

# Ordoliberal orthodoxy?

Raphaël Fèvre, *A Political Economy of Power: Ordoliberalism in Context, 1932-1950* (Oxford: Oxford University Press, 2021). 280pp., £64.00 hb., 978 0 19760 780 0

George Monbiot's statement in a 2016 *Guardian* article that neoliberalism is the 'ideology at the root of all our problems' still resonates today. A huge body of literature has been dedicated to exploring how neoliberalism has influenced our economic, political and social lives – ranging from Michel Foucault's biopolitical analysis, taken up by scholars such as Wendy Brown, to David Harvey's Marxist critique to Melinda Cooper's feminist analysis. More recently, Quinn Slobodian focused on the influence of Central European strands of neoliberalism and how these shaped the 'globalist' political order. Thus, Raphaël Fèvre's *A Political Economy of Power: Ordoliberalism in Context, 1932-1950* comes at a time when popular and academic interest in neoliberalism and its variants is growing. The specific focus on German neoliberalism, known as ordoliberalism, has also been gaining interest, especially since the 2009 European sovereign debt crisis. Throughout the crisis Germany and the EU were repeatedly accused of sabotaging the world's economic recovery through their excessive austerity measures. Notably, Timothy Geithner, the US Secretary of the Treasury at the time, attacked the continent's 'ordoliberal' austerity measures. In 2016 Angela Merkel, explicitly affirmed her 'firm conviction' in Germany's historical 'ordoliberal principles', which would neither lose 'their importance nor their relevance'.

A scholar of the history of economic thought and philosophy, Fèvre's interest in the epistemological and philosophical foundations of ordoliberalism makes for an insightful understanding of ordoliberalism grounded in firm economic expertise. Fèvre has contributed many valuable articles uncovering ordoliberalism's intellectual history. Rather than positing ordoliberalism as a variant of neoliberalism however, Fèvre understands the ordoliberal project as an 'autonomous form of economic knowledge driven by power issues.' In placing the original ordoliberal project within the German interwar context, he also presents it as reactionary and 'the fruit of interwar doctrines, analyses, and debates' across contemporary social sciences. If ordoliberalism was a reaction to the

unique interwar and post-Second World War context, how can we explain its seemingly continuous centrality in German political economy and the EU more generally?

Fèvre considers the present-day ordoliberal orthodoxy as being somewhat removed from, what he calls the 'seminal' or original ordoliberal project. The former is centered around three interrelated axioms. First, the independence of a Central Bank committed to price stability and separate from national sovereignties. Second, an aversion to fiscal policy and increasing (public) debts, identifiable with the recent European policy of monetary and fiscal austerity. Finally, 'a defence of competition based on a structural supply policy as the primary tool to fight unemployment' which pushes for the privatisation of public enterprises and services. On the other hand, he sees the seminal ordoliberal project as attempting to free the market economy from the 'deleterious exercise of illegitimate powers'. In providing a historical look at ordoliberalism, he aims to provide new insights into the true principles at the heart of contemporary ordoliberal orthodoxy.

Fèvre deepens our understanding of the original ordoliberal doctrine by exploring the theoretical foundations of ordoliberal economy (chapter 1), the substantial and contextual elements of one of the most prominent intellectuals proliferating the ordoliberal project, Walter Eucken's analysis of economic orders and market structures (chapter 2), the centrality of power in ordoliberal economic theory (chapter 3), their formulation of a new social question (chapter 4) and the proliferation of the ordoliberal doctrine after the Second World War (chapter 5). The originality of Fèvre's analysis lies in the identification of power as the central subject of ordoliberal political economy, which is a running theme throughout the chapters. Fèvre defines power from the ordoliberal perspective as 'the capacity of an actor to determine the structure of a specific economic order.'

The ordoliberal project has its roots in the Freiburg School of Economics, spearheaded by economists including Walter Eucken (1891-1950) and lawyers such as

Franz Böhm (1895-1977). Wilhelm Röpke (1899-1966) and Alexander Rüstow (1885-1963) formulated ordoliberalism's cultural project. The Minister of Economy and consequent Federal Chancellor Ludwig Erhard and the academic Alfred Müller-Armack (1901-1978) were not strictly speaking ordoliberals, yet 'bore a political project based in part on ordoliberal ideas, which they renamed the "Social Market Economy"'. The ordoliberal intellectuals formulated a 'historical diagnosis' built around the human instinct to acquire power as the driving force of history, finding a causal link between historical liberalism in the nineteenth century and the economic planning of the first half of the twentieth century. They found that nineteenth-century laissez-faire liberalism had paved the way for increased concentrations of private economic power, manifesting in cartelised and monopoly market structures, which proved detrimental to 'economic freedom'. This also proved detrimental to political freedom as 'some companies (or sectors) could acquire significant bargaining power over the ruling political/administrative class.' Coupled with the political instability of the Weimar Republic and the Great Depression, 'the state had to increase and intensify the scope of its interventions in the economic process' causing a profound change in the economic order in favour of a centrally planned system. This culminated in the highly cartelised planning economy of the Nazis from 1933 onwards. The ordoliberals therefore saw power relations as the driving force behind both centrally planned and laissez-faire orders and sought to formulate a political economy that decentralised power in favour of a 'third way' between laissez-faire liberalism and central planning.

Fèvre then goes on to show how ordoliberals viewed power as the 'source of an epistemological problem.' Eucken tried to acquire a 'scientific understanding of the driving forces underlying the economic order' and apply theoretical analysis to the economic uses and abuses of power. However, Eucken was aware of the necessity to 'detach scientific production from any ideological hold' and thus drew inspiration from 'Kant, Schopenhauer, and particularly from Husserl and Weber to underpin his thesis of the contamination of scientific knowledge by vested interests.' He thus updated the old German methodological quarrel (*Methodenstreit*) between the Austrian and German Historical Schools regarding the place of theory in economics and the social sciences more generally, as

well as the use of history in explaining human action.

The ordoliberals, Eucken in particular, therefore contributed to two of the most significant international economic discussions of the interwar years: the feasibility of socialist calculation in a centrally planned economy and the 'debate over imperfect/monopolistic market structures.' To Eucken, these two debates embodied aspects of the same problem of 'power manifestations in the economy, but on different scales.' In the former debate Eucken agreed with Austrian-orientated economists such as Ludwig von Mises and Friedrich Hayek on the impossibility of proper economic calculation in a socialist-like economy. Eucken's contribution to the latter debate on market structures ties in with this, since he saw monopolistic market structures as assimilating economic power in a similar way to centrally planned economies, just on a smaller scale, and therefore distorting the price mechanism and freedom on the market.



Alongside this, the ordoliberals 'formulated a new social question based on the collapse of human freedom and autonomy under rising private and public economic powers' in which they saw the dispersion of economic power to be the key to overcoming this social question. Rather than looking to Marx and Gustav von Schmoller's '*Sozialpolitik* in the light of the new modes of economic management' such as state planning, state interventionism and the welfare state, the ordoliberals considered market competition as the best tool for disempowering private economic power and therefore also regulating the social body. This belief was crystallised in politics when the law against restrictions on competition came into effect in the Federal Republic of Germany in January 1958, whilst Ludwig Erhard was economics minister.

The epilogue details the ordoliberal project and discourse after the Second World War (1946-50) and how it gained traction in West Germany. This is rooted in the ordoliberal diagnosis of the Allies' management of the postwar West German economy as a continuation of the Nazi planning and price-fixing model. However, this changed with the monetary reform implemented in 1948, described by Fèvre as a 'cunning maneuver of the Anglo-American Bizone in keeping with Western liberal principles and in opposition to the rise of the communist bloc.' However, he stresses that the price liberalisation implemented alongside the currency reform was pushed by the ordoliberals, with Erhard at their helm, who implemented the price liberalisation without consultation with the Allies. Fèvre concludes the epilogue with the powerful statement that 'the ordoliberal crusade for market liberalism was also intended as a crusade against communism.' He continues that 'the real impact of ordoliberal ideas should be sought in their capacity to shape the agenda of the West German state' and 'to exert considerable influence on the postwar ideological context' with the 'West-East leap into the Cold War'.

Ordoliberalism 'contributed to the development of a form of economic rationale for the West German state, presenting itself as architect of an overall vision of society from the perspective of its economic performance.' In other words, West Germany's identity and legitimacy after the Second World War was rooted in its economic freedom and success. Though the original ordoliberal project became diluted with Erhard's 'Social Market Economy' framework and overshadowed by neoclassical economics in the 1960s and the so-called counter-revolution of the late 1970s, the 2009 eurozone crisis brought ordoliberal debates to the fore once more. Fèvre finds it surprising to see the post-crisis political discourses

echoing programs born in the interwar period and developed for the postwar era some fifty years ago. There is perhaps some irony in the vision of ordoliberalism resurfacing as an ossified model resting on austerity measures, in a form that is a far cry from the first ordoliberals' 'third way', the purpose of which was to free market economy from the deleterious exercise of illegitimate powers.

Fèvre therefore makes it clear that he does not conflate the contemporary declarations of ordoliberal orthodoxy with the ordoliberal project of the interwar era. Though this is largely true, he does not address the continuity regarding the grounding of society in the economy – in turning to competition and the market mechanism to solve social questions. However, this market-centricity could also be attributed to the neoliberal hegemony that prevails today. The ordoliberals were themselves deeply involved in the global neoliberal networks of the mid-twentieth century, such as the Mont Pelerin Society (Röpke was its president in 1961), that bred an international think tank network and the 'neoliberalisation' of global institutions, such as the IMF and the World Bank. Though it is true that the ordoliberals railed against unfettered laissez-faire liberalism and adhered to a 'softer' form of neoliberalism, it nevertheless remained a form of neoliberalism that promoted economic liberalism and rejected government spending and intervention. Rather than positing ordoliberalism as a 'third way' between central planning and laissez-faire, it should, and already has, been reformulated as an attempt to reinvent liberalism. With the Great Depression and general economic instability of the inter- and postwar years, liberalism's appeal was rapidly declining and in need of revitalisation. Fèvre hints at this when discussing the relationship of the ordoliberals to Marx, who they vehemently opposed, recognising that ultimately the ordoliberals aimed to resist fellow scholars' 'anti-capitalist attitude', which 'found a particularly fruitful relay in the public opinion of the "masses".' The ordoliberal engagement with the concept of 'the masses' or 'mass society' is a further point of contention, as it sheds light on especially Röpke's conservative and elitist views on social policy. Despite being insufficiently critical of the ordoliberal doctrine and its effects on German and European society, *A Political Economy of Power* meticulously dissects the seminal ordoliberal project, delving into its epistemology, morphology and methodology in great detail and offering a novel analysis of ordoliberalism through the nexus of power relations.

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