The aim of this article was to present the possibilities offered by the ordoliberal theory that predispose it to determine a socio-economic order which makes it possible to tackle the dysfunctions and crises that afflict today’s economy and all human civilisation, especially in the ecological dimension. The analysis is based on critical study of the professional literature on the subject in question, which includes both publications on ordoliberal thought and texts which identify the threats present in the modern world. The ordoliberal theory of economic governance shows the potential for its development to include environmental issues, as well as its application as an intellectual basis for socio-economic policies capable of helping to solve contemporary problems. This article represents one of the first attempts to complement the ordoliberal theory of economic order and the concept of the Social Market Economy with ecological aspects.

Keywords: ordoliberalism, Social Market Economy, economic order, ecological economics.

JEL Classification: B25, B59, F60, Q50, P18

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"History in itself (...) has neither purpose nor meaning. But we can decide and provide it with both..."

K. R. Popper

1. Introduction

Humanity has found itself at a breaking point in history: a point at which, in order for the civilisation to survive, it is no longer an option to follow a path of development which has “no end nor meaning.” In the world of more than two thousand years ago,
the Bible gave humanity a mandate that stands true to this day: “fill the earth and subdue it.” This mandate was put into practice by adopting the production line paradigm. Resources were extracted from nature and converted in the manufacturing process into consumer and investment goods, which – once used – were discarded as production waste back into nature (Göpel, 2020, p. 43). This approach was sustainable as long as the population of our planet remained small. In 1650, two years after the end of the Thirty Years’ War, Europe had a mere 100 million inhabitants, compared to more than 741 million in 2021. In 2050, as estimated by the United Nations, the world’s population will exceed 10 billion. The direction of the changes – both qualitative and quantitative – suggests that there will be an ever-increasing demand for the means needed to sustain humanity’s existence. According to Göpel (2020), the demographic boom warrants a distinction between an “empty” world and a “full” world. Since the mid-1970s, the contemporary world has been “full”: humanity’s “ecological footprint” has grown beyond our planet’s absorption capacity and now exceeds it on a yearly basis. “The Limits to Growth”, a 1972 report by the Club of Rome, pointed to the logic of industrial economic growth as a threat to the future of the “full” world (Meadows et al., 1972). The authors noted the danger of an environmental and climatic disaster resulting from the increasing production volumes, the ever-greater consumption of natural (especially non-renewable) resources and the growing amount of waste. The pursuit of industrial economic growth also results in intergenerational social inequality. Furthermore, by generating material prosperity for those living today, it decreases the chances of survival for generations to come. The logic of industrial growth underlies some of the dominant models of growth and development, giving rise to complex global problems that destabilise institutions and systems or production, consumption and distribution (Brundtland & Khalid, 1987; Harcourt, 2014; Foxon et al., 2013). In the face of growing injustice in the modern world – a world which seems to have “jumped the track” of the existing social and economic order – the research question that emerges is what remedial steps can be taken. The answer is building a new order, which involves, among other things, taking certain steps to develop a socio-economic order policy (Ordnungspolitik) and reformulating the goals of government administration both in individual countries and on a global basis. In the future, neither Erhard’s vision of economic growth as “prosperity for all” (Kaczmarek, Pysz, 2004) nor Pareto’s optimal allocation of goods and resources can remain the sole or even main objectives. The overarching goal is now the survival of humankind and all civilisation. Mercantilism, classical liberalism, neoclassical theory, neoliberalism, Keynesianism and other trends in economic thought have never been confronted with the issue of humanity’s survival. While this also applies to the ordoliberalism that emerged in Germany in the 1940s and 1950s, it is the only trend in economics that – by virtue of holistic and long-term research approach – might

The aim of this article was to present the potential possibilities offered by the ordoliberal theory and the Social Market Economy that predispose it to determine a socio-economic order which makes it possible at least partially to tackle the dysfunctions and crises that afflict today’s economy and all human civilisation, especially in the ecological dimension.

Methodologically, this analysis consists in conducting a critical study of the German, English and Polish professional literature on the subject in question. The literature under study includes both publications on ordoliberal thought and texts which identify the threats present in the modern world.

Taking into account the main aim and size of this paper, the discussion is limited to presenting the tenets of ordoliberal theory which are relevant in terms of responding to the problems of the modern world.

2. The time horizon of ordoliberal thought

A key issue in the context of the ability to resolve the problems of the modern world is the timeframe adopted in the decision-making process. In line with the classical trends in economic theory, decision-makers tend to favour immediate benefits over benefits that can be reaped in a longer term. At the same time, the dominant approach is to model phenomena in terms of achieving an equilibrium within a static perspective, which reduces the propensity to consider long-term consequences and, to some extent, contributes to subsequent socio-economic crises, such as the 2008–2009 credit crunch (Krugman, 2009; Colander et al., 2009; Lawson, 2009).

One of the ways in which economic theory can be oriented towards the evolutionary paradigm proposed by many economists – replacing the modelling of business processes in static terms of equilibrium – is to prioritise the long-term research perspective and ensure a stable framework within which the economic process can take place. In regard to the time horizon of the economic order policy, a leading representative of ordoliberalism, Eucken, stated that “if this policy is not sufficiently stable, then the market-driven competitive order cannot take full advantage of its ability to function. (...) Stability is a central requirement of any policy aimed at establishing a competitive order” (2004, pp. 288-289). The author emphasised that the time horizon of the economic order policy determines the institutional structure of the supply and demand sides of the economy and that any instability of this policy triggers the tendency to create industrial clusters and corporate groups.
3. The holistic way of thinking in ordoliberalism

Two different methods are used in economic theory to explain economic processes and phenomena: methodological individualism and methodological holism. In essence, methodological individualism can be described as an approach which perceives society as a collection of individuals and studies social phenomena and processes through the lens of individual behaviour. When researching economic processes, methodological individualism ignores the synergistic and multifaceted context of the mutual, complementary interaction of many factors, which is a clear disadvantage (Hodgson, 2007, pp. 95-116). The consequences of the dominance of methodological individualism in economic theory were summarised by North (1997, p. 25), who wrote that while economic theory is presented as a theory of choice, the discipline unfortunately does not examine the context in which the choice is made. Therefore, scholars have increasingly suggested that research should be conducted against a theoretical background— including economic theory— using the approach offered by methodological holism (Zahle, 2016; List & Spiekermann, 2013; Weber & Van Bouwel, 2002).

The holistic approach to the study of economic activity in ordoliberal theory manifests itself in linking the socio-economic order and the conduct of the economic process through the notion of competitive economic order. Eucken (1989, p. 240) aimed to formulate a theoretical basis that would enable economic policy to establish a stable economic order that would make the market economy functionally efficient and permit individuals to live in freedom based on ethical principles, calling this a twofold goal of his research endeavours. His criticism of the state of economics as a science at the time was rather harsh: “There is neither an understanding of the sense of historical facts nor an ability to think strictly in terms of economic theory. What can be expected from economic policy ideas which have emerged from a combination of such deficiencies?” (Eucken, 1997, p. 24).

Eucken’s theory of economic order, including the principles that govern the development of a competitive economic order, was presented as an indicative model for the socio-economic policy. As a starting point for his deliberations, the author used the abstract model of perfect competition—a founding stone of classical/neoclassical theory. This model, by definition, ensures an optimal allocation of goods and resources. Moreover, it limits the powers of individual economic agents by preventing them from infringing upon the liberty of other individuals and from adjusting the outcomes of the market-based distribution of income for their own benefit. Thus, competition creates an institutional and functional setting that fosters individuals’ ability to engage rationally in the economic process in an environment characterised by freedom and justice. Eucken proposed full (effective) competition as a model that is capable of being implemented in practice, although not perfect (Pysz, 2008; Moszyński, 2016, p. 39). Further discussion was based on the general principle and constitutive principles of a competitive order as formulated by Eucken (2004, p. 254).
3.1. The general principle

By adopting as its general principle a mechanism in which prices correctly act as an indicator of the scarcity of goods and resources, ordoliberalism promotes the market as a way of organising the social economic process. Today, the implementation of this principle involves a new challenge: finding a formula for the valuation of the natural resources which used to be ‘free’ under the old economic regime in line with the aforementioned production line paradigm, and were therefore not included in the economic calculations of manufacturing operations. The extraction of ‘free’ resources from nature made it possible to reduce the manufacturing costs of goods and resources priced on the market and improve the material prosperity of economic societies. While ordoliberal thinkers recognised the destructive aspect of the production line paradigm and the use of ‘free’ natural resources, they were unable to find a solution. After 1945, Eucken noted that the clearance of forests in America caused climate deterioration and led to the replacement of woodlands by grasslands. In addition, he pointed to the toxic emissions from chemical factories that poisoned rivers with their effluent, causing widespread health issues among people and other problems (Eucken, 2004, p. 302).

3.2. Stable value of money

From the standpoint of the general principle of competitive order, the stable value of money is a crucial requirement. Inflation and deflation – especially rapid and chaotic price changes – can disrupt the proper functioning of the price mechanism and relative prices as indicators of the scarcity of goods and resources. In extreme situations, such as hyperinflation, they can even eliminate the above function altogether. As past experience has shown, less efficient allocation mechanisms come into play in such cases: a command economy and a barter economy. According to Kornai (1973, pp. 255-257), the progressive degradation of the allocation mechanism leads to the formation of “autonomous (vegetative) control” in the economy, which only focuses on bare survival. Describing the importance of a stable value of money to the operation of the market, Eucken quoted Lenin, according to whom “the best way to destroy the capitalist society is to debauch its currency” (Eucken, 2004, pp. 255-264).

The stable value of money is also highly conducive to the attainment of the environmental and climate-related goals of the economic process, since it enables the long-term planning of public finances. In the pursuit of these goals, public finances will be an indispensable economic policy tool, especially when it becomes necessary to employ alternative mechanisms for the allocation of goods and resources in lieu of market prices and their interrelationships. One of the possibilities is for government bodies to enter market transactions as a ‘simulated seller’ of rights to access free natural resources and determine the prices of such resources on behalf
of society. Elements of simulated transactions are used in the European Union when selling certificates that specify the limits of environmental pollution. In general, as suggested by Röpke, state interventions should conform to the logic of the competitive market. Thus, in addition to helping limit or eliminate the free extraction of natural resources, the sale of such certificates could also bring increased revenue to the government, which in turn would make it possible to increase the production of various public goods important to the attainment of environmental and climate-related goals.

3.3. Open markets

The concept of open markets has been one of the classic dogmas of economics since the times of Smith and Ricardo. According to ordoliberals, open markets are a prerequisite for competition, but at the same time, all markets are inherently prone to the emergence of monopolies and oligopolies. For that reason, monopolistic structures which hold economic power should be divided by government bodies into smaller business entities, or should at least be weakened (Eucken, 2001, p. 85).

Monopolistic structures – including global enterprises – have little sensitivity to the environmental, climatic and social difficulties and dysfunctions of the modern world. Quite the contrary, under pressure from shareholders, they orient themselves towards short-term profit maximisation. Global corporate groups often owe their impressive growth to their ability to keep wages low and extract natural resources ‘free of charge’ or, in the case of Internet companies, to their immunity to the growing marginal costs.

Developed in the 1940s and 1950s with individual, open national economies in mind, the ordoliberal theory does not provide precise guidance for resolving the problem of global monopolistic structures. Nevertheless, its philosophy can be used to derive general guidelines for contemporary socio-economic policies. The most important piece of advice is to establish a centre that will pursue the socio-economic order policy on a worldwide (or at least near-worldwide) basis. The resulting order would not permit the continued existence of today’s giant corporate groups that exert enormous influence over market processes and politics; it would also block any paths which could lead to the emergence of new structures of that kind. Another piece of advice from ordoliberalism is to observe the rules established by individual countries and business entities as part of the economic order. In today’s world torn by conflicts, crises, pandemics and mounting fears of a climatic or nuclear apocalypse, all this may seem an illusory dream. However, it remains to be seen whether it will be possible to reach a political consensus between the world’s greatest powers with regard to the above issues and whether the policies at hand will be powerful enough to combat economic concentration and force giant corporations to adhere to the rules of the economic game put in place to protect the environment and climate.
3.4. Private property

Private property is one of the fundamental tenets of the ordoliberal theory; an economic basis of individual freedom and, indirectly, a precondition for the existence of a free society. It is private ownership that enables the mechanisms of a market economy to operate. Notwithstanding the above, however, ordoliberals did not ‘absolutise’ the role of private property in a market economy as an institutional solution that stands above and beyond all criticism. In fact, they expressly stated that the existence of private monopolistic structures which hold economic power causes significant economic and social damage. Therefore, private ownership of means of production should be considered in relation to a competitive economic order: “In the contemporary industrialised economy, only a competitive order makes private ownership socially acceptable in the long run. Private ownership, in turn, is a precondition for the existence of a free socio-political and economic order” (Eucken, 2001, p. 275).

The fact that ordoliberalism did not put private property and free market on a pedestal among the inviolable dogmas of economics makes it possible to engage in a discussion on the relationship between ordoliberal ideas and environmental and climate policy goals. According to the philosophy of ordoliberalism, these goals should be implemented by using the aforementioned market-conforming instruments to control the competitive market (Röpke, 1994, p. 332). The socio-economic policy ‘toolbox’ available to today’s decision-makers contains a wide range of such instruments. In addition, as the ultimate reason, there is always the possibility – and in some cases even necessity – to generate public goods (clean air, clean water in rivers and seas, stable climate, etc.). At the same time, the use of instruments that conform to the logic of the competitive market does not jeopardise the existence of private ownership of means of production. In fact, in the spirit of Röpke’s only superficially paradoxical call to “save capitalism from the capitalists” (1994, p. 305), the use of such tools can help stabilise a system based on privately-owned means of production.

3.5. Freedom of contract

A market economy cannot exist without freedom of contract between independent economic agents. In Eucken’s view, “freedom of contract is a constituent of the competitive order. This principle contributes to the establishment of the competitive order and vice versa: only within that order does it acquire its proper meaning. Still, this kind of freedom must not be permitted to allow anyone, through the creation or continued existence of large corporate groups, to break down the competitive order and/or secure the ability to use and abuse the existing relations of economic power” (2005, p. 279).

From the standpoint of the environmental and climate-related goals of the economic process, it is necessary to protect natural resources against free extraction
(or extraction in general) within the bounds of contractual freedom. An example of such protection was a special fund planned in Ecuador which aimed to accept payments from developed countries in exchange for the country’s decision not to exploit the oil fields located in Yasuní National Park (Göpel, 2020, p. 177). Successful implementation of such an environmental protection instrument, however, requires mutual trust between the partners with regard to the use of the money deposited in the fund. In the case in question, that trust was absent, but this does not rule out the possibility of identical or similar instruments being used in other projects.

### 3.6. Material liability

In ordoliberal thought, the notion of liability was limited to material liability at the level of individual microeconomic operators (Eucken, 2005, pp. 320-325). From the perspective of modern-day requirements, this represents a weakness in that theory – a theory which, like other major trends in economics at the time of its conception, could not have fully predicted the world’s dramatically exacerbating environmental and climatic problems. However, signs of these tendencies had already been recognised by them. Röpke (1960, p. 50) wrote about “polluted rivers in which we can no longer bathe; or the increasing difficulty of assuring an adequate supply of drinking water; or the horrible violation of nature, which we are gradually turning into a desert and the balance of which we disturb and finally destroy, to our own incalculable damage”.

Despite the above, the fact that ordoliberals emphasised the importance of economic agents’ responsibility for the material outcomes of their business operations is highly relevant to the issues addressed in this paper. Firstly, strict material liability reduces the propensity of business entities to engage in risky activities to increase their size or use mergers and acquisitions to attain an oligopolistic or monopolistic position. Secondly, a favourable financial position of responsibly operating businesses helps stabilise budget revenues. Thirdly, state budgets and international institution budgets backed by sound long-term financing foster the generation of public goods in the fields of ecology and prevention of global atmospheric warming. This can be seen as creating a financial basis for the future of humankind by amassing the funds needed to generate environmental and climate-related public goods. In itself, however, it is still insufficient. It is also necessary to create an awareness among scientists and members of the public so that they can recognise the need for radical action that will enable humanity to survive on planet Earth. This would be a true revolution in thinking, a transition from the microeconomic perspective typical of ordoliberalism or the macro-perspective of Keynesianism to an existential (i.e. global) ‘live or die’ perspective of human civilisation. Thinking in such a global and universal human dimension is inherent in Chinese political philosophy (Tingyang, 2020).
3.7. Constancy and consistency of the policy

Constancy and consistency are among the most important requirements for a competitive order policy. The policy should establish a constitutive framework for the day-to-day conduct of the economic process, and the resulting framework needs to be stabilised in a consistent manner and only modified with extreme care (Eucken, 2005, p. 289). The constancy of a policy should be considered in two contexts: a conceptual context whereby the policy needs to be pursued on the basis of one specific theory/concept and a personal context which requires a stable team of experts who make policy decisions.

A socio-economic policy can be constant and consistent if it is successfully ‘detached’ from the overwhelming influence of short-term, election-oriented political and opportunistic cycles. With regard to responsibilities in the areas of environment and climate, this is – to use the term introduced by Kant – a categorical imperative for the survival of humankind. Under pressure from this imperative, researchers, politicians and societies must all learn to think and act with long-term goals in mind.

Conclusions

From the perspective of the economic, social, environmental and climatic challenges that face the world, the socio-ecological market economy (SEME) should work to accomplish three interdependent tasks. Firstly, it needs to address the dysfunctions and chaotic internal and external shocks that occur with varying intensity on today’s markets. Secondly, it must strive to eliminate the often dramatic income and wealth inequalities which exist both in individual countries and on a global scale and which entail the risk of increased political radicalism as well as social and armed conflicts (Piketty, 2014, Mączyńska & Pysz, 2022). Thirdly, it needs to face the most difficult and as yet nearly unexplored challenge: counteracting the ecological degradation of the environment and stopping the progressive greenhouse effect.

The above tasks of the SEME form the new trilemma of the socio-economic order policy. The ordoliberal theory presumes that such tasks can only be accomplished successfully within the framework of an end-to-end, comprehensive policy approach. However, the guidance from ordoliberal thinkers concerning the need for a comprehensive socio-economic policy can only be applied to the first two groups of tasks in the above trilemma, since the third group was unknown to them in the late 1940s and early 1950s.

From Rodrik’s trilemma, which focuses on the course of the current economic process (capital flows, exchange rates of currencies and the autonomy of current economic policy), the policy trilemma of the formation of socio-economic order is distinguished by the fact that it takes up the question of the framework conditions (institutional and political) of the course of this process. The presentation of the two different trilemmas is based on the distinction fundamental to ordoliberalism between
socio-economic order and the current course of the economic process. As in Rodrik’s trilemma, there can also be a contradiction between the simultaneous implementation of the three aforementioned governance policies. The ordoliberal theory presumes that such tasks can only be accomplished successfully within the framework of an end-to-end, comprehensive policy approach. However, the guidance from ordoliberal thinkers concerning the need for a comprehensive socio-economic policy can only be applied to the first two groups of tasks in the above trilemma, since the third group was unknown to them in the late 1940s and early 1950s.

Naturally, one needs to ask whether the SEME is a utopian idea, an opportunity or perhaps a genuine existential necessity in the context of the survival of a free society (Mączyńska, Pysz, 2022). One thing seems certain, however, accomplishing the socio-economic policy tasks that make up the aforementioned trilemma will require extraordinary skill. The dilemma of (1) ensuring the efficient operation of the market and (2) preventing further income and wealth inequalities was successfully resolved by Erhard using his ordoliberal policy of the Social Market Economy in 1948–1966 (Kaczmarek, Pysz, 2004). His successors, however, including the Social Democratic economist and politician K. Schiller (a great enthusiast of Keynesian views), encountered significant difficulties in that respect. Today, such policies will be even more difficult to pursue as they will need to address the whole range of objectives stemming from the trilemma described above. To tackle that trilemma, decision-makers will need to demonstrate the breadth of their knowledge and, as an even greater challenge, the skill and intuition required to determine what is appropriate at any given time.

The distinction between the ‘principles’ and the ‘moment’ of the socio-economic policy – drawing from Eucken’s views – may help structure the above efforts. The constitutive principles of the competitive economic order are an invariable part of the socio-economic policy’s framework and should be taken into account and consistently respected by that policy. The term ‘moment’, in turn, refers to the enormous variability and dynamism of the day-to-day economic and social life (Pysz, Jurczuk, Moszyński, 2016, pp. 799-822; Grabska, Moszyński, Pysz, 2014). By highlighting the role of the competitive economic order as a factor that organises the conduct of the economic process and social life, one would like to argue that this order is the most important social institution that makes it possible to attempt to accomplish the three tasks constituting the aforementioned trilemma. This means that the competitive market should be stimulated to also work towards humanity’s environmental and climatic objectives. If humankind is to survive in the “full world” described by Göpel, the proliferation of disorder, chaos and anarchy must not be permitted in the area of the socio-economic policy trilemma, which is now critical to our survival. This implies questioning the views of the theorist of spontaneous socio-economic order, Hayek, who believed that in the increasingly complex and obscure world, the contemporary human being is not and will never be the master of his or her own fate (Hayek von, 2003, p. 484). By far more indispensable than the pessimism
of the eminent theorist of spontaneous order is the hopeful ‘historical optimism’ of the present generation. By embracing this view, it will be possible – to follow Popper’s words quoted in the introduction to this paper – to give the future development of humankind both an end and a meaning.

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