‘human beings and private property’ (Müller-Armack, 1976, p. 133). It makes ‘competition socially effective’ (Müller-Armack, 1976, p. 246), so that a ‘competitive economic order’ (1976, p. 239) is in force that gives ‘workers a far greater choice and therefore greater freedom’ (Nicolls, 1994, p. 324). In the face of recalcitrant workers, and the ‘corrupt parlor game of a democracy degenerated into pluralism’ (Röpke, 2009, p. 102), the pursuit of freedom requires ‘active leadership’ (Müller-Armack, 1976 p. 239) and ‘authoritarian steering’ (Böhm, 1937, p. 161) by an ‘enlightened state’ (Nicolls, 1984, p. 169).

In sum, the ordoliberalists argue that free markets are incapable at integrating society as a whole. Markets need to be supplemented by a social policy that facilitates freedom and responsibility, provides the social and ethical frameworks that secure social cohesion and integration, and maintain the vitality of the entrepreneur. The masses benefit from this development but lack insight and understanding. Social policy does not seek definite social outcomes. It is to maintain the distinction between the economic and that state by means of ‘authoritative leadership decisions’ (Böhm, 1937, p. 56) about the rules of freedom. For the ordoliberalists, a social market economy ceases ‘to flourish if the spiritual attitude on which it is based – that is the readiness to assume the responsibility for one’s fate and to participate in honest and free competition - is undermined by seemingly social measures in neighbouring fields’, that is, those employment and welfare policies that constitute the welfare state (prison) (Erhard 1958, p. 184). The social element of the market economy has therefore a distinct meaning: it connects market freedom with individual responsibility, seeks to reconcile workers with the law of private property, promote enterprise, and to deliver society from proletarianised social structures. The significance of the term social in the conception of the social market economy does thus not refer to a policy of social justice associated with a welfare state. Social policy is meant to ‘enable’ individuals as self-responsible entrepreneurs. In sum, the ‘players in the game need to accept’ the free market, ‘especially the class that systematically performs so poorly’ (Giersch, 1992, p. 26), and which therefore demands welfare support at the expense of freedom.

III: Freedom and Authority: On the Strong State

Anthony Nicolls (1994, p. 48) and Sibylle Toennis (2001, p. 169) see Rüstow’s (1932/1963) enunciation of the strong state as a landmark in the theory of the social market economy. The

strong state is one that resists statism, which is ‘rooted in the masses’ (Röpke, 2009, p. 86). Statism is a form of collectivist-tyranny that stifles and suffocates the individual as entrepreneur. It is ‘rooted in a democracy that is unrestricted and not sufficiently counterbalanced by liberalism’ (Röpke, 1942 p. 248). Hayek makes this point well when he distinguishes between liberalism and democracy. He says that ‘liberalism is a doctrine about what the law ought to be; while democracy is ‘a doctrine about the manner of determining what will be the law’ (Hayek, 1960, p. 103). This latter is the state of unlimited democracy and a state of total weakness – it is ‘being pulled apart by greedy self-seekers. Each of them terms out a piece of the state’s power for himself and exploits it for its own purposes... This phenomenon can best be described by a term used by Carl Schmitt – “pluralism”. Indeed, it represents a pluralism of the worst possible kind. The motto for this mentality seems to be the “role of the state as a suitable prey”’. What is needed is a state that ‘governs, that is, a strong state, a state standing where it belonged, above the economy and above the interest groups’ (1932/1963, p. 255-58).

Röpke had already demanded the strong state in 1923, long before the onset of economic crisis. Liberalism, he argued, has to put itself at the ‘forefront of the fight for the state’ so that it may succeed in determining the liberal purpose of the state (1959, p. 44). Only the state, he says, can guarantee the ‘common wealth’, and liberalism should not involve itself with defending particular interests. It should ‘always focus on the ‘whole’, and this ‘whole’ is the state (ibid., p. 45). Eucken, too, demanded the strong state over and above the social interest and class conflicts. In his view, the economic state of total weakness was a concession to vested interests. ‘If the state...recognises what great dangers have arisen for it as the result of its involvement in the economy and if it can find the strength to free itself from the influence of the masses and once again to distance itself in one way or another from the economic process...then the way will have been cleared...for a further powerful development of capitalism in a new form’ (1932, p. 318). That is, the economic sphere and the political sphere not really interdependent. Economic freedom exists through order – it is an ‘ordered freedom’, and thus takes place within the framework of state authority. The state-less sphere of economic conduct rests on the ‘complete eradication of all orderliness from markets and the elimination of private power from the economy’ (**Böhm, quoted in Haselbach, 1991, p. 92**). Thus, liberalism does not demand ‘weakness from the state, but only freedom for economic development under state protection’, to prevent ‘coercion and violence’ (Hayek, 1972, p. 66). It is its independence from society that allows that state to be a ‘strong and neutral guardian of the public interest’, of the bonum commune of capitalist social relations, asserting ‘its authority vis-à-vis the interest groups that press upon the government and clamor for recognition of their particular needs and wants’ (Friedrich, 1955, p. 512). The free

market is thus a state-less sphere under state protection, that is, the state-less sphere is a political creation and belongs to the state, whose right to determine the character of freedom, and to set and enforce the rules of freedom, is derived from its responsibility for the whole of society.¹⁶

I argued earlier that for ordo-liberalism the resolution to the class conflict lies in determining the true interest of the worker in progressive accumulation. However, the pursuit of the true interest of the worker conflicts with the interests of the owners of capital who, as Adam Smith explains, have an ambiguous relationship to progressive accumulation because ‘the increase in stock, which raises wage, tends to lower profit’ (Smith, 1976, p. 105). There might thus be seek attempts at maintaining the rate of profit artificially, impeding the natural liberty of the market, for example by means of price fixing, monopoly, or protectionism. For Smith, such assertion of private power ‘produces what we call police. Whatever regulations are made with respect to the trade, commerce, agriculture, manufactures of the country are considered as belonging to the police’ (Smith, 1978, p. 5). The ordoliberalists argue similarly: the ‘economic system requires a market police with strong state authority for its protection and maintenance’ (Rüstow 1942, p. 289), and effective policing entails ‘a strong state, a state where it belongs: over and above the economy, over and above the interested parties [Interessenten]’ (Rüstow, 1932/1963, p. 258). Its task is to depoliticise socio-economic relations, preventing assertion of private power, and thus assuring undistorted competition and regulation of private decision-making by means of the free price mechanism.¹⁷

¹⁶ This affirmation of the strong state is what Marx’s critique focused on when he spoke of the state as the executive committee of the bourgeoisie. The liberal conception of the state as the power that depoliticises the conduct of social relations, as relations of liberty, freedom, equality and Bentham, is based on the notion that the state monopolises the political as the ‘concentrated and organised force of society’ (Marx, 1983, p. 703).

¹⁷ In distinction, in the early 1930s Müller-Armack did not argue for the depoliticisation of socio-economic relations by means of the strong state. He argued instead for the total politicisation of economic relations as a means of crisis-resolution. In his view (1932, p. 110), the ‘statification of economic processes’ was ‘irreversible’, and the demand for overcoming the economic state was therefore not realistic. Instead, he demanded the ‘complete sovereignty of the state vis-à-vis the individual interests’ by means of a ‘complete integration of society into the state in order to change the development of the interventionist state’ (p. 126) from a collectivist economic state to an economic state of enterprise and competitiveness. He demanded the total state as the basis for the ‘national formation’ of all economic and political interests. Its purpose was the freedom of the ‘entrepreneur’, that is, ‘by means of the complete integration of the economic into the state, the state attains room for manoeuvre for the sphere of private initiative which, no longer limiting the political sphere, coincides with the political’ (p. 127). He thus defined the Nazi regime as a ‘accentuated democracy (1933, p. 34), declared ‘Mein Kampf’ to be ‘fine book’ (p. 37), and argued that socio-economic difficulties can only be ‘resolved by a strong state’ that ‘suppresses the class struggle’ and that thereby renders effective the free initiative of individuals within the framework of ‘decisive rules’ (p. 41). Still, the purpose that Müller-Armack ascribes to the total state – the political formation of economic freedom and suppression of class struggle - does not differ in substance from the purpose of strong state ascribed to it by Eucken, Rüstow, and Röpke. The distinction is one of the techniques of power (Foucault, 2008, Haselbach, 1991) – the one demands the total politicisation of an economic order to provide for individual initiative on the basis of suppressed class struggle, the others declare for the forceful depoliticisation of society as means of suppressing the class struggle in favour of enterprise and individual initiative.

The ordoliberalists conceive of the agent(s) of the strong state as modern day aristocrats of the common good, who connect with the honest core of the workers (Rüstow, 1932/1963, p. 257f) on the basis of reason and through educational effort (Eucken, 1932, p. 320). The potential revolt of the masses ‘must be counteracted by individual leadership, based on a ‘sufficient number of such aristocrats of public spirit...We need businessmen, farmers, and bankers who view the great questions of economic policy unprejudiced by their own immediate and short-run economic interests’ (Röpke, 1998, p. 131). These ‘secularised saints...constitute the true “countervailing power”’, providing ‘leadership, responsibility, and exemplary defence of the society’s guiding norms and values.’ This defence ‘must be the exalted duty and unchallenged right of a minority that forms and is willingly and respectfully recognised as the apex of a social pyramid hierarchically structured by performance’ (p. 130). He calls these experts of the common values of the free economy ‘a true nobilitas naturalis,...whose authority is...readily accepted by all men, an elite deriving its title solely from supreme performance and peerless moral example’ (ibid.).¹⁸ For Böhm (etal., 1936) this elite consists of the intellectuals of the public spirit that help government to make policy according to (economic) reason. Understanding economic development, says Eucken (1932, p. 320) is very difficult and therefore ‘requires robust theoretical instruction.’

What sort of ‘coup de force’ (Toennis, 2001, 194) is however needed to prevent the misuse of freedom and, if need be, to restore freedom ‘constrained by rules’ (Vanberg, 2001, p. 2)? According to Toennis, Rüstow’s declaration for the strong state took its vocabulary from Carl Schmitt but nothing more. Rüstow, she says, did not support Schmitt’s politics of dictatorship. In her view, Ordoliberalism is a doctrine of freedom and thus also a doctrine against the abuse of freedom by what she calls the social forces. Thus, Schmitt’s analysis of the condition of the state as prey of the private interests entailed dictatorship as the means of preserving the state. For Rüstow, it entailed the dissociation of economic power from political power as a means of maintaining the free society (p. 167). In her view, ‘Ordo-liberalism in the spirit of Rüstow is “free economy – strong state”’ (p. 168), which is in fact similar in tone and conception to Carl Schmitt’s ‘sound economy and strong state’ (Schmitt, 1998)¹⁹. Nicholls (1994), too, praises Rüstow’s strong state as heralding ‘the concept of the “Third Way”’ (p. 48). He recognises, however, that ‘Rüstow’s call for a strong state in 1932 could have been seen as an appeal for authoritarian rule’ (p. 68). Indeed, Rüstow had already done so in 1929, when he called for a dictatorship ‘within the bounds of democracy’. This state was

¹⁸ In this context see also McCormick’s (1999) idea that the European Union cannot be based on democratic principles but that its functioning requires rather a new class of modern day aristocrats. For an account of ordoliberal Europe, including McCormick’s account, see Bonefeld (2011).

¹⁹ On the connection between Hayek and Schmitt see Cristi (1998), on the connection between ordoliberalism and Schmitt, see Bonefeld (2006).

to be ‘forceful’ and ‘independent’ governing not only by means of ‘violence’ but also by means of ‘authority and leadership’ (1929/1959, p. 100ff). ‘Dictatorship within the bounds of democracy’ is similar in scope and conception to Schmitt’s idea of a commissarial dictatorship that temporarily suspends the rule of law to restore the ‘social order’. The strong state is a means of hemming in political democracy, tying it to liberal state purpose. ‘If we free [democracy] from all the verbiage entangling it and from all historical weeds, there remains as the core the autonomy of the nation’ (Röpke, 2009, p. 101). Then there is ‘competition, and only competition, which furnishes the totality of the consumers’ and in which ‘every monetary unit spent by the consumer represents a ballot, and where the producers are endeavoring by their advertising to give ‘election publicity’ to an infinite number of parties (i.e. goods). This democracy of consumers...has the great advantage of a perfect proportional system’ (ibid. p. 103) in which enterprise and free initiative are given the greatest scope to respond to price signals.

In sum, the neo-liberal demand for the strong state is a demand for the limited state, that is, a state that limits itself to what is called the political, and that thus retains its independence from the social interests. The strong state secures economic freedom by removing ‘private power from the economy’ (Böhm, 1937, p. 110). A state that does not defend its independence from the aspirations of the dependent masses will lose its authority to govern and instead, will have become ‘their “prey”’ (Friedrich, 1955, p. 513), leading ‘eventually...to class war’ (Nicholls, 1984, p. 170). That is to say, the defence of liberal principles in the hour of need is not enough. The defence of liberal principles has to be pre-emptive – the strong state is an ever-vigilant state, and so properly called a ‘security state’ (Hirsch, 1980). For the ordoliberal, the tendency of what they call proletarianization is inherent in capitalist social relations, and if unchecked, is the cause of social crisis, turmoil, and disorder. Its containment belongs to the state; it is a political responsibility, and the proposed means of containment include the internalisation of competitiveness (Müller-Amarck, 1978), creation of a stake-holder society (Röpke, 1949Civitas), transformation of mass society into a property owning democracy (Brittan, 1984), and if needed, political action against collective organisation: ‘if liberty is to have a chance of survival and if rules are to be maintained which secure free individual decisions’ the state has to act (Willgerodt and Peacock, 1989, p. 6), and when it has to act ‘the most fundamental principles of a free society...may have to be temporarily sacrificed...[to preserve] liberty in the long run’ (Hayek 1960, p. 217). The prize ‘is freedom’ (Friedrich, 1968, p. 581).

Conclusion

I have argued that Ordo-liberalism conceives of the state as the political master of free market relations: the free economy is political responsibility that includes not only the provision of law and order and the guarantees of private property but, also, formation of the social and ethical preconditions of the free economy. Economic freedom unfolds within legal, social, and moral frameworks, for which the state is responsible. The state then organises free markets by constraining freedom on the basis of rules, curbs the use of freedom for ends deemed illegitimate, provides market conform values and ethical standards, curtails assertion of private power, and by means of social policy provides market facilitating incentives. The liberal state appears in distinction to the economic, and perpetuation of its liberal character entails an effort at limiting mass democratic aspirations. Political democracy is to be hedging into a market liberal framework to prevent improper interventions into the market in favour of a liberal interventionism that entails planning for competition. The precondition of the free economy is the strong state that ‘polices’ the conduct of the social individuals to sustain the freedom of the entrepreneur against the assertion of private power. The ordoliberalists expand on Smith’s notion that, when ‘things are at a stand’ (Smith, 1976, p. 91) state action is required to facilitate ‘the cheapness of goods of all sorts’ (ibid., p. 333). For the ordoliberalists, things are at a standstill because the state did not discharge its responsible for maintaining the economic competitiveness and enterprise with requisite authority. When things are at a stand, this manifests a failure on the part of the state to act as effective ‘market police’. Government is not supposed to yield to demands that seek ‘freedom from want’. It is meant to facilitate enterprise – by means of liberal governance. They accept that the competitive interests are unsocial and that the proletariat is an antagonistic force. They therefore argue that the free economy cannot be left to its own devices but that it requires political organisation and strong state authority for its protection. Freedom not only depends on political authority; it is an appearance of authority. There can be no freedom without social order and social order is a matter of ordering.

I have argued that the ordo-liberalists defined their stance as neo-liberal in character. They criticised laissez faire liberalism because of its perceived inability to facilitate and sustain a competitive free market economy. It is held to be the indispensable means of social organisation, and at the same time, it requires government to sustain its social cohesion in the face of ‘greedy self-seekers’ and class conflict. It postulates the freedom of the worker as an enterprising market individual. Paraphrasing Simon Clarke (2005, p. 52), the point for ordo-liberalism is not to develop an analytical model for the analyses of developments in the real world. The point of ordo-liberalism is rather to make the real world more adequate to its model. It does not provide a social theory of capitalism. It asks what needs to be done to secure

economic liberty in the face of class conflict and political strife, and develops the technique of liberal governance (Foucault, 2008) as a means of ‘market police’. It thus manifests the ‘theology’ of capitalism (Clarke, 2005, p. 58). For the ordo-liberals, the free economy is fundamentally a political practice of liberal governance. It posits political authority as the fundamental presupposition of the free economy.

Bibliography

- Balogh, T. (1950), An Experiment in ‘Planning’ by the ‘Free’ Price Mechanism, Basil Blackwell, Oxford.
- Barry, N. (1993), ‘The Social Market Economy’, Paul, E. Miller, F. and J. Paul (eds.) (1993).
- Beck, U. (1998), ‘Die Seele der Demokratie. Wie wir Bürgerarbeit statt Arbeitslosigkeit finanzieren können’, in Gewerkschaftliche Monatshefte, no. 6/7, pp. 330-34.
- Bernholz, P. 1979, Freedom and cost of Economic Order, Zeitschrift fuer die gesamte Staatswissenschaft, vol. 135, pp. 520-532.
- Böhm, F. et al. (1936), ‘The Ordo Manifesto of 1936’ in Peacock, A. and H. Willgerod (eds.) (1989) Germany’s Social Market Economy, Palgrave, London.
- Böhm, F. (1937), Ordnung der Wirtschaft, Kohlhammer, Berlin.
- Bonefeld, W. (1995), ‘The Politics of Debt’, Common Sense, no. 17, pp. 69-91.
- Bonefeld, W. (2006), ‘Democracy and Dictatorship’, Critique, vol. 34, no. 3, pp. 237-252.
- Bonefeld, W. (2010), ‘Free Economy and the Strong State’ Capital & Class, vol. 34, no. 1.
- Bonefeld, W. (2011), ‘Neo-liberal Europe and the Transformation of Democracy: On the State of Money and Law’, in Nousios, P., Overbeek, H. and Tsolakis, A. (eds.) Globalisation and European Integration, Routledge, London.
- Brittan, S. (1984), ‘The Politics and Economics of Privatisation’, in Political Quarterly, 55/2.
- Bruff, I. (2008), Culture and Consensus in European varieties of Capitalism: a “common sense” analysis, Palgrave, London.
- Buchanan, J. (1991), Constitutional Economics, Basil Blackwell, Cambridge.
- Clarke, S (2005), ‘The Neoliberal Theory of the State’, in Saad-Filho, A. and Johnston, D. (eds.) Neoliberalism – A Critical Reader, Pluto, London.
- Cristi, R. (1998), Carl Schmitt and Authoritarian Liberalism, University of Wales Press, Cardiff.
- Erhard, L. (1958), Prosperity through Competition, Thames & Hudson, London.

- Eucken, W. (1932), 'Staatliche Strukturwandlungen und die Krise des Kapitalismus', in Weltwirtschaftliches Archiv 36, pp. 521-524.
- Eucken, W. (1948) 'What kind of Economic and Social System?' in Peacock, A. and H. Willgerod (ed.) (1989).
- Eucken, W. (1951), This Unsuccessful Age, W. Hodge, London.
- Eucken, W. (2004) Grundsätze der Wirtschaftspolitik, 7th edition, Mohr Siebert, Tübingen.
- Foucault, M. (1994), Power, Penguin, Harmondsworth.
- Foucault, M. (2008), The Birth of Biopolitics, Palgrave, London.
- Fried, F. (1950), Der Umsturz der Gesellschaft, Union Deutsche Verlagsgesellschaft, Stuttgart.
- Friedman, M. (1962), Capitalism and Freedom, University of Chicago Press, Chicago.
- Friedrich, C. (1955), 'The Political Thought of Neo-Liberalism', The American Political Science Review, vol. 49, no. 2, pp. 509-525.
- Friedrich, C. (1968), Constitutional Government and Democracy; Theory and Practice in Europe and America, 4th ed., Blaisdell Publishing, London.
- Giddens, A. (1998), The Third Way, Polity, Cambridge.
- Giersch,
- Glasman, M. (1996), Unnecessary Suffering, Verso, London.
- Gray, J. (1992)...
- Haselbach, D. (1991), Autoritärer Liberalismus und Soziale Marktwirtschaft, Nomos, Baden-Baden.
- Haselbach, D. (1994a, 'Müller-Armack', in Greven, M, Köhler, P. and M. Schmitz (eds.) Politikwissenschaftens als kritische Theorie, Campus, Frankfurt.
- Haselbach, D. (1994b), "'Soziale Marktwirtschaft" als Gründungsmythos. Zur Identitätsbildung im Nachkriegsdeutschland', in Mayer-Iswandly, C. (ed.) Zwischen Traum und Trauma, Stauffenburg Verlag, Tübingen.
- Hirsch, J. (1980), Der Sicherheitsstaat, Europäische Verlagsanstalt, Frankfurt.
- Hutchingson, T. W. (1981), The Politics and Philosophy of Economics, Basil Blackwell, Oxford.
- Hayek, F. (1944), The Road to Serfdom, Routledge, London.
- Hayek, F. (1960), The Constitution of Liberty vol. III, Routledge, London.
- Hayek, F. (1979), Wissenschaft und Sozialismus, Mohr, Tübingen.

- Joseph, K. (1975), Freedom and Order, Centre for Policy Studies, London.
- MacCormick, N. (1999), Questioning Sovereignty, Oxford University Press, Oxford.
- Marx, K. (1983), Capital vol. I, Lawrence & Wishart, London.
- Müller-Armack, A. (1932), Entwicklungsgesetze des Kapitalismus, Junker & Dünnhaupt, Berlin.
- Müller-Armack, A. (1933), Staatsidea und Wirtschaftsordnung im neuen Reich, Junker & Dünnhaupt, Berlin.
- Müller-Armack (1976), Wirtschaftsordnung und Wirtschaftspolitik, Paul Haupt, Stuttgart.
- Müller-Armack, A. (1978), 'The Social Market Economy as an Economic and Social Order', Review of Social Economy, vol. 36, no. 3, pp. 325-331.
- Müller-Armack, A. (1979), Thirty Years of Social Market Economy, in Thesing, J. (ed). Economy and Development, English Series-Institut für Internationale Solidarität Der Konrad Adenauer Stiftung; No. 6, Hase und Köhler, Mainz.
- Müller-Armack, A. (1981a), Diagnose unserer Gegenwart, Paul Haupt, Stuttgart.
- Müller Armack, A. (1981b), Genealogie der Sozialen Marktwirtschaft, Paul Haupt, Stuttgart.
- Müller-Armack, A. (1981c), Religion und Marktwirtschaft, Paul Haupt, Stuttgart.
- Nicholls, A. (1984), 'The Other Germans – The Neo-Liberals', in Bullen, R.J., H. Pogge von Strandmann, and A.B. Polonsky (eds.) Ideas into Politics: Aspects of European Politics, 1880-1950, Croom Helm, London.
- Nicholls, A. (1994), Freedom with Responsibility, OUP, Oxford.
- Oretega y Gasset (1961), The Revolt of the Masses, Penguin, London.
- Paul, E. and Miller F. and J. Paul (eds.) (1993), Liberalism and the Economic Order, CUP, Cambridge.
- Peacock, A. and Willgerodt H. (1989), German Neo-Liberals and the Social Market Economy, Macmillan, London.
- Röpke, W. (1934), German Commerical Policy, Longmas, London.
- Röpke, W. (1936), Crisis and Cycles, W. Hodge, London.
- Röpke, W. (1942), International Economic Disintegration, W. Hodge, London.
- Röpke, W. (1950), Mass und Mitte, E. Rentsch, Erlenbach Zuerich.
- Röpke, W. (1951) 'Interdependence of Domestic and International Economic Systems' in Peacock, A. and H. Willgerodt (ed.) (1989).
- Röpke, W. (1957), Welfare, Freedom and Inflation, Pall Mall Press, London.

- Röpke, W. (1959), International Order and Economic Integration, Reidel, Dordrecht [check]
- Röpke, W. (1982), 'The Guiding Principles of the Liberal Programme', in Wünsche, H.F. (ed.), *Standard Texts on the Social Market Economy* Fischer, Stuttgart.
- Röpke, W. (1998), A Human Economy, 3rd ed., ISI Books, Wilmington Delaware.
- Röpke, W. (2002), The Moral Foundation of Civil Society, Transaction Publishers, New Brunswick.
- Röpke, W. (2009), The Social Crisis of Our Time, Transaction Publishers, New Brunswick.
- Röpke, W. (1957), Welfare, Freedom and Inflation, Pall Mall Press, London.
- Röpke, W. (1969), Against the Tide, Ludwig von Mises Institut, Vienna.
- Rüstow, A. (1932/1963), 'Die staatspolitischen Voraussetzungen des wirtschaftspolitischen Liberalismus', in *ibid.*, Rede und Antwort, Hoch, Ludwigsburg.
- Rüstow, A. (1942), 'General Social Laws of the Economic Disintegration and Possibilities of Reconstruction', Afterword to Röpke, W. International Economic Disintegration, W. Hodge, London.
- Rüstow, A. (1929/1959), 'Diktatur innerhalb der Grenzen der Demokratie', in Vierteljahreshefte für Zeitgeschichte, vol. 7.
- Rüstow, A. (2009), 'Der Dritte Weg', in *ibid.*, Die Religion der Marktwirtschaft, Walter Eucken Archiv LIT Verlag, Berlin.
- Schlesinger, A. (1959), The Age of Roosevelt, Riverside Press, Cambridge, Mass.
- Schmitt, C. (1998), 'Sound Economy – Strong State', in Cristi, R. (1998).
- Smith, A. (1976), The Wealth of Nations, Oxford University Press, Oxford.
- Smith, A. (1978), Lectures on Jurisprudence, Oxford University Press, Oxford.
- Toennis, W. (2009), 'Nachwort: Die liberale Kritik des Liberalismus', in Rüstow, A. Die Religion der Marktwirtschaft, LIT, Berlin.
- Tribe, K. (1995), Strategies of Economic Order: German Economic Discourse, 1750-1950, Cambridge University Press, Cambridge.
- Vanberg, V. (2001), The Constitution of Markets, Routledge, London.
- Wissen M. and U. Brandt (2011), 'Approaching the Internationalisation of the State', *Antipode*, vol. 43, no. 1.

Willgerod, W. and A. Peacock (1989), 'German Liberalism and Economic Revival', in Peacock, A. and W. Willgerod (eds.) (1989).