

**Werner Bonefeld**, *The Strong State and the Free Economy*, London: Rowman & Littlefield, 2017. ISBN: 9781783486274 (cloth); ISBN: 9781783486281 (paper); ISBN: 9781783486298 (ebook)

Werner Bonefeld's *The Strong State and the Free Economy* is both a brilliant treatise on the work of a group of German thinkers in the interwar and postwar years known as *ordoliberals*, and a forceful argument concerning the nature of present-day European Monetary Union. Bonefeld argues persuasively against those who claim that ordoliberalism is more social and pragmatic than neoliberalism, but also against critics who see ordoliberalism as a "German ideology" in the service of German economic interests. Bonefeld shows instead how ordoliberalism is a fully fledged social theory about how to use the power of the state to ensure a "free" economy of risk-taking and self-reliant individuals. In the introduction, Bonefeld claims that ordoliberalism offers "a most concise confirmation" of Marx's famous argument that the state is nothing but a committee for managing the affairs of the bourgeoisie (p.14). However, non-Marxist readers weary of another book explaining "why Marx was right" will be relieved to find that this is one of very few Marx references in this text, which leans more on perspectives developed by Michel Foucault in his lectures on biopolitics (Foucault 2008) and Bonefeld's own close readings of ordoliberal thinkers themselves, and of their contemporary Carl Schmitt.

In spite of the quite obvious instances of symbiosis, public debate regarding economic policies tends to conceptualize "states" and "economies" as though they were opposed entities: a strong, big, or powerful state is imagined as something which would make an economy (or markets) less "free" or less important for social life, and vice versa. One of the major points of *The Strong State and the Free Economy* is (yet again) arguing against this simplistic and wrongful understanding of political economy, where state and market are seen as "distinct forms of social organization" (p.155). I write "yet again", because, as readers of *Antipode* will be well aware, Bonefeld is in no way the first to attempt to improve upon the lacking understanding in politics, journalism, and indeed large parts of academia, of the

relationship between states and the economy/markets (see, for instance, among many others, Dardot and Laval 2014; Foucault 2008; Harcourt 2012; Mirowski 2013; Polanyi 2001; Streeck 2014). Many of the previous works challenging the wrongful perception that states and markets lie at opposite ends on an imaginary scale of possible economic policies relate to the question of *neoliberalism* (see for instance Andrew Gamble's [1988] *The Free Economy and the Strong State*). Works like these disprove the conventionally held notion that neoliberalism is a revival of "laissez-faire" economics and that it has to do with some sort of retreat of the state from economic life. Bonefeld thus adds to this important, but by outsiders hugely overlooked, body of scholarship on neoliberalism, which holds that this influential and diverse current of theory and practice should in no way be viewed as attack on the state *per se*, but as various attempts to redefine it with the aim of making market competition a more salient feature of modern social life.

Jamie Peck (2010) and Cornel Ban (2016) are amongst those who have pointed out that neoliberal ideas and practice have taken different forms in different geographical contexts. Bonefeld's focus on the European context and the ordoliberal branch of neoliberalism is thus a welcome antidote to a general understanding of neoliberalism heavily influenced by the American experience, and the dubious self-representation of American actors like Milton Friedman as "anti-state", "anti-government", or "anti-regulation". "Deregulation" is perhaps not the most precise term to describe developments in US political economy since the years of Ronald Reagan, but it does hold some explanatory power with regards to areas like finance. With regards to the European Union and its seemingly expanding army of bureaucrats and competition lawyers, however, one would be hard-pressed to find anyone claiming that this political entity suffers from too little regulation. Bonefeld's claim is that the powerful regulatory apparatus of the EU is in no way opposed to neoliberalism, but rather a result of a particular type of it—German ordoliberalism—and that a proper understanding of this influential current is vital to appreciate the functioning of present-day Europe.

An interesting consequence of our current impasse, in which debates concerning political economy remain fixed within the matrix of “how much” states should be put to use in economic affairs, is that ordoliberalism, with its state-embracing content, has been misconstrued by some as an alternative to neoliberalism when it is in fact an important part of it. In his opening pages, Bonefeld singles out British Labour peer Maurice Glasman and German Die Linke politician Sahra Wagenknecht as people who in their books have held up ordoliberalism as a social alternative to the perceived laissez-faire politics of neoliberalism (p.5). The ordoliberals were strongly critical of laissez-faire, but they were nonetheless committed to the idea of free markets and Adam Smith’s notion of an invisible hand. Bonefeld even sees Smith’s *Theory of Moral Sentiments* as an important, unacknowledged precursor of ordoliberalism, and an implicit critique of the laissez-faire policies developed later in Smith’s name (p.42). Bonefeld writes, “in the ordoliberal argument, market regulation by the invisible hand amounts fundamentally to a political practice of government” (p.3). This is the key ordoliberal insight, and it was shared with other neoliberals at the time, for instance Friedrich Hayek, who was the main force behind the founding of the Mont Pelerin Society in 1947. Hayek is widely considered to be the founder of neoliberalism, yet Bonefeld uses both his musings on “planning for competition” (Hayek 2007) and his blueprint for interstate federalism (Hayek 1948) to illuminate *ordoliberal* positions. Scholars like Keith Tribe (1995) have conceptualized ordoliberalism as fundamentally different from Hayek’s neoliberalism, but Bonefeld’s account shows clearly how this is not a fruitful approach. Ordoliberal thinkers were an important part of the Mont Pelerin Society, and when Hayek took over the chair of the important ordoliberal, Walter Eucken, at the University of Freiburg in 1961, he stated that the two had “the closest agreement on scientific as well as on political questions” (quoted in Streit and Wohlgemuth 2000: 227). Stefan Kolev (2010) is among those who have argued persuasively that Hayek at least went through an ordoliberal phase in the 1930s, thus the bonds between ordoliberalism and neoliberalism in this formative period are many and close. Bonefeld stretches the argument even further by pointing to similarities also between ordoliberalism and later Chicago School neoliberals like Friedman. According to Bonefeld the

difference between Chicago and Freiburg “is not one of doctrine. It is one of emphasis” (p.14). All the thinkers in question, including the Austrian libertarian Ludwig von Mises, whose quotation on private ownership of property as the bedrock of liberalism opens the book, took part in the Mont Pelerin Society, and in various ways they all attempted to craft right-wing liberalisms centered on property rights and market mechanisms. Bonefeld’s controversial claim thus holds some merit, but it is important to stress that the differences between ordoliberalism and Chicago School neoliberalism are quite significant. This especially holds true in the area of competition law, but Bonefeld reminds the reader that early Chicago School thinkers were in line with the ordoliberals in the 1940s, but then changed their tone significantly, and made their neoliberalism a defense of major corporations (see also Van Horn et al. [2011] for a description of this important doctrinal change).

It is not just the commonly held falsehood that neoliberalism is the same as *laissez-faire* which has made progressively oriented politicians like Glasman and Wagenknecht misunderstand ordoliberalism as a moderate alternative to neoliberalism. It is also the highly misleading political slogan *Soziale Marktwirtschaft*—social market economy—which became associated with the ordoliberal school in the postwar years, during which many of its theorists were highly influential in West German policymaking. It was Alfred Müller-Armack who coined the phrase, but it was met with skepticism by Hayek, who saw *social* as a “weasel word” (p.103). Tribe (1995) has previously shown how the phrase really should be seen as a political slogan and that it has little to do with the actual content of ordoliberalism as it was developed in the interwar years. Bonefeld argues that the decisive part of the term is indeed *market*, and echoes Foucault’s claim that for ordoliberals the only social policy is economic growth (p.104). For true believers in the trickle-down effect, like the ordoliberals, a “free” economy is in itself the best form of social policy, but this state of affairs needs policies that connect market exchange and private property with an ethic of individual responsibility.

Through quotation-heavy readings of the works of key ordoliberals Franz Böhm, Wilhelm Röpke, Alexander Rüstow, Eucken, and Müller-Armack, Bonefeld makes it absolutely clear that ordoliberalism is not just a set of economic policies that policymakers

can choose to adopt, but rather a political theory of how to actively engineer a society in which the “invisible hand” may work most effectively. What emerges from this thorough investigation is the extent to which ordoliberalism, like other forms of neoliberalism, was a 20<sup>th</sup> century attempt to reorganize capitalism and defend a society built on private property from mounting democratic pressure. This had very little to do with laissez-faire, and the ordoliberals and other neoliberals heavily criticized laissez-faire liberalism as a “deistic philosophy”, unable to see the state as “the only power capable not only of confronting the dangers to economic freedom that lay hidden in society and indeed within the economic itself, but also of sustaining free economy” (p.21). The ordoliberals’ main contribution was their understanding that market competition needs both a legal framework and moral sensibilities that cannot be generated by the market itself, but had to be conceived of and put into place as a regulatory policy—an *Ordnungspolitik*.

Bonefeld distinguishes between the economic writings of Böhm and Eucken, also known as the Freiburg School, and the more sociological writings of Röpke, Rüstow, and Müller-Armack. Yet he is quick to point out that the separation should not be too strict, as even the more strictly economic work is clearly underpinned by a moral philosophy about how humans ought to be. The great fear of ordoliberals is summed up in Röpke’s disdainful expression “proletarianisation”, meant to describe a state of wage slavery in which individual initiative and responsibility is vanquished, and citizens have become demanding clients of an ever-expanding, unsustainable welfare state. The ordoliberals saw the proletarian as a citizen who had “lost the moral capacity to act as a civilised member of a private law society and ‘accept responsibility’ for his or her own circumstances and prospects” (p.96). The socialist solution to the problems of the 1930s was understood by the ordoliberals as a proletarianisation of everything. Hailing from materially comfortable bourgeois backgrounds themselves, the ordoliberals pictured their own solution as a more dignified one, in which risk-taking, competition, and private property would become part and parcel of everyone’s lives. Unlike parts of the mythology surrounding West Germany’s *Wirtschaftswunder* (“economic miracle”), the ordoliberals’ visions had very little to do with welfare states. In

fact, they were formulated in active opposition to that very idea (Ptak 2012). As democratic suffrage expanded, monopolistic corporations dominated and economic crises abounded, capitalism was rarely given a long lease on life by contemporary observers. The ordoliberals, too, sometimes positioned themselves as critics of capitalism (p.100), arguing that it led to the dreaded condition of proletarianisation and thereby to irrational demands for socialism. It was clear to them that society would have to be significantly changed and that there was no way back to the perceived golden age of liberalism and laissez-faire capitalism. Their novel theories about using the state as the executive powers of markets, and forming individuals to be self-reliant actors within markets, must be seen as a very significant episode of modern intellectual history. The extent to which ordoliberals could imagine something like a society of entrepreneurs of the self in the social and economic context of Europe in the 1930s is hugely interesting from today's vantage point. In many cases, however, their more concrete proposals were less Silicon Valley-esque than one may think, and included turning workers into smallholding peasants and securing garden allotments and religious education for the remaining factory workers. Like Foucault before him, Bonefeld nonetheless sees new visions of discipline, power, and social organization centered around risk and competition in the interwar year writings of German ordoliberals. This is useful for those wanting to reach a deeper understanding of ordoliberal thought, but it is less clear how helpful it is for understanding our current predicament. Using these texts to shed light on our own situation can indeed be illuminating, yet Bonefeld also seems to suggest that they are more than interpretive tools, that our world is somehow the way it is *because* of these writings and the ordoliberal quest to salvage private property by using the power of the state to engineer a modern market society. This is more problematic, since the "how" and "why" of this history is never spelled-out, only hinted at and suggested. Bonefeld's take on the relationship between political thought and actual history thus remains unclear in this volume, much to the detriment of his readers.

Bonefeld also takes great care to show the similarities between the ordoliberals and the philosopher Carl Schmitt. According to the latter, the Weimar Republic became a weak state

because it caved in to pressure from “interest groups”—a category including both industrial cartels *and* labour unions, not to mention the newly enfranchised masses themselves. Schmitt had theorized a qualitatively strong “total state” to protect the free economy, and echoes of and references to the so-called “Crown Jurist of the Third Reich” and his belief in “strong state and sound economy” are everywhere to be found in the writings of ordoliberalism. The ordoliberals later argued that Nazism and the collapse of the Weimar Republic was a consequence of its democratic character, joining in with Cold War theorists of totalitarianism in advocating for strong limits to popular democracy by tying it to the principles of liberalism (p.8). Using Hermann Heller’s term from 1933, Bonefeld calls this “authoritarian liberalism”, and in the ordoliberal case the tyranny envisioned as a result of too much democracy is one in which the principles of free economy are not upheld. This theory of tyranny is really more of a theory of inflation and economic crisis, and during the stagflation crisis of the 1970s it was refashioned to suit the demands of the day, and inflation was conceptualized as democracy jeopardizing the very moral foundations of society. Bonefeld writes: “Indeed, in the ordoliberal view economic crises are crises of democratic excess” (p.42). The ordoliberals argued that a state which gives in to pressures from society and becomes a welfare state, becomes a weak state, and so the role of the state must instead be to be strong in its protection of property and the free economy from the increasing demands of a proletarianised society. The point of the ordoliberal strong state is thus not to control or counter the capitalist economy, as in more leftist conceptions of the state, but rather to protect the economy’s “freedom” *from* society and democracy: “The founding ordoliberal argument ousts liberality from liberalism and turns towards authoritarianism as a means of liberty” (p.42). The “free” economy is understood by ordoliberals as an eminently *political* practice which does not have to do with a retreat of the state, but an embrace of “the liberal state as a market constituting and preserving power” (p.2)—states as what Rüstow called “market police”.

Those who interpret ordoliberalism differently (and in a more positive light) may want to argue that quotations are taken out of context and reassembled in ways that the writers themselves might not have wholly agreed with. Bonefeld’s case is nonetheless very well

argued, and those who would want to dispute his analysis have their work cut out for them. In the closing chapters of the book, Bonefeld uses his interpretation of ordoliberalism as a prism through which the European Monetary Union and the euro crisis of 2015 is seen. In 1939, Hayek argued that interstate federation would lead to less economic planning, since the powers of nation states would be moved to a level at which they could not be effectively exercised due to the lack of homogeneity and political community at the international scale. Like Wolfgang Streeck (2016), Bonefeld thus analyses the European Union as a political structure designed to be an almost perfect ordoliberal state, in which democratic pressures are kept in check by rule-bound institutions and a central bank that answers to no one. Yet Bonefeld insists that there is nothing automatic about the ordoliberal politics of the EU. Rather, the European regulatory policy/*Ordnungspolitik* “provides a supranational anchor for the domestic pursuit of market freedom” (p.120). Forces *within* nation states working for what Bonefeld calls “market freedom” can use European institutions as a weapon. Indeed, “the conception of Europe as a bureaucratic apparatus of technical regulation by unelected experts who process policy in a disenchanted world of instrumental rationality falls short. Europe is not an ordoliberal administrative apparatus. It is a political creation and amounts to a sustained political practice and decision making by executive agreement” (p.119).

In this way, Bonefeld uses the ordoliberals’ own understanding of the depoliticisation of the economy as “an eminently political act” (p.25) to point towards paths of resistance. In ordoliberal Europe, political actors are making political decisions which can be contested all the time, and the ultimate proof of this came during the Greek crisis of 2015. Philip Mirowski’s (2013) analysis of American neoliberalism is quite similar: when the financial crisis hit in 2007/8, various bail-out programs showed that neoliberal decision makers were ultimately prepared to step in and save the market from itself, thereby recognizing that the market is a political structure and that legitimacy lies neither in democracy nor in the abstract rules neoliberals profess to follow, but in Schmitt’s state of exception. Bonefeld focuses both on the European Central Bank subverting its own ordoliberal rules through substantial spending on Quantitative Easing, but especially on their acting completely without

institutional legitimacy to cut-off Greece's cash flow and bring the Syriza government to its knees in the summer of 2015. According to Bonefeld, this is the power of the exception, as theorized by Schmitt and echoed by the ordoliberals. Some present-day ordoliberals, like Lars Feld and Hans-Werner Sinn, see recent actions by the ECB and other European institutions as violations of the principles of *Ordnungspolitik*, and fear the introduction of a fiscal or political union in Europe by stealth. Bonefeld sees these as telling "red lines" of ordoliberalism (p.147), but finds the interventions of Viktor Vanberg to be even more revealing. As Mirowski sees thinkers like Hayek and George Stigler as the vanguard of neoliberal thought because they recognize the importance of the state of exception and the need to act against one's own principles in order to save them, so Bonefeld quotes Vanberg that "there may be emergency situations in which we need to temporarily disband rules that in ordinary times we consider binding" (p.149). Bonefeld's narrative thus comes full-circle, from the authoritarian liberalism created by Schmitt and the ordoliberals in the context of the Weimar Republic of the 1930s, to the response by European institutions and leading ordoliberal intellectuals to the euro crisis in our own time, when the European Central Bank effectively became the sovereign of Europe by deciding on the exception (p.52).

The intellectual history of leading ordoliberal thinkers is perhaps more carefully argued than the parts of the book which concern the present-day euro crisis. Once again, the historical argument as to how European institutions and politics became so deeply influenced by ordoliberal thinking is not fully developed. Some evidence of the importance of ordoliberals like Müller-Armack in the European integration project is given, but by and large there is little on causation offered as to how ideas from the 1930s came to play such an important part in the structuring of modern day Europe. The opening page asserts that ordoliberalism has been "identified as the villainous presence at the heart of Europe" (p.1), and Bonefeld does not see it as his task to consider whether or not this is true; he instead offers a revised understanding of what ordoliberalism really constitutes. This is fair, but given the considerable brilliance of the book, one could be forgiven for hoping for more arguments to back up the claim that European institutions really are so thoroughly influenced by

ordoliberal ideas. It seems that the depoliticisation of money-making through the creation of the European Monetary Union is a sort of highlight of ordoliberal influence on the European integration project in Bonefeld's underlying historical narrative. Often, however, he seems to conflate the EU as such with the EMU, and the extent to which several ordoliberals have been critical to both the EMU and the EU is left out of the picture. More mainstream historians like Brunnermeier et al. (2016) have argued, among other things, that the euro has been plagued from its creation by the differing interests and intellectual legacies of Germany and France. The current of economic thought and practice known as "French planning" is very different from ordoliberalism, but when reading Bonefeld it is as if it never existed. A more direct engagement with arguments and ideas about *other* influences than the ordoliberal on the European integration project as such and the European Monetary Union in particular, could have been beneficial to the argument and perhaps also helped push Bonefeld's important analysis into the mainstream of political debate. This is such an important book that it would be a great shame if scholars of both ordoliberalism and European integration did not engage with it. This thoughtful and well-argued volume should indeed be mandatory reading for anyone wanting to have informed opinions about European politics or even the much-discussed relationship between state and economy in general.

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*February 2018*