ADVANCING THE NOTION OF A SOCIAL MARKET ECONOMY

CONCEPTS FOR A RENEWAL OF ORDOLIBERALISM FROM THE PERSPECTIVE OF INTEGRATIVE ECONOMIC ETHICS

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1. THE SOCIAL MARKET ECONOMY AND ITS 60TH ANNIVERSARY

This year’s anniversary of the Social Market Economy provides plenty of reasons for a review of the history of this politico-economic concept. Within this anniversary, not only the origins but also the changes and the sustainability of the Social Market Economy are discussed time and time again. Yet even without the anniversary, the concept of the Social Market Economy is vehemently debated and is on everyone’s lips. Indeed, the Social Market Economy has had a vast impact on both political and academic discussions in Germany for decades now. This has barely abated to this very day, hence German Federal Chancellor, Angela Merkel, repeatedly stresses the importance of the "Freiheit in einer Ordnung der Sozialen Marktwirtschaft" (i.e. Freedom within an Order of a Social Market System) in her speeches and the Bavarian state government has set up a “Zukunft Soziale Marktwirtschaft” committee (i.e. Future of the Social Market Economy). The relevance attributed to this politico-economic concept became even clearer when the EU constitution
defined the “Social Market Economy” as the shared economic system for
the European Union recently.\textsuperscript{3}

However, the Social Market Economy is not a concept that can be ex-
plained adequately with a few choice words on its anniversary. This is
because the “style”\textsuperscript{4} of the Social Market Economy, which Müller-Armack
believes should be understood as a “strategy within the social sphere”,\textsuperscript{5}
is continually changing and forever subject to a range of different inter-
pretations. Exact definition of the concept can only be undertaken with
some difficulty and room for interpretation exists. The conscious open-
ness (or vagueness, indeterminacy even) of the concept by the founding
fathers is, on the one hand, one of the greatest strengths of this order’s
concept, but at the same time also its main flaw. Only because of
this openness can this concept find broad acceptance across all parties,
associations, trade unions, churches and sections of the population at
all times. On the other hand however, this is also accompanied by an
enhanced undermining of the concept.\textsuperscript{6} Because what often is not clear
during discussions on the subject of the Social Market Economy is which
understanding of the Social Market Economy is being alluded to in the
individual wording. In spite of its historic significance, the term “Social
Market Economy” is today more indeterminate and in need of clarification
than ever before. At the end of his overview of the history of the Social
Market Economy and ordoliberalism, Ralf Ptak provides a rather succinct
summary: “No orientation can be found in the Social Market Economy.
Its conceptual content is as depleted as it conversely lives alone from the
myth of times past.”\textsuperscript{7}

The Social Market Economy has been attempting to present an alter-
native economic order between the polarity of laissez-faire liberalism
and socialist economic control for more than sixty years now. As Ptak
correctly states, the notion of the Social Market Economy currently offers
too little orientation to actually provide a convincing politico-economic
concept however. At a conceptual level, this is primarily due to its in part
contradictory, in part outdated basis. Hence the term can be used or
abused in many ways, depending on the focus of interest.

To state this attribute in the conclusion of an overview as Ralf Ptak did
is somewhat symptomatic of the academic discussion of the concept –
alternatives and development of the concept are in fact conceived rather
rarely. All too often, research remains at analyzes and reflections of the
historic concepts and developments; conceptual development is almost always left out.

Ideas for such a development from the point of view of an integrated understanding of economic ethics will be presented here. The integrative economic ethics is to be understood as a philosophical ethics of reason, which rests on an “orientation in politico-economic thinking”. The aim of the following article is to consider preliminary ideas and perspectives, and to stimulate further development of the concepts by means of this perspective over and above the mere reflection of the concepts.

2. THE SOCIAL MARKET ECONOMY AND ORDOLIBERALISM

Generally speaking, differentiation in the use of the term “Social Market Economy” may be made at three levels: The Social Market Economy is either understood as a political buzzword, as a guiding principle of a politico-economic concept or as socio-economic reality, that is: Realpolitik. In the following discussion, the concept (i.e. the guiding principle) of the Social Market Economy and the central themes therein are to be considered, as these are, after all, the basis for all further discussion. This article is therefore about basic research of the term, which should be analyzed and developed further.

The term Social Market Economy is used very differently by various trends in Realpolitik and academia (today, as it was 60 years ago) and seems to fall victim to a certain arbitrariness. This stems from certain discrepancies inherent to the concept, as well as from contradictory and vague wordings. In the sense of its creators, the Social Market Economy was never definitive and ultimately developed as a theoretical concept. Thus Müller-Armack spoke of a central theme for example that was open to evolution and adaptation, a “progressive style concept”, in whose usage the particularities and changes in the historic circumstances were always to be taken into account.

And this is exactly what the Social Market Economy has ultimately always remained – a central theme, a style concept for the practical implementation of ordoliberal designs. Similarly, ordoliberalism itself was not a uniform school. There are of course unifying central themes among its representatives, yet in questions of substantiation, elaboration and also implementation, there are differences between the individual positions
as well as discrepancies between the different theoretical strands. Ordo-liberalism is mentioned for the first time here and it assumes a weighty role in the entire discussion, as the concept of the Social Market Economy is inextricably linked with elements of ordoliberal thought. Regardless of how the Social Market Economy and ordoliberalism are defined and distinguished from one another, one cannot get around considering the interaction of these ideas and the path dependency of the two trends. This further complicates exact examination of the term however.

A debate on the Social Market Economy must inevitably equally take place in line with the history of ideas of ordoliberalism in particular. Likewise, it must consistently also deal with the (suspected) faultiness and contradictoriness (or at least vagueness) of both concepts. The indeterminacies and the openness of the terms then lead to a certain arbitrariness. The Chancellor of the Federal Republic of Germany, Angela Merkel, commented on this in a speech as follows: “Because the Social Market Economy is so important to us, we are all meanwhile inclined to exploit it for our own individual purposes; hence it is sometimes good to return to the origins.”

This is still expressed very graciously, as it is not because the Social Market Economy is so important to us that it can be exploited, but rather because it is conceptually so open (or vague); an issue that can be seized upon. The comment by Chancellor Merkel that a return to the origins might be necessary is correct – yet in a different way to that which she intended. Let us consider these origins a little closer.

3. THE ROOTS OF THE SOCIAL MARKET ECONOMY

Both academics and politicians have concerned themselves intensively with questions of the “roots” of the Social Market Economy, with the history of ideas and the theoretical assumptions underlying the concept, for a long time now. It is assumed that the disclosure and substantiation of the original ideas will make the intentions of the founding fathers clearer and less contradictory. Only in this way can the theoretical and pragmatic confusion surrounding the concept be eliminated – or so it is said.
The majority of literature thus concludes with the presentation, interpretation and application of these roots, be these personal roots in the sense of the ideas of a specific author such as Müller-Armack, Erhard, Eucken et al or else the ideas underlying the roots, such as the system of values of the Christian West\textsuperscript{15} or the fundamental liberal convictions of the founding fathers. Here, it is always about a return to the roots, questions on the future viability of the concept are mostly only answered with the statement that it depends on how well one succeeds in consistently returning to the roots.\textsuperscript{16} The assumption that the vagueness of the political-regulatory ideas can be overcome through an exact analysis of the roots of the concept is misleading however. It can be assumed that this is because the roots are the cause and not the solution of the present lack of orientation. Ordoliberalism itself was well substantiated theoretically and thought through and developed by renowned academics, but at the same time also characterized by contradictions and – from a present-day perspective – occasionally characterized by antiquated ideas and values (such as the strong cultural pessimism, the fierce fight against socialism or the in part authoritarian understanding of government, for example).\textsuperscript{17} And although the notion of the Social Market Economy was strongly characterized by ordoliberal thought, it was equally characterized by a political pragmatism that generally paid more attention to enforcement of Realpolitik than to conceptual stringency.

Furthermore, it is often unclear what exactly is even meant with “the roots”. It is virtually impossible to actually fulfill the request to “return to the roots“ because the roots are rather contradictory and entangled so that no consistent concept can be derived from them.\textsuperscript{18} So those who speak of a “return to the roots” of ordoliberalism or the Social Market Economy mostly only mean a particular strand of these roots, as one would otherwise get caught up in the vagueness of the concepts. Many only associate the ideas of Ludwig Erhard\textsuperscript{19} or only the liberal-economic perspective and the rejection of the welfare state by the ordoliberals with “the roots” for example; others consider the socio-humanistic ideas of embedding the market economy in an idea of social subservience. This selectivity in consideration of the roots then inevitably transfers to the concept of Social Market Economy derived from this and the discussion on its viability – it ultimately explains why the terms seem so vague and versatile.
Considering this, the historical context is also relatively problematic. The functionality of the Social Market Economy is always measured according to the example of the German “economic miracle” that followed the Second World War. Its superior performance seems to be to have made a prosperous country out of one that was entirely devastated. However, the unique historic situation is misjudged here. The (certainly important) question whether the Social Market Economy as an economic policy was (jointly) responsible for the revival of the German economy following the Second World War has to be disregarded at this point – relevant for us is the historical context for the concept itself.\(^{20}\)

The ordoliberal approach of a Social Market Economy was implemented during and after the Second World War, so in times of political instability, in order to build a functioning economic system that should try to “pacific” society and to an extent “align” and “reorient” politics. The present-day scenario for economic policy (at least in Germany and the developed Western world) is exactly the opposite however: The political situation is relatively stable and society is (mostly) “pacified”, yet the economy increasingly causes instability and must be “aligned” and “reoriented”. In this regard, the historic roots are also less useful than hoped. As how should the present-day politico-economic discussion seriously be stimulated solely through concepts and ideas that rebuilt a Germany devastated by two world wars and that have entirely different purposes and circumstances?\(^ {21}\) Alfred Müller-Armack stated that “politico-economic models [can] not be removed from their temporal setting. They best fulfill their purpose when they are the mandatory response to the question of a particular time.”\(^ {22}\) The concept essentially reacts to questions of its time with the possible responses of the time. But in our time of a financial crisis and global regulatory competition the perspectives and orientation of an economic policy should surely be different than in the post-war period suffering from famine and the Cold War.

The hope that a clear and clean representation of the roots would solve the conceptual problems is therefore rather misguided. And should one assume that the above-mentioned diverse roots could all be interpreted unambiguously, many of these roots can nonetheless no longer be adhered to today as the basis of an economic policy from the perspective of a pluralistic, enlightened and reasonable society. The canon of values of the Christian West should ideally not serve as the basis for a truly enlightened economic policy in times of a globalized world, and conserva-
tive cultural criticism and opposition to democracy are not acceptable anyway. A modernization of the concept, a new basis and prospects for progress are required.

4. ETHICAL ENLIGHTENMENT OF THE CONCEPTS

It is overly optimistic to hope to derive all relevant information for a modern concept of economic policy and solutions for problems that must be overcome today from these kinds of (rather problematic) concepts while insisting on stringent adherence to the history of the roots. The approach of this article seeks to advance a differentiated notion of the concept and aims to gain knowledge from an enhancement of the historic roots with new ideas.

It is remarkable that the concepts have only rarely been renewed or complemented by modern knowledge in the fields making up its roots over its 60-year history. Only economics has increasingly allowed for new ideas to flow in, such as discussions on institutional economics and the Social Market Economy, the issue of principal agent problems in the Social Market Economy and also the marginalization of the social question by libertarian market apologists.

But what about the political philosophy, i.e. the liberal theory that represents the actual basis of ordoliberalism, for example? The ordoliberals’ concept of freedom is sometimes a little ambiguous – one can find a latent economic liberalism in some ordoliberal thought, such as in Eucken or also in Böhm. Why was this never replaced with a consistent, politico-philosophical liberalism; why was it not enhanced and modernized with insights of more recent political philosophy? The Theory of Justice or Justice as Fairness by John Rawls and ideas from Development as Freedom by Amartya Sen could have interesting consequences for the term “social” in the Social Market Economy, for example. Where are further insights from political theory, republican ideas for example; that overcome the ordoliberals’ scepticism to democracy? Where are modern, enlightened ideas that can replace the profound cultural pessimism of Röpke and Rüstow? Or that avoid the “vital-political fall from grace” (for: vitalpolitischer Sündenfall), as Peter Ulrich named the repeated cases of ordoliberals emphasizing market conformity time and time again as the criterion for appropriate regulatory policy – despite stressing the primacy of politics. And finally: Where is a uniform concept of a Social
Market Economy? Why are the underlying notions only dealt with selectively, not only without making the omitted problematic aspects a subject for discussion, but also primarily making improvements? Indeed, this was in fact Müller-Armack’s ultimate idea: An open concept – a style idea that can be adjusted to different historical and cultural conditions, complemented with new knowledge.

5. PROPOSING A REFLECTED DEBATE ON THE SOCIAL MARKET ECONOMY

It must be clarified that under no conditions should a renunciation of the preliminary conceptual work of the theoretical fathers of the Social Market Economy and ordoliberalism occur here. The historic notion of a Social Market Economy has too much of an appeal and potential to simply be cast off – otherwise this article would never have come into being. To fade out the roots entirely would be unwise as “[...] I can only renew what I know or know how it is currently formed and in which direction it should be renewed.”[30] However, what can and should be overcome with regard to the roots of the concepts is the limitation of debates to a rumination of ideas that are now over half a century old and no longer all up-to-date.

The genesis of the term and its history of ideas are indispensable for the intended analysis. The suggestion to “return to the roots” should in this sense be taken seriously – and from here a type of genealogical approach can then reveal what is actually concealed in the roots and where the problems lie. The aim should be to modernize the projects of ordoliberalism and the Social Market Economy, allowing for their roots “[...] to be entirely rethought beyond the alternative of “adjustment to new circumstances” and retention of the old attitude.”[31] A renewed, stringent concept of the Social Market Economy is required with a solid, modern ethical basis that then also curbs the arbitrariness of the interpretations. In the long run, support for an economic policy characterized by unclear roots that are in turn interpreted and designed differently by virtually all academic and political opinions is implausible. This way, the “Social Market Economy” is essentially nothing more than an empty vessel, an arbitrary political buzzword without the ability to provide orientation. To fill this vessel and lend the concept the ability to provide orientation is the task to turn to for a reflected treatment with the concepts. In this
sense, the aim of the “Future of the Social Market Economy” committee of the Bavarian state government is to “develop new stimulus for discussion, to contribute to a renewed and clearer view of the Social Market Economy.” Debates should first be about conceptual enlightenment before such things as political guidelines or solutions can be derived.

The principles of ordoliberalism should not be dropped. Indeed, the roots should be considered in the foreground so interfaces can be revealed at which the existing thoughts can be complemented or corrected by politico-philosophical knowledge of the present-day (and the past 60 years). It is ultimately about finding suitable links and about correcting and avoiding conceptual errors and indeterminacies. The definition of the status quo of the concept that is dealt with extensively in the literature and the interpretations of its meaning for the present day can therefore – as important as they may be – only be a start. The notion of the Social Market Economy should be considered further – indeed, the ideas from 60 years ago are not set in stone.

6. CONSIDERATIONS FOR A CONTEMPORARY SOCIAL MARKET ECONOMY

This article is meant to stimulate further discussion of the advancement and sustainability of the Social Market Economy and ordoliberalism. There is no simple, clean solution for the many problems with the Social Market Economy, but the direction must be clear: Away from the backward-looking exorbitance and forward to an enlightened, well-understood development of the concept. To undertake this here would be beyond the scope of such a paper, the suggestions for complements mentioned here have intentionally been kept somewhat vague in order not to stifle any discussion just yet. These ideas may therefore seem rather “utopian” at first sight, yet not utopian in the sense of an idea of an impossible ideal society, but far more as a “gesture that changes the coordinates of the possible.”

To conclude, research should be about a regulatory ethical enlightenment of the concepts and not about regulatory political programming. Discussions about questions of the implementation of Realpolitik are, from an ethical perspective, not appropriate anyway; such things must be clarified in practical socio-political discourses and not academically, prescribed from the desk so to speak. The basis for the discourse consists of
good ideas however and even better arguments, and these should be sketched here in the form of some preliminary thought. Thus, it can then come to a politico-philosophical “enlightenment” of the understanding of the Social Market Economy, to its normative (orientational) basis and the systematic consequences of its renewal for a sustainable concept of ordoliberalism and the Social Market Economy. Initiation and advancing of these types of discussions is ultimately the aim of integrative economic ethics.

REFERENCES


2] Such as in her speech on the occasion of German Reunification Day, October 3, 2009.
3] “The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive Social Market Economy, aiming at full employment and social progress [...]”. (see European Union (2007): Article 2 (3)).
8] This is meant according to Kant’s dictum of “orientation in thinking”. For the perspective of integrative economic ethics, see Ulrich (1997/2008).
12] The previously-mentioned work by Ralf Ptak offers an introduction in this context in particular: “Vom Ordoliberalismus zur Sozialen Marktwirtschaft”. In this context, he speaks of a “reciprocal relationship” between ordoliberalism and the Social Market Economy. Ptak (2004), p. 11.
14] See also Körner (2007), pp.16 et seq. for dealing with the roots of the Social Market Economy, for example.
16] E.g. Quaas ((2000), p 169)): “[...], the renewal of the Social Market Economy seems to be less on the agenda than the return to its actual content.” – whatever this “actual content” may be in particular.
19] The "Initiative Neue Soziale Marktwirtschaft" (INSM) did this for example with its very one-sided recourse to Ludwig Erhard. Yet every other ordoliberal also finds his or herself again in a similar circle of admirers.
20] For an interpretation of the significance of the Social Market Economy in post-war Germany, see Hentschel (1998) for example.
Here too, the correlation between the actual politico-economic performance and favorable circumstances as well as aid from the occupying forces is far less clear than many advocates of the "economic miracle thanks to the Social Market Economy" would like to lead to believe. Müller-Armack (1974), p. 129.


As discussed in Hauser (2007), pp. 85 et seq.

Interestingly this tendency could already be observed in the historic ordoliberalism, which actually "fully supports [the economic] progress of modern capitalistic production" but at the same time the "social consequences in society through the altered production conditions no more accepts than the changes of the political decision-making structure [...]" (Ptak (2004), p. 36). This selective approach could be considered the start of the selective renewal or reappraisal of the concepts that are dealt with similarly to this very day. Represented in Böhm (1937), p. 42, discussed in Werner (1994), p. 89 and also Ptak (2004), p. 108. Similar discussion also already in Blum (1969), pp. 90 et seq.


Röpke described the criterion of market conformity in such a way that state interference in the market should be provided so that it "[...] does not override the price mechanism and the self-control of the market, but classifies it as new 'data' and is assimilated by it" – Röpke (1942), p. 253. This naturally directly violates the primacy of politics. Müller-Armack also calls for a "social policy in conformance with the market" in other areas. Müller-Armack (1948), p. 128.


Žižek (2005), p 160.


In this context, it should be noted that the theses presented here give a short, preliminary overview of my intended dissertation topic, which is still in its early days and shall be developed extensively over time. In this, an economic-ethical ideal, a draft of a Social Market Economy is to be drawn up to stimulate further reflection and discussion of new ideas and lines of thought on economic policy. Žižek (2005), p. 199.