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Freedom and the Strong State: On German Ordoliberalism

WERNER BONEFELD[1]

Ordoliberalism is the theory behind the German social market economy. Its theoretical stance developed in the context of the economic crisis and political turmoil of the Weimar Republic in the late 1920s. It is premised on the strong state as the locus of liberal governance, and holds that economic freedom derives from political authority. In the context of the crisis of neoliberal political economy and austerity, and debates about the resurgence of the state vis-à-vis the economy, the article introduces the ordoliberal argument that the free economy presupposes the exercise of strong state authority, and that economic liberty is a practice of liberal governance. This practice is fundamentally one of social policy to secure the sociological and ethical preconditions of free markets. The study of ordoliberalism brings to the fore a tradition of a state-centric neoliberalism, one that says that economic freedom is ordered freedom, one that argues that the strong state is the political form of free markets, and one that conceives of competition and enterprise as a political task.

Keywords: ordoliberalism, neoliberalism, strong state, free economy, economic crisis, freedom and authority, liberal interventionism, class, enterprise, social market economy

Introduction

The German ordoliberal tradition is better known in the Anglo-Saxon world as the Freiburg School, or German neoliberalism, or indeed as the theoretical foundation of the postwar German social market economy. It originated in the late 1920s–early 1930s in a context of financial crisis and economic depression, political violence and austerity, conditions of ungovernability and entrenched class positions. The founding thinkers of ordoliberalism were Walter Eucken, Franz Böhm, Alexander Rüstow, Wilhelm Röpke and Alfred Müller-Armack. In the context of the Weimar crisis, they developed a particular account on how to make capitalism work as a liberal economy, or as Foucault (2008) saw it, on how to define or

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redefine, or rediscover the economic rationality of capitalist social relations. The ordoliberals did not identify neoliberalism with a weak state that is at the mercy of economic forces. They identified it with a strong state – a state that restrains competition and secures the social and ideological preconditions of economic liberty. For these thinkers, the weak state is tantamount to disaster.

The ordoliberal idea of a social market economy has been seen as a progressive alternative beyond left and right (see, for example, Giddens 1998). Indeed, Maurice Glasman (1996: 54–6) conceives of it as a socially responsible political economy that, in contrast to neoliberal ideas of free markets, is not a market economy at all. In his view, it amounts to a socially responsible form of government that protects individuals from the sort of homogenisation and strife that markets bring about. However, closer inspection reveals 'a rather different orientation from that usually attributed to the term' social market economy (Tribe 1995: 205). In the British context, Thomas Balogh (1950) who was a Keynesian economist and advisor to the Labour Party, rejected the idea of the social market economy as an attempt at planning by the free price mechanism. For the political right, this was precisely what made it so interesting. Terence Hutchinson (1981) agreed with the ordoliberal critique of laissez-faire liberalism, saying that 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, the prevention of which is, he says, a political task. As Director of the Centre for Policy Studies, Sir Keith Joseph had shown a lively interest in German ordoliberalism. It provided, he said (1975: 3), for 'responsible policies, which work with and through the market to achieve [the] wider social aims' of an integrated society. Andrew Gamble (1979) focused the 'revival' of neoliberalism in the 1970s as a political practice of 'free economy and strong state'. With this conception Gamble traced the political stance of the incoming Thatcher government back to this defining ordoliberal idea. At the same time, Foucault's (2008) lectures at the College de France, 1978–1979, argued that the neoliberalism usually associated with the free market deregulation of the Chicago school derives from the German ordoliberal tradition, and he discussed the ordoliberal stance as an original contribution to the bio-political practices of liberal governance.[2] In the language of the ordoliberals, bio-politics is called *Vitalpolitik* – a politics of life. They conceive of social market economy as a project of *Vitalpolitik* – which they describe as a social policy that undercuts demands for collective forms of welfare provision in favour of a human economy of self-responsible social enterprise. The designated purpose of ordoliberal social policy is to ingrain entrepreneurship, private property and the free price mechanism into the fabric of society to prevent the proletarianisation of social structures.

For the ordoliberals, the experience of the capitalist crisis of the late 1920s was proof that the economy cannot be left to organise itself. They accepted that capitalism had brought about miserable social conditions, which they conceived of as proletarianisation. They recognised collectivist responses to capitalism as understandable reactions to this misery but argued that they reinforce that same misery. They thus saw their neoliberalism as a third way in distinction to laissez-faire liberalism and collective forms of political economy, the latter ranging from Bismarckian paternalism to social-democratic ideas of social justice,

Keynesianism and Bolshevism.[3] Against laissez-faire liberalism, they argued that it is blind to the social consequences of capitalism, which, they argued, liberals need to address to sustain market freedom. Against collectivist forms of political economy, they argued that they compounded that same proletarian condition which they ostensibly sought to overcome, and that their attempts at organising the economy will eventually lead to tyranny.[4]

The fundamental question at the heart of ordoliberal 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. They argued that the resolution of the social deficiencies of capitalism is a political responsibility, one of *Vitalpolitik*, which comprises a social policy transforming recalcitrant workers into willing entrepreneurs of their own labour power. In distinction to neoliberal conceptions, for example Hayek's, that argue for the strong state as the locus of the rule of law that organises the legal framework for market exchange relations, the ordoliberals also, and importantly, argue that the safe conduct of market liberty presupposes the strong state as the provider of requisite social and ethical frameworks to embed entrepreneurialism as a character trait into society at large. That is to say, for the ordoliberals, the free economy is fundamentally a practice of government. The dictum that the strong state is the locus of a social, moral and economic order defines its distinctive contribution to neoliberal thought.

Conventionally, neoliberalism is associated with buccaneering deregulation, especially of financial markets, and a weak state, which is accepted even when the argument holds that the retreat of the state is in reality a transformation of the state towards a 'competition' state, that is a market enforcing and embedding state. Now the relationship between economy and state appears reversed. The crisis of 2008 has brought the state back in (Altvater 2009), and we are witnessing a resurgent national state, one which has regained some measure of control over the market (Jessop 2010). Whether 'neoliberalism met its definite end with the crisis that erupted in 2008' as Cecena (2009: 33) asserts, or whether there is a new emerging political economy in which the state is the principal actor vis-à-vis the economy, is at the forefront of the debate on 'post-neoliberal governance' (see Brandt and Sekler 2009b; Bonefeld 2010), which is characterised by the resurgence of the state as the authoritative power in the relationship between state and economy (Brandt and Sekler 2009a; Wissen and Brandt 2011). This view is core to the suggestion that the ordoliberal stance is 'perhaps closest to post-Washington' forms of governance (Sheppard and Leitner 2010: 188). In the same vain, Peck (2010: 275) argues that after deregulatory neoliberalism, the ordoliberal political project of a more restrained market order might now be 'back in favour'. In the light of such claims, it is important that the principles and practices of ordoliberalism are fully understood.

However, with the exception of Friedrich's (1955) most uncritical account, one is hard pressed to find a systematically argued, critical exposition of ordoliberal thought.[5] There are various fragments of critical writings about the theme of the strong state over a number of decades (Gamble 1979; Cristi 1998; Jackson 2010), and there are a number of analytical positions within these writings,

ranging from Cristi's political philosophy of authoritarian liberalism, to Jackson's historical account of the origins of the strong state and to Gamble's conception of neoliberalism as a political project of the New Right. This account of ordoliberalism goes beyond these receptions of the strong state thesis. For example, Gamble's seminal work (1979) on the New Right really relies entirely on Hayek. Hayek's argument does not venture into arguments on the social and ethical frameworks of market freedom.[6] In this perspective, Hayek is closer to the Austrian School that emphasises economic freedom as the *sine qua non* of liberal thought.[7] For the Austrians, the state derives from economic liberty and its sole purpose is to maintain that condition by means and on the basis of the rule of law. The Germans, in contrast, focus on the state as the political presupposition and organiser of market liberty, including its moral and social presuppositions. They thus conceive of economic liberty as a construct of governmental practice. Economic freedom derives from a political decision for the free economy. For the Germans, then, entrepreneurship is not something that is 'naturally given', akin to Smith's idea of the natural human propensity to truck and barter. Instead it has be fought for and actively constructed, time and time again. For the ordoliberals, the primary meaning of the strong state lies precisely in this dimension. At the most basic, ordoliberalism comprises an authoritarian liberal project: one that socialises the losses by means of 'financial socialism', one that balances the books by a politics of austerity, one that demands individual enterprise and calls upon the individual to meet life's misadventures with courage, and one that sets out to empower society in the self-responsible use of economic freedom.

This article describes the main tenants of ordoliberalism in Section 1. It outlines its notion that the state is the political form of the free economy and that social enterprise is a governmental practice. Section 2 examines the ordoliberal argument about social policy as a means of sustaining an enterprise society. Section 3 looks at the ordoliberal conception of the strong state and the question of how its social policy agenda is to be implemented. I will argue that ordoliberalism conceives of the strong state as an ever-vigilant security state that is based on the premise that social order is a condition of freedom, and that freedom is therefore a matter of political organisation.

1. Ordoliberalism: convictions, assumptions, and positions

The fundamental question at the heart of ordoliberal thought is how to sustain market liberty. They argue that markets require provision of an ethical framework to secure the viability of liberal values in the face of 'greedy self-seekers' (Rüstow 1932 [1963]: 255) and antagonistic class interests. For them competition is the indispensable 'instrument of any free mass society' and they argue that the promotion of enterprise and entrepreneurial freedom is a 'public duty' (Müller-Armack 1979: 146, 147). They recognised the 'social irrationality of capitalism', particularly that irrationality which they called proletarianisation, and proposed means to restore the entrepreneurial vitality of the workers. Social crisis is brought about by the 'revolt of the masses', which destroys a culture of achievement in favour of a permissive society. This '"revolt of the masses" must to be countered by another revolt, "the revolt of the elite"' (Röpke 1998: 130). They

identified the welfare state as an expression of proletarianised social structures, and demanded the de-proletarianisation of social relations;[8] 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 limitation 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: 97). For the ordoliberals, the resolution to proletarianisation 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 self-responsible entrepreneurial individuals, regardless of social position and economic condition.

The works of Wilhelm Röpke[9] 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: 188) that threatens to break it up. In this context, Müller-Armack focuses on myth as the 'metaphysical glue' (Fried 1950: 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: 38), in the post-war period he argued initially for the 're-christianisation of our culture as the only realistic means to prevent its imminent collapse' (1981c: 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 1994). 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 who had started out as a rationalist thinker of economic value, bemoaned later in his life 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 preconditions in what he called 'human community'. The economic miracle created materialist workers; it did not create satisfied workers whose vitality as self-responsible entrepreneurs is maintained by traditional forms of natural community. He perceived the 'menacing dissatisfaction of the workers' (Röpke 1942: 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: 225). Böhm summarises the aims and objectives of ordoliberalism succinctly: nothing is worse, he writes in 1937 (Böhm 1937: 11), than a condition in which the capacity of the free price mechanism to regulate

peacefully the coordination of, and adjustment between, millions and millions of individual preferences only for 'the will of the participants to rebel against that movement'. The formatting of this will defines the ordoliberal purpose of the strong state.

The ordoliberals conceive of individual freedom as the freedom of the entrepreneur to engage in competition to seek gratification by means of voluntary exchanges on free markets. Free markets are governed by the principles of scarcity, private property, freedom of contract, and exchange between equal legal subjects, each pursuing their own self-interested ends. The free market allows social cooperation between autonomous individuals by means of a 'signalling system', the price mechanism. It thus requires monetary stability to permit its effective operation as a 'calculating machine' (Eucken 1948: 28) that informs consumers and producers of the degree of scarcity in the whole economy. As such a 'scarcity gauge' (Eucken 1948: 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: 76). Prices, says Röpke (1987: 17) 'are orders by the market to producers and consumers to expand or to restrict'. The free market is thus endorsed as a particular 'social instrument' that allows for spontaneous communication and free cooperation between self-interested participants.

The ordoliberals argue that economic freedom needs to be ordered so that its 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 Hobbesian man requires the Leviathan to sustain 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: 84). For the ordoliberals, the sanctity of individual freedom depends on the state as the coercive force of that 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 and have to operate interdependently for each other to maintain the system as a whole. 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 is the power of interdependence and is thus fundamental as the premise of market freedom. That is, the economic has no independent existence. Economic constitution is a political matter (Eucken 2004).

The very existence of a state as an institution distinct from the economic entails state intervention. At issue is not whether the state should or should not intervene. Rather, at issue is the purpose and method, the objective and aim of state intervention. The ordoliberal state 'intervenes' not for discernable social ends, but for

undistorted competitive relations.[10] Furthermore, the state 'intervenes' into the 'economic sphere' and the 'non-economic spheres' to secure the social and ethical pre-conditions upon which 'efficiency competition' rests (Müller-Armack 1979: 147). 'The problem', says Eucken (1951: 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' (Eucken 1951: 37). He argues that 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 order as a whole' (Eucken 1951: 54). 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. Economic freedom needs to be restrained to sustain that same freedom. For the ordoliberals, the economic system has to be consciously shaped and any such shaping is a matter of political authority.

Ordoliberalism 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. For ordoliberals, laissez-faire is no answer 'to the hungry hordes of vested interests' (Röpke 2009: 181). 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 workers. 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' (Rüstow 1942: 270), that is, laissez-faire conceptions of the invisible hand amounted to a 'deist providentialism', which for him defined the 'theological-metaphysical character of liberal economics' (Rüstow 1942: 271). It asserted the 'unconditional validity of economic laws' (Rüstow 1942: 272–3) without enquiry into their social, ethical, and political preconditions.[11] That is, 'the "invisible" hand does not create "harmony" just like that' (Eucken 2004: 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: 6). Thus, competition, and with it, economic regulation by the invisible hand, is indispensable – in the economic sphere. However, it 'does not breed social integration' (Röpke 1942: 6). Nor does it provide for '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 and destroys 'the substance of binding forces inherited from history and places the individual in often painfully felt isolation' (Müller-Armack 1979: 152). They thus reject laissez-faire liberalism as a 'superstitious belief' in the automatism of

market economy, which 'prevented the necessary sociological conditions from being secured in economic life' (Rüstow 1942: 272). Competition, he says, 'appeals . . . solely to selfishness' and is therefore 'dependent upon ethical and social forces of coherence' (Rüstow 1942: 272). In order to sustain liberty one has to look 'outside the market for that integration which was lacking within it' (Rüstow 1942: 272).[12] The ordoliberals reject the idea that competition should be applied as a universal principle to every aspect of life. Competitive markets depend on the provision of a 'robust political-legal-ethical-institutional framework' (Röpke 1950b: 143), and its delivery is a matter of strong state authority.

Ordoliberalism identifies the weak state as the Achilles heel of liberalism. The weak state is unable to defend itself from preying social interests, and has thus lost its 'independence' from society. It succumbs to the 'attacks of pressure groups . . . monopolies and . . . unionised workers' (Rüstow 1942: 276), and is 'devoured by them' (Rüstow 1932/1963: 258). Instead of governing over them, they govern through the state, and in this way transform the state into a 'self-serving unlimited-liability insurance company, in the business of insuring all social interests at all time against every conceivable risk', from the cradle to the grave.[13] This leads, they say, to the fragmentation of the state as a unit of government, dissolving its market liberal authority. That is, the weak state is deemed unable to decide upon the rules and norms of the game, instead concedes to social pressures and is thus unable to restrain itself from interfering with the free price mechanism. Welfare provision becomes irresistible. Progress, ordoliberals declare, should however not be measured by the provision of welfare and material well being. Rather, it should be measured by what the masses can do for themselves 'out of their own resources and on their own responsibility' (Röpke 1957: 22). Naturally, says Röpke, nobody 'ought to be allowed to starve' but he continues, 'it does not follow from this, in order that everybody should be satiated, the State must guarantee this' (2002: 245). The welfare state enslaves workers (see Eucken 2004: 193, 314) and reduces human kind to 'an obedient domesticated animal [that is kept] in the state's giant stables, into which we are being herded and more or less well fed' (Röpke 1998: 155). This, according to the ordoliberals, is a state of utter social devitalisation and spiritual abandonment. It yields to social pressures and has no moral code. It is torn apart by self-interest and proletarian demands for welfare and employment. Laissez-faire, they argue, does not extend to the state. Any such extension will in the end pulverises that very institution, which alone can make competition effective. That is:

> 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 a 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. (Röpke 2009: 181)

That is, the 'internal integration of our society' (Müller-Armack 1976: 288) is a comprehensive effort in sustaining the ethical values and common beliefs that promote 'a life style under which we can life in freedom and social security' (Müller-Armack 1978: 329).

In sum, 'ordoliberalism' 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 matter of political authority. Only on the basis of order can freedom flourish and can a free people be trusted to adjust to the price mechanism willingly and 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' from markets and thus with 'depoliticising' market relations as apolitical exchange relations, and therefore also with monopolising the political. The state, says Müller-Armack (1981b: 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'.[14] Depoliticisation of socio-economic relations and politicisation of the state 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, concedes to illiberal demands for welfare and is thus incapable of defending liberty. Against the background of the crisis of the Weimar Republic, they set about to determine the appropriate economic and social 'order' or 'system' which would restore and perpetuate the individual as a self-responsible entrepreneur. As the next section argues, the point of ordoliberal social policy is to prevent the politicisation of the worker as a proletarian. It aims at formatting workers into energetic, vitalised, and self-responsible individuals. For the ordoliberals, the political task of sustaining market liberty on the basis of the rule of law is not enough. Fundamentally, market behaviour needs to be embedded into the 'psycho-moral forces' (Röpke 1942: 68) at the disposal of a competitive society.

2. Social policy: freedom and enterprise

Social policy is about the provision of a 'stable framework of *political, moral and legal standards*' (Röpke 1959: 255).[15] 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: 87). A social policy that concedes to demands for 'social' justice 'by wage fixing, shortening of the working day, social insurance and protection of labour . . . offers only palliatives, instead of a solution to the challenging problem of the proletariat' (Röpke, 1942: 3). It leads to the 'rotten fruit' of the welfare state (Röpke 1957: 14) which is 'the "wooden-leg" of a society crippled by its proletariat' (Röpke 1957: 36). They reject the welfare state as an expression of 'mass emotion and mass passion' (Röpke 1998: 152) and as an institution of 'mass man' who 'shirk their own responsibility' (Röpke 1957: 24). It institutionalises the proletarian 'revolt against civilisation'

(Röpke 1969: 96) and expresses a condition of profound 'devitalisation and loss of personality' (Röpke 2002: 140). Ordo social policy is about the creation of a vitalised entrepreneurial personality. It aims at transforming the proletarian into a citizen 'in the truest and noblest sense' (Röpke 2009: 95).

Haselbach (1991) has rightly pointed out that Schumpeter's identification of capitalism with entrepreneurial freedom is key to the ordoliberal conception of the free economy. For Eucken (1932: 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. Ordoliberalism identifies capitalism with the figure of the entrepreneur, a figure of enduring vitality, innovative energy and industrious leadership qualities. This then also means that ordoliberals 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 gives in to mass man. Crisis resolution thus entails the effort of removing the state from the influence of 'mass man' to reassert its capacity to govern over society, restoring its entrepreneurial vitality. For the ordoliberals this task entailed a 'policy towards the organisation of the market' (Eucken 1948: 45, fn 2) that secures 'the possibility of spontaneous action' without which 'man was not a "human being"' (Eucken 1948: 34).

Institutionally the crisis of the entrepreneur 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: 249). This loss of distinction between the political and the economic manifests itself in what Eucken terms an 'economic state', which he describes with reference to Carl Schmitt's quantitative total state (1932: 301, fn 78).[16] 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 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 of facilitating the individual freedom of the entrepreneur, it suppresses enterprise and individual vitality 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 and employment guarantees (Röpke 1957: 14).[17] The weak state is a state of a devitalised 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 (see below, Section 3); and on the other hand, there is need for a social policy that facilitates 'de-proletarianised' social structures and in their stead constructs an enterprise society, in which the participants have the requisite moral stamina and commitment to help themselves and others. This effort at deproletarianisation is a matter of a *Vitalpolitik* (or biopolitics, as Foucault calls it) that aims at dissolving entrenched social relations, overcoming social resistance to government by the free price mechanism.

As I have argued, the ordoliberals do not see entrepreneurship as a natural thing, nor do they assume that the 'market mechanism supplies morally and socially justifiable solutions if left to its own devices' (Müller-Armack 1978: 329). Although competition is the *sine qua non* of a free and open society, it does 'neither improve the morals of individuals nor assist social integration' (Rüstow 1942: 272). The ordoliberal state can thus not be allowed to remove itself from society as if it were no more than a powerful embodiment of the rule of law that regulates the direction of the 'economic traffic' (see Hayek 1944). For the ordoliberals, government of the free economy entails a watchful security state that secures and sustains that freedom of spontaneous action without which, they say, Man is not a human being. Böhm focuses the distinction between the rejected (Keynesian) interventionist state and the strong state of social entrepreneurialism well: for the sake of market liberty we reject the socialisation of the state, and demand the 'etatisation of society' (Böhm 1969: 171).

The effort at de-proletarianisation is a Sisyphean undertaking. The emergence of the proletariat that social policy is meant to 'eliminate' (see Röpke 2002: 152–66), is innate to capitalist social relations (see Röpke 1942: 240). That is, the free economy 'must be conquered anew each day' (Röpke 1998: 27) to counteract the 'natural tendency towards proletarianisation' (Röpke 2009: 218). Proletarianised social structures exhibit a 'remarkable *loss of social integration*' which is

> 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. (Röpke 1942: 240)

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' (Röpke 1942: 240). Finally, there is the 'machine technology, the manner of its application, the forms shortsightedly favoured in factory organisation' that makes 'proletarianisation the fate of the masses' (Röpke 2009: 14). In a system based on 'private ownership of the means of production' (Röpke 1998: 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: 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: 242, fn. 3). The proletariat is a consequence of industrialisation, and her personality is no longer based on the noble and refined values of citizenship, which are in fact 'repulsive . . . to proletarianised mass society' (Röpke 1998: 99). The masses are deprived of 'civitas' (Röpke 2002: 95), and do not know what is best for them 'due to the dehumanising impact of individualisation and uprooting of populations' (Röpke 1957: 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: 3).

There is thus need for a social policy that focuses on the 'real cause of discontent of the working class', and that is, the 'devitalisation of their existence' which 'neither higher wages nor better cinemas can cure' (Röpke 1942: 3). 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: 4). The solution to the proletarian condition subsists in the constantly-renewed effort of eliminating the proletariat by means of a 'market-conforming' social policy that, instead of imprisoning workers in the welfare state, facilitates their freedom and responsibility in such a way as to make them 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. In fact, says Müller-Armack (1976: 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'. That is, the purpose of social policy is to relieve workers from the fear of freedom (see Müller-Armack 1981b: 92). 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, to secure the responsible acceptance of economic freedom. Röpke favoured the 're-rooting' of the proletariat in decongested settlements and decentralised workplaces, peasant farming, community, family and above all, proposed the spread of private property as means of entrenching the acceptance of the 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: 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 (1942: 6), 'is the only alternative to laissez-faire, and totalitarianism, which we have to offer'. Social policy is meant to 'restore' to the worker that enterprising vitality upon which the 'social humanism' of economic freedom rests (Müller-Armack 1981a: 277). In short, market economy is sustained 'beyond demand and supply' (Röpke 1998: 5); it is a matter of creating the right moral outlook, of a rooted existence, belief in enterprise, and entrepreneurial will.

For Röpke, re-rooting the workers in rurified communities was to allow them to obtain a part of their sustenance by working for themselves once they had exited the factory gate, including vegetable production in 'allotment gardens' (Röpke 2009: 224). He believes that re-rooting workers in conditions of 'self-provisionment and property . . . will enable [the nation] to withstand even the severest shocks without panic or distress' (Röpke 2002: 221). In addition, it provides for workers 'an anchor' in community that is to sustain their efforts at enterprise in the 'cold

society' (Rüstow 2009: 65) of factor competitiveness. Independent forms of subsistence, self-help and helping others, are to give workers a 'firm anchorage, namely, property, the warmth of community, natural surroundings and the family' (Röpke 2002: 140). The intended outcome is a 'real and fundamental alternation of the economic cellular structure' (Röpke 2002: 211) that enables workers to withstand the proletarianising pressures of a capitalist society. Ordo social policy combines the virtues of individualism with eighteenth-century ideas of a harmonious social order. The point about this 'combination' is to instil and harness those ethical values upon with the sociability of price competitiveness rests: 'self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, respect for human dignity, firm ethical norms – all of these are things which people must possess before they go to market and compete with each other' (Röpke 1998: 125). Müller-Armack articulates the purpose of this social policy effort succinctly when he writes that competitiveness 'requires . . . incorporation into a total life style' (1978: 328). For this incorporation to take hold the worker must be allowed 'to acquire freely disposable funds and become a "small capitalist", possibly by being given the opportunity of acquiring stocks' or have a 'share in the profits' (Röpke 1950b: 153). [18] Money, says Röpke (1950b: 252), 'is coined freedom'.[19] The exercise of this freedom comprises 'the bourgeois total order' (Röpke 1998: 99), which rests on 'self-reliance, independence, and responsibility' (Müller-Armack 1976: 279). Müller-Armack conceived of such cohesion of economy, society, politics, morality, 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: 300; 1981b: 131). The *movens* of irenic organisation is *Vitalpolitik*: it penetrates the mental make-up of workers (Müller-Armack 1976: 198) undercutting a proletarian consciousness in favour of the notions of 'quality, sincerity, eternity, nobleness, human scale, and simple beauty' (Röpke 1950a: 194) that characterise the 'caritas of responsible brotherhood' (Röpke 1964: 87).[20] It fell to Müller-Armack to provide the ordoliberal conception of the entrepreneurial society with a catchy slogan. He called it 'social market economy' (1946, in Müller-Armack 1976).

The attribute 'social' did not meet 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 political alternative to market liberalism. It is, he says, a 'weasel word' (Hayek 1979: 16) that allows the idea of 'social justice' to take hold. The demand for 'social justice' is a 'dishonest insinuation' (Hayek 1960: 97). It contradicts the very essence of a 'market' economy. Indeed, social justice declares for a 'freedom' that Röpke and his colleagues despised. Not only is 'government-organised mass relief [. . .] the crutch of a society crippled by proletarianism and enmassment' (Hayek 1998: 155). It also entails the most 'dangerous and seductive' enunciation of tyranny that is intrinsic to the expression 'freedom from want' (Hayek 1998: 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 true and enviable freedom. (Hayek 1998: 172)

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' (Hayek 1998: 173). Freedom (from want), they say, has to be earned. Foucault's comment on ordoliberal social policy is thus succinct: for the social market economy there 'can only be only one true and fundamental social policy: economic growth' (2008: 144). Indeed, it is its 'social content' (Müller-Armack 1976: 253). Only the 'total mobilisation of the economic forces allows us to hope for social improvements, which achieve real social contents by means of increased productivity' (Müller-Armack 1981b: 79). The free market is social because it 'stimulates production and increases output, leading to greater demand for labour' (Müller-Armack 1976: 253), which will eventually trigger the (in)famous trickle-down effect, bringing wealth to the downtrodden (Müller-Armack 1976: 179). Prolarianisation, class conflict and political strife, is a misguided response to pressing social problems. 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: 133). It makes 'competition socially effective' (Müller-Armack 1976: 246), so that a 'competitive economic order' (1976: 239) is in force that gives 'workers a far greater choice and therefore greater freedom' (Nicholls 1994: 324). In the face of recalcitrant proletarians, and the 'corrupt parlour game of a democracy degenerated into pluralism' (Röpke 2009: 102), the pursuit of freedom requires 'active leadership' (Müller-Armack 1976: 239) and 'authoritarian steering' (Böhm 1937: 161) to make enterprise manifest: willing compliance with regulation by the free price mechanism, leading to a 'general increase in productivity', and thus enhanced price competitiveness (cf. Böhm 1937: 11).

In sum, the ordoliberals argue that free markets are incapable at integrating society as a whole. Markets require maintenance by a social policy that facilitates freedom and responsibility, providing the social and ethical frameworks that secure social cohesion and integration, and maintain the vitality of the entrepreneur, restraining the natural tendency towards proletarianisation by a political effort at formatting entrepreneurial personalities. The masses benefit from this development but lack insight and understanding. For the ordoliberals, 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: 184). The social element of the market

economy has therefore a distinct meaning: it connects market freedom with individual responsibility, sets out to reconcile workers with the law of private property, promotes enterprise, and delivers society from proletarianised social structures. The significance of the term 'social' in the conception of the social market economy thus does 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 it, especially those who 'might systematically do poorly' (Vanberg 1988: 26), and who, one might add, therefore demand welfare support at the expense of the free price mechanism. Within this zone of conflict, they declare for the strong state as the 'the guardian of enterprise' (Vanberg 2001: 50).

3. Freedom and authority: on the strong state

The ordoliberal idea of economic freedom is essentially based on distrust. There is no freedom without surveillance to ensure that the orderly conduct of self-interested entrepreneurs does not give way to proletarianisation. For the ordoliberals, the free market presupposes vitally satisfied individuals who, in the face of natural tendency towards proletarianisation, perceive poverty as an incentive to do better, see unemployment as an opportunity for employment, price themselves into jobs willingly and on their own initiative, meet a part of their subsistence needs by working for themselves and who enter the realm of coined freedom as stock market investors. Vitally satisfied workers are those who take their life into their own hands, get on with things, live courageously, put up with life's insecurities and risks, fit in extra hours of independent work to meet subsistence needs and help others. For the ordoliberals, unemployed workers are fundamentally entrepreneurs in transit from one form of employment to another. For the ordoliberals there is as much economic freedom as there are individuals willing to be free. Economic freedom is not an economic product. It is a political practice of a *Vitalpolitik* – a politics of life. Freedom is thus a constantly empowered freedom. It 'requires a market police with strong state authority' (Rüstow 1942: 289) to sustain it. Fundamentally, then, the free economy is a sphere that is defined both by the absence of the state, as a stateless sphere of economic freedom, and by strong state control, as a political practice of that freedom, that is, and paraphrasing Rousseau's dictum about the purposes of education, a practice that forces a people to be free.

Anthony Nicholls (1994: 48) and Sibylle Toennies (2001: 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 they define as a form of collectivist-tyranny that stifles and suffocates the individual as an entrepreneur of economic value. The weak state, they say, is unable to limit itself to order freedom. Instead, it is:

> being pulled apart by greedy self-seekers. Each of them takes 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'. (Rüstow 1932/1963: 255, 258)

What is needed is a state that 'governs' the social interests. Greedy self-seekers belong to the economic sphere, where they oil the machinery of competition. Their political assertion – pluralism – has however to be restrained to secure its economic effectiveness.

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 (Röpke 1959: 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' (Röpke 1959: 45). Eucken, too, demanded the strong state over and above the social interests 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. (Eucken 1932: 318)

They say, economic freedom exists through order – it is an 'ordered freedom', which takes place within the framework of state authority. The state-less sphere of economic conduct rests on the 'complete eradication of all orderlinessess from markets and the elimination of private power from the economy' (Böhm 1937: 150). More recently, Martin Wolf (2001) expressed this same idea with great clarity when he argued that the liberalising success of globalisation cannot be built on 'pious aspirations' but that it rests on 'honest and organised coercive force'. He thus dismissed laissez-faire as a governmental option, and rejected the idea that coercive force entails less liberty. He called for more liberty by means of organised coercive force, that is, by means of the strong state. Liberty does not apply to disorder. It is, say the German ordoliberals, a function of order. 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: 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: 512). The free market is thus a stateless sphere under state protection, that is, the stateless 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.

I argued earlier that for ordoliberalism the resolution to economic liberty 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: 105). There might thus be attempts at maintaining the rate of profit artificially, impeding the natural liberty of the market, for example by means of price fixing or monopoly. 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: 5). The ordoliberals argue similarly: the 'economic system requires a market police with strong state authority for its protection and maintenance' (Rüstow 1942: 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: 258). That is, the 'freedom . . . of economic life from political infection' presupposes the strong state as the means of that freedom (Röpke 2009: 108). Its task is to depoliticise socio-economic relations, preventing assertion of private power, and thus assuring undistorted a competition and regulation of private decision-making by means of the free price mechanism.

By contrast, 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 then view (1932: 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' (Müller-Armack 1932: 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' (Müller-Armack 1932: 127). He thus defined the Nazi regime as an 'accentuated democracy' (Müller-Armack 1933: 34), declared *Mein Kampf* to be a 'fine book' (Müller-Armack 1933: 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' (Müller-Armack 1933: 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 a means of suppressing the class struggle in favour of a society of free enterprise and self-responsible individual initiative.

The ordoliberals conceive of the agents of the strong state as modern day aristocrats of the common good, who connect with the honest core of the workers (Rüstow 1932/1963: 257f) on the basis of reason and through educational effort (Eucken 1932: 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: 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' (Röpke 1998: 130: 130). He calls these experts 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' (Röpke 1998: 130). For Böhm (Böhm *et al*. 1936) this elite consists of the intellectuals of the public spirit that help government to make policy according to economic insight. Understanding economic development, says Eucken (1932: 320) is very difficult and therefore 'requires robust theoretical instruction'.

What sort of 'coup de force' (Toennies 2001: 194) is however needed to prevent the misuse of freedom and, if need be, to restore freedom '*constrained by rules'* and tied to the moral values of responsible entrepreneurship (Vanberg 2001: 2)? According to Toennies, 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, she says, it entailed political power as a means of maintaining the free society (Toennies 2001: 167). In her view, 'ordoliberalism in the spirit of Rüstow is "free economy – strong state"' (Toennies 2001: 168), which is in fact similar in tone and conception to Carl Schmitt's 'sound economy and strong state' (Schmitt 1932).[21] Nicholls (1994: 48), too, praises Rüstow's strong state as heralding 'the concept of the "Third Way"'. He recognises, however, that 'Rüstow's call for a strong state in 1932 could have been seen as an appeal for authoritarian rule' (Nicholls 1994: 68). Indeed, Rüstow had already done so in 1929, when he called for a dictatorship 'within the bounds of democracy'. This state was to be 'forceful' and 'independent' governing not only by means of 'violence' but also by means of 'authority and leadership' (Rüstow 1929/1959: 100ff). Röpke (1942: 246, 247) defines this 'dictatorship within the bounds of democracy' correctly as a commissarial dictatorship, which he says temporarily suspends the rule of law to restore legitimate authority in the face of an 'extreme emergency', for which he holds responsible those who lack the 'moral stamina' (Röpke 2009: 52) to absorb economic shocks. However, the defence of liberal principles in the hour of need is not

enough. In fact, its acuity reveals that the government's pursuit of liberal governance had weakened. That is, defence of liberal principles has to be pre-emptive – the strong state is ever-vigilant, and so properly called a 'security state' (Foucault 2008). The purpose of this strong state is to transform a proletarian personality into a personality of private property. Its premise of government is that economic 'security is only to be had at a price of constant watchfulness and adaptability and the preparedness of each individual to live courageously and put up with life's insecurities' (Röpke 2002: 198). That is, poverty is neither unfreedom (see Joseph and Sumption 1979) nor is it primarily material in character. Rather, for them, it expresses a moral form of deprivation, that is, a devitalised state of existence characterised by the poverty of aspiration.

In sum, the neoliberal demand for the strong state is a demand for the limited state, one that limits itself to what is called the political, and that thus secures economic freedom by removing 'private power from the economy' (Böhm 1937: 110). For the ordoliberals, the tendency of what they call proletarianisation 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 stakeholder society and transformation of mass society into a property-owning democracy (Röpke 2002; 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: 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: 217). The prize 'is freedom' (Friedrich 1968: 581).

Conclusion

Ordoliberalism argues that economic freedom unfolds within legal, social, and moral frameworks, for which the state is responsible. The ordoliberal theme of the strong state entails therefore more than just 'policing the *market* order' by means of a 'central authority strong enough to maintain formal exchange equality between all economic agents' (Gamble 1988: 33, emphasis added). It means also, and fundamentally so, the policing of the *social* order, including the ethical, moral and normative frameworks of individual behaviour. It is an effort in aligning citizenship to entrepreneurship, private property and the market price mechanism. The meaning of the ordoliberal conception of the strong state lies in this construction of a social-moral order. They call this construction a human economy (Röpke 1998; Rüstow 1942). In this sense, the ordoliberal state does not really govern over society. Rather, in its attempt to avoid the political consequences of proletarianisation, it governs through society to secure the transformation and multification of the social fabric into competitive enterprises (see Müller-Armack 1976: 235). Ordoliberals conceive of this effort as a *Vitalpolitik*. Since they conceive of market liberty as a governmental practice, they argue that one should therefore 'not speak of a "crisis of capitalism" but of a "crisis of interventionism"' Röpke (1936: 160). Government is not supposed to yield to demands that seek

'freedom from want' or 'value for nothing'. It is meant to facilitate enterprise and ingrain competitiveness into a social lifestyle. Freedom not only depends on political authority; it is an appearance of authority. There can be no freedom without social order and social order can only result from the active construction of a moral order. They therefore demand the 'etatisation of society' (Böhm 1969: 171) to ensure that individuals react to economic shocks in a spirited and entirely self-responsible manner.

The ordoliberals defined their stance as neoliberal in character. They criticised laissez-faire liberalism because of its perceived inability to facilitate and sustain a competitive economy in the face of a manifest crisis of a whole political economy. Instead of pious belief in the market, they demand the use of honest and organised coercive force to render market liberty effective. Paraphrasing Simon Clarke (2005: 52), ordoliberalism does not provide a social theory of capitalism. The point of ordoliberalism is rather to ask what needs to be done to secure economic liberty in the face of economic crisis, class conflict and political strife, and it develops the technique of liberal governance as a means of 'market police'. It thus manifests the 'theology' of capitalism (Clarke 2005: 58).

The contemporary debate about the future of neoliberal governance rightly asserts the possibility of an authoritarian reassertion of political power as a means of containing economic crisis and social strife. In this context the ordoliberal conception of the strong state is important, especially since it appears to be back in favour as a political project of post-neoliberal governance. I doubt though that 'its return' will only entail 'a more orderly, restrained form of market rule' (Peck 2010: 275), in which the economy is 'subject to controls' (Sheppard and Leitner 2010: 188). In their view ordoliberalism appears as an anti-capitalist alternative to neoliberalism: they argue that neoliberalism is pro-capitalist and anti-state, and that ordoliberalism is critical of capitalism and pro-state (Sheppard and Leitner 2010: 188). In distinction, for the ordoliberals, the economic sphere and the political sphere are innately connected and need to operate interdependently for each to maintain market liberty; they see the state as the political form of economic liberty. For them, economic agents need to be controlled and restrained, not because their greed oils the wheels of competition, but because their political influence and assertion undermine the perfect liberty of the market. The ordoliberal state is to monopolise the political, depoliticise socio-economic relations, and embed the moral values and norms of market liberty into society at large, dissolving resistance to austerity and transforming querulous proletarians into individualised and willing participants in the market price mechanism. At issue is thus the construction of a market-conforming moral framework that is about the creation of an entrepreneurial personality, which, I suggest, has now taken residence in the idea of the Big Society. Economic freedom and the constraint of that freedom are thus connected. Freedom is ordered freedom. They therefore accept that the strong state is a security state, one which in a time of need becomes a state of emergency.

Notes

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2. Peck (2010) doubts Foucault's claim that Chicago neoliberalism derives from German ordoliberalism. In his defence, Foucault did not argue that Chicago neoliberalism is a German derivative, but that it developed core ordoliberal ideas in its own distinctive deregulatory manner. Friedman's support of, and indeed advisory role in, the Pinochet dictatorship is well known and does not contradict his market-liberal stance.
3. Ordoliberalism was the first serious attempt at addressing the challenges of collectivism, and in this effort it criticised and rejected laissez-faire liberalism as a mere doctrine of faith that is unable to stand up for itself. Its claim to amount to a third way is based on this.
4. Hayek's *Road to Serfdom* (1944) brought this insight to wider attention but did not provide its original formulation, which lies in the ordoliberal thought of the late 1920s. Hayek's work is key to Freiburg neoliberalism and will be referenced as such.
5. Nicholls' (1994) account of German post-war recovery provides some insights. Tribe (1995) expounds ordoliberalism in the context of the evolution of German economic thought. Peck's (2010) account on the evolution of what he calls 'neoliberal reason' acknowledges the distinctive character and importance of ordoliberalism but does not go into depth. Peacock and Willgerodt (1989) published key texts in English translation. See also Paul, Miller and Paul (1993), and the school of constitutional economics associated with James Buchanan (1991) and Victor Vanberg (2001).
6. Hayek emphasises the liberal utility of the rule of law as a restraint on democratic power, as abstract provider of the rules of engagement of individuals in apolitical exchange relations, and as formal facilitator and premise of individual freedom. On these issues, see Agnoli (2000), Bonefeld (1992, 2005), Cristi (1998), Demirovic (1987), and May (2011). In this conception, man is free if s/he needs to obey no person but solely the laws. The ordoliberals agree with this dictum but add that Man has not just to comply with the law but has to do so willingly and with conviction to secure the market-liberal utility of freedom.
7. However, analytical lines of distinction are not always that clear in practice. For example, von Mises asserts that uninhibited market forces are the only remedy to resolving economic crisis, and then argues that 'fascism and similar movements have . . . saved European civilisation' (2000: 51). Hayek is equally drawn between the idea of the free economy and the idea of the strong, authoritarian state (see Cristi, 1998).
8. Röpke's 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: 147).
9. Alexander Rüstow's work also belongs in this category. His work shadows that of Röpke, with one notable exception – the enunciation of the strong state in 1932.
10. Hayek focuses this ordoliberal point succinctly: only the strong state can act as an 'economic planner for competition' (Hayek 1944: 31).
11. The term 'neoliberalism' was coined by Rüstow in 1938 during discussions at the Colloque Walter Lippmann, which transformed later into the Mont Pelerin Society – the apparent birthplace of neoliberalism. For recent assessment of these discussions, see Jackson (2010). Rüstow called von Mises a paleo-liberal because of his seemingly unerring faith in the capacity of the market to self-regulate itself. See also footnote 7. I owe the reference to Rüstow's elucidation of neoliberalism as a rejection of (Austrian) laissez-faire to Mirowski and Phelwe (2009: 13).
12. David Cameron's point that that there are things 'more important than GDP', offers a contemporary formulation of this insight. See Miles (2011).
13. The argument about the state as an insurance company paraphrases King's (1976: 12) neoliberal diagnosis of the 1970s crisis of the (British) state as a crisis of ungovernability. See also Brittan (1977) and Crozier *et al.* (1975).
14. Müller-Armack is in fact paraphrasing Benjamin Constant's (1998) critique of democratic government. Constant's stance is a regular point of reference in ordoliberal writing.

15. This section references mainly the work of Röpke for two reasons: first, he expresses the ordoliberal critique of the welfare state with great clarity and precision. Second, and following Peck (2010: 16), Röpke is the more moderate member of the ordo-school, and his critique is therefore measured in comparison.
16. 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 and has become their prey, and its policy is one of 'planned chaos'. Eucken's economic state is a state of 'lamentable weakness', as Rüstow (1932/1963: 255) puts it when making the same point. Rüstow, too, makes explicit reference to Carl Schmitt's account of the crisis of Weimar ungovernability, on this see below.
17. 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: 202).
18. Sam Brittan (1984) argued similarly, advocating the spreading of private property as a means of creating a property-owning democracy, which he saw as resulting from the Thatcher government's privatisation programme. He advocated the privatisation of council houses as a means of transforming quarrelsome workers into pacified shareholders and responsible property-owners, creating a popular capitalism. The circumstance that, by the early 1990s, this property-owning democracy transformed into a property-owning democracy of debt in no way contradicted the attempt at using the market as a restraint on working class solidarity and militancy (Bonefeld 1995).
19. Individuals thus carry their bond with society in their pocket. On this see, Bonefeld (2006b).
20. David Cameron's mantra about the Big Society makes the same point in gender neutral terms: 'You can call it liberalism. You can call it empowerment. You can call it freedom. You can call it responsibility. I call it the Big Society' (*Daily Telegraph*, 21 July 2011). See also Norman (2010).
21. On the connection between Hayek and Schmitt see Cristi (1998), on the connection between ordoliberalism and Schmitt, see Haselbach (1991) and Bonefeld (2006a). Peck (2010: 59) says that Rüstow's 'authoritarian strand of liberalism would later find a place within the National Socialist project'. In his defence, Rüstow left Germany for Turkey upon Hitler's ascendancy to power. In 1932 he favoured a coup d'etat led by, and commissarial dictatorship under, the conservative politician van Papen (Haselbach 1991).

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