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# THE RETURN OF ORDOLIBERALISM IN EUROPE – NOTES ON A RESEARCH AGENDA

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**Abstract** The article discusses a potential return of ordoliberalism in various contexts. It starts out with a brief look at two contexts in which a rediscovery of ordoliberalism took place or could have taken place, albeit in a reluctant and indirect manner: Foucaultian scholars showing a certain degree of interest in ordoliberalism as a political rationality and economists making a case of market re-regulation – especially in the financial sector – in response to the financial crisis and thus arguing for quintessentially ordoliberal precepts – without invoking ordoliberalism.

The article focuses on a third context, namely the restructuring of European economic governance in the wake of the sovereign debt crisis. The 'Return-Thesis' in this context states that aims, actors and instruments of the recent reforms are in line with ordoliberal political theory and it is possible to speak of an ordoliberalization of Europe in this sense. While this claim holds prima facie plausibility there are still a number of open questions related to it that are spelt out and examined in the remainder of the article. The article concludes that these questions – and possibly others – need to be addressed in a more detailed fashion if the Return-Thesis is to be sustained.

**Keywords:** Ordoliberalism, European economic governance, Foucault, governmentality, financial crisis, sovereign debt crisis, return of ordoliberalism.

## 1. Introduction

While they hardly ever disappear entirely from the collective (scholarly) memory, there is little doubt that there are ebbs and flows to the interest in particular ideas and theories. New theories attract the attention usually given to newcomers to scrutinize the innovation they bring to any particular branch of the academic debate and, if need be, to debunk it as pseudo-innovation. Once the dust has settled over these kinds of discursive conflicts that are a typical aspect of burgeoning theories, traditions or entire (sub-)fields, some of them remain more or less vibrant or at least visible. Others fade into the background of academic and non-academic debates, ultimately verging on sheer obscurity. Still, even in these cases, there inevitably comes the time, when they are rediscovered and more or less successfully reintroduced into discourse, possibly with some modifications.

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The reasons for these rediscoveries as well as the chances of a successful reintroduction into discourse vary widely. Some ideas cannot seem to catch on again after their first life cycle; others reappear on an almost regular basis in a slightly adapted form. Some are rediscovered because the referent domain of theories changes, as a brief example from the field of European integration helps to illustrate. After a long period of stalling European integration that lent increased credence to intergovernmentalist approaches and their criticism of early neo-functionalist theories and their assumptions about spillover effects and a resulting incremental process of integration, the de facto deepening integration in the mid-1980s (the Single European Act) and later in the early 2000s effected a renewed interest in neo-functionalist theorizing (B. ROSAMOND 2005). At times, it is less 'external drivers', as they are sometimes referred to, but rather internal ones that lead to the rediscovery of theories. This may be the case when erstwhile dominant theories are considered to have reached the limits of their explanatory power or the development of new theoretical approaches and analytical tools suggest that 'old' theories should be reconsidered in the light of these new research agendas because they might have an interesting potential that could not be grasped let alone exploited in an earlier constellation. In the case of ordoliberalism, the rediscovery or even return of which I am interested in in this article, it is a mixture of both external and internal drivers that are responsible for its renaissance or, to be more cautious, the renewed interest in it. The first step in my analysis of the return of ordoliberalism is a look at three contexts – and respective drivers – in which this return may be considered to take place. I will only take a brief look at the first two and focus on the third to spell out the open research questions related to this particular return of ordoliberalism.

The first context of rediscovery is opened up by the publication of Michel Foucault's lectures on governmentality that culminate in an analysis of American neoliberalism – mostly represented by the works of Gary Becker – and German ordoliberalism. This has led to a new interest in ordoliberalism from a most unlikely group: Foucaultian scholars interested in governmentality. The second context is the financial crisis narrowly speaking, the crisis of financial markets and the financial sector. Here we are looking at a peculiar reintroduction of essentially ordoliberal ideas without ordoliberalism ever being mentioned outside of Germany. This 'rediscovery' emphasizes ordoliberalism's antithetical stance towards the notion of 'self-regulating markets' implicitly underpinning the unleashing of financial market powers ever since the mid 1990s and is intended to provide ideational resources for the politics of financial re-regulation. Yet, it is the third site of ordoliberal renaissance that I find most interesting and that I will focus on in the remainder of the paper, namely the ordoliberal reshaping of European economic governance structures in response to the sovereign debt crisis haunting the European Union. While I principally subscribe to this 'Return-Thesis', I still believe there are a number of open questions that require more detailed scrutiny. Therefore, I will give a sketch of the argument for an 'ordoliberalization' of Europe and in the following I will lay out the various aspects of a respective research agenda, identifying some important and unresolved questions that have to be addressed in future research if the thesis of an ordoliberal renaissance in Europe is to gain in robustness.

## 2. (Re-)Discovering Ordoliberalism I: Governmentality and the Financial Crisis

The history of the reception of Michel Foucault's lectures on governmentality (M. FOUCAULT 2007; 2008) is a peculiar one (T. BIEBRICHER / F. VOGELMANN 2013). Delivered in 1978/79 at the Collège de France they were not published in full until 2004. However, by then a number of scholars had developed a research program based on the transcript of 'the' governmentality lecture from February 1st 1978 and the audio footage of the other lectures that were made available through the Centre Michel Foucault in Paris. Thus, the governmentality studies were born (see G. BURCHELL / C. GORDON / P. MILLER 1991; A. BARRY / T. OSBORNE / N. ROSE 1996). With the publication of the lecture series in their entirety in the early 2000s a new wave of reception has begun and one aspect that distinguishes this latest wave from its precursors is the increased interest in or at least acknowledgement of ordoliberalism as a political rationality that was almost completely lost on the pioneers of the governmentality studies. Let us take a look at Foucault's analysis of ordoliberal governmentality as it can be found in lectures four to seven in *The Birth of Biopolitics*. First of all, it is important to clarify the term governmentality. According to Foucault, governmentality is a specific combination of a governing rationality and the respective technologies. It comprises the practices of governing as well as a particular way of reflecting on and problematizing these practices. Foucault scrutinizes ordoliberalism as one example of such a 'political rationality' in the context of an entire history of governmentality that spans all the way back to Machiavelli whose thought represents the beginnings of a post-medieval and strictly modern conception of government.

Foucault's analysis of ordoliberalism highlights two aspects in particular. First, he gives a detailed account of how ordoliberalism as a variety of neoliberalism can be distinguished from liberalism as a political rationality. This distinction hinges on two reinterpretations of markets. The classical liberals viewed markets as embedded in a natural order that would safeguard their integrity and maintenance. The ordoliberals instead highlight the degree to which functioning markets are a matter of political engineering. The state is no longer supposed to be the passive night watchman state espoused by proponents of strict 'laissez-faire' but rather monitors and guards markets in their workings by establishing, enforcing and, if need be, adapting a competitive order. Furthermore, Smith's interpretation of market interactions suggests a game of exchanges that take place voluntarily and are based on mutual interest. The ordoliberals replace the notion of markets as a site of exchange with that of the market as a site of competition. Competition is a less harmonious notion than mutually beneficial exchange. If it is true that markets are only functioning to the extent that they are competitive then markets systematically and necessarily produce winners and losers. Wherever there is no real chance of market actors losing and consequently having to exit the market, the latter does not fulfill its function properly and it is up to the state to reform its framework appropriately. According to Foucault, then, the ordoliberal core conviction is that "*competition as an essential economic logic will only appear and produce its effects under certain conditions which have to be carefully and artificially constructed*" (M. FOUCAULT 2008, 120).

The second aspect Foucault highlights is the role of ordoliberalism as a political rationality situated in a particular historico-political context, i.e. post-WW II Germany that is discredited politically, has lost its sovereignty and is devastated economically: "*The problem the Germans had to resolve was […] given a state that does not exist, how can we get it to exist on the basis of this non-state space of economic freedom?*" (Ibid., 86-87). In contrast to the archetypical liberal constellation where a space of economic freedom had to be wrested from the sovereign's hand, figuratively speaking, the former is constituted in the first place through a certain economic order: "*it is adherence to a type of governmentality that was precisely the means by which the German economy served as the basis for the legitimate state.*" (Ibid., 89). For Foucault the institutional order of contemporary Germany (that is, in the 1970s) built on this ordoliberal foundation amounts to a "*radically economic state, taking the word 'radically' in the strict sense, that is to say, its root is precisely economic*" (Ibid., 86).

So the first rediscovery of ordoliberalism takes place in a rather unlikely context, namely a particular strand of poststructuralist thought, and it has led to the peculiar situation of political theorists in the Anglo-American world at times being more familiar with ordoliberal ideas than economists. Still, it is important to put this new interest in ordoliberalism in perspective. Most of the analyses carried out in the loosely defined field of governmentality studies are much more interested in the application of Foucaultian concepts and if they engage in a more detailed way at all with the examples Foucault himself discusses it is typically American neoliberalism, i.e. the work of Gary Becker.[1] That is to say, the critical engagement with ordoliberalism from a governmentality perspective still has a long way to go although some initial steps have been taken (See L. MCNAY 2009; T. BIEBRICHER 2011; A. SOMMA 2013). Conversely, some notable exceptions notwithstanding, contemporary proponents of ordoliberal views have been equally reluctant to engage with Foucault's reading of ordoliberalism as a political rationality (See N. GOLDSCHMIDT / H. RAUCHENSCHWANDTNER 2007). Still, the odd encounter between poststructuralist perspectives and ordoliberal ideas may still prove to be one of the more productive rediscoveries of ordoliberalism, not the least because it is such an unlikely one.

The second rediscovery took place in response to the financial and banking crisis. Especially in the early days of the crisis, meaning between 2008 and roughly 2010, one of the more dominant strands in the interweaving and contesting narratives of the crisis and its origins attributed major responsibility for the collapse of banks and the ensuing turmoil on financial markets to a lack of regulation in the financial sector. This argument, which at this point is no longer more than one among many, at least in the context of the Anglo-American world, is well-known and I will only recapitulate its main points. It is based on the assumption that part of the problem with the financial sector ever since the mid-1990s and even before that were lacking or rather ineffective regulations. In the light of developments towards new forms of governance and soft law, increasingly the business practices of actors in the financial sector were no longer subject to legal scrutiny of regulators, rather these actors would subscribe to codes of good and ethical business conduct and work with regulators as primes inter pares

[1] As an example, consider the special issue of the journal *Foucault Studies* (Foucault Studies 6, 200) devoted to neoliberal governmentality. None of the articles in this issue discusses ordoliberalism.

in policy networks instead of strictly hierarchical relationships of rule enforcement.

Furthermore, economic theory had been building a case for the merits of financial or capital markets, effectively suggesting that efficient capital markets and rational market actors together would make external regulations virtually superfluous. While none of the proponents of the *Efficient Market Hypothesis* and the Rational Expectation approach from Eugene Fama to John Cochrane and Robert Lucas would put it so bluntly, this came very close to a notion of self-regulating markets. The feasibility of such self-regulating markets rapidly lost plausibility over the course of the financial crisis that revealed crassly perverted incentives, conflicts of interests (for example, with regard to rating agencies) and herd instincts abound. Relying on rational actors vowing good conduct and the information processing capacities of capital markets seemed an exceedingly insufficient framework to ensure the proper working of the financial sector. The obvious demand for a re-regulation of financial markets and the rules of conduct of the respective actors became a rallying cry, albeit a rather short-lived one. That would have made ordoliberalism the obvious and natural alternative to a recently discredited more deregulatory variety of neoliberalism dominant throughout the last two decades – if only anyone outside of Germany had been familiar with this particular current in economic thought. This is obviously an exaggeration but it is fair to say that it is rather unlikely for a young economist attending graduate school in the Anglo-American world to encounter the tradition of ordoliberalism and its thinkers. The ironic result of this constellation was a fairly widespread agreement on the reintroduction of an enforceable framework of rules and regulations for financial markets without ordoliberalism as the tradition most wedded to these ideas ever being mentioned. If one looks at the contributions of some of the leading economists to the initial phase of the financial crisis from a Neo-Keynesian like Paul Krugman, to Joseph Stiglitz and Nouriel Roubini all the way to Chicago-School representative Richard Posner, they all agree on a certain measure of re-regulation[2] and some even entertain the idea

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[2] Consider this quote from Richard Posner: "*A profound failure of the market was abetted by governmental inaction […] The government's inaction was also the product of a free-market ideology shared to a considerable extent by the Clinton Administration, and for that matter predecessor administrations going back to the 1970s, when the movement to deregulate the financial industry began. This ideological commitment was carried to new heights by the Bush Administration…*", R. POSNER 2009, 243.

of breaking up financial institutions that are 'too big to fail'[3], but there is no reference to the theoretical framework most in line with these demands (P. KRUGMAN 2009; R. POSNER 2009; N. ROUBINI / S. MIHM 2010; J. STIGLITZ 2010). So this second rediscovery of ordoliberalism is a 'krypto'-rediscovery, that is, many aspects of the substance of ordoliberal thought were put on the agenda again without any acknowledgement of them as quintessentially ordoliberal. The situation in the German context was of course different because here ordoliberalism was immediately invoked as the antithesis of American neoliberalism and the idea of self-regulating markets. This also resonated well with the assessment of the political establishment in Germany in the early days of the crisis that this was mainly a problem of American banks (M. BLYTH 2013, 52). But while attempts to reregulate the financial sector both in the American and the European context must not be written off despite their modest scope, it is safe to say that reregulation of the financial sector and dealing with financial institutions 'too big to fail' is no longer anywhere near the center of the respective political agendas in both context – the slow progress of a European Banking Union notwithstanding. This rediscovery may not be over yet but it has lost momentum at least in its implications for policy reform.

### 3. Rediscovering Ordoliberalism II: The European Sovereign Debt Crisis

While we must not forget that ordoliberalism received renewed or entirely new interest in the contexts just discussed, by themselves, these often implicit and rather reluctant processes of (re-)discovery would certainly be insufficient grounds to claim a return of ordoliberalism. Yet, there is another context worth looking at that may make the case a more plausible one. The context in question is the process of reshaping European economic governance structures in response not only to the financial crisis but, more importantly, to the sovereign debt crisis largely caused by the latter. Let me give a brief sketch of the argument that can be made with reference to three interrelated levels.[4]

First, there is the overarching *goal* of all reforms undertaken since 2011, which is to increase or regain competitiveness for the countries of

[3] "*Given these flaws, it is probably better to approach the corrupt nexus of finance and politics from another direction. There is a very simple way to curtail the power of the big firms that helped cause the crisis: break them up.*" N. ROUBINI / S. MIHM 2010, 223.

[4] For the following see also T. BIEBRICHER 2013.

the Eurozone and at the same time make sure this is not accompanied by any inflationary tendencies. These goals are wholeheartedly shared by ordoliberal thought. As mentioned in the section on the Foucaultian encounter with ordoliberalism, competition is the fundamental value and goal of ordoliberal views of markets and this is being reaffirmed with the emphasis on competitiveness as key to a European recovery.

The road to this recovery supposedly leads through more or less drastic austerity measures coupled with 'structural reforms' because competitiveness will only be regained once financial market investors will be confident about the respective country's ability to manage and reduce debt through the proven ability to cut expenditure and implement reforms. This continues to be the dominant line of reasoning and is reflected in various reforms still to be discussed in the following, although there are some serious doubts about the feasibility of this strategy to regain competitiveness. In the short run, austerity measures may decrease state expenditure but in an already shrinking economy it may lead to even further contraction of economic activity and through reduced tax revenue it may end up increasing deficits. The 'confidence fairy', as Paul Krugman has mockingly put it, may take a while before she actually comes to visit these countries. Furthermore, there seems to be a logical inconsistency at the heart of the overall strategic maxim of countries becoming more competitive through austerity as the panacea to the Eurozone problems. In the words of Mark Blyth, this entails a fallacy of composition: "*We cannot all cut our way to growth, just as we cannot all export without any concern for who is importing. This fallacy of composition problem rather completely undermines the idea of austerity as growth enhancing*" (M. BLYTH 2013, 10). More pointedly, and with explicit reference to the country that has been among the most ardent supporters of the austerity strategy one might also say that we cannot all be like Germany and rely on an extremely competitive export sector – somebody still has to buy things. It is worth noting that these buyers may well exist outside of Europe and its austerity politics but it remains a dubious claim that all the hard-hit European crisis countries could really become more competitive all at the same time. For the time being, though, austerity politics paired with structural reforms particularly of labor markets to gain competitiveness through increased commodification of labor power seems to be the norm.

Of course, reducing public debt can also be achieved through monetary policy measures. At a moderate level of inflation the real value of sovereign debt would decrease; yet, this clashes with a core principle of ordoliberal thought, namely preserving a sound monetary framework and preventing inflation (S. DULLIEN / U. GUÉROT 2012). One only has to consult Walter Eucken's seminal *Foundations of Economics* or Wilhelm Röpke's attacks on the inherent inflationary tendencies of welfare state throughout the 1950s and 1960s to realize how important sound money is as a principle of ordoliberal market orders: "*One of the most important of these norms is the inviolability of money. Today its very foundations are shaken, and this is one of the gravest danger signals for our society and state*" (W. RÖPKE 1960, 220; W. EUCKEN 1952, 254). The need for monetary stability is being voiced most vehemently by the German Bundesbank but while the mandate of the European Central Bank (ECB) is arguably slightly broader than the monothematic agenda of stymieing inflation enshrined in the Bundesbank statues the commitment to monetary stability also plays an influential role for the ECB. The fact that the Eurozone teeters on the verge of deflation rather than inflation may be considered as circumstantial evidence for this although it is clear, that there is a more complex bundle of factors contributing to this particular outcome.

Yet, the case for a return of ordoliberalism is not confined to the goals of the recent reform efforts that aim at increased competitiveness through 'internal devaluation' and thus without incurring the cost of increased inflation. Ordoliberalism in its classical versions as it is found in the works of Eucken, Röpke and to a lesser degree Rüstow, is shot through with grave skepticism vis-à-vis the feasibility and sometimes even the desirability of democratic processes and institutions. The reasons range from concerns over the inherent irrationality of a demos considered to be a potentially unruly 'mass' to the need to prevent state decision-making from becoming 'captured' by particular interests, i.e. what public choice theorists refer to as rent-seeking.[5] Therefore, while ordoliberals at least rhetorically commit themselves to democracy they simultaneously favor at least a certain degree of insulation of political decision-making from popular pressures, possibly by outsourcing competences to non-majoritarian bodies and institutions like central banks.

Keeping this in mind, let us take a look at the key players in the restructuring processes of the European Union. The overall picture can be summed up as a "*rise of the unelected*" (F. VIBERT 2007). There is of course the so-called Troika that is in charge of monitoring the

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[5] "*Democracy, as we have seen, degenerates into arbitrariness, state omnipotence, and disintegration whenever the decisions of government, as determined by universal suffrage, are not constrained by the ultimate limits of natural law, firm norms, and tradition.*", W. RÖPKE 1960, 220.

proceedings of the European Stability Mechanism (ESM), i.e. scrutinizing the effort and achievements of countries reliant on ESM credit lines in implementing the reforms they had to commit themselves to in exchange for access to the fund. The Troika consists of representatives of the International Monetary Fund (IMF), the European Commission and the ECB. If the aim was to insulate decision-making and monitoring activities from outside influence, the combination of these thinly legitimated organizations/institutions would seem a nearly perfect choice. Nonetheless, the Troika might be considered an extreme example since it was put together in a financial state of emergency and in response to it. However, the ESM that replaced the original EFSF can no longer be treated as a transitory emergency measure, it is institutionalized as a permanent element in the restructured governance mechanisms of Europe and hence the Troika as a potential formation is also to be reckoned with on a more permanent basis.

Furthermore, even if it was not for the Troika one could still point to the rise of two of its members individually. The ECB has emerged as one of the most powerful actors in the course of the Eurozone crisis; a point that was driven home by the effect of Mario Draghi's verbal commitment to do 'whatever it takes' to save the Euro. This announcement sufficed to achieve what member states and other EU institutions had been failing at for months, namely to put a hold on the sovereign debt crisis in the form of rising risk premiums for crisis state bonds. With regard to the Commission, it is to be noted that it acquired new powers of preemptively monitoring domestic budget drafts and initiating and overseeing the so-called excessive deficit and macroeconomic imbalance procedures aimed at tightening the provisions of the earlier *Growth and Stability Pact* from 1997. Still, things are more equivocal in this case because depending on some fundamental assumptions about European integration observers either highlight the increase in powers of the European Commission as another sign of genuinely supranational integration (albeit one that is found wanting with respect to democratic legitimacy) or they emphasize the remaining powers of nation states through the EU Council and European Council, which ultimately trump whatever the competences of the Commission may be because the latter are only delegated by still sovereign nation states. Still, the choice of governing technologies, to use a Foucaultian term, to deal with the fallout of the European crisis suggests that the Commission is bound to become more important over time.

What are these governing technologies? This brings us to the last and possibly most important level on which the argument for a return of ordoliberalism can be made. The weapon of choice to target the problems of the Euro area, are 'pacts' or 'compacts' among the members of the Eurozone and/or the European Union. From the 'Six Pack' that became effective in 2011 to the 'Two Pack' and the *Treaty on Stability, Coordination and Governance* (Fiscal Compact) that went into force in 2013, the governing technology resorted to is a regime of rules enforceable through sanctions in the case of non-compliance. This is not the place to discuss the conceptual difficulties haunting such 'self-binding rules' as well as the empirical evidence that suggests a lack in effectiveness, like the violations of the *Stability and Growth Pact* by Germany and France in the early 2000s. I will simply note that the instrument used to regain competitiveness not the least through fiscal consolidation is that of general rules, compliance with which is overseen and ultimately enforced by the European Commission and the European Court of Justice with a minor input by the Council and a negligible input by the only European institution that can boast direct democratic legitimation, namely the European Parliament. This scenario sounds like an ordoliberal dream come true. I will abstain from a discussion of whether this may not turn out to be a nightmare for most everyone else and rather bring up some open questions that have to be addressed if this prima facie plausible claim of an ordoliberal renaissance in contemporary Europe is to be defendable in a more sustained manner.

## 4. Six Points of a Research Agenda

### a. An ordoliberal *Return*?

The first question to be addressed is whether the premises of the Return-Thesis are not wrong or at least misleading. In other words, the thesis of a return of ordoliberalism assumes that ordoliberalism was (re-)discovered during the Eurozone crisis when in fact it may have been there from the beginning and never faded into the background to be rediscovered. Bulmer and Paterson among many others have recently argued that dating back to the 1950s German elites held two strands of beliefs on European integration. One emphasized the importance of a Franco-German reconciliation in the framework of supranational integration. "*The second strand was to regard European integration from an economic perspective, and to seek to export a set of values that would maximize West German exports. The principal architect of this approach was Federal Economics Minister Ludwig Erhard, but it was supported by a set of 'ordoliberals', who were typically to be found in the Bundesbank, the federal ministries of economics and finance as well as academia. The success of German diplomacy, especially over the* *period 1969-92, was that it managed to combine these two strands of beliefs in the way that it 'shaped the rules' of integration*" (S. BULMER / W. PATERSON 2013, 1393). If this is correct, then ordoliberal views have been shaping the framework of economic integration in Europe from the very beginning.[6] Along the same lines, the assessment of the EU and especially the Common Market as an arrangement that intensifies competition not only between market actors but also between the various national, regional and even municipal jurisdictions is shared by many observers and recently Wolfgang Streeck has suggested that the pattern of European economic integration has been following very closely the blueprint of an obscure text by Hayek written in 1939 (W. STREECK 2013, 141; F. A. VON HAYEK 1980). Finally, how does the logic of a regime of rules just passed in the form of Six Pack, Two Pack and Fiscal Compact differ from the system of rules established during earlier stages of economic integration like, for example, the *Stability and Growth Pact* from 1997?[7]

In order to strengthen and/or to clarify the thesis of an ordoliberal return these points have to be addressed. Either it is possible to show that the current wave of ordoliberal reforms diverges from the logic of economic integration in the (recent) past so we can properly speak of a (re-)discovery of ordoliberal ideas and their implementation or it may be more apt to describe the constellation as a rediscovery of something that was never really absent; its presence and influence was simply marginalized and thus forgotten.

### b. German Hegemony and ideational Transmission Mechanisms

The next point I would like to draw attention to concerns the status of ordoliberalism in German elite discourse and Germany's status within the European Union. There are two aspects to this point. First of all, the Return-Thesis is premised upon the assumption of a changed position of Germany within Europe due to the financial crisis and, particularly, because of the sovereign debt crisis. By all accounts Germany has

[6] JONES has referred to a "*Brussels-Frankfurt consensus*" regarding sound money and price stability as the foundation of the Economic and Monetary Union: "*…the Brussels-Frankfurt consensus rests on a foundation of rules. In this sense, it rests on foundations very similar to the German notion of Ordnungspolitik*." JONES 2013, 150.

[7] "*From the Maastricht convergence criteria to the Stability and Growth Pact to the proposed new fiscal treaty – it's all about the economic constitution – the rules, the ordo.*" M. BLYTH 2013, 141.

weathered the immediate fallout of financial and ensuing economic crisis relatively well although it is clear that the German economy remains vulnerable to the impact of a European country going insolvent or the contagion effects of collapsing banking sectors in those countries. These potential dangers notwithstanding, it is safe to say that Germany has gained in influence because of its economic success and its role as one of the main creditors for other troubled European countries. This has also increased the pressure on German elites to assume a political leadership position in an effort to restructure European economic governance institutions so future crises may be preempted and the current one is addressed properly. German elites have been rather reluctant to heed this call, which has prompted concerns that European convictions have been flailing not only in the population in general but also at the elite level right at the time when Germany is at the very least an indispensable piece to the puzzle of a reformed European economic governance arrangement (J. HABERMAS 2013). Still, despite this reluctance on behalf of actors, it might still be argued that *structurally* speaking Germany has acquired a pivotal position for European politics.

The first question to be clarified, therefore, is how to describe and assess this new position properly. The scholarly debate over this shift in power has taken off only fairly recently. In a pointed study Ulrich Beck has referred to an increasingly "*German Europe*" (U. BECK 2013), which would suggest that ordoliberal ideas are likely to gain ground in such a Europe as well. Others have cautioned against overstating German influence and urged more nuanced analysis. Bulmer and Paterson have assessed Germany's position specifically with regard to the question whether it could play the role of a hegemon in the European context analogously to the United Stated and before that Great Britain in a global context. They conclude that Germany does not meet the requirement of the so-called 'Hegemonic Stability Thesis', not the least because "*the ordoliberal policy of prioritizing sound money over growth is a barrier to wider legitimacy. Similarly, German hyper-competitiveness as an extraordinary trader is destabilizing and difficult to replicate*" (S. BULMER / W. PATERSON 2013, 1397). In other words, one of the factors preventing German hegemony is precisely the German commitment to ordoliberal principles. While this is a convincing argument, the fact that Germany's position is not appropriately described as one of hegemony still does *not* tell us how it *is* properly captured and it also does not imply that there has *not* been a surge in German power and influence. Hence, more detailed analysis of these questions is required to clarify one of the conditions of the Return-Thesis.

The second point shifts attention to the status of ordoliberalism among German political, economic and academic elites. Assuming that Germany is in a sufficiently powerful position to crucially influence the remaking of European governance, the question is still, on what grounds we assume that German elites will push for ordoliberal in contrast to, for example, neo-Keynesian reforms. In my view, there are two closely related aspects to this. First, although there is plenty of anecdotal evidence to support the assumption that ordoliberal views are widespread among German elites and even amount to an economic 'common sense' among them (V. BERGHAHN / B. YOUNG 2013, 12), more solid knowledge of elite attitudes and beliefs in this regard would be desirable. True, the evidence available paints a fairly convincing picture. Consider the former President of the Bundesbank Axel Weber and former ECB chief economist Jürgen Stark who both resigned – quite possibly over the course of ECB policy which they found just as incompatible with ordoliberal views as does current Bundesbank President Jens Weidman. In a lecture given in 2008 Stark explicitly stated that the work of ordoliberal spiritus rector Walter Eucken remained "*a constant source of inspiration throughout my career*" (J. STARK 2008). Moreover, one may infer from the ordoliberal characteristics of European reforms (to the extent that these can be discerned) the corresponding mindset of German elites. Nevertheless, a better understanding of this 'mindset' and whether and how ordoliberal ideas are wired into it would still be desirable.

The second aspect concerns the question how we can account for these ordoliberal views among elites in case their existence is affirmed. In other words, what needs to be identified are mechanisms of idea transmission over time, theories and empirical studies concerning elite socialization as well as case studies of particular institutions and how traditions inscribed into them are passed on to new generations of actors that are molded and shaped by these institutions at least as much as they mold and shape these institutions in turn.

To be more concrete, Dullien and Guérot state that in Germany any student of economics and possibly even other social sciences will at some point be introduced to ordoliberal thought (S. DULLIEN / U. GUÉROT 2012). They conclude – maybe somewhat prematurely – that elites are socialized into this framework of economic policy and that it remains an implicit blueprint for their decisions during their later careers. But at the very least this prompts the question how a paradigm in economic thought that enjoys little international recognition and is even marginalized in German economics departments due to its reservations regarding overly formalistic and mathematical reasoning can still exert such a crucial influence on students and elites? Maybe the answer lies with the alternative transmission mechanisms already mentioned. It is quite conceivable that elite socialization takes place predominantly not through university education but rather specific economic and political institutions that also provide background understandings of political and economic fundamentals and thus invisibly shape the outlook of institutional actors. It is well known how influential ordoliberals and those representing their ideas were when institutions like the Bundesbank or the Ministries of Finance and Economics were established. Following the lead of historical and sociological institutionalists (See V. SCHMIDT 2008) one could formulate the hypothesis that there are institutional memories that keep passing on ordoliberal ideas long after ordoliberals had any tangible influence on these institutions and also long after ordoliberalism ceased to be a pillar of the German economics profession in the academy. Operationalizing such a hypothesis for an (empirical) study is challenging but such studies would be desirable to clarify the process of institutionally mediated transmission of ideas – be they ordoliberal or other.

### c. Crises and the Power of Ideas

This brings us to the next point which is of a more fundamental nature and concerns what could be called the power of ideas. This is a complex and far-ranging topic but I will highlight just two interrelated points that seem particularly pertinent to the Return-Thesis. First, how do we conceptualize the impact of ideas vis-à-vis that of interests and how do we think about the relation between ideas or discourses and interests? What is ultimately at stake here is the question whether ideas and discourses require and deserve systematic analysis independent of 'material' interests in an explanatory account, whether they are only to be considered under specific circumstances or whether we can do without them entirely, just relying on interests and their action-motivating force. With reference to the concrete case at hand, the question is whether it is possible to explain the outcomes of recent reforms exclusively based upon an assessment of various interest structures and constellations. In other words, does an explanation or even just a comprehensive understanding of the recent reforms require reference to ordoliberal ideas or can they be accounted for by the interests of 'Germany' or 'Capital'. If the latter were the case then it would at least be necessary to show how an account of any interest presupposes a certain normative ideational framework because otherwise it is impossible to distinguish between interests, needs, wants and desires and thus affirm the impact of ideas in this more indirect way. If this cannot be shown convincingly, we invite the legitimate question why we should actually pay attention to the 'power' of ideas.

The second aspect relates to a point already hinted at in passing. Even if we assume that ideas deserve systematic scrutiny under any given circumstances because at the very least they inform our understanding of our own interests there might be a good case to be made for certain conditions exacerbating the influence of ideas beyond the 'normal' degree. This may be the case in situations of crisis as a long list of scholars has argued (see M. BLYTH 2002). To be more precise, this line of reasoning is interested in the conditions of paradigmatic change on the discursive level and the argument is that new ideas can suddenly become influential when established ideas have lost their hold on elites and experts. The archetypical case of such transformations is the shift from Keynesianism to Monetarism, assuming that the stagflationary crisis of the 1970s was not just an economic crisis but also a crisis of Keynesian economic thought since the latter seemed to struggle in its attempt to provide an explanation of the phenomenon of stagflation. This opened up a window of opportunity for Monetarist ideas to gain grounds and ascent to be the dominant paradigm in economic policy at least for a while. Blyth's theoretical explanation of this mechanism is that crises can amount to situations of fundamental or 'Knightian' uncertainty, in which "*agents can have no conception as to what possible outcomes are likely, and hence what their interests in such a situation in fact are. […] Without reference to […] ideas, neither interests nor strategies would have meaning under conditions of Knightian uncertainty…*" (M. BLYTH 2002, 32). With reference to the context of an ordoliberal return this has the following implications. First of all, the question is whether it is possible to show that the financial and sovereign debt crisis – at least at certain conjunctures – produced situations of such fundamental uncertainty. This seems intuitively plausible but it begs the question how to distinguish between an economic crisis in the form of a mild recession, an economic crisis that produces uncertainty and an economic crisis that causes *fundamental* uncertainty (M. BLYTH 2010). Second, the conventional wisdom among discursive institutionalists etc. with regard to crises at times providing a window of opportunity for new ideas would have to be amended to the effect that crises may also lead to the rediscovery and reaffirmation of very old and almost forgotten ideas – like ordoliberalism. The thesis would be that in moments of fundamental uncertainty we may reach for a new set of cognitive filters, i.e. theories and ideas, if it is available and looks promising. However, if such a new set is not available for whatever reason the strategy is to rely on the 'tried and true' basics that were possibly operating as a resource of background knowledge all along but now these resources are activated and consciously resorted to as the kind of basic and reliable knowledge that one can still trust even in times of fundamental uncertainty. While I believe that this is an intuitively plausible hypothesis and research in cognition studies is likely to corroborate it, it obviously requires much more research to be convincing.

**d. Ordoliberalism or Neo-Keynesianism**

The next challenge to the Return-Thesis takes us to the heart of the debate insofar as it does not question various preconditions and implications of the thesis but its very substance. That is, the record of an ordoliberalization of Europe may not be as unequivocal as it may seem from what has been argued so far. In his response to the Return-Thesis Nicolas Jabko highlights a number of points that seem to problematize or even contradict the notion of a renaissance of ordoliberalism in the wake of the financial crisis (N. JABKO 2013).

Of course, there is no disagreement between both sides over the brief Keynesian period on the heels of the acute financial crisis: stimulus packages were put together and, for example, the car industry was subsidized through state-financed consumer discounts for purchases of new cars ('Cash for Klunkers' in the US and the 'Abwrackprämie' in Germany). However, this Keynesian renaissance was short-lived and replaced by austerity regimes in most European contexts along the lines described above. Still, Jabko argues that many of the emergency measures and even some aspects of the longer-term reforms are not just poorly characterized as being ordoliberal, they are outright antithetical to it. In my view, the strongest points to be raised against the Return-Thesis in this regard and not mentioned by Jabko are related to the various bailouts that have taken place. For an orthodox ordoliberal, saving insolvent financial institutions as well as insolvent countries from bankruptcy contradicts the fundamental rules of a market game as was pointed out above because it undermines effective competition.[8] The fact that these bailouts have happened (it seems in violation of at least the letter of the Maastricht Treaty) needs to be acknowledged. If ordoliberals had had their way it is doubtful whether the bailouts would have happened, though some contemporary ordoliberals make the case for a prudent and non-rigoristic rule application: "*prudence does indeed require us to acknowledge that there may be emergency situations in which we need to temporarily disband rules that in ordinary times we consider binding*" (V. VANBERG 2014, 15). Furthermore, the major thorn in any ordoliberal's pride has to be the course of the ECB, which at this point is reliably criticized by the President of the Bundesbank Weidmann at every turn. Ordoliberals – and not only they – have been warning of potential inflationary effects of the expansive monetary policy of the ECB and they have criticized harshly the ECB's Outright Monetary Transactions (OMT) program designed to take the pressure of rising risk premiums on their bonds off countries like Spain, Portugal or Italy.

Jabko argues that even measures such as the so-called Macroeconomic Imbalance Procedure that is part of the Six Pack and complements the already existing Excessive Deficit Procedure could be interpreted in a very different non-ordoliberal way: at least now the exclusive focus on excessive deficits is expanded to include considerations regarding macroeconomic imbalances as well – in principle this measure could even be used to issue fines against Germany for its excessive trade surplus. More generally, he argues that at least some of the latest reforms of European governance show an increased appreciation of typical Keynesian concerns regarding macroeconomic questions. Jabko concludes that "*there is now an arguably greater potential for a Keynesian governance of the eurozone than was the case before the crisis. The very idea that imbalances need to be monitored and that markets are not self-correcting is a central plank of Keynesianism – even though this is an area of partial intersection with ordoliberalism, contra classical liberalism*" (N. JABKO 2013, 363).

The thesis that a Keynesian turn in European governance is just as likely and plausible as an ordoliberal one may be a little far-fetched. Still, the other points raised by Jabko are certainly worth debating and the last section of the quote above reminds us that some of the empirical phenomena may not be classifiable in an unequivocal way as

[8] With respect to the financial sector the situation is made even worse from an ordoliberal point of view by the fact that the bailouts have led to a further concentration of market power among ever fewer investment banks.

either ordoliberal or Keynesian. At times their interpretation may turn out to be mostly a matter of pre-conceptions and theoretical commitments: where the ordoliberal sees stringent rules on fiscal policy the Keynesian may emphasize the management of macroeconomic imbalances. Where the Keynesian may emphasize the sheer fact of bailouts, ordoliberals will highlight the strings attached to the bailout money that come in the form of 'structural reforms' fostering increased competition and competitiveness.

Furthermore, at this point, there is little empirical data on how these new rules are applied and how they play out in practice. Take the reverse majority rule that is supposed to strengthen the Commission in the various 'procedures' and thus would also strengthen the Return-Thesis. It is not yet clear, whether this new rule makes a difference and really gives the recommendations of the Commission more teeth than it had before. In sum, the Return-Thesis should not be taken to suggest that the European world suddenly comes to conform to the ordoliberal playbook in its entirety. Aside from the fact that this implies an overly cognitivist or rationalist picture of ideas that are implemented by actors who are doing so in a fully conscious manner, it also pays insufficient attention to the conflictual and contingent pattern of politics on the European or any other level that is likely to yield uneasy compromises and a mixed bag of measures. This means that the picture of European economic governance is likely to remain uneven and accordingly contested. A robust defense of the Return-Thesis will therefore have to grapple with alternative readings like the one offered by Jabko.

### e. The Strong State and the *Wirtschaftswunder* – Ordoliberalism examined

The final set of questions focuses on ordoliberalism itself. Assuming that there is something that can legitimately be called the return of ordoliberalism, what are we to make of this body of thought? There are two issues I would like to highlight here, not the least since they have been the topic of recent publications and debates. First, there is the interpretation of ordoliberalism in the context of the social market economy and the so-called *Wirtschaftswunder* in Germany after the war. In German discourse the three of them are often – and at times deliberately – conflated although there have been plenty of scholarly efforts drawing attention to the incongruence of ordoliberalism and the social market economy. Somewhat less attention has been given to the credit ordoliberalism routinely claims for the *Wirtschaftswunder*. This is a particular salient issue in the current context because post-war

Germany is often more or less explicitly equated with all those economically devastated countries of the Eurozone and just as ordoliberalism turned a war-ravaged country into an economic giant, supposedly Greece and Portugal will soon reap the rewards of ordoliberal reforms at the European and the respective national levels. In a recent article Brigitte Young has questioned exclusive ordoliberal claims to the *Wirtschaftswunder* and, moreover, made the point that German recovery was just as much if not more a matter of debt relief and credit lines: "…*Germany is today the creditor country but has learned little from its own historic experience that it was not austerity and stringent structural reforms imposed on a war-torn Germany, but the debt relief in combination with the Marshall Plan helped Germany regain access to the international capital markets*" (B. YOUNG 2014). This means that one implication of a potential return of ordoliberalism on the European scale is the need to disentangle "*myth and reality*" (Ibid.) with respect to the German experience with ordoliberalism to make sure that ordoliberal recipes are not sold as the panacea in the European context that they might have never been in the German context to begin with. Young's contribution is an important step in this regard but more are needed.

The final point I would like to raise touches on one of the cornerstones of the political theory of ordoliberalism, i.e. the form and function of states. First of all, it needs to be noted that this complicates an ordoliberalism on the European scale because there is obviously no equivalent of the nation state on the supranational level that would have the same kind of sovereignty that seems to be presupposed by ordoliberal writers with regard to nation states. So this by itself suggests that further research on an ordoliberal perspective in the context of a multi-level system with layered sovereignty would be desirable. The other question I would like to highlight with regard to the form and function of the state concerns the repeated demand for a strong state by the first generation of ordoliberals. While nobody doubts that this was a demand shared by ordoliberals from Eucken to Rüstow (A. RÜSTOW 1963, 257) the question is, whether this should still be held against ordoliberal political theory. While some have made a strong case for an inherent semi-authoritarianism in ordoliberal views (D. HASELBACH 1991; W. BONEFELD 2012; 2013), contemporary ordoliberals routinely shrug off this charge and attribute it to a misinterpretation of the term. "*The formula 'strong state' was meant by them* [the ordoliberals, T.B.] *as a shorthand for a state that is constrained by a political constitution that prevents government from becoming the target of special-interest rent-seeking*" (V. VANBERG 2014, 7). Others have argued for a more dynamic understanding of ordoliberal political theory, arguing that ordoliberals may have sympathized with the notion of a strong authoritarian state during the 1920s and 1930s but they were cured of their authoritarian leanings by the Nazi dictatorship and settled for a strictly constitutional state after WW II (V. BERGHAHN / B. YOUNG 2012). Furthermore, it has been argued that the ordoliberal convergence with Virginia School Constitutional Economics has also softened its authoritarian edges (B. YOUNG 2014).

Without delving into the details of this important discussion it should be noted that, whatever the ordoliberals called it, what is required by their conceptualization of the nexus between state and economy is an authority (a state or a supranational entity) that is independent and autonomous enough to insulate its will formation from rent-seeking groups or individuals and capable of implementing decisions even if they affect powerful actors negatively. In my view this would be the necessary precondition for this authority to act as a 'market police' capable even of breaking up corporations or financial institutions if they are 'too big to fail' and harbor excessive market power. After all, concentration of (economic) power was the source of most evils for the ordoliberals. It is well worth discussing further what kind of state would really be capable to act in such a way, so scrutinizing ordoliberal notions of the state and political theory is another area where more research would be desirable. After all, the question whether there is a return of ordoliberalism or not is a crucial one but the follow-up question is just as important: if there is an ordoliberal return, what does it mean and what is our normative assessment of it?

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