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Anselm Küsters

In Search of Ordoliberalism:
Evidence from the Annual Reports of the
German Council of Economic Experts,
1964–2017

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1. Introduction: Welcome to Germany's 'Parallel Universe'

Speaking at the Tenth Keynes Seminar in 1991, British economist Alan Peacock remembered a 'curious incident.'¹ In the early 1950s, he had travelled to Freiburg, Germany, to present recent developments of Keynesian theory. Just when he proceeded to explain how equilibrium income was achieved in the model, an 'irate lecturer' stood up and shouted: 'This diagram is only valid for a planned economy!' Peacock tried to calm the situation by pointing out that he had not even introduced any government transactions into the analysis – 'but this satisfied no one.'² The audience in Freiburg loudly denounced him as Keynesian socialist.³

Roughly 60 years later, another visitor to Germany found himself involved in a similar 'battle of ideas.'⁴ In February 2015, Yanis Varoufakis, newly elected finance minister of Greece and left-Keynesian economist, visited Berlin to renegotiate his country's bailout programme. When he met his German counterpart, Wolfgang Schäuble, his extended hand was refused.⁵ The shunned hand not only illustrated the Eurozone split between Northern surplus countries and Southern deficit countries, but also between different economic traditions. 'Schäublenomics' – a rule-based framework focusing on balanced budgets, price stability and structural reforms – has its origins in Freiburg, too.⁶ After the meeting, Schäuble told reporters that 'we agreed to disagree,' while Varoufakis retorted that 'we didn't even agree to disagree.'

Peacock and Varoufakis are not alone in being puzzled by German economic and legal thought, which is often told as a story of 'underdevelopment.' This German idiosyncrasy is

¹ This article is based on my master thesis: Küsters, A., *In Search of Ordoliberalism: Evidence from the Annual Reports of the German Council of Economic Experts, 1964-2017* (Unpublished M.Phil. thesis, Oxford, 2018).

² All quotes in this paragraph taken from: Peacock, A., 'Keynes and the Role of the State', in D. Crabtree and A.P. Thirlwall (eds), *Keynes and the Role of the State: The Tenth Keynes Seminar held at the University of Kent at Canterbury, 1991* (Basingstoke and New York, 1993), pp.3-32.

³ Concurrently, self-declared 'Anti-Keynesians' launched spirited attacks against *The General Theory* in German newspapers. Contemporary observers concluded 'that findings that have become common knowledge among all economists [...] outside the German-speaking area cannot yet be taken for granted [in Germany]' (Schneider, E., 'Der Streit Um Keynes: Dichtung Und Wahrheit in Der Neueren Deutschen Keynes-Diskussion', *Jahrbücher Für Nationalökonomie Und Statistik*, 165/2/3 (1953), pp.89f.). All translations from German into English are my own.

⁴ This term was coined to describe the intellectual differences between Germany and France during the Eurozone-crisis. Brunnermeier, M.K., James, H. and Landau, J.-P., *The Euro and the Battle of Ideas* (Princeton, 2016).

⁵ Varoufakis, Y., *And the weak suffer what they must? Europe, austerity and the threat to global stability* (London 2016), p.xi.

⁶ In the 1960s, Schäuble wrote his doctoral thesis in Freiburg under the supervision of Fritz Rittner, a state-sceptical professor of economic law. Schierit, M., 'Gut Instincts: The World According to Wolfgang Schäuble', *Die Zeit* (09.10.2015), <https://www.zeit.de/wirtschaft/2015-10/economics-wolfgang-schaeuble-point-of-view-austerity-policy> (12.12.2016).

explained by a delayed adoption of Keynesianism,⁷ by a late reception of Monetarism,⁸ by the fear of a Weimar-style hyperinflation kept alive through the Bundesbank,⁹ by the ideas of cameralism growing out of the Thirty Years War,¹⁰ by the particular interests arising from Germany's export-oriented economic strategy,¹¹ or by the influence of a rule-based ordoliberal doctrine.¹² This article tests the last of the aforementioned hypotheses, which regained journalistic and scholarly prominence in the aftermath of the Eurozone-crisis.¹³ For instance, Münchau divided German economists into two groups – 'those that have not read Keynes, and those that have not understood Keynes' – and traced their lack of macroeconomic knowledge to Ordoliberalism: 'Today the government is ordoliberal. The opposition is ordoliberal. The universities teach ordoliberal economics. In the meantime, macroeconomics in Germany and elsewhere are tantamount to parallel universes.'¹⁴ This introduction outlines Ordoliberalism's beginnings, points towards its legal and normative elements, summarises the argument of Germany's current critics that motivates this article, justifies the chosen case study and methodological mix, and closes by mapping out the structure of the analysis.

Starting with Allen's article, proponents of the underdevelopment thesis have argued that modern (i.e. Keynesian) economic policy was not applied earlier in Germany since Ordolib-

⁷ Allen, C., 'The Underdevelopment of Keynesianism in the Federal Republic of Germany', in P. Hall (ed), *The Political Power of Economic Ideas* (Princeton, 1989), pp.263-90.

⁸ Janssen, H., *Milton Friedman und die "monetaristische Revolution" in Deutschland* (Marburg, 2006).

⁹ Mee, S., 'Monetary mythology: the West German central bank and historical narratives, 1948-78' (D.Phil. thesis, University of Oxford, 2016); Abelshauser, W., *Des Kaisers neue Kleider? Wandlungen der Sozialen Marktwirtschaft* (München, 2009); Stern, F., *Fünf Deutschland und ein Leben* (München, 2010).

¹⁰ Münkler, H., *Der Dreißigjährige Krieg: Europäische Katastrophe, deutsches Trauma 1618–1648* (Berlin, 2017); Piper, N., 'Wie der Dreißigjährige Krieg die deutsche Wirtschaft bis heute prägt', *Süddeutsche Zeitung* (29.12.2017), <http://www.sueddeutsche.de/wirtschaft/wirtschaftsgeschichte-wie-der-dreissigjaehrigerkrieg-die-deutsche-wirtschaft-bis-heute-praegt-1.3809028> (29.01.2018).

¹¹ Burda, M.C., 'German macroeconomics or German macroeconomists?', in G. Bratsiotis and D. Cobham (eds), *German Macro: How It's Different and Why That Matters* (Policy File, 2016), pp.20-8; Beck, U., *German Europe* (Cambridge, 2013), p.43; Dyson, K., 'Norman's Lament: The Greek and Euro Area Crisis in Historical Perspective', *New Political Economy*, 15/4 (2010), pp.597-608.

¹² Young, B., 'German Ordoliberalism as Agenda Setter for the Euro Crisis: Myth Trumps Reality', *Journal of Contemporary European Studies*, 22/3 (2014), pp.276-87; Biebricher, T., 'Europe and the political philosophy of neoliberalism', *Contemporary Political Theory*, 12/4 (2013), pp.338-49; van Esch, F., 'Exploring the Keynesian-Ordoliberal Divide: Flexibility and Convergence in French and German Leaders' Economic Ideas During the Euro-Crisis', *Journal of Contemporary European Studies*, 22/3 (2014), pp.288-302; van Esch, F., 'Why Germany Wanted EMU. The Role of Helmut Kohl's Belief-System and the Fall of the Berlin Wall', *German Politics*, 21/1 (2012), pp.34-52; Blyth, M., *Austerity: The History of a Dangerous Idea* (Oxford, 2013); Hall, P., 'The Economics and Politics of the Euro-Crisis', *German Politics*, 21/4 (2012), pp.355-71; Dullien, S. and Guérot, U., 'The Long Shadow of Ordoliberalism: Germany's Approach to the Euro-Crisis', *European Council on Foreign Affairs Policy Brief*, 49 (2012), pp.1-16; Meiers, F.-J., *Germany's Role in the Euro Crisis: Berlin's Quest for a More Perfect Monetary Union* (Heidelberg, 2015).

¹³ Most prominently through NYT's Paul Krugman and FT's Martin Wolf.

¹⁴ Münchau, W., 'The wacky economics of Germany's parallel universe', *Financial Times* (16 November 2014). General lack of Keynesian thinking discussed in: Skidelsky, R., *Keynes: The Return of the Master* (London, 2010).

eralism had distinctively shaped the country's economic model during the *Wirtschaftswunder*.¹⁵ The term refers to a school of economic thought that had emerged precisely in the city where Peacock would have his 'curious incident' and where Schäuble would undertake his studies: Freiburg. During the 1930s, this city hosted a group of protestant economists and lawyers, who combined ideas about economic organisation with aspects of social philosophy, politics, and religion (the so-called 'Freiburg School').¹⁶ Their discussion revolved around a specific notion of *Ordo* (Latin for order), which they related to a country's 'economic constitution.'¹⁷ To this day, the identically named German journal *ORDO* is the major forum for ordoliberal thinking. Conventionally, Ordoliberalism is portrayed as a reaction both to the consequences of 19th century laissez-faire and subsequent totalitarian fiscal and monetary interventionism.¹⁸ Ordoliberals concluded that liberalism had to be reformulated to provide a 'third way' between those two extremes, emphasising strong competition laws, stable money, and credible regulation.

A publication series called 'The Economic Order' (1936), jointly edited by the economist Walter Eucken and the law scholars Franz Böhm and Hans Großmann-Doerth, marked Ordoliberalism's public start.¹⁹ Additional Freiburg members were Leonhard Miksch, Friedrich Lutz, Hans Gestrich, Fritz Meyer, Karl Maier, and Edith Eucken-Erdsieck. Although Eucken's home constituted the 'intellectual and political centre,'²⁰ Ordoliberalism was no unified doctrine with fixed organisational links, but rather an intellectual network of close-minded individuals.²¹ Several non-Freiburg economists contributed to ordoliberal theory, most importantly Wilhelm Röpke and Alexander Rüstow, who escaped the Third Reich and provided the socio-cultural underpinnings of Ordoliberalism.²² By contrast, both Ludwig Erhard and Alfred Müller-Armack represented a more interventionist, practice-oriented approach that

¹⁵ Allen, 'Underdevelopment'.

¹⁶ Goldschmidt, N. and Wohlgemuth, M., 'Entstehung und Vermächtnis der Freiburger Tradition der Ordnungsökonomik', in N. Goldschmidt, N. and M. Wohlgemuth (eds), *Grundtexte zur Freiburger Tradition der Ordnungsökonomik* (Tübingen, 2008), pp.1-16.

¹⁷ Contemporary scholars preferred the term 'Neoliberalism' instead of 'Ordoliberalism,' arguing that the latter is 'probably unfamiliar to most American readers.' Oliver, H., 'German Neoliberalism', *The Quarterly Journal of Economics*, 74/1 (1960), p.117.

¹⁸ Tooze, A., *The Wages of Destruction* (London, 2002).

¹⁹ Vanberg, V., 'The Freiburg School: Walter Eucken and Ordoliberalism', *Freiburg Discussion Papers on Constitutional Economics*, 04/11 (2011).

²⁰ Oswalt, W., 'Gegen die Macht der Monopole', *Die Zeit* (18 January 1991).

²¹ Bönker, F., Labrousse, A. and Weisz, J.-D., 'The Evolution of Ordoliberalism in the Light of the Ordo Yearbook: A Bibliometric Analysis', in A. Labrousse and J.-D. Weisz (eds), *Institutional Economics in France and Germany* (Heidelberg, 2001), pp.162-4.

²² Johnson, D., 'Exiles and Half-exiles: Wilhelm Röpke, Alexander Rüstow and Walter Eucken', in A. Peacock and H. Willgerodt (eds), *German Neo-Liberals, and the Social Market Economy* (London, 1989), pp.55ff.

went beyond ordoliberal social policies.²³ Therefore, their vision of a social market economy with ‘prosperity for all’ is kept conceptually apart from Ordoliberalism.²⁴

Ordoliberals share the belief that their envisioned competition system will enable freedom, just as ‘the rule of law [*Rechtsstaat*] limits the free activity of the individual through the sphere of freedom of the other,’²⁵ as Eucken once noted. This comparison with the sphere of law is not accidental. Law assumes a key role in ordoliberal thought.²⁶ Eucken considered law and economics to be interdependent orders²⁷ and the formal concept of law underlying his ideas stemmed from Kant.²⁸ In addition, both Böhm and Großmann-Doerth were well-known legal experts. By complementing the economic perspective with legal-constitutional considerations, Böhm introduced the concept of a ‘private law society’ (*Privatrechtsgesellschaft*), whose general, open and distinct rules have to be universally²⁹ enforced to limit private power formation and to protect the individual from interference by other agents, including the state.³⁰ Böhm’s principles of private law represent the legal dimension of Ordoliberalism analogous to the role played by Eucken’s ‘complete competition’ (*vollständige Konkurrenz*) concept within Ordoliberalism’s economic dimension.³¹

Contrary to some depictions of Ordoliberalism as a technocratic ideology interested only in increasing efficiency and economic growth, the first generation of Ordoliberals held strong cultural and religious beliefs that went ‘beyond supply and demand’³² and that shaped their legal principles. For instance, normative elements inherent in ordoliberal theory include the

²³ Nolte, P., *Die Ordnung der deutschen Gesellschaft. Selbstentwurf und Selbstbeschreibung im 20. Jahrhundert* (München, 2000), pp.296-8.

²⁴ Kullessa, J.L.-v. and Renner, A., ‘Die Soziale Marktwirtschaft Alfred Müller-Armacks und der Ordoliberalismus der Freiburger Schule: Zur Unvereinbarkeit zweier Staatsauffassungen’, *ORDO*, 49 (1998), pp.79-104.

²⁵ Eucken, W., *Grundsätze der Wirtschaftspolitik* (Tübingen, 1952), p.250.

²⁶ Hien, J. and Joerges, C., ‘Dead man walking? Current European interest in the ordoliberal tradition’, *European Law Journal*, 24 (2018), p.144.

²⁷ Three of his constitutive principles (*Privateigentum, Vertragsfreiheit, Haftung*) are legal principles.

²⁸ Karsten, S., ‘Eucken’s ‘Social Market Economy’ and Its Test in Post-War West Germany: The Economist as Social Philosopher Developed Ideas That Paralleled Progressive Thought in America’, *The American Journal of Economics and Sociology*, 44/2 (1985), p.172.

²⁹ In this context, universality means ‘that the rules are known by everybody, that they apply to everybody and in all circumstances. Economically, this triple characteristic of the universality or rules guarantees stability of the agents’ expectations and so diminishes their transaction costs.’ Broyer, S., ‘German Contemporary Analyses of the Economic Order: Standard Ordnungstheorie, Ordoliberalism and Ordnungsökonomik in Perspective’, in Labrousse and Weisz, *Institutional Economics*, p.122.

³⁰ Böhm, F., ‘Privatrechtsgesellschaft und Marktwirtschaft’, *ORDO*, 17 (1966), pp.75-151.

³¹ Tumler, J., ‘Franz Böhm and the Development of Economic-constitutional Analysis’, in Peacock and Willgerodt, *Neo-liberals*, p. 133.

³² As the title of Röpke’s book suggests: Röpke, W., *Jenseits von Angebot und Nachfrage* (Zürich and Stuttgart, 1958).

focus on small and medium-sized enterprises,³³ the references to German Protestantism,³⁴ and the political-economic narrative that aims to outlaw any positions of power. Following the concept of multi-normativity, historical research can grasp these normative elements in their isolated ideal-typical appearance and address the conflicts that result from these norms in the sphere of economic policy.³⁵

Despite this interdisciplinary and normative nature of Ordoliberalism, the function of law in ordoliberal theory and policy has been largely neglected in current debates.³⁶ By providing a detailed analysis of Ordoliberalism's key arguments and their impact on Germany's post-war economic policy, this article aims to address this research gap. Moreover, by discussing major legal and economic reforms on both national- and EU-level that have shaped Germany's economic development over the last decades and by assessing their respective proximity to ordoliberal thought, this article hopes to encourage a broader debate on the legal dimension of Ordoliberalism. Finally, the article introduces a novel quantitative perspective (discussed in more detail below) that allows to capture empirically which ordoliberal topics have mattered the most, thereby directing the legal-historical debate to the most relevant elements of ordoliberal thought.

Following the Eurozone-crisis, scholars linked Ordoliberalism with Germany's rule-based approach to economic policy centring on austerity, export-led growth and price stability.³⁷ For instance, Bofinger locates the 'long shadow of Walter Eucken' in the current German macroeconomic policy paradigm.³⁸ While an international academic consensus view regarding the crisis' causes soon stressed the build-up of large current account imbalances and inadequate crisis management,³⁹ both German academics⁴⁰ and German political leaders⁴¹

³³ Montalban, M., Ramirez-Perez, S., and Smith, A., 'EU Competition Policy Revisited: Economic Doctrines Within European Political Work', *Cahiers du GREThA*, 33 (2011), p.9.

³⁴ Goldschmidt, N., 'Christlicher Glaube, Wirtschaftstheorie und Praxisbezug. Walter Eucken und die Anlage 4 der Denkschrift des Freiburger Bonhoeffer-Kreises', *Historisch-Politische Mitteilungen*, 5 (1998), pp.33-48.

³⁵ While so-called 'legal pluralism' deals with the relationship of different legal rights to each other, the term 'multi-normativity' indicates the deliberate extension of the focus to other normativities that are not necessarily understood as law. Duve, T., 'Was ist Multinormativität? – Einführende Bemerkungen', *Rechtsgeschichte – Legal History*, 25 (2017), pp.88-101.

³⁶ This has been emphasised recently by: Hien and Joerges, 'Dead man walking', p. 145.

³⁷ Dullien and Guérot, 'Shadow'; Blyth, *Austerity*, p.141; Young, 'Agenda'; Biebricher, 'Europe'; Hall, 'Euro Crisis'.

³⁸ Bofinger, P., 'German macroeconomics: the long shadow of Walter Eucken', in Bratsiotis and Cobham, *German Macro*, pp.8-19.

³⁹ See articles in Baldwin, R. and Giavazzi, F. (eds), *The Eurozone Crisis. A Consensus View of the Causes and a Few Possible Solutions* (London, 2015). In an expert survey on Germany's trade surplus, more than two-thirds of the 67 respondents agreed that German surpluses are a 'threat to the Eurozone.' CFM and CEPR, 'German Current Account Surpluses', *October 2016 expert survey* (12 October 2016), <http://cfmsurvey.org/surveys/german-current-account-surpluses> (12.03.2017).

⁴⁰ Sinn, H.-W., *Der Euro: Von der Friedensidee zum Zankapfel* (München, 2015).

⁴¹ van Esch, 'Divide'.

advocated fiscal discipline. Essentially, German elites framed the crisis as a moral story consisting of ‘Northern saints’ and ‘Southern sinners.’⁴² The ‘clash of minds’⁴³ between Mario Draghi, president of the ECB, and Jens Weidmann, who heads Germany’s Bundesbank, is the most prominent example of this broader ‘battle of ideas.’⁴⁴ The resulting ‘decoupling of Germany from the rest of the world’⁴⁵ culminated in two volumes of essays with the telling titles ‘German macro: how it’s different and why that matters’⁴⁶ and ‘Ordoliberalism: A German oddity?’⁴⁷ This evokes Eichengreen’s finding that competing conceptual frameworks prevented policymakers from reaching a common understanding of their economic problem during the Great Depression.⁴⁸

Did and does such a paradigmatic divide between German and foreign economists actually exist?⁴⁹ In order to provide a more nuanced and dynamic view of the (alleged?) German distinctiveness, this article analyses the extent to which representative German economists adhered to an ideal type Ordoliberalism over time. There are good reasons for studying what influential economists think and whether there is consensus among them. On a structural level, the dialectical relationship between national institutions and the production of economic knowledge⁵⁰ as well as the influence of history-driven social norms can lead to different interpretations of the same information.⁵¹ On a personal level, economists’ frequent reliance on narratives implies that their worldview shapes how they argue.⁵² Empirical studies confirm strong effects of beliefs on policy recommendations⁵³ and observe ‘ideological iden-

⁴² Fourcade, M., Steiner, P., Streeck, W. and Woll, C., ‘Moral Categories in the Financial Crisis’, *Socio-Economic Review*, 11/3 (2013), pp.601-27.

⁴³ Trecek, J., ‘Mario and Jens don’t kiss but make up’, *Politico* (9 May 2017), <https://www.politico.eu/article/mario-and-jens-dont-kiss-but-make-up/> (03.04.2018).

⁴⁴ Brunnermeier et al., *Battle*.

⁴⁵ Sebastian Dullien, quoted in: Anonymous, ‘Of rules and order: Germany and economics’, *The Economist* (9 May 2015), pp.46-7.

⁴⁶ Bratsiotis and Cobham, *German Macro*.

⁴⁷ Beck, T. and Kotz, H.-H. (eds), *Ordoliberalism: A German oddity?* (London, 2017).

⁴⁸ Eichengreen, B.J., *Golden fetters: the gold standard and the Great Depression, 1919-1939* (New York and Oxford, 1992), p.10.

⁴⁹ Similar critique: van Esch, ‘Divide’.

⁵⁰ Fourcade, M., *Economists and societies: Discipline and profession in the United States, Britain, and France, 1890s to 1990s* (Princeton and Oxford, 2009).

⁵¹ Acemoglu, D. and Jackson, M., ‘History, Expectations, and Leadership in the Evolution of Social Norms’, *The Review of Economic Studies*, 82/2 (2015), pp.423-56.

⁵² McCloskey, D., *The rhetoric of economics* (Brighton, 1985).

⁵³ Frey, B., Pommerehne, W., Schneider, F. and Gilbert, G., ‘Consensus and Dissension among Economists: An Empirical Inquiry’, *The American Economic Review*, 74/5 (1984), pp.986-94. German economists who studied in the US often differ in their views: Schneider, F., Pommerehne, W. and Frey, B.S., ‘Relata referimus: Ergebnisse und Analyse einer Befragung deutscher Ökonomen’, *Journal of Institutional and Theoretical Economics*, 139/1 (1983), pp.19-66.

tities' of economic policy research institutes.⁵⁴ With respect to the Eurozone-crisis, analysts agree that 'from the beginning the problem has basically been "what does Germany think?"'⁵⁵

This article focuses on economic policy advice since a distinctive German economic framework is most likely to be found in this field rather than in the fields of (more pragmatic) politics or (more international) academia. Regarding politics, scholars usually agree that the German government gradually adopted a pragmatic attitude during the Eurozone-crisis,⁵⁶ particularly highlighting the European Stability Mechanism and the acceptance of unconventional monetary policy as deviations from Ordoliberalism.⁵⁷ Regarding academia, Hesse convincingly shows that Ordoliberalism was largely replaced by US-style neoclassical synthesis soon after the war.⁵⁸ Symptomatically, ordoliberal ideas played only a minor role in the post-war 'German Economic Association'.⁵⁹ However, one needs to distinguish between intellectual developments in academia and more application-oriented economic policy advice. Hesse suggests that the latter remained to be dominated by ordoliberal expertise.⁶⁰ Likewise, Brunnermeier et al. note that Ordoliberalism survived in think tanks, newspapers and certain economic research institutes.⁶¹ A recent study argues that political foundations helped to popularise ordoliberal thought during the *Wirtschaftswunder*.⁶² Based on these considerations, the German Council of Economic Experts (GCEE) is used as a case study to assess the importance of Ordoliberalism in the thinking of German economists, proxied by the council's annual reports (*Jahresgutachten*, JG). By analysing these reports over time (1964-2017), it is possible to test whether German economic policy advice has been following a 'special path.'

To cope with the sheer volume of 54 reports, a statistical text mining technique called Topic Modelling is applied to identify and quantify the main 'topics' discussed by the GCEE.

⁵⁴ Ngo, H.Q., Potrafke, N., Riem, M., and Schinke, C., 'Ideology and Dissent among Economists: The Joint Economic Forecast of German Economic Research Institutes', *Eastern Econ Journal*, 44/1 (2018), p.148.

⁵⁵ Guiso, L., Herrera, H. and Morelli, M., 'Cultural Differences and Institutional Integration', *Journal of International Economics*, 99 (2016), p.111.

⁵⁶ Meiers, *Role*, pp.35f.; Jabko, N., 'Re-problematizing Neoliberalism', *Contemporary Political Theory*, 12/4 (2013), p.363; Beck, *Europe*, p.49.

⁵⁷ Feld, L., Köhler, E. and Nientiedt, D., 'Ordoliberalism, Pragmatism and the Eurozone Crisis: How the German Tradition Shaped Economic Policy in Europe', *Freiburg Discussionpapers on Constitutional Economics*, 15/04 (2015).

⁵⁸ Hesse, J.-O., 'The "Americanisation" of West German economics after the Second World War: Success, failure, or something completely different?', *Euro. J. History of Economic Thought*, 19/1 (2012), pp.67-98; Hesse, J.-O., *Wirtschaft als Wissenschaft. Die Volkswirtschaftslehre in der frühen Bundesrepublik* (Frankfurt a.M., 2010). Similar: Burda, M., 'Ordnungsökonomik or Teutonomik?', in Beck and Kotz, *Oddity*, pp.53-62.

⁵⁹ Schefold, B., 'Wissenschaft als Gegengabe. Neugründung und Aktivitäten des Theoretischen Ausschusses im Verein für Socialpolitik von 1949 – 1973', *Schmollers Jahrbuch*, 123/4 (2004), pp.579-608.

⁶⁰ Hesse, 'Americanisation', p.71.

⁶¹ Brunnermeier et al., *Battle*.

⁶² Wieringa, M., 'Ordoliberalism Between Theory And Practice. A Research into the Role of Scientific Bureaus of Political Parties as Mediators of Exchange between Ordoliberal Theory and Practice in Germany and the Netherlands in the Postwar Period' (Unpublished Master Thesis, Nijmegen, 2016).

Topic Models are algorithms for discovering the main themes that pervade a large and unstructured corpus of documents without previous labelling.⁶³ Topic Modelling allows for semantic flexibility that is crucial in an economics context – common words such as ‘rate’ can belong to a topic about inflation (‘inflation rate’) or unemployment (labour ‘participation rate’).⁶⁴ By complementing qualitative arguments with quantitative text data (Topic Model and word frequencies), ‘cherry-picking’ of a few quotes related to ordoliberal ideas is avoided.

In sum, my contribution to the growing literature on Ordoliberalism⁶⁵ takes the form of a case study about the GCEE, whose historiography lacks a comprehensive, longitudinal evaluation of its JGs. By complementing a detailed qualitative analysis of the council’s argumentation with methodologically well-grounded measures about the relative prevalence of ordoliberal ideas and their evolution over time, it will become clear that Ordoliberalism has had no permanently visible influence on the GCEE, but has been frequently re-activated during times of crisis that called for guidance by ordoliberal narratives.

The remainder of this article is structured as follows. Chapter 2 provides the necessary background: the first section operationalises the ‘essentially contested concept’ Ordoliberalism via a list of six distinctive topics, the second section bridges the gap between these topics’ theoretical formulation and the publication of the first *Jahresgutachten* by reflecting on Ordoliberalism’s influence during Germany’s economic miracle. Chapter 3 introduces the case study by characterising the GCEE and the previous literature, presents both primary sources and Topic Modelling, and discusses the resulting quantitative evidence. Spread over four distinctive periods, chapter 4 presents complementary qualitative evidence by analysing the JGs against the six ordoliberal topics. Chapter 5 takes a long-term perspective on the combined results and provides a Narrative Economics framework to explain the observed pattern. Chapter 6 concludes.

⁶³ Intuitive introductions: Blei, D., ‘Probabilistic Topic Models’, *Communications of the ACM*, 55/4 (2012), pp.77-84; Underwood, T., ‘Topic modeling made just simple enough’, *The Stone and the Shell* (Blog entry, 7 April 2012), <https://tedunderwood.com/2012/04/07/topic-modeling-made-just-simple-enough/> (04.04.2018).

⁶⁴ Bholat, D., Hansen, S., Santos, P. and Schonhardt-Bailey, C., ‘Text mining for central banks: handbook’, *Centre for Central Banking Studies*, 33 (2015), p.11.

⁶⁵ Overview: Biebricher, T., ‘The Return of Ordoliberalism in Europe - Notes on a Research Agenda’, *i-lex*, 21 (2014), pp.1-24.

2. Background: Definition and Historical Context

2.1 How to Define an ‘Essentially Contested Concept’?

Three Fields of Ordoliberal Policy

During recent discussions on the Eurozone-crisis, Ordoliberalism has become a journalistic and academic catchphrase. The term’s wide usage is facilitated by the lack of an accepted definition. Already Oliver complains that ordoliberal ‘teachings’ do not constitute ‘a completely standardized product,’ adding that ‘disagreement [...] is not rare.’⁶⁶ Similarly, a recent dissertation analysing the foundations of Ordoliberalism concludes that the latter is not a ‘coherent system’ due to its large ‘number of internal contradictions, ambivalences and antinomies.’⁶⁷ Since a ‘consistent overall agenda’ of Ordoliberalism is missing,⁶⁸ subsequent scholars tended to associate the term with multiple underlying concepts.

Such a situation, in which users of a concept engage in ‘endless disputes’ about its ‘proper uses,’ is often explained by referring to Gallie’s notion of *essentially contested concepts*.⁶⁹ Classic examples are democracy, justice, and war.⁷⁰ Ordoliberalism shares many attributes with these ‘contested concepts,’ whose normative character, multidimensional nature, and openness to modification generate substantial debate over their meaning and proper application.⁷¹ Boas/Gans-Morse show that it is beneficial to differentiate between usages of a contested concept by analysing Neoliberalism, which can describe a set of policies, a development model, an ideology, or an academic paradigm.⁷²

This differentiation can be applied to Ordoliberalism. Most commonly, the term refers to a set of economic policies, which are usually derived from Eucken’s works.⁷³ Secondly, Ordoliberalism can be understood as a comprehensive development strategy that fights for and actively constructs order.⁷⁴ Thirdly, Ordoliberalism regards the market as a means of

⁶⁶ Oliver, ‘Neoliberalism’, p.117.

⁶⁷ Wörsdörfer, M., ‘Die normativen und wirtschaftsethischen Grundlagen des Ordoliberalismus’ (D.Phil. thesis, Johann Wolfgang Goethe-University Frankfurt, 2011), p.302.

⁶⁸ Ptak, R., *Vom Ordoliberalismus zur Sozialen Marktwirtschaft: Stationen des Neoliberalismus in Deutschland* (Wiesbaden, 2004), p.204.

⁶⁹ Gallie, W.B., ‘Essentially contested concepts’, *Proceedings of the Aristotelian Society*, 56 (1956), pp.167-98.

⁷⁰ Collier, D., Hidalgo, F. and Maciuceanu, A., ‘Essentially contested concepts: Debates and applications’, *Journal of Political Ideologies*, 11/3 (2006), pp.211-46.

⁷¹ Ordoliberalism fulfills Gallie’s criteria: (I) appraisive character, (II) internal complexity, (III) diverse descriptability, (IV) openness, (V) reciprocal recognition of their contested character, (VI) original exemplar, (VII) progressive competition.

⁷² Boas, T. and Gans-Morse, J., ‘Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan’, *Studies in Comparative International Development*, 44/2 (2009), pp.137-61.

⁷³ Eucken, *Grundsätze*; Eucken, W., *Die Grundlagen der Nationalökonomie* (Jena, 1939).

⁷⁴ Bonefeld, W., ‘Freedom and the Strong State: On German Ordoliberalism’, *New Political Economy*, 17/5 (2012), p.636.

ensuring liberal outcomes in all departments of life⁷⁵ and therefore possesses ‘normative-political components.’⁷⁶ Fourthly, Ordoliberalism as academic paradigm can be characterised as a rule-oriented science⁷⁷ that attempts to ‘create empirically sound knowledge about the characteristics of economic orders.’⁷⁸

In line with the design of this case study on German economic policy advice, it is straightforward to focus on the first dimension and to define Ordoliberalism as a *set of policies*. The following set of policies should be understood neither as unified representation of ordoliberal theory nor as reformulation of Ordoliberalism against the background of modern economics,⁷⁹ but rather as collection of distinctive topics that help to identify whether later generations of German economists were influenced by ordoliberal ideas. From an extensive reading of both primary and secondary literature, three key fields of ordoliberal economic policy emerge: i) competitive markets, ii) stable money, and iii) (international) regulation. The first two fields of policy are regularly mentioned in introductory texts on Ordoliberalism.⁸⁰ Policy recommendations regarding (international) regulation were added due to this field’s increased significance in an era of economic ‘open door’-policies⁸¹ and due to Ordoliberalism’s current portrayal as rule-based doctrine. In line with this selection, a bibliometric study has shown that post-war ordoliberal research has focused on competition policy, monetary policy, and regulation. The same study also justifies the omission of fiscal policy, which was found to be the ‘single most striking gap in ordoliberal policy debates.’⁸² Likewise, theoretical analysis regarding social policy hardly existed in the initial ordoliberal framework,⁸³ probably because social policy was primarily understood as *Ordnungspolitik*.⁸⁴

To facilitate the qualitative analysis, two characteristic topics (TOP) are assigned to each policy field. Similar approaches were recently applied by Wolter, who derives 21 ‘key statements’ of the ‘Neoliberal catechism’ from the secondary literature and then analyses German

⁷⁵ Sally, R., *Classical Liberalism and International Economic Order: Studies in Theory and Intellectual History* (London, 1998), p.106.

⁷⁶ Wohlgemuth, M., ‘The Present Relevance of Ordnungstheorie for the Politics and the Economics of the Social Order’, in Labrousse and Weisz, *Institutional Economics*, p.204.

⁷⁷ Miettinen, T., ‘Let Law Rule: Ordoliberalism and Europe’s Economic Constitution’ (Power Point Presentation, University of Jyväskylä, 09.03.2017), <https://blogs.helsinki.fi/betweenlawandpolitics/files/2017/03/Let-Law-Rule.ppt> (04.04.2018).

⁷⁸ Wohlgemuth, ‘Ordnungstheorie’, p.211.

⁷⁹ As proposed by: van Suntum, U., Böhm, T., Oelgemöller, J. and Ilgmannvan, C., ‘Walter Eucken’s principles of economic policy today’, *CAWM Discussion Papers*, 49 (2011); Broyer, ‘Order’.

⁸⁰ Peacock, A. and Willgerodt, H., ‘Overall View of the German Liberal Movement’, in Peacock and Willgerodt, *Neo-Liberals*, pp.1-15; Oliver, ‘Neoliberalism’.

⁸¹ Zeiler, T.W., ‘Offene Türen in der Weltwirtschaft’, in A. Iriye and J. Osterhammel (eds), *Geschichte der Welt: 1945 bis heute: Die globalisierte Welt* (München, 2013), pp.183-356.

⁸² Bönker et al., ‘Evolution’, p.173.

⁸³ Möller, H., ‘Zur Theorie und Politik der Wirtschaftsordnung’, *Kieler Vorträge gehalten am Institut für Weltwirtschaft*, 99 (1983), p.19.

⁸⁴ Sally, *Liberalism*, p.122.

newspapers against this theoretical background,⁸⁵ and by Wieringa, who studies the role of scientific bureaus of political parties by comparing their publications with ordoliberal ideas.⁸⁶

i) *Competitive Markets*

‘The central focus of Ordoliberalism’s theoretical grounding,’ writes Ptak, ‘is on the competition system.’⁸⁷ This was due to Germany’s tradition of corporate, cartel-like structures that had originated in the Bismarck period⁸⁸ and became dominant in the Third Reich.⁸⁹ As a civil servant, Böhm observed how state and law tolerated the power of cartels,⁹⁰ whose number in Germany was estimated at 2,500 in 1925.⁹¹ According to Ordoliberals, the Weimar period illustrated that lack of political control leads to the replacement of ‘performance-competition’ (*Leistungswettbewerb*) with ‘prevention-competition’ (*Behinderungswettbewerb*). ‘Predatory measures’ like boycotts, price discrimination and cartels had enabled the degeneration of markets, legal orders, and the political sphere.⁹² With their negative effects on economic efficiency, income distribution and stability, monopolies were perceived as being at the heart of this development. Therefore, Ordoliberals envisioned a thoroughly competitive economy that would limit the power of vested interests.

Foremost, this required a *strong state* (TOP 1), ‘a state above the economy, above the interests – there where it belongs in the interests of a liberal economic policy.’⁹³ Protected from rent-seeking, the strong state has policy and legal functions ‘that are hardly simple or minimal,’⁹⁴ foremost ensuring ‘complete competition’ (*vollständige Konkurrenz*). This conception should not be equated with ‘an all-knowing, all-powerful guardian of all economic activity.’⁹⁵ Explicitly rejecting Hegel’s philosophy, which credited the state with an authoritarian ‘value in itself,’⁹⁶ Eucken followed the Enlightenment tradition by envisioning a state

⁸⁵ Wolter, P., *Neoliberale Denkfiguren in der Presse: Wie ein Wirtschaftskonzept die Meinungshoheit eroberte* (Marburg, 2016).

⁸⁶ Wieringa, ‘Ordoliberalism’.

⁸⁷ Ptak, *Stationen*, p.290.

⁸⁸ Barry, N.P., ‘Political and Economic Thought of German Neo-Liberals’, in Peacock and Willgerodt, *Neo-Liberals*, p.110.

⁸⁹ Ritschl, A., ‘Der Späte Fluch Des Dritten Reichs: Pfadabhängigkeiten in Der Entstehung Der Bundesdeutschen Wirtschaftsordnung’, *Perspektiven Der Wirtschaftspolitik*, 6/2 (2005), p.165.

⁹⁰ Sally, ‘Germany’, p.244.

⁹¹ Leipold, H., ‘The Contribution of Neoliberal Ordnungstheorie to Transformation Policy’, in Labrousse and Weisz, *Institutional Economics*, p.335.

⁹² Sally, R., ‘Ordoliberalism and the social market: Classical political economy from Germany’, *New Political Economy*, 1/2 (1996), p.237.

⁹³ Rüstow, A., ‘Liberal intervention’, in Ludwig Erhard Stiftung (ed), *Standard Texts on the Social Market Economy: Two Centuries of Discussion* (Stuttgart, 1982), p.185.

⁹⁴ Sally, *Liberalism*, p.126.

⁹⁵ Quoted in: Wohlgemuth, ‘Ordnungstheorie’, p.209.

⁹⁶ Unpublished letter, quoted in: Oswalt, W., ‘Die falschen Freunde der offenen Gesellschaft’, in W. Eucken, *Wirtschaftsmacht und Wirtschaftsordnung: Londoner Vorträge zur Wirtschaftspolitik und zwei Beiträge zur Antimonopolpolitik* (Münster, 2001), p.93, n.14.

that should only intervene until the desired order was reached.⁹⁷ Overall, this limited state secures economic freedom by removing private power from the economy.⁹⁸

The strong state's typical means is *antimonopoly policy* (TOP 2), which is the most original ordoliberal policy recommendation.⁹⁹ Röpke called a radical antimonopoly policy the 'essence' of the competition order,¹⁰⁰ Eucken listed antitrust policy as regulative principle, and Böhm complemented the economic perspective with legal-constitutional considerations.¹⁰¹ Ordoliberals demanded an independent 'monopoly supervision agency' (*Monopolaufsicht*) and reforms in the areas of corporation law, tax law and patent law.¹⁰² As ultima ratio, the state should specify a competition price if market competition was insufficient or failed completely (Miksch's *As-If-Theorem*).¹⁰³ These recommendations were derived from a neoclassical competition model, in which supply and demand clear at equilibrium prices that in turn equal marginal cost.¹⁰⁴ When everyone is a price-taker, Ordoliberals reasoned, power becomes trivial. Consequently, they almost necessarily criticise many real world markets, while their grounding in neoclassical theory provides them with an intuitive model of markets and clear guidelines for designing economic policy.¹⁰⁵

ii) Stable Money

As is evident from Eucken's first two constitutive principles – functioning price system and primacy of monetary order – *price stability* (TOP 3) is a top priority to ensure that prices remain a reliable indicator of scarcity and that individual planning is not distorted by monetary phenomena.¹⁰⁶ Both 'open' inflation as well as 'repressed' inflation, that is freezing prices and forcefully expanding the money supply, have to be avoided under any circumstances.¹⁰⁷ Ordoliberals were again inspired by German experiences, namely the German hyperinflation of the 1920s, the Great Depression, and the suppressed inflation of the late 1930s.¹⁰⁸

Analogous to the 'rule of law' within the economy, an automatic mechanism governing the supply of money should protect individuals from 'arbitrary' interventions (which are

⁹⁷ Broyer, 'Order', p.108; Möschel, W., 'Competition Policy from an Ordo Point of View', in Peacock and Willgerodt, *Neo-Liberals*, p.152.

⁹⁸ Bonefeld, 'State'.

⁹⁹ Peacock and Willgerodt, 'View', p.9.

¹⁰⁰ Röpke, W., *Civitas Humana* (Erlenbach-Zürich, 1944), p.75.

¹⁰¹ Wörsdörfer, 'Grundlagen', pp.40-4.

¹⁰² Eucken, W., 'Die Wettbewerbsordnung und ihre Verwirklichung', *ORDO*, 2 (1949), p.68.

¹⁰³ Berndt, A. and Goldschmidt, N., 'Wettbewerb als Aufgabe. Leonhard Mikschs Beitrag zur Ordnungstheorie und -politik', *ORDO*, 51 (2000), pp.33-74; Hesse, *Wissenschaft*, p.356.

¹⁰⁴ Oliver, 'Neoliberalism', p.132.

¹⁰⁵ Bönker, F. and Wagener, H.-J., 'Hayek and Eucken on the State and Market Economy', in Labrousse and Weisz, *Institutional Economics*, p.188.

¹⁰⁶ Broyer, 'Order', p.111.

¹⁰⁷ Sally, 'Germany', p.239.

¹⁰⁸ Nicholls, A., 'The other Germany - the 'Neo-Liberals'', in R. Bullen and H. Pogge (eds), *Ideas into Politics, Aspects of European History 1880-1950* (London, 1984), p.168, Bernholz, P., 'Ordo-liberals and the Control of the Money Supply', in Peacock and Willgerodt, *Neo-Liberals*, p.192.

likely to favour politically powerful groups) and from discretionary monetary policy (with its tendency towards ‘cheap money’). Although it is debatable if ordoliberal theory accepts central bank independence as an appropriate regulatory mechanism,¹⁰⁹ a strong *preference for rule-based behaviour* (TOP 4) clearly prevailed.¹¹⁰ Ordoliberals’ fundamental reasoning can be interpreted in terms of game theory: without binding rules, time inconsistent decisions and lack of reliability lead to myopic behaviour, which damages welfare in the long-run.¹¹¹

iii) (International) Regulation

So far, the discussion of ordoliberal policies operated within a closed economy framework. This was by no means an accident – of the very few Ordoliberals who address questions of international regulation, Röpke alone developed a comprehensive international political economy.¹¹² Opposed to the liberalism ‘from above’ of neoliberal institutionalism, his liberalism ‘from below’ focused on the domestic preconditions of international order rather than international policy coordination.¹¹³ Distrusting protectionism, exchange controls, and international organisations, Röpke advocated an internationalism that ‘should begin at home,’ meaning unilateral, example-setting liberalisation.¹¹⁴ This reflects Eucken’s modelling of economic orders, namely that the composition of an economic system (household, nation, Eurozone) has to start bottom-up, from the elementary (microeconomic) forms to the aggregated (macroeconomic) level.¹¹⁵

This theoretical reasoning inspired ‘spirited attacks’¹¹⁶ on mainstream development economics since Ordo-supporting regulation was deemed to be the most suitable strategy not only for advanced, but also for ‘underdeveloped’ countries.¹¹⁷ Given that intergovernmental cooperation would enable political cartels and bureaucratic expansion while avoiding political accountability and market discipline, national politicians should implement regulative reforms as prerequisite for international order. These reforms include the constitutionally established ‘rule of law,’ vigorous market competition, and (paternalistic) stabilisation policies.¹¹⁸ Tellingly, modern Ordoliberals equate the ‘Freiburg imperative’ with the institution-

¹⁰⁹ Bibow, J., ‘On the origin and rise of central bank independence in West Germany’, *Euro. J. History of Economic Thought*, 16/1 (2009), pp.155-90; Bibow, J., ‘At the crossroads: the euro and its central bank guardian (and saviour?)’, *Cambridge Journal of Economics*, 37 (2013), pp.609-26.

¹¹⁰ Vanberg, V., ‘Ordnungspolitik, the Freiburg School and the Reason of Rules’, *Freiburg Discussion Papers on Constitutional Economics*, 14/01 (2014).

¹¹¹ Van Suntum et al., ‘Principles’, p.17.

¹¹² Gregg, S., *Wilhelm Röpke’s Political Economy* (Cheltenham, 2010).

¹¹³ Sally, *Liberalism*, p.132.

¹¹⁴ Röpke, W., *International Economic Disintegration* (London, 1942).

¹¹⁵ Weisz, J.-D., ‘A Systemic Perception of Eucken’s Foundations of Economics’, in Labrousse and Weisz, *Institutional Economics*, pp.144-7.

¹¹⁶ Curzon, G., ‘International Economic Order: Contribution of Ordo-liberals’, in Peacock and Willgerodt, *Neo-Liberals*, p.187.

¹¹⁷ Leipold, ‘Transformation’.

¹¹⁸ Oliver, ‘Neoliberalism’, pp.133f.

al aspects of the ‘Washington consensus.’¹¹⁹ In short, Ordoliberals recommend *unilateral, ‘example-setting’ action and domestic structural reforms* to promote worldwide liberalisation (TOP 5).

Röpke predicted that the European customs union would end up in an inefficient political compromise between countries with diverging policies and heterogeneous characteristics. Echoing Eucken’s third constitutive principle, he preferred an ‘*open integration*’-approach (TOP 6), meaning the creation of a free trade area that obliges governments to comply with certain rules, without transferring sovereignty to supranational institutions or discriminating against third countries.¹²⁰ For Ordoliberals, implementing regulation that opens markets and borders is the only reliable way to evaluate the efficiency of domestic production.¹²¹ Of course, this free trade dimension is contained in Adam Smith and David Ricardo, but the originality of Ordoliberalism lies in its search of the regulative underpinnings.¹²² Röpke simply transferred the ordoliberal principles of decentralisation and subsidiarity to the international level.

Field of Economic Policy	Competition Policy	Monetary Policy	Regulation Policy
Narrative Imperative	Secure economic freedom by removing private power from the economy	Avoid inflation under any circumstances	Promote international order that begins with regulation ‘at home’
Theoretical Background	‘Complete competition’ framework	Proto-Monetarism (& historical experience)	‘Liberalism from below’
Topics	Strong state (TOP1)	Price stability (TOP3)	Unilateral liberalising action & structural reforms (TOP5)
	Antimonopoly policy (TOP2)	Preference for rule-based behaviour (TOP4)	‘Open integration’ approach (TOP6)
Important Proponents	Eucken Böhm Miksch	Eucken	Röpke

Table 1: Ordoliberalism as Set of Economic Policies.

In conclusion, for Ordoliberalism as ‘essentially contested concept’ to be of analytic value, its historical richness and the different economic policies emerging from this variety have to be transparently operationalised. Table 1 summarises the three key fields of economic policy identified above, together with their respective narrative imperative, theoretical background,

¹¹⁹ Wohlgemuth, ‘Ordnungstheorie’, p.228.

¹²⁰ Sally, *Liberalism*, pp.144f; Breker, O., ‘Ordoliberalismus – Soziale Marktwirtschaft – Europäische Integration. Entwicklungslinien einer problematischen Beziehung’, in T. Sandkühler et al. (eds), *Europäische Integration: Deutsche Hegemonialpolitik gegenüber Westeuropa 1920-1960* (Göttingen, 2002), pp.99-126.

¹²¹ Leipold, ‘Transformation’, p.337.

¹²² Curzon, ‘International Order’, p.180.

distinctive topics and ordoliberal proponents. This list of ordoliberal ideas will be used as a benchmark when analysing the GCEE's reports. A prevalence of competition policy, monetary policy, or regulation will be interpreted as *positive* evidence for an ordoliberal legacy. Analogously, lack of concern for policy fields that are absent or negatively connoted in the ordoliberal framework, such as fiscal policy, social policy, and industrial-technological policy, constitutes *negative* evidence for Ordoliberalism's influence.

2.2 Ordoliberal Period (1945-63): Rise, Peak, and Decline of an Economic Idea?

On a theoretical level, economic ideas usually follow the typical innovation-cycle of adoption, peak, and decline.¹²³ This provides a useful heuristic for conceptualising the initial diffusion of ordoliberal ideas on a practical level, that is Ordoliberalism's influence on economic policy before the GCEE published its first report. This sub-chapter identifies several factors that led to Ordoliberalism's prominence following WWII, describes the school's accelerating impact with a potential peak in 1957, and notes several signs that suggest a subsequent decline. The following two chapters will analyse quantitatively and qualitatively whether this decline has been of a lasting nature or not.

'In contrast to the English,' writes Krause, 'German economists were not able to agree on a single, approximately standardised doctrine until the end of the war.'¹²⁴ The plurality of economic thought between 1933-45 is illustrated by Figure 1, with the four main trends being the historical-holistic strand, the historical-neoclassical synthesis, the individualistic-neoclassical strand (including Ordoliberalism), and macroeconomic and monetary research.¹²⁵ This diffuse situation continued into the early years of the FRG, with German economics still being a complex mix of Keynesian, (Ordo)liberal, historicist and socialist theory components.¹²⁶ Political actors communicated conflicting economic ideas.¹²⁷ Given this unclear intellectual situation, which had been aggravated by the instrumentalisation of sciences during

¹²³ Bjork, S., Offer, A. and Söderberg, G., 'Time Series Citation Data: The Nobel Prize in Economics', *Scientometrics*, 98/1 (2014), p.190; Shiller, R., 'Narrative Economics', *The American Economic Review*, 107/4 (2017), p.982.

¹²⁴ Krause, Werner, 'Zur Entwicklung der bürgerlichen politischen Ökonomie in Deutschland bis 1945', in H. Meißner (ed), *Bürgerliche Ökonomie des Kapitalismus. Ideologische und praktische Bedeutung der west-deutschen Wirtschaftstheorie* (Berlin, 1967), p.47.

¹²⁵ Rieter, H. and Schmolz, M., 'The ideas of German Ordoliberalism 1938-45: pointing the way to a new economic order', *The European Journal of the History of Economic Thought*, 1/1 (1993), p.90.

¹²⁶ Hesse, *Wissenschaft*, pp.288-303.

¹²⁷ Glossner, C.L., *Making of the German Post-war Economy: Political Communication and Public Reception of the Social Market Economy After World War Two* (London, 2010).

the Third Reich and the emigration of young and innovative economists,¹²⁸ why was it precisely Ordoliberalism that became politically influential?

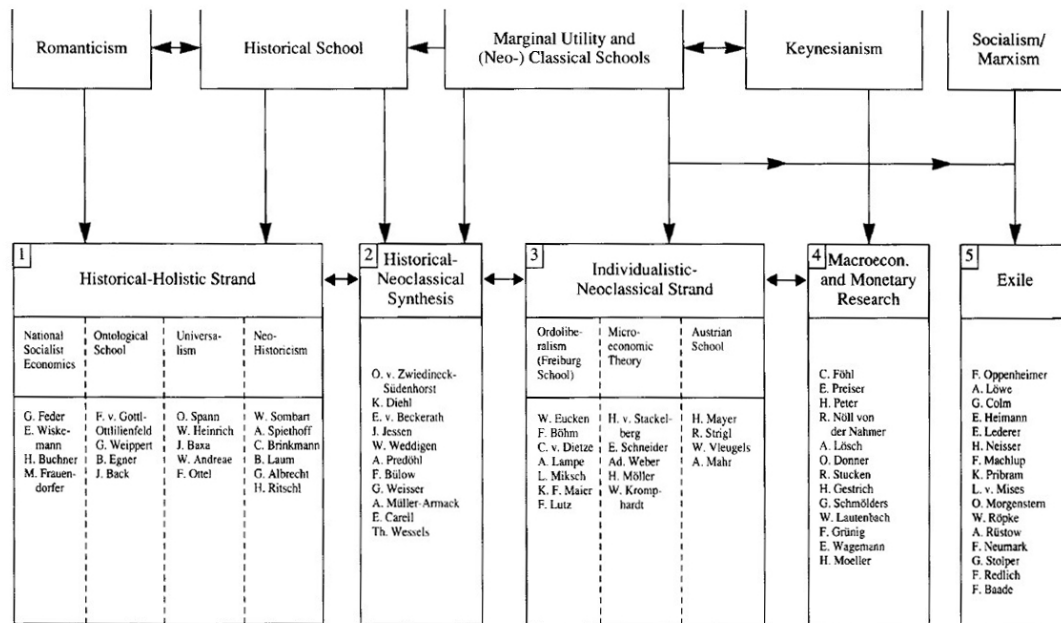


Figure 1: German Economists, 1933-45. Source: Rieter and Schmolz, 'Ideas', p.90.

There are several reasons why Ordoliberalism became 'the local economic instruction sheet for economic policy.'¹²⁹ With their dislike of both collectivistic experiments and monopolies, Ordoliberals were able to argue successfully in accordance with contemporary anti-communist and anti-capitalist sentiments.¹³⁰ Many Freiburg members occupied key positions in the post-war government, most prominently on the advisory boards attached to federal ministries.¹³¹ While Böhm became a member of the federal parliament, Röpke influenced the West German economic debate from Switzerland.¹³² In 1954, the *Walter-Eucken-Institute* was founded in Freiburg, forming a reservoir of experts who would later be recruited to po-

¹²⁸ Krohn, C.-D., *Wissenschaft Im Exil: Deutsche Sozial- Und Wirtschaftswissenschaftler in Den USA Und Die New School for Social Research* (Frankfurt a.M. and New York, 1987).

¹²⁹ Blyth, *Austerity*, ch.5.

¹³⁰ Ambrosius, G., *Die Durchsetzung Der Sozialen Marktwirtschaft in Westdeutschland 1945-1949* (Stuttgart, 1977), p.14; Ptak, *Stationen*, pp.201ff.

¹³¹ Gerber, D., 'Constitutionalizing the Economy: German Neo-liberalism, Competition Law and the "New" Europe', *The American Journal of Comparative Law*, 42/1 (1994), p.59.

¹³² Sally, 'Germany', p.250; Gregg, *Röpke's Economy*, p.8.

litically relevant positions.¹³³ The media, especially the *Frankfurter Allgemeine Zeitung*,¹³⁴ and company-funded mass advertisement also supported the Ordoliberals.¹³⁵ Lastly, they benefited from a sort of ‘institutionally induced restauration,’ meaning that a true modernisation of the discipline was only possible in the 1960s when older professors were replaced by a new generation.¹³⁶

As the diffusion of ordoliberal ideas accelerated, an ‘open access economic order’ began to emerge.¹³⁷ The enactment of both the ‘guiding principles law’ (*Leitsatzgesetz*) and the currency-reform in June 1948 are conventionally seen as the initial impulse for Germany’s economic success story¹³⁸ – and both are consistent with Ordoliberalism’s primacy of the monetary order. The *Leitsatzgesetz*, authored by Eucken disciple Miksch,¹³⁹ established the principle that free market and market prices should be given priority over price administration. Simultaneously, introducing a new currency ‘miraculously’ made the (previously stored) goods return into the shops overnight and succeeded in returning price stability to the German economic order, thereby establishing a long-standing myth.¹⁴⁰ The fact that corporations profited more from the currency reform than most households¹⁴¹ complied with the recommendations of Ordoliberals.¹⁴² Likewise, the reluctance of Erhard’s advisers and Germany’s provisional central bank towards credit expansion and employment programs during a stagnant episode in 1949-50 resembled the ordoliberal fear of inflationary financing, resulting in American experts attesting the Germans ‘a certain amount of amateurishness’ in economic questions.¹⁴³ The international regulatory sphere developed in line with Röpke’s ‘open integration’-framework: Germany adopted most-favoured nation treatment (1948-49)

¹³³ Ptak, *Stationen*, pp.259f.

¹³⁴ Kutzner, M., ‘Das Wirtschaftsressort der Frankfurter Allgemeinen Zeitung und die Medialisierung der Wirtschaftspolitik in den 1950er Jahren’, *Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte*, 101 (2014), pp.488-99.

¹³⁵ Schindelbeck, D. and Ilgen, V., „Haste was, biste was!“ *Werbung für die Soziale Marktwirtschaft* (Darmstadt, 1999).

¹³⁶ Hesse, *Wissenschaft*, p.48.

¹³⁷ Webb, S., ‘Becoming an open democratic capitalist society: a two-century historical perspective on Germany’s evolving political economy’, *Constitutional Political Economy*, 26 (2015), p.35.

¹³⁸ Möschel, ‘Competition’, p.145; Friedman, M. and Friedman, R.D., *Two Lucky People: Memoirs* (Chicago, 1999), p.160; Nicholls, ‘Neo-Liberals’, pp.173f.

¹³⁹ Berndt and Goldschmidt, ‘Wettbewerb’, pp.37f.

¹⁴⁰ Abelshauser, W., *Deutsche Wirtschaftsgeschichte: Von 1945 bis zur Gegenwart* (München, 2011), p.126.

¹⁴¹ Hesse, J.-O., ‘On the Stability of Open Access Orders: The Federal Republic of Germany since the 1960s’, *Constitutional Political Economy*, 26/1 (2015), p.91.

¹⁴² Report of the *Arbeitsgemeinschaft Erwin von Beckerath* (1946), quoted in: Ptak, *Stationen*, p.144.

¹⁴³ Abelshauser, *Wirtschaftsgeschichte*, p.146.

and introduced a regime of low tariff rates (1950-51).¹⁴⁴ The ordoliberal influence on the emergence of West Germany's economic order is well documented.¹⁴⁵

Following the 'Korea boom,' self-sustained growth started in mid-1952 and lasted until the mid-1960s, thereby giving the *Wirtschaftswunder* period its name. Apparently, ordoliberal policies had reactivated the dynamic of the pre-1914 golden liberal age, and with war-related restrictions gradually fading out, the FRG could push more actively towards a fundamental 'liberalisation' of the West German society.¹⁴⁶ With the convertibility of the German mark, the foundation of the European Economic Community (EEC), the erection of the Bundesbank and the enactment of the anti-cartel law, the year 1957 marked this development's peak. By defining the status of the Bundesbank as autonomous, the 'Bundesbank Act' implemented ordoliberal preferences regarding monetary policy¹⁴⁷ and significantly influenced public opinion, which henceforth equated economic progress with a tight grip on credit supply.¹⁴⁸ Similarly, the 'Law Against Restraints in Competition' for the first time legally banned cartels that had been traditionally supported by German law and politics. Especially in comparison with other European states, German anti-monopoly policy was advanced by that time.¹⁴⁹ Regarding the EEC, the assessment is mixed. On the one hand, Ordoliberals considered the British FTA project with its emphasis on free markets and intergovernmental institutions to be more in line with their views than the EEC with its 'semi-federal and semi-liberal features.'¹⁵⁰ On the other hand, the Treaty of Rome ensured an ordoliberal foundation of European competition law and strengthened the Council vis-a-vis the Commission.¹⁵¹

Several signs suggest a decline in Ordoliberalism's political importance towards the end of the 1950s. The increasing promotion of Erhard's social market economy significantly modified Ordoliberals' intentions, allowing for more interventions, active business cycle policy, and welfare policy measures.¹⁵² Significant examples are the 1952 investment aid act, which

¹⁴⁴ Welfens, P., 'German Unification and Systemic Transition: Towards a New German Economic Miracle?', *Acta Oeconomica*, 44/1 (1992), pp.127f.

¹⁴⁵ Nicholls, A., *Freedom with Responsibility – The Social Market Economy in Germany, 1918 – 1963* (Oxford, 1994), ch.4-10; Oberender, P., 'Der Einfluß ordnungstheoretischer Prinzipien Walter Euckens auf die deutsche Wirtschaftspolitik nach dem zweiten Weltkrieg: Eine ordnungspolitische Analyse', *ORDO*, 40 (1989), pp.321-50; Grosseckler, H., 'On designing an economic order. The contributions of the Freiburg School', in D. Walker (ed), *Perspectives on the History of Economic Thought, Volume II* (Aldershot, 1989), pp.38-84.

¹⁴⁶ Ptak, *Stationen*, p.265; Abelshauser, *Wirtschaftsgeschichte*, p.285.

¹⁴⁷ Kloten, N., *Der Staat in der Sozialen Marktwirtschaft* (Tübingen, 1986), p.30.

¹⁴⁸ Peacock and Willgerodt, 'View', p.9.

¹⁴⁹ Hesse, 'Stability', p.92.

¹⁵⁰ Warloutzet, L., 'De Gaulle as a Father of Europe: The Unpredictability of the FTA's Failure and the EEC's Success (1956–58)', *Contemporary European History*, 20/4 (2011), p.423.

¹⁵¹ Breker, 'Integration', pp.122f.

¹⁵² Van Suntum et al., 'Principles', p.8.

financially and intellectually reactivated support for large, cartel-like corporations,¹⁵³ and Adenauer's 1957 pension reform, which developed the welfare state beyond ordoliberal conceptions.¹⁵⁴ Ordoliberal ideas regarding international regulation were frustrated by post-war circumstances: Other countries fearing an 'under-employment equilibrium' refused to give up controls over the balance of payments and the internal price structure,¹⁵⁵ and Ordoliberals gradually had to accept that autonomous economic policies of other countries precluded a return to the gold standard.¹⁵⁶ Even apparent ordoliberal victories like the cartel act were gradually to be seen in a new light.¹⁵⁷ Despite generally prohibiting cartels, the law allowed manufacturers to apply for the permission to erect a cartel – the Federal Cartels Office granted hundreds of such exemptions in subsequent years.¹⁵⁸ Ordoliberals started to criticise that only half of the economic activity in the FRG was covered by the cartel act.¹⁵⁹

This bell-shaped diffusion narrative supports the notion that Ordoliberalism was influential in West Germany in the late 1940s and 1950s, but became 'somewhat *demodée* from the 1960s onwards.'¹⁶⁰ However, external factors, for instance receiving a Nobel prize, can reactivate the political and intellectual influence of economic ideas.¹⁶¹ Following Ordoliberalism's initial innovation-cycle described above, there might have been subsequent 'external shocks' triggering new life-cycles of Eucken's policy recommendations. To test whether Ordoliberalism became indeed *demodée* or regained influence during the following decades, a sample of representative German economists and a method to analyse their writings are needed. Both will be introduced in the following chapter.

¹⁵³ Abelshauser, *Wirtschaftsgeschichte*, p.163; Oswalt, 'Freunde', p.141.

¹⁵⁴ Ptak, *Stationen*, pp.278f.

¹⁵⁵ Peacock and Willgerodt, 'View', p.9.

¹⁵⁶ Bernholz, 'Money', p.208.

¹⁵⁷ Möschel, W., 'Die Unabhängigkeit des Bundeskartellamtes', *ORDO*, 48 (1997), pp.241-52.

¹⁵⁸ Hesse, 'Stability', pp.92f.

¹⁵⁹ Gröner, H. and Knorr, A., 'Soziale Marktwirtschaft zwischen wettbewerbspolitischem Imperativ und interventionistischer Pragmatik', in D. Cassel (ed), *50 Jahre Soziale Marktwirtschaft* (Stuttgart, 1998), p.212.

¹⁶⁰ Sally, 'Germany', p.233; similar: Wohlgemuth, 'Ordnungstheorie'.

¹⁶¹ Bjork et al., 'Nobel Prize', pp.190f.; Söderberg, G., Offer, A., and Bjork, S., 'Hayek's citations and the Nobel Prize in economics', in R. Neeson (ed), *Hayek: A collaborative biography* (New York, 2013), pp.61-70.

3. Case Study: The Annual Reports of the German Council of Economic Experts

3.1 The ‘Five Wise Men.’ Characteristics and Literature

The GCEE was set up by Ludwig Erhard in 1963 during an era characterised as ‘brief Keynesian experiment.’¹⁶² As an independent institution, it was expected to inform and educate the public by introducing a ‘new scientific style of debate’¹⁶³ and balance different economic interests. Consisting of five economics professors with different fields of expertise, the GCEE examines the development of the economy and devises economic policy-making possibilities. Three council members are nominated on the strength of their academic record; one member is nominated in consultation with the trade unions; and one member in consultation with the employers’ association. Each council member can submit a minority vote. Conceptually, the GCEE can be regarded as a ‘typical interface between science and politics,’ which synchronises the respective knowledge of science and politics through mechanisms of knowledge exchange.¹⁶⁴

The GCEE is not only the best-known, but also the best researched institution of policy advice in Germany. Historians and legal experts have re-constructed the institutional development of the council. Helmstädter, Nützenadel and Blesgen describe the council’s prehistory;¹⁶⁵ Kämper summarises legal foundations and tasks;¹⁶⁶ Hirte/Otsch show the increase in market-radical members over time;¹⁶⁷ and both Cornelius¹⁶⁸ and Wallich¹⁶⁹ compare the GCEE’s institutional features with the American Council of Economic Advisers. Political scientists and economic historians have considered the effectiveness of the council’s advice.

¹⁶² Ullmann, H.-P., ‘Die Expansionskoalition: Akteure und Aktionen in der bundesdeutschen Finanz- und Schuldenpolitik der 1970er Jahre’, *Geschichte und Gesellschaft*, 41/3 (2015), p.406.

¹⁶³ Tietmeyer, H., ‘Ein Beitrag zum “neuen Stil” Sachverständigenrat: Möglichkeiten und Grenzen eines Versuchs’, *Der Volkswirt*, 17/40 (1963), pp.2282-4.

¹⁶⁴ Schanetzky, T., *Die große Ernüchterung. Wirtschaftspolitik, Expertise und Gesellschaft in der Bundesrepublik 1966 bis 1982* (Berlin, 2007), p.17.

¹⁶⁵ Helmstädter, E., ‘Die Vorgeschichte des Sachverständigenrates und ihre Lehren’, in V. Nienhaus and U. van Suntum (eds), *Grundlagen und Erneuerung der Marktwirtschaft, Festschrift für Hans Besters* (Baden-Baden, 1988), pp.155-184; Nützenadel, A., ‘Wissenschaftliche Politikberatung in der Bundesrepublik, Die Gründung des Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Lage 1963’, *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 89/3 (2002), pp.288-306; Blesgen, D., *Erich Preiser, Wirken und wirtschaftspolitische Wirkungen eines deutschen Nationalökonom* (Heidelberg, 2000), pp.588-610.

¹⁶⁶ Kämper, N., *Der Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Aufgaben und Rechtsstellung* (Berlin, 1989).

¹⁶⁷ Hirte, K. and Otsch, W., ‘Institutionelle Verfestigung von paradigmatischer Ausrichtung - Das Beispiel Sachverständigenrat’, *PROKLA*, 41/164/3 (2011), pp.423-46.

¹⁶⁸ Cornelius, P., ‘Economic Advice from the Inside or the Outside: Does the Institutional Setting Matter?’, *European Journal of Political Economy*, 6 (1990), pp.415-28.

¹⁶⁹ Wallich, H., ‘The American Council of Economic Advisers and the German Sachverständigenrat, A Study in the Economics of Advice’, *Quarterly Journal of Economics*, 82 (1968), pp.349-79.

Strätling, focusing on statements about the employment situation, finds that the council's argumentation increasingly formed a conglomeration of tendency statements and individual theoretical approaches;¹⁷⁰ Arnold detects an increasing 'politicisation' of the GCEE;¹⁷¹ Meißner concludes that the GCEE never considered the possibility of a more planned economic policy;¹⁷² Schanetzky, analysing the 'Konzertierte Aktion,' shows that the practical influence of advice remained limited even in cases of success;¹⁷³ Hesse finds little impact on competition and monetary policy of the Economic Ministry;¹⁷⁴ and Cassel, based on a New Institutional Economics perspective, criticises the GCEE's advice as ineffective.¹⁷⁵ More generally, the GCEE has been embedded into histories of an increasing 'scientification'¹⁷⁶ and into depictions of the 1960s/1970s as periods of transition.¹⁷⁷ Especially the last decade experienced growing interest in the emergence of an 'expert culture.'¹⁷⁸ Schanetzky notes that most literature avoids dealing with the concrete contents produced by institutions of economic policy advice.¹⁷⁹ In sum, the literature lacks a comprehensive, longitudinal evaluation of the council's policy recommendations. On this basis, Topic Modelling can be a valuable method to structure and to understand the vast amount of semantic data produced by the GCEE.

3.2 How to Summarise 21,936 Pages? Topic Modelling

The key empirical challenge in this article is to capture the thematic discourses that characterised the thinking of the GCEE over several decades. The first part of this sub-chapter in-

¹⁷⁰ Strätling, A., *Sachverständiger Rat im Wandel, Der theoretische Argumentationshintergrund des Sachverständigenrats zur Begutachtung der gesamtwirtschaftlichen Entwicklung zur Beschäftigungspolitik von 1964-1999* (Marburg, 2001).

¹⁷¹ Arnold, L., *Unabhängige Wirtschaftspolitik. Wissenschaftliche Politikberatung seit 1968 am Beispiel der Fünf Wirtschaftsweisen* (Wiesbaden, 2010).

¹⁷² Meißner, W., *Die Lehre der fünf Weisen. Eine Auseinandersetzung mit den Jahresgutachten des Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Entwicklung* (Köln, 1980), p.164.

¹⁷³ Schanetzky, T., 'Sachverständiger Rat und Konzertierte Aktion: Staat, Gesellschaft und wissenschaftliche Expertise in der bundesrepublikanischen Wirtschaftspolitik', *Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte*, 91/3 (2004), pp.310-31.

¹⁷⁴ Hesse, J.-O., 'Wissenschaftliche Beratung der Wirtschaftspolitik', in W. Abelshauser (ed), *Das Bundeswirtschaftsministerium in der Ära der Sozialen Marktwirtschaft, Wirtschaftspolitik in Deutschland 1917-1990* (Vol.4, Berlin and Boston, 2016), pp.390-481.

¹⁷⁵ Cassel, S., *Politikberatung und Politikerberatung: Eine Institutionenökonomische Analyse der wissenschaftlichen Beratung der Wirtschaftspolitik* (Bern, Stuttgart and Wien, 2001).

¹⁷⁶ Raphael, L., 'Die Verwissenschaftlichung des Sozialen als methodische und konzeptionelle Herausforderung für eine Sozialgeschichte des 20. Jahrhunderts', *Geschichte und Gesellschaft*, 22 (1996), pp.165-93.

¹⁷⁷ Metzler, G., 'Am Ende aller Krisen? Politisches Denken und Handeln in der Bundesrepublik der sechziger Jahre', *Historische Zeitschrift*, 275/1 (2002), pp.57-103.

¹⁷⁸ Nützenadel, A., *Stunde der Ökonomen. Wissenschaft, Politik und Expertenkultur in der Bundesrepublik 1949-1974* (Göttingen, 2005), ch.VI; Schanetzky, *Ernüchterung*.

¹⁷⁹ Schanetzky, *Ernüchterung*, p.14.

roduces and pre-processes the chosen corpus; the second part explains the intuition behind Topic Modelling and the specificities of the particular model applied in this article, and the third part explains and classifies the resulting outputs.

The first step in text mining is to define the corpus. Taking the whole set of *Jahresgutachten* as source for analysing German economic thought deviates from a typical random-selection-sampling strategy, but has several advantages. Foremost, the GCEE's reports are representative statements since they display, unless specified, a consensus view of diverse economists. Additional economists, mainly from the Federal Statistical Office, but also from well-known research institutes and the Bundesbank, are involved in the reports' preparation. Moreover, annual reports are authoritative statements of economic opinion with high media attention ensuring quick popularisation of the council members' opinions.¹⁸⁰ They cover a wide range of themes, thereby forming a 'set of key central statements.'¹⁸¹ Annual reports have been published every year in November, which implies that changes over time can be coherently studied. The corpus comprises the 54 annual reports of the GCEE published between 1964-2017, that is 21,936 pages in total. The reports were downloaded from the official digital archive of the German parliament.¹⁸²

The next step is to transform the corpus into a format suitable for text mining. Using optical character recognition software (*FineReader*), a plain text (txt) file was generated from each report. All parts not relevant for the analysis, such as recurring headers, tables and figures, were removed. Every misrecognition by the software was corrected manually. The final corpus consists of the respective paragraphs of each report, which contain all policy prescriptions by the council and are therefore the appropriate unit of analysis given Ordoliberalism's conceptualisation as a set of policies. The corpus is *tokenised*, meaning that these paragraphs are represented as a list of words, numbers, punctuation, and related symbols.

As suggested by the literature, pre-processing of this corpus was undertaken to reduce the vocabulary to terms that are likely to reveal the underlying content of interest (*vocabulary selection*).¹⁸³ All tokens that are non-alphanumeric, numeric, or whose length is less or equal than two characters were removed. Additionally, a conventional *stop-word* list (list of common words like 'the') was applied.¹⁸⁴ Next, natural language processing modules for the German language were used to perform stemming, which allows inflectional variants

¹⁸⁰ Nützenadel, *Ökonomen*, p.173.

¹⁸¹ Similar to party programs: Klingemann, H.-D., Volkens, A. and Bara, J., 'Manifesto Coding Instructions', in H.-D. Klingemann (ed), *Mapping Policy Preferences II* (Oxford, 2006), p.164.

¹⁸² Digital quality (and thus searchability) of these files was found to be superior to the versions provided on the council's website. Download from: <http://pdok.bundestag.de> (28.11.2017).

¹⁸³ Jordanous, A. and Keller, B., 'Modelling creativity: identifying key components through a corpus-based approach', *PLoS ONE*, 11/10 (2016), pp.11f.

¹⁸⁴ Taken from <http://snowball.tartarus.org/algorithms/english/stop.txt> (09.01.2018). I manually supplement the list with English stop-words and a few data-dependent common words.

of a given word to be identified with their linguistic root form called *stem*.¹⁸⁵ For instance, the algorithm takes the words ‘family’ and ‘families’ as inputs and returns ‘famili’ as output. Each stem was mapped to lower case to ensure that same words were not counted separately. Finally, each stem received a tf-idf (term frequency-inverse document frequency) score, a common measure of informativeness that punishes both rare and frequent words.¹⁸⁶ Based on these scores, the researcher chooses a number *n* such that all stems with a tf-idf value less than or equal to the *n*th ranked stem are dropped, thereby dropping those stems that are least helpful for identifying topics. One can determine the cut-off from exploring the output files or plotting the ranking as done in Figure 2. Both strategies indicate a reasonable cut-off is 30,000.¹⁸⁷ Since many words share the same tf-idf score, the corpus includes 27,080 unique stems after pre-processing.

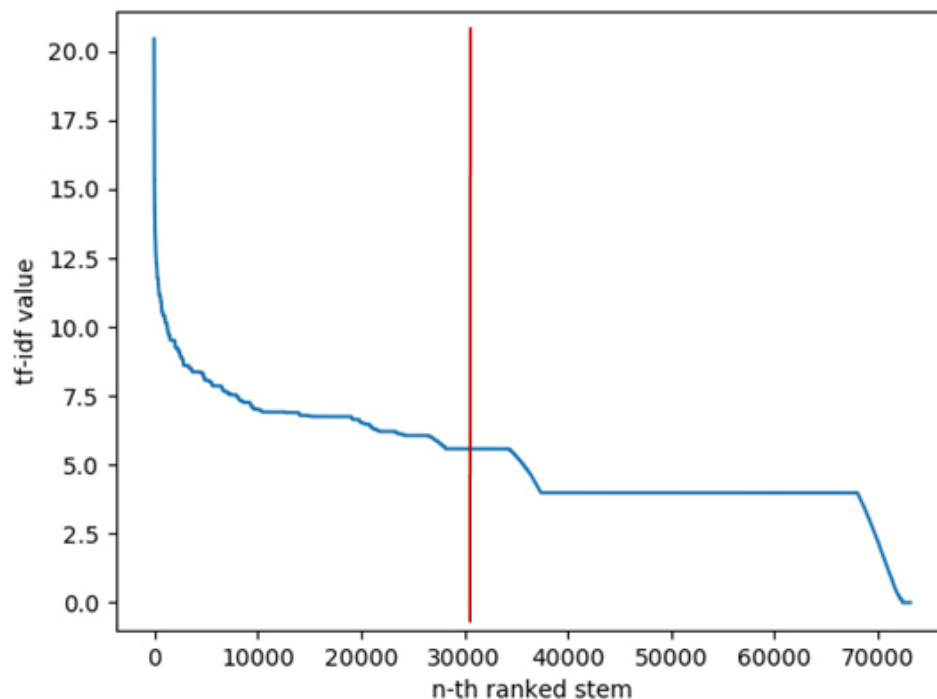


Figure 2: Pre-Processing: Dropping uninformative stems.

These pre-processing steps are common in most text mining research. We now turn to the specific mining method used in this article, Topic Modelling, which was introduced by Blei

¹⁸⁵ German stemming algorithm: <http://snowball.tartarus.org/algorithms/german/stemmer.html> (09.01.2018).

¹⁸⁶ Hansen, McMahon and Prat, ‘FOMC’, p.818.

¹⁸⁷ In line with: Ibid., Figure 1.

et al. in 2003 for information retrieval in computer science and linguistics.¹⁸⁸ The algorithm provides an automated way to segment the corpus' content into a set of 'topics' that are containers of meaningful terms. Its generative process has been described as 'a way of extrapolating backward from a collection of documents to infer the discourses [...] that could have generated them.'¹⁸⁹ The algorithm has been applied to many types of data, including applications in the social sciences such as analyses of press releases,¹⁹⁰ congressional speeches,¹⁹¹ newspaper articles,¹⁹² and transcripts of Federal Open Market Committee meetings.¹⁹³ The closest paper to the following analysis is Ferri et al., who apply Topic Modelling to an accounting history journal to assess the relative prevalence of research areas and their evolution over time.¹⁹⁴ The particular Topic Model used in this article is based on Hansen's 'topic-models module' for implementing Latent Dirichlet Allocation (LDA), which is the most commonly applied Topic Model.¹⁹⁵ His code is adjusted to account for the German language of the *Jahresgutachten* and for changes from Python 2 to Python 3.

LDA is a mixed-membership model, meaning that all documents in the corpus share the same set of topics, but exhibit them in different proportions. As an unsupervised learning algorithm, LDA automatically clusters words into these topics on the basis of repeated co-occurrence. The algorithm initially assigns words to topics randomly and then, in an iterative process, keeps improving the model until it reaches an equilibrium that is as consistent as the corpus allows. Given LDA's nature as probabilistic model, a 'topic' corresponds to a weighted word list that groups the most probable words expressing the same underlying theme. Since LDA produces no meaningful topic labels itself, scholars themselves assign labels. For

¹⁸⁸ Blei, D.M., Ng, A.Y., and Jordan, M.I., 'Latent dirichlet allocation', *Journal of Machine Learning Research*, 3 (2003), pp.993-1022. Statistical background: Murphy, K.P., *Machine Learning: A Probabilistic Perspective: Adaptive Computation and Machine Learning* (Cambridge, MA, 2012), ch.27. Assumptions: Airolidi, E.M., Anderson, A.G., Fienberg, S.E. and Skinner, K.K., 'Who Wrote Ronald Reagan's Radio Addresses?', *Bayesian Analysis*, 1 (2006), pp.289-320.

¹⁸⁹ Underwood, 'Topic modeling'.

¹⁹⁰ Grimmer, J., 'A Bayesian Hierarchical Topic Model for Political Texts: Measuring Expressed Agendas in Senate Press Releases', *Political Analysis*, 18/1 (2010), pp.1-35.

¹⁹¹ Quinn, K., Monroe, B., Colaresi, M., Crespín, M. and Radev, D., 'How to Analyze Political Attention with Minimal Assumptions and Costs', *American Journal of Political Science*, 54/1 (2010), pp.209-28.

¹⁹² Mueller, H. and Rauh, C., 'Reading Between the Lines: Prediction of Political Violence Using Newspaper Text', *American Political Science Review* (2017), pp.1-18.

¹⁹³ Hansen, S., McMahon, M. and Prat, A., 'Transparency and Deliberation Within the FOMC: A Computational Linguistics Approach', *The Quarterly Journal of Economics*, 133/2 (2018), pp.801-70; Hansen, S. and McMahon, M., 'Shocking Language: Understanding the Macroeconomic Effects of Central Bank Communication', *Journal of International Economics*, 99 (2016), pp.114-33.

¹⁹⁴ Ferri, P., Lusiani, M. and Pareschi, L., 'Accounting for Accounting History: A Topic Modeling Approach (1996–2015)', *Accounting History*, 23/1-2 (2018), pp.173-205.

¹⁹⁵ All source code for estimation is available from <https://github.com/sekhansen/text-mining-tutorial> (10.01.2018). Hansen's notebook introduces this module and serves as basis for the following paragraphs: http://nbviewer.jupyter.org/github/sekhansen/text-mining-tutorial/blob/master/tutorial_notebook.ipynb (10.01.2018).

instance, in mining newspaper articles of the *Richmond Daily Dispatch*, Nelson finds a topic with terms like ‘treasury,’ ‘bonds,’ and ‘interest,’ and identifies it with *war bonds*.¹⁹⁶

Before estimating the model, the number of topics (K) has to be selected (*model selection*). Assuming too few topics results in distinct issues being aggregated, whereas too many topics results in several unstable clusters referring to similar themes. The resulting trade-off between goodness-of-fit and interpretability is particularly important in social sciences.¹⁹⁷ As suggested by Grimmer, the number of assumed topics was varied to find a ‘decent middle ground,’¹⁹⁸ finally resulting in $K = 100$ topics. The word-intrusion/topic-intrusion tests designed by Chang et. al.¹⁹⁹ were performed to check whether estimated topics were interpretable. Hansen’s module follows the advice of Griffiths/Stein by automatically setting the hyperparameter of the Dirichlet prior on topics to $200/V$ (where V represents the number of unique vocabulary elements) and the hyperparameter of the Dirichlet prior on document-topic distributions to $50/K$.²⁰⁰

After initialising the model, the topics can be estimated via Gibbs sampling.²⁰¹ To sample, three parameters are set: the number of iterations that the chain ‘burns in’ before sampling, the number of iterations to let the chain run between samples to reduce autocorrelation (thinning interval), and the number of samples to take. Here, the parameters are set to [1500,50,200]: the chain initially runs for 1,500 iterations; then, 200 samples are taken corresponding to the {1550, 1600, ..., 9950, 10000} iterations for a total of 11,500 iterations overall.²⁰² For the first 200 iterations, each iteration’s perplexity score, a common goodness-of-fit measure for LDA, was plotted to verify that the chain converges (Figure 3).²⁰³

¹⁹⁶ Nelson, R.K., ‘Mining the Dispatch’, University of Richmond, <http://dsl.richmond.edu/dispatch/> (16.11.2017).

¹⁹⁷ Hansen, S., ‘Text Mining for Economics and Finance: Latent Dirichlet Allocation’, *Lecture Slides*, <https://sekhansen.github.io/teaching.html> (05.04.2018).

¹⁹⁸ Grimmer, ‘Agendas’, p.12.

¹⁹⁹ Chang, J., Boyd-Graber, J., Wang, C., Gerrish, S. and Blei, D.M., ‘Reading Tea Leaves: How Humans Interpret Topic Models’, *Neural Information Processing Systems* (2009).

²⁰⁰ Griffiths, T.L., and Steyvers, M., ‘Finding scientific topics’, *Proceedings of the National Academy of Sciences*, 101/1 (2004), pp.5228-35.

²⁰¹ Murphy, *Machine Learning*, pp.840-9.

²⁰² Total number of samples = burnin+thinning*samples.

²⁰³ ‘Perplexity’ describes how well a probability model explains data. Lower values suggest better goodness-of-fit.

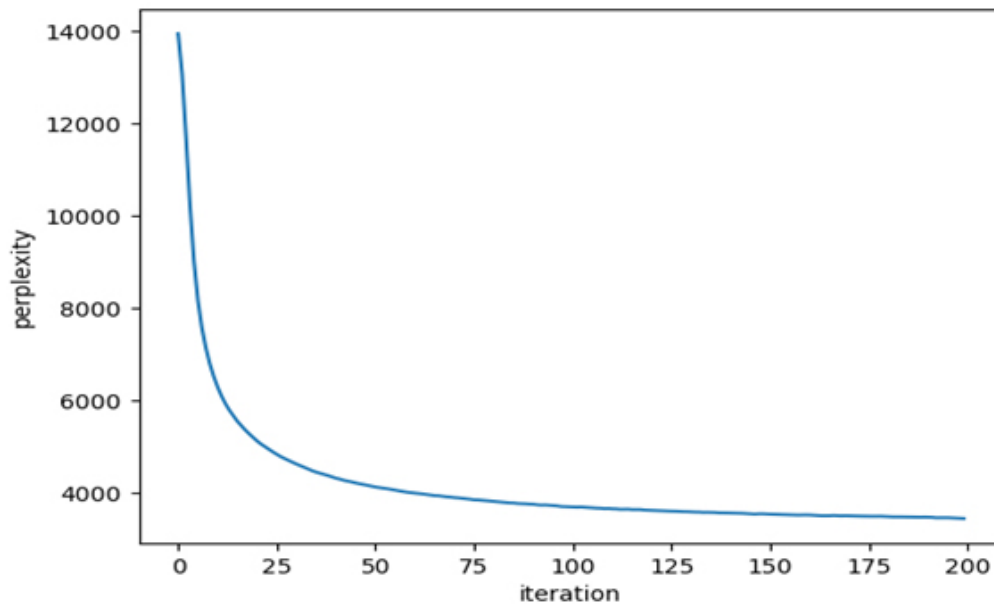


Figure 3: Chain convergence.

By averaging the last 100 samples, the Topic Model generates two outputs.²⁰⁴ The first output are the 100 topics themselves, which are probability distributions over words in form of a list displaying the highest-ranked stems for each topic. Following other scholars, each topic is labelled according to the ten highest-ranked stems.²⁰⁵ Although the later argumentation depends only on mild judgments, all labels are validated by reading the full set of reports. The second output consists of the distribution over topics for every report. These document distributions might suggest, for instance, that a certain report is 0.60 about topic A, 0.15 about topic B etc.

²⁰⁴ Statistical background: Hansen and McMahon, 'Language', pp.116f.

²⁰⁵ Tobback, E., Nardelli, S. and Martens, D., 'Between hawks and doves measuring central bank communication', *ECB Working paper series*, 2085 (2017).

Field	1948-50	1951-60	1961-70	1971-80	1981-90	1991-98	Sum
Competition Policy	3 (33%)	12 (30%)	10 (34%)	14 (33%)	8 (16%)	14 (23%)	61 (26%)
(Sectoral) Regulation	1 (11%)	5 (13%)	10 (34%)	6 (14%)	16 (31%)	17 (28%)	55 (24%)
Monetary Policy (incl. Exchange Rate Policy)	2 (22%)	7 (18%)	7 (24%)	8 (19%)	7 (14%)	4 (7%)	35 (15%)
Social Policy	1 (11%)	6 (15%)	1 (3%)	7 (16%)	5 (10%)	10 (16%)	30 (13%)
Trade Policy	0 (0%)	3 (8%)	0 (0%)	3 (7%)	9 (18%)	5 (8%)	20 (9%)
Fiscal Policy	2 (22%)	6 (15%)	1 (3%)	3 (7%)	1 (2%)	3 (5%)	16 (7%)
Industrial/Technology Policy	0 (0%)	1 (3%)	0 (0%)	2 (5%)	5 (10%)	8 (13%)	16 (7%)
Sum	9	40	29	43	51	61	233

Table 2: ORDO articles on various fields of economic policy, 1948-98. Sources: Bönker et al., *Ordo Yearbook*, Table 5.2 (absolute numbers); own calculations (percentages, rounded).

To infer patterns and periods in the council's reports, all 100 estimated topics are classified according to their associated field of economic policy. This is an established approach in Topic Modelling, whereby 'after a first-order open coding, researchers aggregate codes in higher-order categories of meaning.'²⁰⁶ To have a benchmark against which we can assess the council's proximity to ordoliberal thought, the classification scheme is taken from a bibliometric study that analyses the ORDO-yearbook between 1948-98 (Table 2).²⁰⁷ Using the same categories as this study, each of the 100 topics is allocated to competition policy, regulation, monetary policy, social policy, trade policy, fiscal policy, or industrial/technology policy. The evolution of these categories forms the basis of the quantitative analysis.²⁰⁸

Two adjustments were made to extend Table 2. Firstly, since we have GCEE reports up until 2017, all ORDO articles that were not captured by Bönker et al.'s original study of the ORDO-yearbook (i.e. all articles published between 1999-2016) were manually classified to enable comparisons between GCEE and ORDO-yearbook for the whole period of analysis.²⁰⁹ Secondly, since the GCEE's reports always start with a detailed description of last year's economic development and a forecast for next year's growth rate, the category *overall*

²⁰⁶ Ferri et al., 'Accounting', p.181.

²⁰⁷ Bönker et al., 'Evolution', Table 5.2.

²⁰⁸ A list of all topics estimated by the Topic Model, together with their label, classification and ten most significant words, can be obtained on request from the author.

²⁰⁹ Of the 337 ORDO articles published between 1999-2016, 200 articles could be classified according to their field of economic policy. As in Bönker et al., the remaining biographical (36), theoretical (94) and country-specific (7) articles were excluded from the analysis.

economic development was added for these rather descriptive and statistical parts. This category also functioned as residual category for ambiguous topics and topics that are related to the *act of discussing* economic themes (terms to convey meaning when writing about economics topics and pure conversational terms).²¹⁰ This category was excluded from further analysis.

Before discussing the resulting quantitative evidence in the next sub-chapter, the procedures described above are briefly illustrated using the category *industrial/technology policy* as an example. If we plot the prevalence of this category over time, each of the peaks refers to one or various topics related to industrial/technology policy that were discussed during the respective years (Figure 5). For instance, the 1988 report featured a large chapter dealing with coal subsidies for the Ruhr area and this is well captured by the peak in 1988. When disaggregating the category's curve (Figure 4), it becomes clear that the 1988 peak relates to the estimated topic number 3, labelled 'Ruhr area subsidies' (t3). t3 in turn corresponds to a list of stems and their respective probability to be mentioned when t3 is discussed, like 'Ruhr area' (*ruhrgebiet*, 0.073), 'self-sufficiency' (*selbstvorsorg*, 0.011), 'old-industrial' (*altindustriell*, 0.011), 'coal field' (*revi*, 0.009), and 'receipt of subsidies' (*hilfeempfang*, 0.008). Likewise, the other peaks refer to other estimated topics and their respective word-lists.

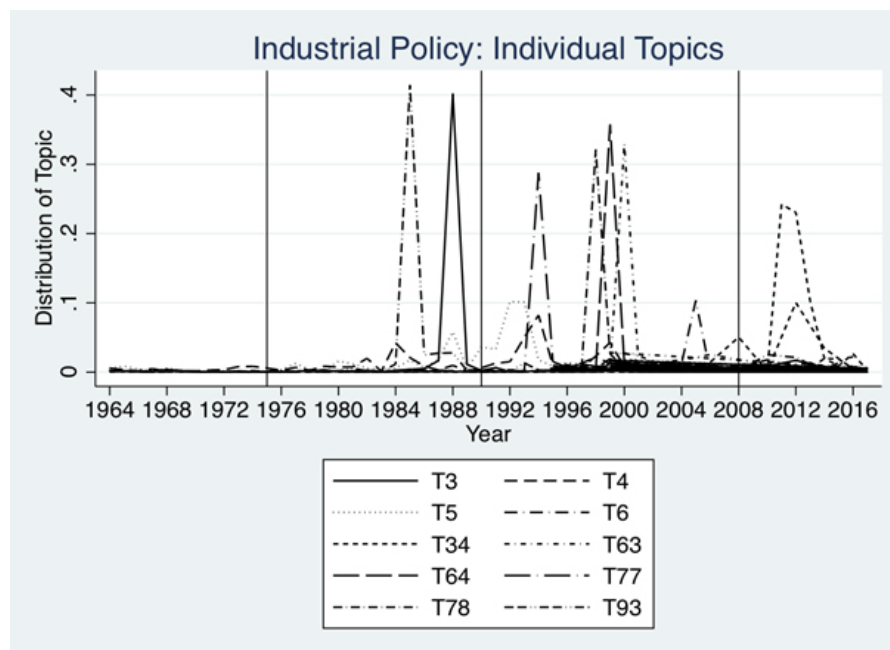


Figure 4: Industrial Policy, Disaggregated.

²¹⁰ Distinction taken from: Hansen, S., McMahon, M. and Prat, A., 'Transparency and Deliberation within the FOMC: a Computational Linguistics Approach', *Online Draft Version* (31 October 2015), https://warwick.ac.uk/fac/soc/economics/staff/mfmcmahon/research/fomc_submission.pdf (11.04.2018), p.19.

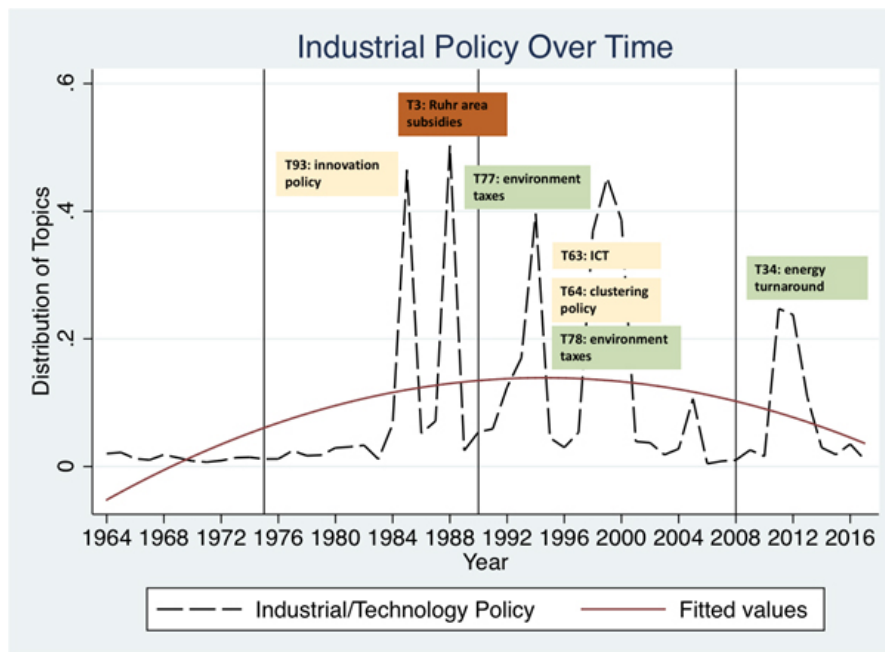


Figure 5: Industrial Policy, Aggregated.

3.3 Quantitative Evidence: Patterns and Periods

This sub-chapter presents the main quantitative results that follow from classifying the 100 estimated topics. Firstly, expanding and complementing Bönker et al.'s table shows that there was no overwhelming rule of Ordoliberalism after 1964 (Table 3).²¹¹ Rather, the resulting picture is ambiguous. On the one hand, there are many cases in which the respective percentages differ significantly between ORDO articles and GCEE reports, showing that ordoliberal research interests were not shared persistently by the GCEE. Quantitatively speaking, there was a long period in which competition policy played only a minor role in the reports (1963-80), while fiscal policy, a clear anti-ordoliberal field of economic policy, was dominant (1961-70). On the other hand, the summary statistics show that the most important category in the JGs has been monetary policy (19%), in line with Ordoliberals' 'primacy of the monetary order,' while competition policy comes fourth (11%). Within individual periods, different ordoliberal priorities were important at different times. Overall, this evidence can be linked to Brunnermeier et al.'s observation of 'fluid traditions,' namely the fact that 'German and

²¹¹ For methodological reasons, the percentages are only roughly comparable, but their respective maxima and minima and their evolution over time are valuable indicators.

French economic thought flipped sides from the nineteenth to the late twentieth century,²¹² with Germany becoming more liberal and France more statist.²¹² The Topic Modelling exercise shows that the German tradition continued to be ‘fluid’ throughout the post-war period.

Cohort	1961-70		1971-80		1981-90		1991-00		2001-10		2011-16		Mean	
Field	ORDO	GCEE	ORDO	GCEE	ORDO	GCEE	ORDO*	GCEE	ORDO*	GCEE	ORDO*	GCEE	ORDO	GCEE
Competition Policy	34% (10)	5%	33% (14)	7%	16% (8)	14%	26% (24)	33%	26% (25)	1%	22% (16)	1%	25% (97)	11%
Regulation	34% (10)	1%	14% (6)	0%	31% (16)	0%	25% (23)	4%	32% (31)	15%	32% (24)	23%	29% (110)	7%
Monetary Policy	24% (7)	44%	19% (8)	47%	14% (7)	5%	7% (6)	2%	6% (6)	1%	14% (10)	26%	11% (44)	19%
Social Policy	3% (1)	2%	16% (7)	2%	10% (5)	9%	15% (14)	13%	17% (16)	46%	15% (11)	7%	14% (54)	14%
Trade Policy	0% (0)	2%	7% (3)	13%	18% (9)	16%	10% (9)	2%	6% (6)	0%	3% (2)	2%	8% (29)	6%
Fiscal Policy	3% (1)	42%	7% (3)	19%	2% (1)	11%	3% (3)	14%	9% (9)	18%	9% (7)	7%	6% (24)	18%
Industrial/ Technology Policy	0% (0)	2%	5% (2)	2%	10% (5)	13%	13% (12)	21%	3% (3)	3%	5% (4)	11%	7% (26)	9%
Sum	29		43		51		91		96		74		384	

Table 3: Extended Comparison: ORDO articles – GCEE reports. Sources: ORDO articles between 1961-98: Bönker et al., ‘Evolution’, Table 5.2, ORDO articles between 1999-2016: self-classified (marked with *); GCEE: percentages taken from Topic Model.

Secondly, if we plot the key ordoliberal fields of economic policy separately over time (Figure 6), we can identify three potentially ordoliberal episodes. Concern for monetary stability was the dominant category during the council’s initial years. At the end of the 1970s, interest ceded rapidly, only returning in the aftermath of the Eurozone-crisis, when the GCEE started to criticise the ECB. Despite a few small peaks, competition policy only became dominant following unification. Desire for regulation is a recent phenomenon, as evidenced by the unprecedented rise in the regulation category in the aftermath of the financial crisis.²¹³ The later qualitative analysis (chapter 4) investigates the argumentation behind these peaks to determine if they indeed capture ordoliberal economy policy advice.

²¹² Brunnermeier et al., *Battle*, pp.56-9.

²¹³ Classification of SGP-related topics as fiscal policy rather than regulation reduces but does not eliminate this spike.

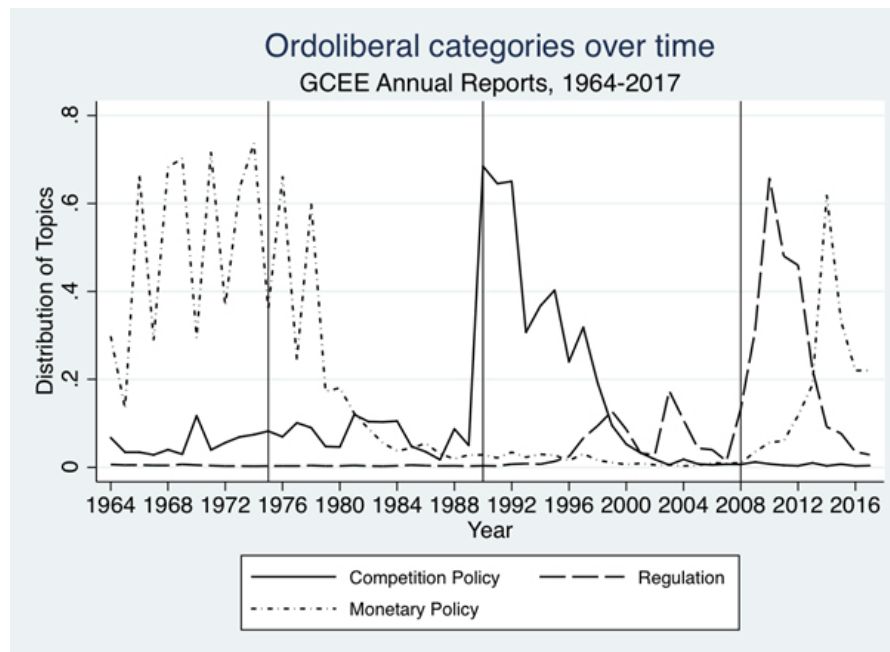


Figure 6: Ordoliberal categories over time.

Thirdly, by grouping the different fields of economic policy according to their proximity to microeconomic or macroeconomic theory, we can address the debate about an underdeveloped ‘German macro’ (Table 4). Ordoliberalism’s focus was on microeconomic issues, while macroeconomic policies, other than the stabilisation of the value of money, were deemed irrelevant.²¹⁴ During the Eurozone-crisis, observers linked German economists’ neglect of aggregate demand²¹⁵ and their conservative attitudes towards inflation and public debt²¹⁶ with Ordoliberalism’s ‘macroeconomic blind spot,’ which was said to have originated in Eucken’s equation of counter-cyclical policies with Hitler’s employment programmes.²¹⁷ Table 4 shows that the ordoliberal post-war research agenda was indeed heavily biased towards microeconomic topics, thereby justifying *Ordnungspolitik*’s reputation as ‘bastion of anti-Keynesian economic thought.’²¹⁸ In every single decade, the proportion of ORDO articles belonging to the microeconomic group (between 52%-68%) is significantly higher than

²¹⁴ Beck, T. and Kotz, H.-H., ‘Introduction’, in Beck and Kotz, *Oddity*, p.22.

²¹⁵ Demetriades, P.O., ‘German macroeconomics: channels of influence’, in Bratsiotis and Cobham, *German Macro*, pp.36-41.

²¹⁶ Hayo, B. and Neumeier, F., ‘The social context for German economists: public attitudes towards macroeconomic policy in Germany’, in Bratsiotis and Cobham, *German Macro*, pp.64-72.

²¹⁷ Landmann, O., ‘What’s wrong with EZ: Conflicting narratives’, in Beck and Kotz, *Oddity*, p.130.

²¹⁸ Plehwe, D., ‘Ludwig Erhards D-Mark’, in LAKS Hessen e.V. (ed), *50 Jahre Deutsche Mark* (Berlin, 1998), p.23.

the corresponding proportion of macroeconomic articles (between 20%-34%). In contrast, the GCEE's orientation shifts from a clear macroeconomic focus in the first two decades towards a microeconomic approach between 1990-2010.²¹⁹ The large differences between the periods and the marked evolution from Macro- to Micro-analysis suggest that the council's research agenda was sensitive to changing research contexts and/or changing council memberships.

Cohort	1961-70		1971-80		1981-90		1991-00		2001-10		2011-16		Mean	
Field	ORDO	GCEE	ORDO	GCEE	ORDO	GCEE	ORDO*	GCEE	ORDO*	GCEE	ORDO*	GCEE	ORDO	GCEE
Microeconomic Topics														
Competition Policy	34% (10)	5%	33% (14)	7%	16% (8)	14%	26% (24)	33%	26% (25)	1%	22% (16)	1%	25% (97)	11%
Regulation	34% (10)	1%	14% (6)	0%	31% (16)	0%	25% (23)	4%	32% (31)	15%	32% (24)	23%	29% (110)	7%
Industrial/ Technology Policy	0% (0)	2%	5% (2)	2%	10% (5)	13%	13% (12)	21%	3% (3)	3%	5% (4)	11%	7% (26)	9%
Sum (Micro)	68%	8%	52%	9%	57%	27%	64%	58%	61%	19%	59%	35%	61%	27%
Macroeconomic Topics														
Fiscal Policy	3% (1)	42%	7% (3)	19%	2% (1)	11%	3% (3)	14%	9% (9)	18%	9% (7)	7%	6% (24)	18%
Monetary Policy	24% (7)	44%	19% (8)	47%	14% (7)	5%	7% (6)	2%	6% (6)	1%	14% (10)	26%	11% (44)	19%
Trade Policy	0% (0)	2%	7% (3)	13%	18% (9)	16%	10% (9)	2%	6% (6)	0%	3% (2)	2%	8% (29)	6%
Sum (Macro)	27%	88%	33%	69%	34%	32%	20%	18%	21%	19%	26%	35%	25%	43%

Table 4: Micro VS Macro: ORDO articles – GCEE reports. Sources: see Table 3.

Fourthly, we can investigate whether, compared to foreign economists, the analysis of the GCEE as such is different, or just the object of the analysis, that is Germany. What if German economists only focused on topics related to, say, regulation because they perceived urgent problems regarding regulation *in Germany*? We can address this question by estimating the distribution of our topics for documents similar to the *Jahresgutachten*. This process, called querying, holds fixed the estimated topics, and only estimates the distribution of topics for out-of-sample documents.²²⁰ Useful points of comparison are provided by the 'Germany country reports' from the IMF and the OECD, which analyse the state of the German economy similarly to the GCEE. While the IMF reports are likewise structured in numbered paragraphs, but considerably shorter (average: 77 pages) than the JGs (average: 406 pages), the OECD reports (average: 176 pages) come closer to the length of the GCEE's reports, but are conceptualised differently. The 'IMF Staff Country Reports: Germany' are available from 1995-2017 (yearly, with the exception of 2009) in English language. The required translations

²¹⁹ This evolution would be less marked when classifying SGP-related topics as fiscal policy. See footnote 199.

²²⁰ Hansen, 'Notebook'.

were performed with the *Google Translator Toolkit*.²²¹ The ‘OECD Economic Surveys: Germany’ are available from 1999-2016 (every two years) and provided in German.

Querying both IMF and OECD reports suggests that the recent peak in regulation is an exclusively German phenomenon (Figure 10). This might explain why recent contributions to the ‘ordoliberal legacy’ debate focus on the school’s insistence on rules.²²² By contrast, the three institutions’ analyses seem to be more similar with respect to other fields of economic policy, such as industrial/technology policy (Figure 7), trade policy (Figure 8), or social policy (Figure 9). Interestingly, these are all policy fields that have been probably less influenced by Ordoliberalism. Equally noteworthy is the impression that the IMF is relatively ‘more’ ordoliberal than the OECD, mainly because the latter devotes more space to anti-ordoliberal categories like social and industrial policy. This fits in with recent research, which emphasises that the OECD showed from the 1960s onwards an increased sensitivity for the ecological costs of industrial expansion and for broader assessments of life quality, topics that are rather unrelated to ordoliberal thought.²²³

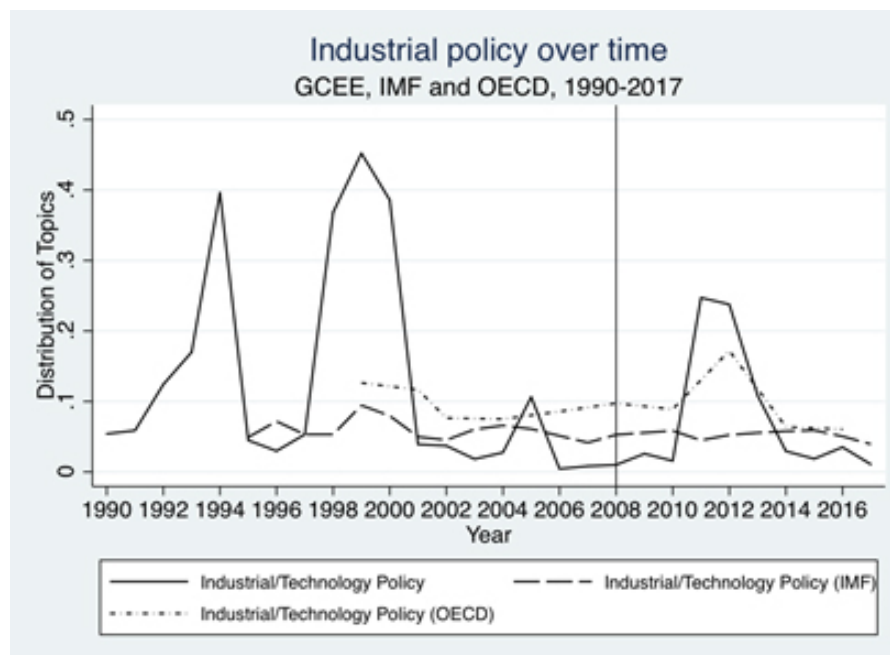


Figure 7: Industrial and Technology Policy: GCEE, IMF, OECD.

²²¹ <https://translate.google.com/toolkit> (02.04.2018).

²²² James, H., ‘Rule Germania’, in Beck and Kotz, *Oddity*, pp.25-30.

²²³ Schmelzer, M., *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* (Cambridge, 2016).

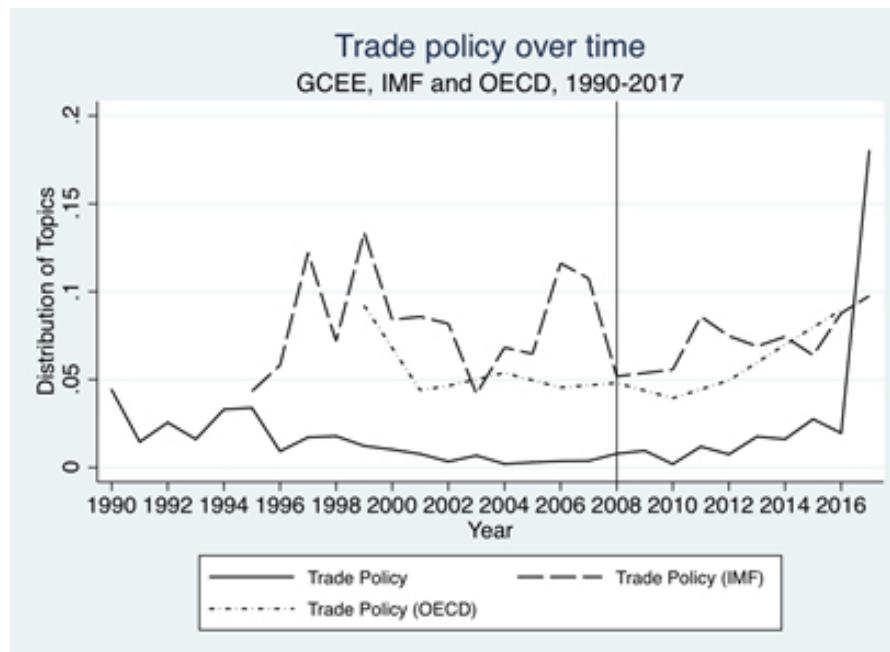


Figure 8: Trade Policy: GCEE, IMF, OECD.

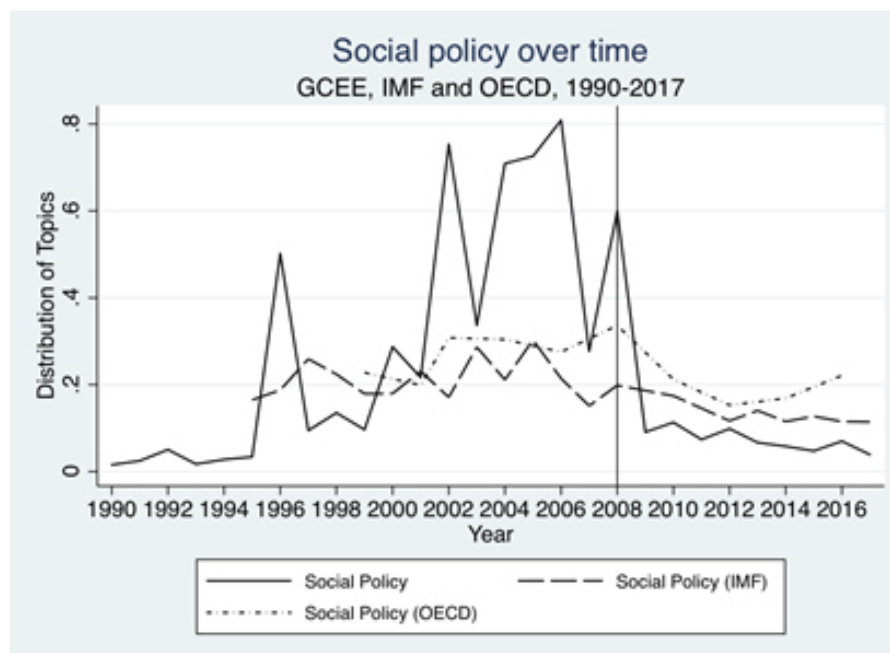


Figure 9: Social Policy: GCEE, IMF, OECD.

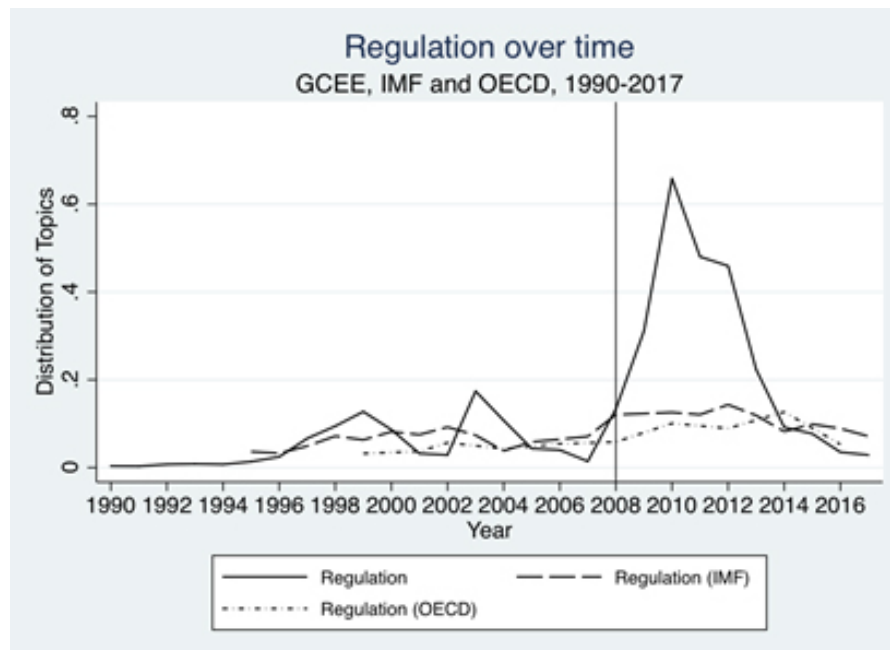


Figure 10: Regulation: GCEE, IMF, OECD.

Fifthly, classification suggests splitting the GCEE's history into four distinctive periods (Figure 11): a Keynesian period dominated by macroeconomic analysis, as implied by the dominance of both monetary and fiscal policy (1964-74), a subsequent supply-side period characterised by the decline of those two policy fields (1975-89), a post-unification period initialised by a dramatic increase in competition policy concerns, which was gradually replaced by social policy discussions (1990-2007), and a Euro-crisis period following the outbreak of the Great Recession, which led to an unprecedented rise in regulation proposals (2008-17). This periodisation implies that in addition to the council's 'monetarist turn',²²⁴ there are probably two further changes in the council's argumentation. These changes seem related to a partial influence of Ordoliberalism since they are accompanied by peaks in competition policy and regulation, respectively. This could be related to Ordoliberalism's origin as a 'transformation theory',²²⁵ intended to help Germany in its post-war transition to a market-economy. This orientation of ordoliberal thought became valuable again when first East Germany and later Southern Europe had to be transformed into competitive market-economies.

²²⁴ Faust, R., *Sachverständigenrat zwischen Keynesianismus und Monetarismus: Zur Konzeption der Sachverständigenratgutachten seit 1964* (Frankfurt a.M., 1979).

²²⁵ Bönker et al., 'Evolution', pp.169-71.

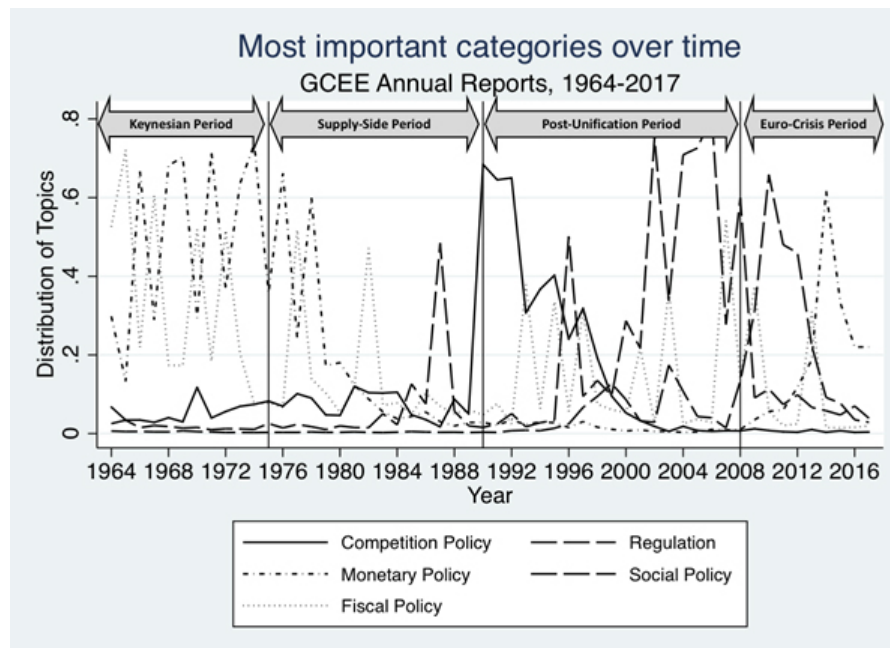


Figure 11: *Most important categories over time.*

Sixthly, we can validate the Topic Modelling results by comparing them with other data, which is a common approach for assessing the outputs of algorithms.²²⁶ When the West German parliament established the GCEE, the latter was asked to evaluate the macroeconomic developments with respect to four goals: price level stability, a high level of employment, external balance, and steady and adequate growth. If one plots over time what the council considered annually to be the most endangered policy goal(s), the resulting figure (Figure 12) suggests similar policy priorities as established by Topic Modelling: price stability concerns during the Keynesian period, a multi-faceted (supply-side) approach during the 1970s, and dominating unemployment problems from the 1980s onwards, aggravated by Germany's unification. Tellingly, the Euro-crisis period was not dominated by concerns about the external balance. Given this similar periodisation, Figure 12 serves as external validation.

²²⁶ Hansen, McMahon and Prat, 'FOMC', Figure 5.

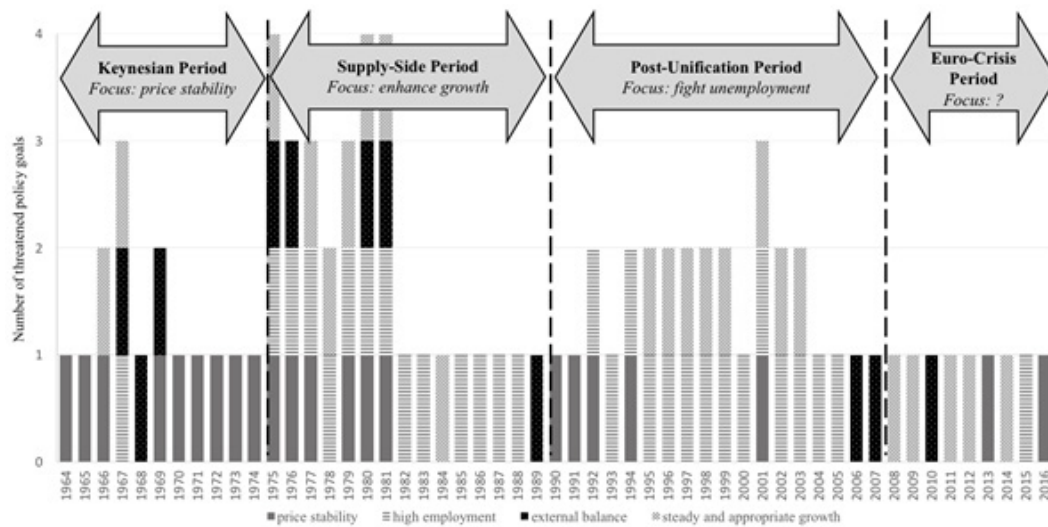


Figure 12: Robustness check: Most endangered policy goal over time. Source: Jahresgutachten, own calculations.

4. Results: In Search of Ordoliberalism

The quantitative analysis has identified four distinctive periods in the GCEE's history. Based on this periodisation, this chapter analyses the council's reports with respect to the three fields of ordoliberal economic policy defined in chapter 2.1. Changes in the GCEE's argumentation over time provide a useful perspective on the extent to which German economists adhered to an ordoliberal doctrine.

4.1 Keynesian Period (1964-74): Dreaming of Monetary Stability

It is generally supposed that after its initial success, 'Ordoliberalism was side-lined by the preference for Keynesian approaches in the 1960s and 1970s.'²²⁷ 'Hydraulic Keynesianism' – with its statistical-econometric techniques, its trust in macroeconomic models, and its promise of business cycle management – seemed to have had its political breakthrough with the implementation of the 'Stability and Growth Law' in 1967 and the centralistic fiscal reform in 1969.²²⁸ This 'paradigm shift in economic policy'²²⁹ was associated with Karl Schiller, then

²²⁷ Hien, J., 'The Ordoliberalism That Never Was', *Contemporary Political Theory*, 12/4 (2013), p.355.

²²⁸ Hesse, *Wissenschaft*, p.2.

²²⁹ Oberender, 'Einfluss', p.335.

Minister of Economic Affairs, who tried to coordinate the actions of politicians, unions and employers with the help of macroeconomic targets (*Globalsteuerung*).

However, extent and impact of this Keynesianism are open to debate. While Tuchtfeldt argues that the social market economy was replaced in 1969 by the welfare state as ‘a second regulatory experiment,’²³⁰ others maintain that moves towards more interventionist policies ‘serve[d] as a kind of antidote against planification.’²³¹ Regarding the GCEE, there is also disagreement. Hickel writes that ‘the first reports encouraged the breakthrough of Keynesian global management,’²³² while former council member Olaf Sievert claims: ‘From the very beginning, the first thoughts were always microeconomic [...]; wherever possible, they were regulatory and not interventionist.’²³³ The Topic Modelling results (Figure 11) were likewise inconclusive, with both ordoliberal (monetary policy) and anti-ordoliberal (fiscal policy) categories being important. This sub-chapter evaluates the Keynesian influence by analysing the GCEE’s reports with respect to ordoliberal topics.

To assess the state’s role within the economy (TOP1), one needs to understand the council’s specific approach to fiscal policy. The GCEE recognised several problems of discretionary business cycle policy.²³⁴ Firstly, it reasoned that a parliamentary ‘decision lag’ would render ‘prophylactic’ action impossible (JG1964/65, §210; JG1970/71, §200). Secondly, this delay was likely to be compounded by political motivations (JG1968/69, §281). Thirdly, the council recognised the involuntary pro-cyclical behaviour of the federal states and municipalities (JG1967/68, §160). Fourthly, it criticised that public investment usually concentrated on a few sectors and uneconomic companies (JG1964/65, § 54). Given these deficiencies, ‘rule-bound behaviour’ and ‘automatism’ should replace ‘discretionary action’ of fiscal policy (JG1969/70, §270). By identifying institutional constraints for introducing Keynesian demand management and by proposing rule-led policies to remedy them, these arguments resemble the constitutional order-approach of Ordoliberals.

Nevertheless, the GCEE’s ‘potential-oriented business cycle policy’ (JG 1970/71, §§322ff.) required an active state whose role differed significantly from ordoliberal ideas. Measures like multiannual financial planning (JG1967/68, §182) and the cyclically neutral budget (JG1967/68, §184; JG1968/69, §§115ff.), which specified income- and expenditure-rules based on the development of the country’s ‘production potential,’ should put the economy on a mid-term equilibrium path (*Verstetigungsstrategie*). The council expected that in the case of

²³⁰ Tuchtfeldt, E., ‘Soziale Marktwirtschaft als ordnungspolitische Konzeption’, in F. Quaas and T. Straubhaar (eds), *Perspektiven der sozialen Marktwirtschaft* (Bern, 1995), pp.44f.

²³¹ Wohlgemuth, ‘Ordnungstheorie’, p.220.

²³² Hickel, R., ‘40 Jahre Rat der “Fünf Weisen” - ungelöste gesamtwirtschaftliche Probleme trotz oder wegen der “Sachverständigen zur Begutachtung der gesamtwirtschaftlichen Entwicklung”’, <http://www.memo.uni-bremen.de/docs/m2003c.pdf> (17.04.2019), p.2.

²³³ Sievert, O., ‘Vom Keynesianismus zur Angebotspolitik’, in Sachverständigenrat (ed), *Vierzig Jahre Sachverständigenrat: 1963-2003* (Wiesbaden, 2003), p.35.

²³⁴ Similar: Strätling, *Rat*, pp.75-8.

economic turbulences, the state's compliance with such a 'semi-automatic governance mechanism' would encourage quick counter-reactions by the market that would restore economic equilibrium.²³⁵ This strategy resembled the optimism of post-WWII neoclassical synthesis.²³⁶ Indeed, one of the reports explicitly acknowledged help from Samuelson (JG1973/74, Preface, §8).

By contrast, the ordoliberal business cycle approach is rather passive and attributes the macroeconomic targets, which played a crucial role in the *Jahresgutachten* at that time (Table 4), a purely declaratory character. For Ordoliberals, macroeconomic quantities 'are incomprehensible because the unequal and thus non-summable is aggregated as total sum,'²³⁷ and should therefore not be steered from above. Even a relatively proactive ordoliberal like Röpke, who allowed the state to step in as extensive borrower in emergency situations,²³⁸ contrasts with the GCEE's conceptualisation of the state as a sensitive observer who *ex-ante* changes its spending plans and taxes to circumvent any business cycles. Despite the council's criticism of discretionary fiscal policies, this active demand management role leads to a negative assessment of the *strong state* criterion (TOP1).

At first sight, the council's attitude towards competition policy (TOP2) seems to have been in line with a 'complete competition'-framework. Already in 1969, the GCEE demanded a faster legal implementation of merger control to prevent 'cases of price-political exploitation of market power' (JG1969/70, §224). Two years later, it called Schiller's proposed merger control a 'milestone in the history of competition policy' (JG71/72, §377), but criticised the draft's compromise formulations and terms of proof (JG1971/72, §401). It demanded that both the revenue limit and the market share required to be targeted by the law should be set lower, that the qualitative criteria should be formulated more concretely, and that the Economics Minister should not function as last decision-making authority (JG1971/72, §396ff.). This call for stricter anti-monopoly rules (TOP2) was in line with later ordoliberal critic of Schiller's amendment²³⁹ and closer to Ordoliberalism's 'complete competition' than the 'workable competition' concept proposed by the Ministry of Economics' advisory board at that time.²⁴⁰

However, the GCEE's overall economic conception was shaped by the picture of modern large corporations, which clashed with the Ordoliberals' romantic vision of small- and medium-sized enterprises. Citing Galbraith's *The New Industrial State*,²⁴¹ the council suggested a more active business cycle policy because fluctuations in demand would constitute an expansive burden especially for large corporations with high fixed costs and slow steering systems (JG1967/68, §240). With its ethic of big business, the council was by no means a

²³⁵ Schmid, A., *Möglichkeiten und Probleme der fiskalpolitischen Effizienzkontrolle* (Berlin, 1975), p.77.

²³⁶ Strätling, *Rat*, pp.79-85.

²³⁷ H. Mayer quoted in: Schneider, *Streit*, p.99.

²³⁸ Röpke, W., *Crises and Cycles* (London, 1936), p.199.

²³⁹ Oswalt, 'Macht'.

²⁴⁰ Hesse, 'Beratung', pp.436-48.

²⁴¹ Galbraith, J.K., *The New Industrial State* (Boston, 1967), pp.224f.

domestic or international outlier during this period.²⁴² Two examples illustrate that there was no room for the ordoliberal notion that ‘small is beautiful.’²⁴³ First, the GCEE regarded the decline in the agricultural sector, which was dominated by predominantly small and low-income family businesses (JG1969/70 §314), not as negative development with potential harmful effects for society, but as ‘downsizing to health’ (JG1965/66, §229; similar: 1968/69, §§261ff.; JG1971/72, §84). Secondly, its regional policy approach aimed to increase resource use efficiency by forming and focusing on key regions. Specifically, the council criticised that the government supported localities already from 20,000 inhabitants onwards (JG1968/69, §343). This contrasts with Röpke for whom the optimum population size for cities was less than 30,000 inhabitants.²⁴⁴

We now turn to the second policy field of interest, monetary policy. At the end of WWII, the Bretton Woods system had established a system of fixed parities among the currencies of the major economic powers. When the GCEE took up its work twenty years later, German monetary policy was dominated by the problem of so-called ‘imported inflation.’²⁴⁵ Once full employment and a certain level of prosperity had been achieved, a chronic trade surplus evolved which led to recurrent inflationary effects. Several causes can be identified.²⁴⁶ First, as part of its currency exchange obligation, the German central bank had to increase the amount of money circulating in the country beyond the amount it deemed reasonable. Secondly, given that the price level abroad was higher, the international price context produced effects similar to speculative capital inflows. Third, the chronic trade surpluses had a disintegrating effect by triggering counter-measures in deficit countries.

Given this context, the GCEE’s first report narrated the dilemma ‘of a country that always strives for stability in its price level [...] but lives in an environment that does not or cannot consider this objective with the same priority’ (JG1964/65, Statement by the Government, §5). The council concluded that Germany could escape the negative consequences for its own price level only by adapting a system of free exchange rates (JG1964/65, §240) – a view that was harshly rejected by the Government, but was becoming increasingly prominent within the ordoliberal community, one of whose members, Fritz Meier, was a member of the council back then.²⁴⁷ In the same report, the GCEE published a statement on ‘How can a Country Escape Imported Inflation?’ written by the Ordoliberals Lutz and Egon Sohmen, who likewise

²⁴² For Schiller, greater concentration meant greater efficiency. Similar views prevailed in the US: Young, M., ‘The Political Roots of Small Business Identity’, *Polity*, 40/4 (2008), pp.436-63.

²⁴³ Oswalt uses this reference to Schumacher’s 1973 classic book to describe the Ordoliberals’ preference for decentralisation. Oswalt, W., *NO MONO* (Münster, 2017), p.25.

²⁴⁴ Barry, ‘Neo-Liberals’, p.120.

²⁴⁵ Hankel, W., ‘Der Aufstieg der DM zur Weltwährung. Des deutschen Wirtschaftswunders unterbeleuchtete Seite: das exportgeführte Wirtschaftswachstum’, in P. Hampe and J. Weber (eds), *50 Jahre Soziale Mark(t)wirtschaft: Eine Erfolgsgeschichte vor dem Ende?* (München, 1999), pp.163-78.

²⁴⁶ Abelshauser, *Wirtschaftsgeschichte*, pp.259f.

²⁴⁷ Bernholz, ‘Money’, pp.203-6.

stressed the need to introduce flexible exchange rates to preserve monetary stability. Tracing the spread of ordoliberal thought via a series of international meetings, recent research indicates a direct transmission of these ideas about flexible exchange rates from Sohmen to then council member Herbert Giersch and to the GCEE.²⁴⁸

Despite changing membership and political opposition, the GCEE continued to regard free exchange rates as favourable solution (JG1967/68, §417). The 1969 report combined a critique of the Bretton Woods system (JG1969/70, §235) with a simulation showing how an early adoption of the council's free rate policy would have led to more price stability (JG1969/70, §§243ff.). The figure accompanying this simulation illustrates in both senses of the word how the GCEE evaluated currency systems primarily with respect to their potential effects on the German price level (Figure 13). This resembled ordoliberal thought: Most Ordoliberals had preferred a system such as the Graham's Plan,²⁴⁹ which puts domestic price-level stability first and international adjustment second.²⁵⁰ Eucken had been highly critical of the Bretton Woods agreement with its compromise between different national monetary orders, but without the rule-bound automaticity and stability of both prices and currencies in a fixed commodity standard.²⁵¹

²⁴⁸ Schmelzer, M., *Freiheit für Wechselkurse und Kapital: Die Ursprünge neoliberaler Währungspolitik und die Mont Pèlerin Society* (Marburg, 2010), pp.81-97.

²⁴⁹ Graham proposed an international reserve-currency linked to the value of 30 representative commodities.

²⁵⁰ Oliver, 'Neo-Liberals', p.146.

²⁵¹ Sally, 'Germany', p.239.

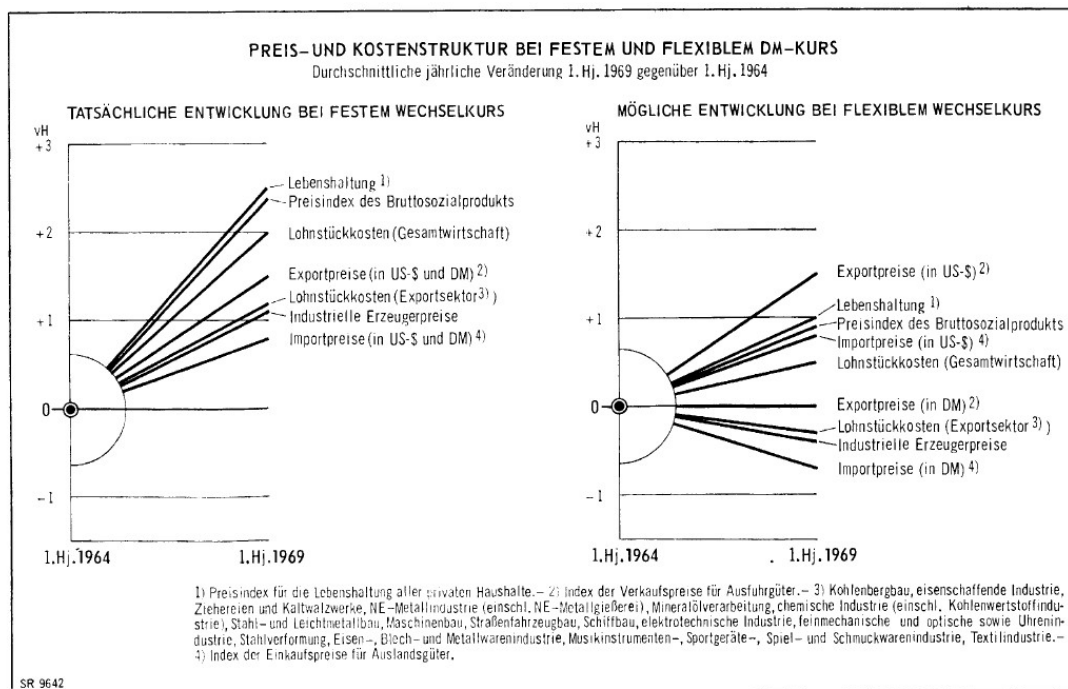


Figure 13: Price- and Cost-Structure according to a fixed (left) and a free (right) DM. Source: JG1969/70, p.81.

This emphasis on price stability (TOP3) was a recurrent feature of the JGs, as reflected in the prevalence of *monetary policy* in the Topic Model (Figure 8). Between 1964-74, the GCEE used the terms ‘monetary stability’ (*Geldwertstabilität*) 285 times and ‘price stability’ (*Preisstabilität*) 72 times. After normalising these word counts (to account for the reports’ different lengths), it becomes evident that this focus on stable money remained unequalled (Figure 14). Reflecting the ordoliberal ‘primacy of the monetary order,’ the council regarded monetary stability as having a value in itself: ‘monetary stability stands for principles and values such as legal certainty, honesty, credibility and consistency’ (JG1967/68, §262). Given this adjudged influence on society,²⁵² the GCEE stressed the importance of defending ‘absolute price stability’ (JG1967/68, §311), dismissing attempts to introduce ‘relative price stability’ as new economic policy norm by comparing it to a ‘drug which is only functioning when the dose is increased’ (JG1970/71, §224). In retrospect, Giersch recounted how he repeatedly opposed ‘watering down’ the goal of monetary stability.²⁵³

²⁵² Similar: Strätling, *Rat*, p.71.

²⁵³ Giersch, H., ‘Aus der Anfangszeit des Rates’, in O. Schlecht and U. van Suntum (eds), *30 Jahre Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung* (Krefeld, 1995), p.26.

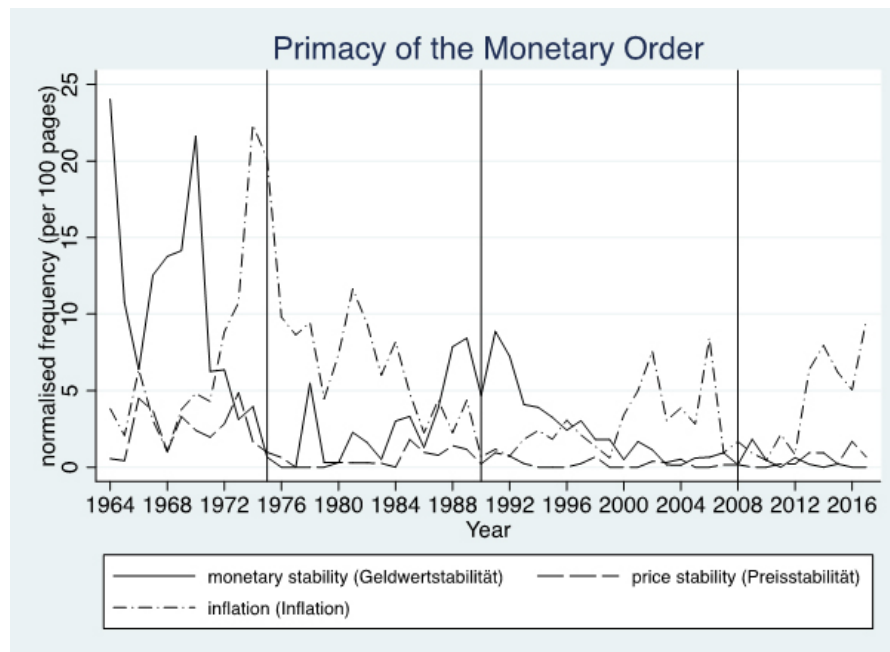


Figure 14: Primacy of the Monetary Order. Source: Own calculations via NVivo; numbers include stemmed variants.

How does this emphasis on price stability square with the council's demand management attempts? During the early 1970s, monetary considerations became relatively more important (also reflected in the Topic Model: Figure 11). While increasing employment problems suggested the use of Keynesian public spending, the majority turned away from such policies *exactly* because of the potential harmful effect of such measures on the price level – instead, they suggested further price stabilisation measures to initiate an upswing (JG1971/72, §320). Despite recessionary tendencies, the majority continued to support policies of monetary and fiscal restriction in a sub-chapter titled 'Going to the Limit: 'It's worth taking the chance of stabilisation even if you assess the risks [i.e. more unemployment; A.K.] higher. For [...] it is not only about the fight against the inflationary inflation of a single year, but above all about the danger of constant inflation' (JG1973/74, §310). This early departure from Keynesian policy recommendations is mirrored in the minority votes of Claus Köhler, who was the only member advocating a strong increase in public expenditure (JG1971/72, §375). Köhler, Social Democrat and regular contributor to trade union publications,²⁵⁴ had entered the GCEE via the 'union ticket' and defends Keynesian 'active fiscal policy' until today.²⁵⁵ His persistent minority status during the early 1970s suggests that Siegenthaler was right when stating that

²⁵⁴ Schanetzky, *Ernüchterung*, p.77.

²⁵⁵ Köhler, C., *Orientierungshilfen für die Wirtschaftspolitik* (Berlin, 2004).

‘the diagnostic-therapeutic Keynesianism had already reached its end [in Germany; A.K.], when history really put it to the test.’²⁵⁶

The reports expressed a preference for rule-based behaviour (TOP4) regarding both the international and the domestic monetary sphere. Since the international currency system was ‘very lenient on countries with low monetary discipline’ and political forces could ‘determine which countries “sin” towards an inflationary direction,’ free exchange rates were seen as an effective regulatory reform to discipline this ‘inflation community’ (JG1964/65, §162). Free exchange rates would ‘not only help to detect and correct timely mistakes of economic policy,’ but also ‘do the correction automatically’ (JG1969/70, §259). In case of a mixed system, the council wrote, rules for changes in parity as well as sanctions to enforce these rules were required (JG1971/72, §280). These rules should ensure that countries prioritised price level stability in any event (JG1966/67, §260), thereby transforming the monetary system into an international ‘private law society’ (*Privatrechtsgesellschaft*, JG1966/67, §265), a term coined by Böhm.

On the domestic front, the GCEE’s multi-causal understanding of inflation sparked the idea of a ‘concerted action’ (*Konzertierte Aktion*) between the state, employers’ associations and unions as a means to achieve price stability without deflationary side effects (JG1965/66, §248; JG1966/67, ch.4). However, when the recovery turned into inflationary ‘overheating’ after 1969, both withdrawal of state activities and wage restraint were no longer enforceable.²⁵⁷ This facilitated the early adaption of Monetarist ideas.²⁵⁸ Already in 1969, the council reflected ‘how discretionary credit policy [could] be replaced by a regulatory mechanism’ and deemed ‘a model in which the central bank [...] has to ensure that the supply of money and credit is consistent with the growth of production potential’ worth considering (JG1969/70, §272). Around that time, a panel debate with Milton Friedman in Frankfurt fuelled the German reception of Monetarism.²⁵⁹ The GCEE’s revision of the liquidity-theoretical guideline (JG1972/73, §401) was a further ‘key insight.’²⁶⁰ Subsequently, the council reasoned that fiscal policy should become ‘more modest,’ while monetary policy should be repaired ‘in such a way that it can provide the private and public sector with a margin for expenditure that is acceptable to the whole economy’ (JG1973/74, §280). By rendering the goal of monetary stability independent, interactions of interest groups would no longer lead to inflation: ‘Stability is then no longer a goal, but a rule of the game’ (JG1974/75, §372; similar: JG1972/73,

²⁵⁶ Siegenthaler, H., ‘Das Ende Des Keynesianismus Als Gegenstand Keynesianischer Interpretation’, *Economic History Yearbook*, 43/1 (2002), p.239.

²⁵⁷ Hartwich, H.-H., ‘Das “Rheinmodell” des Kapitalismus’, in U. Willems (ed), *Demokratie und Politik in der Bundesrepublik 1949–1999* (Opladen, 2001.), pp.94f.

²⁵⁸ Spahn, H.-P., ‘Wie Der Monetarismus Nach Deutschland Kam. Zum Paradigmenwechsel Der Geldpolitik in Den Frühen 1970er Jahren’, *IDEAS Working Paper Series from RePEc* (2005), p.26.

²⁵⁹ Janssen, *Friedman*, p.102.

²⁶⁰ Strätling, *Rat*, p.104.

§§352ff.). The fast and relatively early²⁶¹ implementation of Monetarist ideas may stem from the fact that Ordoliberalism had anticipated modern Monetarism by putting monetary policy at the centre of its worldview and demanding that it should have a stabilising effect on interest rates.²⁶² This argument is supported by the fact that there was hardly any contemporary evidence in favour of an early shift towards Monetarism (velocity was strongly fluctuating between 1968-73).²⁶³

Finally, one can extract the council's thoughts towards international regulation. A desire for unilateral action (TOP5) is evident in the proposed unilateral move to flexible exchange rates, which deferred European integration and international cooperation (JG1964, §164). Germany should oppose its partners' 'sovereign right of the state to inflation' with its *own* autonomous right to determine its currency parity (JG1964/65, §163). The government countered that Germany had the duty to work towards *both* functional and institutional integration (JG1964/65, Statement by the Government, §10). Although quantitatively insignificant, there were first attempts of regarding domestic reforms as a means to improve the international order (TOP5). When in 1968 British foreign trade did not improve following the country's devaluation, the GCEE criticised that this was due to the lack of accompanying restrictive reforms, especially regarding fiscal and income policy (JG1968/69, §97, §188). Four years later, it proposed an international fund to support countries in their domestic attempts to fix structural problems (JG1972/73, §360).

Röpke's 'open integration' approach (TOP6) is reflected in the GCEE's functionalist approach towards integration. Integration was understood primarily as the 'interpenetration of national markets, with the aim of giving domestic and foreign suppliers equal market opportunities and giving consumers greater choice' (JG1964, §256). The GCEE wrote that Germany's recent growth had been based on open markets, intensive competition and international division of labour (JG1964/65, §96), hereby following classic liberal arguments for free trade as Röpke had done. Moreover, the ordoliberal idea that economic integration always requires a preceding social integration²⁶⁴ resonated in the GCEE's 'grave concerns' whether the 'political-social pre-conditions' for monetary cooperation were given in the relevant countries (JG1966/67, §265). The ordoliberal fear that supranational institutions would produce potentially harmful compromises between heterogeneous countries was present in several reports (JG1964/65, §162; JG1968/69, §223-5; JG1969/70, §276-81).

²⁶¹ Despite Friedman's 1967 Presidential Address, Monetarist ideas became only influential internationally in 1979 when Paul Volcker became Fed-chairman and Margaret Thatcher was elected Britain's prime minister.

²⁶² Ptak, *Stationen*, p.48, n.98.

²⁶³ Spahn, 'Monetarismus', p.27.

²⁶⁴ Curzon, 'International Order', p.183.

Given this period's conventional description as Keynesian,²⁶⁵ it is straightforward to evaluate this sub-chapter's results against representative policy prescriptions of Keynesian economists. Three tenets about economic policy distinguish Keynesians from other economists.²⁶⁶ Firstly, Keynesians consider the usual level of unemployment as not ideal due to fluctuations in aggregate demand and gradual price adjustment. However, the Keynesian strategy of exchanging less unemployment for more inflation hardly played a role in the German discussion.²⁶⁷

Secondly, Keynesians advocate active stabilisation policy to reduce the amplitude of the business cycle. The GCEE advocated a variant of demand management called 'potential-oriented business cycle policy,' but – being aware of the 'interdependence of orders' – listed several institutional restrictions that hampered the effectiveness of discretionary anti-cyclical policy. Therefore, the council's Keynesian stance should not be understood as a paradigmatic counter-concept to neoclassicism, but as an extension.²⁶⁸

Thirdly, Keynesians are more concerned about fighting unemployment than about taming inflation. By contrast, the GCEE seems to have been sensitive to fiscal policy's short-term effect on the price level. Achieving domestic monetary stability also dominated the council's thinking about the international order, encouraging calls for flexible exchange rates and free trade. Underlined by Köhler's minority votes and first appearances of Monetarist thought during the early 1970s, these results suggest that the actual 'Keynesian period' of German economic policy advice was instable, much shorter, and more ordoliberal as generally believed.

4.2 Supply-Side Period (1975-89): In the Lure of 'Dynamic Competition'

The simultaneous rise in both the inflation rate and the unemployment rate during the 1970s ('stagflation') triggered a 'monetarist counter-revolution.'²⁶⁹ This intellectual shift included the GCEE, which saw Germany's economic situation following the first oil price shock as a 'home-grown' structural crisis and therefore as an adjustment problem (JG1975/76, §330, JG1977/78, §§266ff.).²⁷⁰ It followed that the chance to eliminate unemployment by 'Keynesian means' was 'small' (JG1978/79, §289). The council therefore developed a new policy agenda, which was 'not aimed at stimulating demand and production in the short term,' but tried to improve 'the growth policy framework' to guarantee 'full employment in the long term' (JG1976/77, §58*). In line with supply-side thinking, the GCEE shifted its analysis from the behaviour of the state to 'entrepreneurship with its job-creating investments' (JG1976/77, §272) because 'the lasting impetus for economic activity must come from the microeco-

²⁶⁵ Strätling, *Rat*, p.101.

²⁶⁶ Blinder, A.S., 'The Fall and Rise of Keynesian Economics', *Economic Record*, 64/4 (1988), pp.279f.

²⁶⁷ Spahn, 'Monetarismus', p.21.

²⁶⁸ Strätling admits this with respect to the aggregate supply function. Strätling, *Rat*, pp.54-7.

²⁶⁹ Hesse, *Wissenschaft*, p.42.

²⁷⁰ Similar: Strätling, *Rat*, pp.121f.

conomic basis' (JG1977/78, §26*). Albeit the exact date of this intellectual shift is debatable,²⁷¹ the change in argumentation was completed in the second half of the 1970s, a change well captured by the Topic Model with the decline in macroeconomic topics related to *fiscal* and *monetary policy* (Figure 11; Table 4). The GCEE, an 'offspring of the demand-management era,' had turned into an 'unswerving advocate of supply-side economic policies.'²⁷²

The core idea of these supply-side policies, namely to create a suitable institutional environment that encourages entrepreneurs and consumers to contribute to the promotion of productivity, was roughly in line with *Ordnungstheorie*.²⁷³ It is therefore puzzling why the quantitative evidence does not indicate an ordoliberal peak during this period. This sub-chapter argues that this gap is not to be explained with misclassifications of evidence by the Topic Model, but with conceptual differences between Ordoliberalism and the GCEE regarding competition, with the henceforth independent conduct of monetary policy by the Bundesbank, and with the GCEE's self-limitation to criticise protectionism without proposing regulatory remedies to a similar extent. In short, the council followed a mainstream supply-side economics approach throughout this period, implying that even two oil price crises did not trigger a new life-cycle of ordoliberal ideas.

Compared to the Keynesian period, the GCEE's attitude towards the role of the state (TOP1) had changed significantly: 'Where society will go, where the inclinations and abilities of people will go, can hardly be reliably predicted. The task of the state is limited here' (JG1982/83, §211). Given this fundamental uncertainty, economic policy should be 'constant,' focus on the 'mid-term,' and set the 'framework conditions' (*Rahmenbedingungen*) so as to guarantee the people a 'fair chance' for achieving success (JG1977/78, Preface, §5; similar: JG1978/79, §33*). The state was no longer a 'negotiation agency,' whose object of political steering had been society, but limited itself to incentivise individual behaviour and support self-organisation potential,²⁷⁴ which is closer to the ordoliberal 'strong state' than a state organising concerted actions. A state limiting itself is also envisioned in the council's repeated calls for budget consolidation (JG1978/79, §§418ff.; JG1980/81, §§325ff.; JG1982/83, §§235ff., JG1984/85, §§438ff.), in references to the 'crowding out' effect (JG1978/79, §39*, §51*; JG1985/86, §190), and in criticisms of the 'multitude of market interventions' through subsidies, regulations and social security (JG1982/83, ch.3; JG1983/84, ch.4).

Despite similar neo-classical underpinnings,²⁷⁵ the council's idea of competition during this period differed from the Ordoliberals' *complete competition* and is more accurately understood as *dynamic competition* in the tradition of Schumpeter or Hayek. The term 'dynamic

²⁷¹ Strätling (*Rat*) mentions first tendencies in 1972, but ultimately opts for 1975; as does Schanetzky (*Ernüchterung*, p.329). Wohlgemuth ('Ordnungstheorie', p.221) names 1976, Ritschl ('Fluch', pp.156f.) 1978.

²⁷² Wohlgemuth, 'Ordnungstheorie', p.221.

²⁷³ Siegenthaler, *Ende*, p.239.

²⁷⁴ Schanetzky, 'Konzertierte Aktion', p.331.

²⁷⁵ Strätling (*Rat*, pp.149ff.) finds that Say's law constituted an 'indispensable' part of the reports.

competition' was coined by the council itself during the introduction of Ernst Helmstädter's 'revenue-cost gap concept' in 1983 (JG1983/84, §§356-364),²⁷⁶ which was refined in subsequent reports: 'Dynamic competition is a constantly pulsating process of innovation and diffusion, fuelled by competition of the pioneering companies for new profit opportunities, but also kept going by the pursuit competition that opens up the new in terms of breadth' (JG1984/85, §316). This 'search and discovery process' (JG1985/86, §309) keeps the markets moving and creates monopoly profits, which are eventually socialised in imitation competition (JG1984/85, §321; JG1985/86, §310). By conceptualising the firms' profits as remuneration for the creation of new production possibilities, the council legitimised its competition approach with welfare-theoretical arguments. In contrast, the ordoliberal competition system was intended as a device to liberalise society through de-powerment, with increased welfare being only a welcomed side-effect.²⁷⁷

Due to the use of terms like 'pioneer profits' (JG1983/84, §358), 'pushing competitors' (JG1983/84, §364), and 'pursuit competition' (JG1984/85, §316), Strätling interprets the council's 'dynamic competition' concept as a reproduction of Schumpeter's growth cycle.²⁷⁸ Framing competition as 'discovery procedure' also recalls Hayek.²⁷⁹ In a 1984 article entitled 'The Age of Schumpeter,' former GCEE member Giersch advocated a Schumpeterian economic policy paradigm, which he thought had superseded the 'age of Keynes.' His ideas about 'Schumpeterian competition,' perhaps being indicative of his colleagues' mind-set, emphasised 'innovative monopolistic competition rather than sterile perfect competition,' 'oligopolistic rivalry rather than collusive equilibria,' and 'aggressive trading rather than mere arbitrage transactions.'²⁸⁰ The council's references to Hayek can be similarly interpreted as a departure from Ordoliberalism, since Hayek's thoughts on anti-monopoly legislation and the state-market-relationship differed significantly from Eucken's.²⁸¹ In strong contrast to both Schumpeter's and Hayek's descriptions of industrial evolution, Eucken believed that any economic positions of power that interfered with competition should be forbidden by law.²⁸² Surely, he would have advocated state interventions to avert any 'oligopolistic rivalry.'

Requests for tougher anti-monopoly legislation (TOP2) were still present in the reports: 'The task of supporting the stabilisation policy through an effective market policy,' as competition policy was called at that time, 'has remained urgent despite the development of competition and consumer law' (JG1976/77, §380). Gradually, however, the focus changed from

²⁷⁶ The only time when a majority position was linked to one member.

²⁷⁷ Kolev, S., Goldschmidt, N. and Hesse, J.-O., 'Walter Eucken's Role in the Early History of the Mont Pèlerin Society', *Freiburger Diskussionspapiere zur Ordnungsökonomik*, 14/2 (2014), p.11.

²⁷⁸ Strätling, *Rat*, pp.161f.

²⁷⁹ In 1968, Hayek gave a lecture titled 'Der Wettbewerb als Entdeckungsverfahren' at the University of Kiel. English translation: Hayek, F.A., 'Competition as a Discovery Procedure', *The Quarterly Journal of Austrian Economics*, 5/3 (2002), pp.9-23.

²⁸⁰ Giersch, H., 'The Age of Schumpeter', *The American Economic Review*, 74/2 (1984), p.105.

²⁸¹ Bönker and Wagener, 'Hayek and Eucken', p.190.

²⁸² Kolev, Goldschmidt and Hesse, 'Eucken's Role', pp.11f.

classic ordoliberal calls for market access and unrestricted competition (JG1976/77, §§380ff.; JG1980/81, §§381ff.) to de-regulation (JG1983/84, §59*; JG1985/86, §§337ff.; JG1987/88, §§403ff.; JG1988/89, §246, §§348ff.). This was motivated by the Kohl government's increasing concerns about the efficiency effects of transportation, telecommunications, and insurance regulations and its attempts to liberalise these markets.²⁸³ Given that a quarter of all goods and services in the German economy were subject to state influence on prices, the GCEE strongly supported these de-regulation attempts (JG1981/82, §433; JG1985/86, §337ff.; JG1988/89, §348ff.). When confronted with survey results indicating that 98% of the population was satisfied with the postal services' performance, the council laconically told its readers that such an argument 'does not take the task of competition policy seriously, namely to offer alternatives to the two per cent dissatisfied and to give the 98 per cent of satisfied people the opportunity to change their minds' (JG1981/82, §432). In short, combating competitive barriers was not inspired by Ordoliberalism, but regarded as essential for adjusting the economy to the identified structural change through unhindered dynamic competition. In the event, many of these deregulations were half-heartedly implemented, thus helping little to improve quality.²⁸⁴

Both the quantitative insignificance and the qualitative re-orientation of competition policy can be explained by the council's turn towards US-style supply-side economics. This manifests itself first in their emphasis on tax reforms and second in their reliance on the wedge model. Supply-side economists think that high marginal tax-rates strongly discourage income, output, and resource use efficiency by reducing the payoff people derive from productive activities and by encouraging tax avoidance.²⁸⁵ Based on this reasoning, supply-side economists claim that far-reaching tax reforms would produce large social welfare gains and strengthen incentives for work, saving, investment and risk-taking.²⁸⁶ The most prominent example was the 'tax experiment' of the Reagan administration.²⁸⁷ Supply-side economist Arthur Laffer goes so far as to argue that a tax cut might increase the tax base so much that tax revenues would even increase.²⁸⁸

The GCEE reasoned among similar supply-side lines. High taxes that weighed 'on extra earnings,' the council argued, implied that 'additional work, no matter in which form, is increasingly less rewarded' with negative effects on the economy via two channels: 'the incentive for those who want to do more is mitigated, or they are pushed into the shadow economy' (JG1981/82, §47*, similar: JG1984/85, §53*; JG1989/90, §§327ff.). Consequently,

²⁸³ Eichengreen, B.J., *The European Economy since 1945: Coordinated Capitalism and beyond* (Princeton and Oxford, 2007), pp.338f.

²⁸⁴ Van Suntum et al., 'Principles', p.3.

²⁸⁵ Canto, V.A., Joines, D.H. and Laffer, A.B., *Foundations of Supply-Side Economics* (New York, 1983), ch.1.

²⁸⁶ Lucas, R., 'Supply-Side Economics: An Analytical Review', *Oxford Economic Papers*, 42/2 (1990), pp.293-316.

²⁸⁷ Lindsey, L., *The Growth Experiment: How the New Tax Policy Is Transforming the U.S. Economy* (New York, 1990).

²⁸⁸ Laffer, A., 'The Laffer Curve: Past, Present, and Future', *Policy File* (The Heritage Foundation, 2004).

‘the most important task is to advance the reform of the tax system’ (JG1977/78, §110*). Several variants of tax changes were proposed during this period, such as income tax reforms that would lower the top tax-rate (JG1979/80, §317; JG1983/84, §§406ff.; JG1984/85, §§457ff.; JG1985/86, §§269ff.; JG1986/87, §§277ff.; JG1987/88, §293); business tax removal (JG1978/79, §§319ff.; JG1983/84, §§399ff.; JG1984/85, §470; JG1987/88, §295); tax relief for commercial investments (JG1981/82, §§387ff.); simplifications of profit tax (JG1981/82, §395; JG1982/83, §§304ff.); and reductions of fiscal discriminations (JG1982/83, §347). Even after the government implemented a three-step ‘tax reform of the century’²⁸⁹ between 1986-90, the council demanded further tax cuts, especially for businesses (JG1988/89, §§274ff.; JG1989/90, §§330ff.).²⁹⁰ However, the GCEE did not share Laffer’s over-enthusiasm regarding a ‘rapid autoconsolidation of rigorous tax cuts’ (JG1981/82, §60*, §§307ff.) and therefore should be classified as ‘traditional supply-siders’ rather than ‘supply-side extremists.’²⁹¹

Supply-side economics focuses on the ‘tax wedge,’ i.e. the difference between what it costs a firm to employ a worker or a capital unit and what the worker or saver receives net (Figure 15). An increase in the ‘wedge’ is assumed to reduce employment, investment and output. Strätling observes both implicit (JG1983/84, §338; JG1985/86, §190) and explicit references (JG1987/88, §254, §305) to the wedge model, leading him to suspect a link to ‘American Supply-Side-Economics.’²⁹² Further wedge-references, unnoticed by Strätling, can be identified, such as the notion that ‘high taxes and high non-wage labour costs have become a burden that adversely affects companies’ willingness to recruit staff and reduces the incentive to higher performance’ (JG1986/87, §212; also: JG1988/89, §363). For supply-side economists, not only explicit taxes, but also regulations, restrictions and requirements create this wedge.²⁹³ Likewise, in an attempt to increase employment, the GCEE demanded that all ‘those regulations must be dismantled that counteract the will to economic performance,’ (JG1987/88, §53*) and exemplified this reasoning by criticising protection against dismissal (JG1989/90, §§364ff.).

²⁸⁹ Anonymous, ‘West Germany: The Last Chuckle’, *The Economist*, 308/7559 (1988), p.46.

²⁹⁰ According to Zohlnhöfer, the tax cuts were – compared with Thatcher’s tax reforms – ‘moderate.’ Zohlnhöfer, R., ‘Institutions, the CDU and policy change: Explaining German economic policy in the 1980s’, *German Politics*, 8/3 (1990), p.145.

²⁹¹ Feldstein, M., ‘Supply-side economics: Old truths and new claims’, *American Economic Review*, 76/2 (1986), pp.26-30.

²⁹² Strätling, *Rat*, pp.126f., 202f.

²⁹³ Laffer, A., ‘Supply-Side Economics’, *Financial Analysts Journal*, 37/5 (1981), pp.29-43.

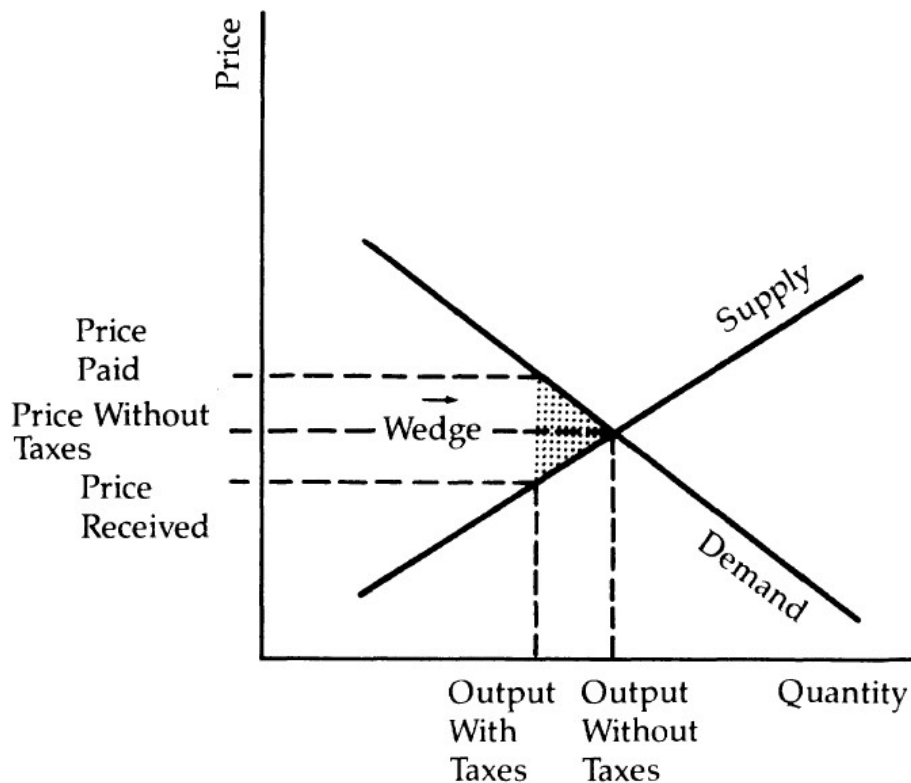


Figure 15: The 'Wedge'. Source: Laffer, *Supply-Side Economics*, p.33.

The GCEE's shift in monetary policy is strongly linked with the crisis of the Bretton Woods system, which finally collapsed in the spring of 1973. According to Hesse, this was the moment when it became apparent that German economics, in the shelter of the fixed exchange rate system, 'had neglected both monetary and foreign trade policy in terms of content and institutions.'²⁹⁴ This may be true for German economics in general, but is doing an injustice to the GCEE, which from the outset had discussed the international monetary environment and exchange rate adjustments (JG1964/65, Statement by the Government, §6). Ten years later, the end of Bretton Woods enabled the council to strongly support the Bundesbank, which used its newly-found autonomy to secure a stable and stabilisation-compliant development of the monetary base: 'an experiment,' wrote the GCEE, 'whose significance goes far beyond the present stabilisation policy situation and far beyond our country' and whose 'regulatory status' was 'quite similar to the principle policy decisions of the early post-war period' (JG1974/75, §31*). From 1975 onwards, pre-announced monetary targets played a 'leading role' in the council's economic strategy (JG1976/77, §61*; JG1975/76, §§397ff.). Following

²⁹⁴ Hesse, *Wissenschaft*, p.129.

this Monetarist turn, Germany was able to maintain lower inflation levels than its international competitors, thereby offsetting the disadvantages of an appreciating *Mark*.²⁹⁵

Monetarism is based on the *Quantity Theory of Money*, an accounting identity stating that money supply multiplied by velocity equals nominal expenditures in the economy.²⁹⁶ This identity becomes a theory by assuming that velocity is generally stable, which implies that nominal income is largely a function of money supply. It follows that in the short-run, an increase in the stock of money has temporary effects on GDP and employment since wages and prices are sticky (short-run monetary non-neutrality), while in the long-run, the same increase only leads to an increased price level (long-run monetary neutrality). Monetarism provided the underlying theoretical framework for the GCEE, which told its readers that ‘the dangers of too much money today lie in too high prices tomorrow’ (JG1977/78, §99*) and that ‘creating more money basically does not change the real conditions of the economy (JG1977/78, §43*)’.

Monetarism’s ultimate breakthrough was facilitated by the historical context of the first oil price shock. Since the GCEE equated monetary stability with price-level stability, implying that inflation corresponds to an increase in the average level of prices of all common consumer goods, the oil price crisis necessitated that price increases for petroleum products had to be compensated by discounts on other goods to ensure overall monetary stability.²⁹⁷ This was best ensured by an autonomous Bundesbank following a strict Monetarist approach (JG1979/80, §30*). Their absolute desire to guarantee monetary stability (TOP3) continued to distinguish German economists from their international peers, who typically thought that the gains from low inflation did not justify the costs of achieving it.²⁹⁸

In line with the ordoliberal preference for rule-based behaviour (TOP4), Monetarists propose a constant money growth rule, usually stating that the central bank should target the growth rate of money to equal the growth rate of real GDP, leaving the price level unchanged. Similarly, the GCEE demanded that the Bundesbank should provide ‘the central bank money stock that fits in with the macroeconomic production potential and continues to increase in line with its growth, with price level changes to be taken into account only insofar as they seem unavoidable’ (JG1977/78, §100*). Monetarism supports such fixed rules for conducting monetary policy because it supposes, as Ordoliberalism, that discretionary power can destabilise the economy: ‘worries about unwanted side effects’ stemming from ‘situational justification,’ the council noted, have ‘regularly been proven to be well founded’ (JG1983/84, §65*).

However, exactly because the responsibility for monetary policy had been transferred now from the realm of economic policy to the autonomous and self-confident Bundesbank, which itself followed a rule-based instead of a discretionary approach, detailed advice re-

²⁹⁵ Germann, J., ‘German “Grand Strategy” and the Rise of Neoliberalism’, *International Studies Quarterly*, 58/4 (2014), p.708.

²⁹⁶ Jahan, S. and Papageorgiou, C., ‘What Is Monetarism?’, *IMF Finance & Development*, 51/1 (2014).

²⁹⁷ Strätling, *Rat*, p.115.

²⁹⁸ Bernanke, B.S., ‘A Century of US Central Banking: Goals, Frameworks, Accountability’, *The Journal of Economic Perspectives*, 27/4 (2013), p.8.

garding monetary questions became unnecessary. The council wrote: ‘we *do not have any advice* on individual monetary policy measures currently to be taken. For the entirety of the Bundesbank’s measures, the criterion of a target-oriented expansion of the monetary base must be decisive. This is *their* main responsibility, from which *they* cannot be dismissed, *which instruments in whatever combination they may apply*’ (JG1977/78, §103*, emphasis added). In sum, the qualitative conformity of TOP3 and TOP4 with ordoliberal prescriptions has to be weighed against the marked quantitative decline in these topics’ importance, as also captured by the decline of the *monetary policy* category in the Topic Model (Figure 8) and the less frequent usage of terms like ‘monetary stability’ and ‘price stability’ (Figure 14).

In a period of *de*-regulation, proposals for regulatory policy occupied little space in the *Jahresgutachten* (Figure 8). Looking back on the 1980s, the council confirmed that the economic development of these years – and consequently the focus of its policy advice – had been influenced ‘less by the global economic problems than by the homemade problems’ (JG1989/90, §13*). The few proposals related to international regulation were sparked by the introduction of the European Monetary System (EMS) in early 1979 (JG1978/79, §§335ff.; JG1987/88, §347ff.).²⁹⁹ The council feared that the subordination of German monetary policy to the requirements of maintaining exchange rates would lead to a change in Germany’s monetary constitution. It warned against the ‘quasi-legislative activity’ of European institutions, ‘each of which may seem insignificant in its own right but, on the whole, could radically alter the basis of stability policy in the Federal Republic’ (JG1978/79, §44*). To counter this threat, the GCEE advanced a set of arguments that arguably reflected an ordoliberal perspective.

The GCEE called on the EMS to guarantee ‘from the outset’ that maintaining monetary stability has the ‘rank of a rule of the game’ (JG1978/79, §344ff.). Failure to comply with this monetary policy arrangement should trigger automatic sanctions (TOP5): the ‘early sanction is important, so that illusions about the persistence of a soft monetary policy no longer stand a chance’ (JG1976/77, §98*). This ‘liberalism from below’-approach implied that an individual state had ‘to handle unforeseen difficulties alone’ (JG1984/85, §68*). The lack of such domestic reliability, the council believed, was the reason for Bretton Wood’s failure (*ibid.*). This almost sounded like Germany’s insistence on ‘solidarity only against reliability’ during the Eurozone-crisis³⁰⁰ and supports Germann’s claim that the extension of the ‘German anti-inflationary project’ via the EMS contained a ‘compulsive element, offering exchange-rate stability while forcing adhering countries to follow the macroeconomic example of Germany.’³⁰¹ Meanwhile, further attempts to launch a common currency were blocked by emphasising the necessity to first achieve equal domestic preconditions (JG1984/85, §69*). Most importantly, all member states should present stable national currencies ‘as a kind of dowry’ (JG1989/90, §77*). Given the ‘dirigiste desires of other member states,’ it was deemed crucial

²⁹⁹ Bernholz, ‘Money’, p.206.

³⁰⁰ Meiers, *Role*, pp.24-35.

³⁰¹ Germann, ‘Strategy’, p.713.

for the FRG ‘to become a positive example of liberalisation’ (JG1989/90, §56*), echoing the ordoliberal preference for example-setting action (TOP5).

Due to prolonged recession and competition from Japan (JG1981/82, §§461ff.), Europe experienced a rise in protectionist measures during this period: For imports by EC countries, the share of ‘controlled’ trade rose from 36% to 45% for all goods, and from virtually zero to 16% for manufacturers.³⁰² The GCEE criticised these measures, ranging from changes in the technical standards for individual goods, stricter controls on certificates of origin, fewer permits for imports, anti-dumping procedures, as well as conventional discrimination through unilateral import restrictions, bilateral voluntary restraint agreements and special charges on individual imports (JG1977/78, §§37ff.; JG1978/79, §29ff.). In ordoliberal fashion, the GCEE identified ‘established interest groups’ protecting their closed markets as the underlying problem (JG1979/80, §55*; JG1986/87, §48*). It followed that the ‘further opening of markets in Europe and the worldwide reduction of protectionism’ was ‘the alpha and omega of all international coordination tasks’ (JG1984/85, §56*), well in line with Röpke’s free trade focus (TOP 6). While critique of protectionism was a common thread running through this period, as indicated by both the Topic Model (Figure 16) and the term’s frequency (Figure 17), proposals that would have pushed more directly towards ‘open integration’ (TOP 6) were missing.

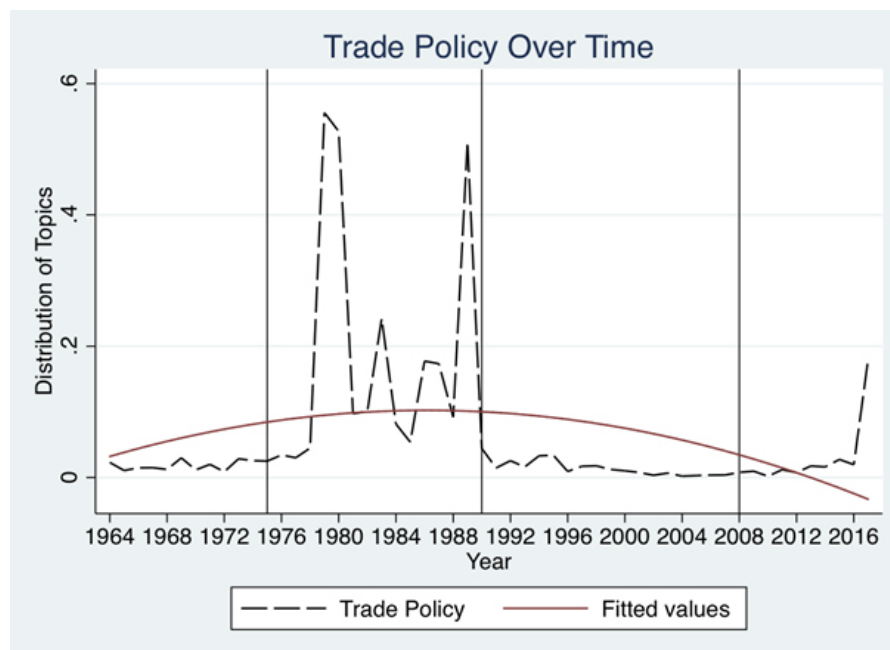


Figure 16: Trade Policy Over Time.

³⁰² Page, S., ‘The Revival of Protectionism and its Consequences for Europe’, *Journal of Common Market Studies*, 20/1 (1981), p.28.

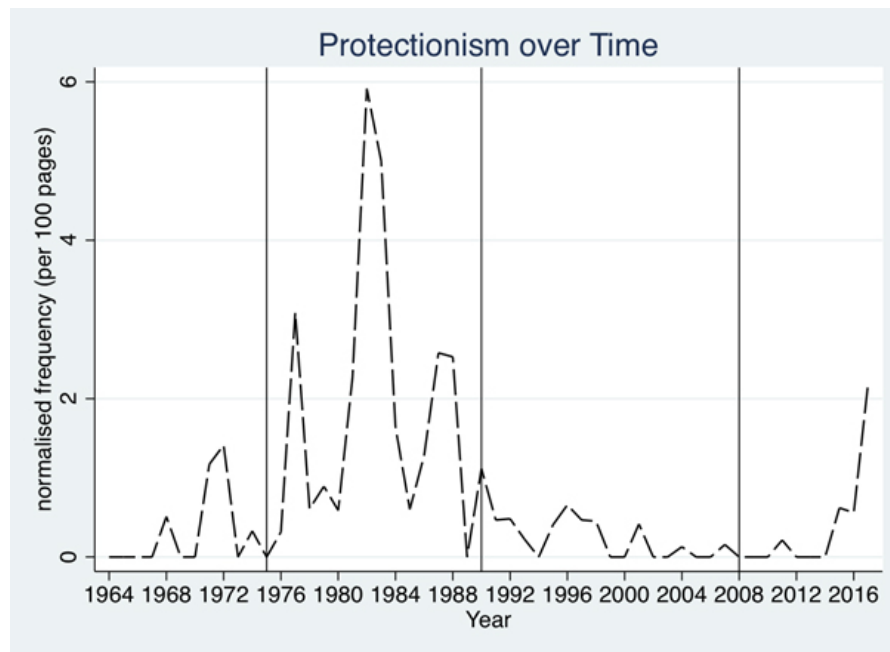


Figure 17: 'Protectionism' Over Time.

In sum, the three elements commonly associated with supply-side economics can be identified within the GCEE's reports.³⁰³ Firstly, the new policy agenda was conceptualised as the opposite of Keynesianism. Secondly, the central idea of increasing the supply of goods by stimulating growth of producers was reflected in the council's focus on the investment calculus shaped by the individual firm (JG1978/79, §67; JG1981/82, §301).³⁰⁴ Thirdly, the favourite policy recommendation to achieve this stimulation was tax cuts to businesses. The theoretical shift towards supply-side analysis and the promotion of tax reforms and de-regulation measures are also captured by normalised word counts (Figure 18). In short, Heuß's claim that following the decline of Keynesianism in the 1970s, German economics quickly took over the US-supply-side literature can be confirmed for the GCEE.³⁰⁵ Paradoxically, therefore, the vanishing of Keynesian ideas was associated with a similar decline in apparently obsolete ordoliberal ideas – a decline that was only halted by a strong external shock, Germany's unification.

³⁰³ Kurian, G.T., Art. 'Supply-Side Economics', *The AMA Dictionary of Business and Management* (ProQuest Ebook, 2013).

³⁰⁴ Strätling, Rat, p.123.

³⁰⁵ Heuß, E., 'Die theoretische Nationalökonomie im deutschsprachigen Raum vor und nach 1945', *Studien zur Entwicklung der ökonomischen Theorie*, 115/8 (1989), p.69.

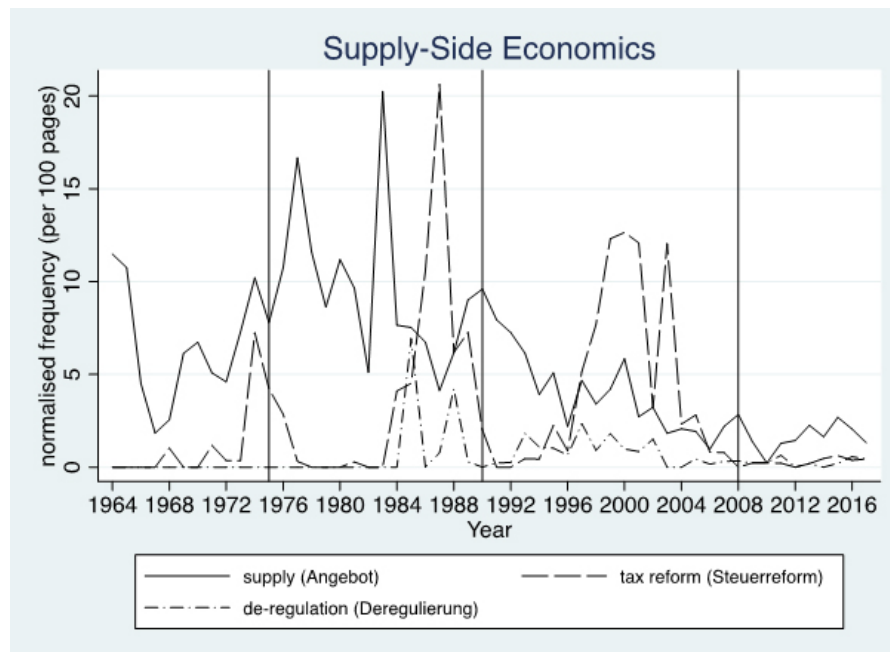


Figure 18: Supply-Side Economics. Source: Own calculations via NVivo; numbers include stemmed variants.

4.3 Post-Unification Period (1990-2007): Initiating a Second Economic Miracle?

In October 1990, Germany regained national unity.³⁰⁶ ‘What we did in 1948, the GDR will likewise accomplish in 1990,’ opined the liberal politician Otto Graf Lambsdorff.³⁰⁷ This attitude was shared by most of his colleagues,³⁰⁸ who now demanded the same ordoliberal reforms for East Germany that had, according to popular myth, enabled West Germany’s economic miracle – surely, they would produce ‘flourishing landscapes,’ as Chancellor Kohl famously promised. German economists were likewise optimistic, with the most influential argument being advanced by GCEE member Horst Siebert. From growth theory and from ‘historical experience,’ he inferred that Eastern German GDP would follow a ‘J-curve,’ i.e. a miraculous take-off following a short-lived transition-induced recession.³⁰⁹ A German research institute, recalling the economic miracle, predicted that Eastern German productivity

³⁰⁶ Overview: Singer, O., ‘The politics and economics of German unification: From currency union to economic dichotomy’, *German Politics*, 1/1 (1992), pp.78-94.

³⁰⁷ Quoted in: Abelshauser, *Wirtschaftsgeschichte*, p.444.

³⁰⁸ Ibid., pp.443-50.

³⁰⁹ Dale, G., ‘More shock than therapy: Why there has been no “miracle” in Eastern Germany’, *Socialism and Democracy*, 16/2 (2002), p.95.

could double within the next decade.³¹⁰ Based on this enthusiasm and the ‘honeymoon effect,’ politicians were able to implement a ‘radical and specific shock therapy’³¹¹ with rapid economic, monetary, social, and political unification.³¹² All major West German institutions supported this undifferentiated top-down implementation of West Germany’s institutions.³¹³ As this chapter shows, this consensus initially included the GCEE as far as ‘Ordo’ reforms were concerned, but, as the council’s scepticism towards a purely institution-based approach was increasingly corroborated by rising unemployment figures, it re-oriented its reform agenda towards labour market and social security reforms.

The demand for transformation policy advice led to a new life-cycle for ordoliberal ideas. From the outset, architects of the State Treaty made clear that ‘the process of unification would be guided by “Ordnungspolitik”’³¹⁴ Given Ordoliberalism’s origin as a theory of economic systems, designed to accommodate Germany’s post-war transformation, the theory’s ideas became relevant again when East Germany’s economy had to be transformed too. For instance, Werner advised ‘to orient oneself in the transformation process to the principles that Walter Eucken had formulated for the way out of the National Socialist planned economy.’³¹⁵ In their bibliometric analysis of the ORDO-yearbook, Bönker et al.³¹⁶ find that the breakdown of communism significantly increased the share of articles applying an explicit ordoliberal approach. Likewise, the GCEE’s renewed emphasis on ‘competition policy,’ as evidenced by the Topic Model (Figure 8), can be related to East Germany’s ordoliberal-inspired transformation, which coincided with the 50th anniversary of Eucken’s *Grundlagen* and the 40th anniversary of the ORDO-yearbook. Important ordoliberal terms such as ‘market economy,’ ‘order,’ ‘contract,’ and ‘privatisation’ abruptly enjoyed prominence in the *Jahresgutachten* (Figure 19). Does this apparent surge in ordoliberal thought persist in the qualitative analysis?

³¹⁰ Smyser, W.R., ‘United Germany: A New Economic Miracle?’, *The Washington Quarterly*, 13/4 (1990), p.174.

³¹¹ Leipold, ‘Transformation’, p.334.

³¹² Dale, ‘Therapy’, pp.110f.

³¹³ Streeck, W., ‘German Capitalism: Does It Exist? Can It Survive?’, *New Political Economy*, 2/2 (1997), pp.250f.

³¹⁴ Singer, ‘Unification’, p.83.

³¹⁵ Werner, H., ‘Ordnungspolitik im Reformprozeß Osteuropas’, *APuZ*, B78 (1992), p.39.

³¹⁶ Bönker et al., ‘Evolution’, pp.171, 176.

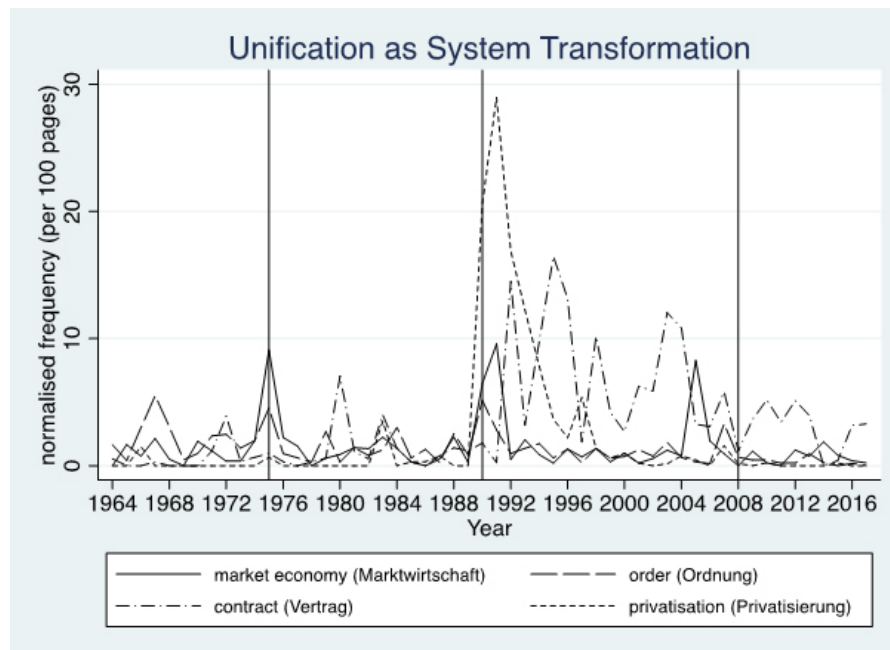


Figure 19: Unification as System Transformation. Note: Own calculations via NVivo; numbers include stemmed variants.

Transforming the GDR led to a revival of the ‘Ordo’ concept. In line with the long-standing German tradition of ‘thinking in orders,’³¹⁷ Ordoliberalism distinguished between a given *ordre naturel* and a consciously instituted *ordre positif*.³¹⁸ The specific *ordre positif* envisioned by Ordoliberals requires the fulfilment of Eucken’s seven constitutive principles, which are often identified as the ‘essence’ of the Freiburg School.³¹⁹ The reform agenda for transforming the GDR could be directly derived from these ‘Ordo’ principles: free prices, stabilise money, privatise state-owned enterprises, open all markets, install an appropriate legal system, ensure predictable policy reactions and, above all, conduct strict competition policy.³²⁰

The GCEE followed Eucken’s prescriptions by and large. Initially advocating step-by-step integration,³²¹ but being soon over-taken by events, the council aimed in its 1990 report to ‘bring to life the framework of the social market economy also in the East of the united fatherland’ (JG1990/91, Preface, §3). Echoing Eucken’s well-known analysis of the centrally-administered economy,³²² the root cause of East Germany’s weak economy was identified

³¹⁷ Tribe, K., *Strategies of Economic Order – German Economic Discourse, 1750-1950* (Cambridge, 1995).

³¹⁸ Sally, ‘Germany’, p.236.

³¹⁹ van Suntum et al., ‘Principles’, p.7.

³²⁰ Wagener, H.-J., ‘Ordnungstheorie and Theory of Regulation: How Productive are They? A Virtual Panel Discussion’, in Labrousse and Weisz, *Institutional Economics*, pp.354f.

³²¹ The GCEE rejected the completion of Monetary Union in a letter to the Chancellor (9.2.1990).

³²² Eucken, *Grundsätze*, pp.58-134.

‘in the system errors’ of a planned economy resulting from ‘decades of foreclosure from competition’ (JG1990/91, §13*). To build an efficient market economy from scratch, a ‘reliable system of ownership’ was deemed central (JG1990/91, §73*; JG1991/92, §11*, §65). While foreign scholars advocated subsidising employment,³²³ the GCEE advised against subsidies to protect unprofitable jobs or old companies since ‘laxity of economic and financial policy would be at the expense of the pace of renewal’ (JG1990/91, §51*; similar: JG1991/92, §§538ff.; JG2004/05, §49). Nevertheless, the new federal states would be dependent on large financial transfers for a considerable time, which made it crucial ‘to regain the stability of the monetary value’ (JG1991/92, §45*), especially because ‘consolidated inflation expectations’ could only be broken at the price of a recession (JG1991/92, §56*). Overall, predictable economic policy was needed (JG1991/92, §42*).

Competition policy played a dominant part in the council’s reform agenda: ‘it is all about the development of competitive structures’ (JG1990/91, §106*). Foremost, this required the privatisation of former state-owned enterprises (JG1990/91, §382; Figure 19). This task fell into the hands of the *Treubhandanstalt*, which was charged with privatising where possible, restructuring potentially viable enterprises, and liquidating non-viable enterprises. The underlying reasoning assumed that ‘the market would enable de-monopolisation and the replacement of the gigantic, overcentralized Kombinate with a differentiated structure that favoured small and medium-sized enterprises,’³²⁴ echoing Ordoliberalism’s anti-monopoly fight (TOP2) and ‘complete competition’-framework. This privatisation plan was welcomed by the GCEE as ‘the most appropriate way of rehabilitation,’ stressing that private investors would bring both entrepreneurial concepts and capital (JG1990/91, §101). Subsequent reports declared the *Treubhandanstalt*’s privatisation policy a ‘considerable success,’ while underlining that it should not become a ‘permanent bureaucratic institution for the management of uncompetitive companies’ (JG1991/92, §86*; similar: JG1993/94, §50*). The council’s absolute prioritisation of privatisation over restructuring is revealing, as is its optimistic assessment of the *Treubhandanstalt*, which clashed with numerous criticisms levelled against this institution.³²⁵ Beyond the grip of the *Treubhandanstalt*, the competition principle was likewise essential for securing the future of company sites (JG1992/93, §54*). By transferring traditional public tasks to private companies, public budgets would be relieved and the private sector’s ‘specific knowledge and experience’ gained, which was deemed important for a formerly planned economy (JG 1990/91, §78*; similar: JG1993/94, §57*).

Within this competition order, the state’s role was ‘strong’ (TOP1) in the sense that it should not be a mere ‘spectator,’ but equally should not allow itself ‘to be pushed into dirigisme or to be bogged down in plethora of uncoordinated individual measures that follow the need of the hour’ (JG1991/92, §42*). While there is no comprehensive role for govern-

³²³ Akerlof, G.A., Rose, A.K., Yellen, J.L. and Hessenius, H., ‘East Germany in from the Cold: The Economic Aftermath of Currency Union’, *Brookings Papers Econom. Activity*, 1 (1991), pp.1-105.

³²⁴ Dale, ‘Therapy’, p.116.

³²⁵ Summary: *Ibid.*, pp.112-6.

ment from the perspective of a pure market ideology, the situation in 1990 required a ‘strong state’ in three respects, namely removing economic distortions within the public sphere, providing the institutional framework for efficient competition, and helping to overcome bottlenecks in the physical infrastructure.³²⁶ Just as Ordoliberals had criticised the role of vested interests in the Weimar Republic’s political crisis, the GCEE emphasised that ‘energetic action by the Federal Government against the phalanx of anti-competitive particular interests should be necessary in any case’ (JG1993/94, §81*; similar JG1993/94, §84*). In cases where supporting East German firms was unavoidable, the state’s support was not intended ‘to give companies [...] a competitive advantage, but to compensate for competitive disadvantages stemming from the legacy of a socialist economy’ (JG1995/96, §46*), thereby enabling competition between German firms to take place on an equal footing. The council underlined that economic policy should not focus solely on large enterprises (JG1991/92, §294).

This peak in competition policy was intensified by the parallel development of the European Community’s regulatory structure, which necessitated the council to clearly take sides: It was German competition policy that was needed in Europe – and explicitly not French industrial policy, a contrast already foreshadowing the ‘battle of ideas’ two decades later. When the Council of Ministers included the so-called ‘French clause’ in an EC regulation regarding the control of company mergers, according to which the Commission had to take into account ‘the evolution of technical and economic progress’ when examining mergers, the GCEE’s assessment was unambiguous:

‘This clause gives industrial policy a significant role. Here are deep conceptual differences between industrial policy and competition policy. The gap between these two contrary basic concepts cannot be bridged by complementing competition law with industrial policy clauses. If Europe does not want to lose its economic vitality, it must not rely on industrial policy but on competition policy.’

(JG1991/92, §75*)

Ordoliberals shared this concern about the possibilities for market interventions contained in the Maastricht Treaty, interpreting them as evidence for an increasing influence of Saint-Simonist ideals that threatened to corrupt competition and increase political bureaucracy.³²⁷ The council identified many ‘shortcomings’ the Maastricht Treaty had ‘from a regulatory [*ordnungspolitischer*] point of view’, shortcomings that would enable excessive state interventions with selective subsidies, differentiated import restrictions and anticompetitive business co-operation (JG1992/93, §74*).

Despite all these attempts to generate *Ordo*, the ‘flourishing landscapes’ did not begin to flower. By 1995, the East German economy was producing value added at just over 50% of the West German per capita level despite net public sector transfers amounting to 4.25% of

³²⁶ Welfens, ‘Transition’, p.124.

³²⁷ Schüller, A., ‘Saint-Simonismus als Integrationsmethode: Idee und Wirklichkeit – Lehren für die EU’, *ORDO*, 57/1 (2006), pp.285-314.

West German GDP between 1991-95.³²⁸ Meanwhile, its industrial workforce had fallen from 3.2 million before unification to 0.6 million by 1994.³²⁹ Germany's transformation into the 'sick man of Europe' led some to conclude that unification proved the 'ultimate failure of *Ordnungspolitik*'³³⁰ and 'the sole relevance of the Keynesian solution.'³³¹ The reforms' failure to generate a new economic miracle overnight can be related to Ordoliberalism's emphasis on institutions and legal rules that led to a neglect of informal rules, path-dependence and the real economic sphere.³³² The rapid adaptation of the FRG's institutional arrangements and particularly the currency reform, whose glorification in public memory facilitated the decision to define the exchange rate from *Ostmark* to *D-Mark* politically, not economically, overburdened the new states.³³³ The GCEE quickly realised that 'temporary deviations and exceptions to the principle of a uniform legal framework' would be beneficial (JG1991/92, §85*). Likewise, it was aware of the problematic time-lag: 'A new currency and new laws can be introduced overnight, but the market-based renewal of businesses and administrations takes time, as does people's rethinking' (JG1990/91, §49*). In short, the GCEE understood that ordoliberal reforms were necessary but not sufficient for enhancing a new economic miracle.

Consequently, the council became an early proponent of labour market reforms (JG1993/94, §74*; JG1994/95, §§415ff.; JG1999/00, ch.5.III) and social security reforms (JG1992/93, §66*; JG1993/94, §45*) to address the increasing unemployment. The council's reorientation also reflected a theoretical shift towards disaggregated labour market models (JG1988/89, §253)³³⁴ and the realisation that the 'burdens' of unification had undone the 'successes achieved in the eighties' (JG1998/99, §16). This intellectual development was not unusual: both domestic³³⁵ and international³³⁶ colleagues had identified East Germany's high wage level as fundamental problem and likewise demanded reforms of the wage negotiation process and the welfare state.³³⁷ The high-point of this development was reached with the GCEE's 2002 report, which presented a twenty-point employment and growth program focusing on institutional reforms of the labour market. Its scope exceeded even the suggestions of the 'Hartz' commission (JG2002/03, §32). Ultimately, the strategy's key was to initiate wage rates below the productivity level (JG1995/96, §58*; JG1997/98, §20; JG1998/99, §27, JG2002/03, §§429ff.). The council also proposed long-term measures to close the sustainability gap of the social security

³²⁸ Boltho, A., Carlin, W. and Scaramozzino, P., 'Will East Germany Become a New Mezzogiorno?', *Journal of Comparative Economics*, 24/3 (1997), p.256.

³²⁹ Dale, 'Therapy', pp.99, 124.

³³⁰ Wohlgemuth, 'Ordnungstheorie', p.223.

³³¹ Flassbeck, H., 'Die deutsche Vereinigung – ein Transferproblem', *Vierteljahreshefte des Deutschen Instituts für Wirtschaftsforschung*, 3 (1995).

³³² Leipold, 'Transformation', p.346; Singer, 'Unification', p.89.

³³³ Abelshauser, *Wirtschaftsgeschichte*, p.447.

³³⁴ Strätling, *Rat*, p.193.

³³⁵ Sinn, G., and Sinn, H.-W., *Kaltstart: Volkswirtschaftliche Aspekte der deutschen Vereinigung* (Tübingen, 1991).

³³⁶ Akerlof et al., 'Aftermath'.

³³⁷ Sinn, H., 'Germany's Economic Unification: An Assessment after Ten Years', *NBER Working Paper Series*, 7586 (2000).

systems, including an increase of the legal retirement age (JG2001/02 §260; JG2002/03, §371; JG2003/04, §453) and the transition to a capital-covered cohort model for long-term care insurance (JG 2004/05, §§546ff.). The gradual replacement of the competition agenda with domestic structural reforms in these two areas of social policy is reflected by the development of the two respective categories in the Topic Model (Figure 11).

When attempts to revive the ‘concerted action’ ultimately failed in early 2003,³³⁸ Chancellor Schröder implemented the ‘Hartz’ labour market reforms, which shortened eligibility periods for unemployment benefits, extended possibilities for temporary agency labour, and curtailed the social partners’ institutional power. These reforms closely resembled the council’s earlier suggestions and were therefore welcomed as ‘more than just a first step in the right direction’ (JG2003/04, Preface, §4) and as ‘correct and far-reaching measures for a revitalisation of the labour market’ (JG2005/06, §7). At the heart of the reform package was the Hartz IV law implemented in January 2005, which reduced the long-run unemployment rate from 9% to 7.6% and increased long-run growth.³³⁹ The second economic miracle was finally in sight.

How ordoliberal was the Hartz agenda? Although the turn to social policy represented a departure from traditional ordoliberal policy fields, the ‘breaking-up of the social partners’ policy monopoly’³⁴⁰ regarding labour market policies corrected, in an ordoliberal sense, the power-balance between a ‘strong state’ and interest groups. Moreover, the underlying argument that the ‘German disease’ was ‘home-made and not contagious’³⁴¹ was in line with the Freiburg School’s methodological ‘liberalism from below’-perspective: ‘The causes [for Germany’s economic weakness; A.K.] lie in internal economic aberrations and failures’ (JG2004/05, §30). Already in 1995, the council concluded that the persistent unemployment problem necessitated a ‘reflection on regulatory tasks,’ especially regarding labour market effectiveness (JG1995/96, §§269ff.). The principle of wage differentiation had not been unknown to Ordoliberals: Böhm saw it as indispensable incentive in the economic process.³⁴² Generally, Ordoliberals preferred policy measures that improve the ability of recipients to help themselves. This is in line with the council’s understanding of the social market economy, within which ‘solidarity has only subsidiary significance’ (JG1996/97, §76*). The German ‘Kombilohn,’ defended by the GCEE (JG2006/07, §52), and other workfare measures are examples of this ordoliberal principle.³⁴³

³³⁸ Hassel, A. and Trampusch, C., ‘Verbände und Parteien: Die Dynamik von Parteikonflikten und die Erosion des Korporatismus’, in J. Beckert et al. (eds), *Transformationen des Kapitalismus: Festschrift für Wolfgang Streeck zum sechzigsten Geburtstag* (Frankfurt a.M., 2006), pp.114-21.

³³⁹ Krebs, T., and Scheffel, M., ‘Macroeconomic Evaluation of Labor Market Reform in Germany’, *IMF Working Paper*, 13/42 (2013).

³⁴⁰ Hassel and Trampusch, ‘Verbände’, p.126.

³⁴¹ Wohlgemuth, ‘Ordnungstheorie’, p.202.

³⁴² Ptak, *Stationen*, p.105.

³⁴³ van Suntum, ‘Principles’, p.16.

The council's thoughts regarding monetary policy revolved around the ECB, which took responsibility for the euro-area's monetary policy in 1999. The GCEE welcomed the resulting 'self-restraint' of national policy as 'probably the most important basic decision in recent years' (JG1998/99, §17). In contrast to the Fed, the ECB's statute was, to the delight of the council (JG2002/02, §39), in line with Ordoliberalism's price stability focus (TOP3). Subsequently, the GCEE reminded its readers that the tasks of the ECB were placed 'in a clear ranking' with the responsibility for price level stability as single priority, while sustainable growth and a high level of employment were 'subordinate,' and even this 'only so far as monetary devaluation is ruled out' (JG2001/02, §340). Due to the jurisdictional asymmetry between the ECB and the EMU member countries and the absence of a controlling political instance, the ECB can be regarded as 'the most independent central bank in the world, and its monetary regime the most depoliticised.'³⁴⁴ Although it remains debatable whether central bank independence should be associated with Ordoliberalism,³⁴⁵ the ECB's price stability mandate, its legitimacy through technical expertise, and its de-politicised behaviour clearly resembled both previous GCEE proposals (JG1991/92, §79*; JG1996/97, §56*) and ordoliberal ideas. In short, the ECB was 'intellectually closer to Bonn and Frankfurt than to Paris.'³⁴⁶

Despite these successes, the ECB governing council's decision to define monetary control 'only with reference to a benchmark and not a monetary target' and to combine it with an inflation forecast was critically commented by the GCEE, which feared 'a weakening of monetary self-commitment' and demanded that 'the discretionary margin should be reduced' (JG1998/99, §11). In the next year, the council recommended to adapt 'as soon as possible' a 'pure strategy,' either a money supply strategy or direct inflation targeting, with the majority pleading for the former (JG1999/00, §27). However, given uncertainties about both the stability of monetary fundamentals and monetary policy's transmission mechanisms in the newly created Euro-area, the ECB decided to continue its two-pillar strategy. The council equally continued its warnings against 'discretionary arbitrariness' (JG2000/01, §30) and proposed 'rectifications' to align the two pillars with 'transparent rules' (JG2001/01, §24, JG2002/03, §41), thereby echoing the Ordoliberals' call for rule-based behaviour (TOP4). Ultimately, the council approved of the ECB's two-pillar strategy, but continued to stress the need for greater transparency (JG2006/07, §17; JG2007/08, §206).

The council's discussion of regulation policies was again shaped by the EMU. The Single European Act of 1987 had prepared the reform of institutions, extension of powers, foreign policy cooperation and the single market, and it was soon followed by the Maastricht Treaty, which established the EU in 1993. From the outset, the GCEE was sceptical towards the Maastricht project. It suggested that 'governments should re-think the goal of political union' and that 'they should do their utmost to clarify the content of the subsidiarity prin-

³⁴⁴ Streeck, W., 'Heller, Schmitt and the Euro', *European Law Journal*, 21/3 (2015), p.369.

³⁴⁵ Bibow, 'Independence'.

³⁴⁶ Eichengreen, *European Economy*, pp.352f.

ciple, so as not to overstretch the powers of the community' (JG1992/93, §70*), resembling Röpke's 'open integration'-approach (TOP6). The council stressed the need 'to ensure open and competitive markets, to strengthen competition policy through the establishment of a European Cartel Office and to pursue the completion of the internal market in previously highly regulated markets' (JG1994/95, §74*), likewise in line with Röpke's functional and regulatory approach. When integration suffered a setback with the rejection of the European Constitutional Treaty in France and the Netherlands, the council calmly commented that 'from an economic point of view,' this development was 'less dramatic' as widely believed (JG2005/06, §17). The desire for more flexibility in the European integration process was shared by ordoliberal writers at that time.³⁴⁷

From the outset, the GCEE had been aware of the Euro-area's underlying problem. Given that the exchange rate was to be waived as a buffer, the GCEE argued already in 1995, other mechanisms were required to balance significant economic divergences within the union's real economy (JG1995/96, §75*). This necessitated reforms that would reduce labour market rigidities, while a 'Europeanisation of wage policy' was rejected as being opposed to the labour market's need for better adaptability (JG1997/98, §29). Similar concerns had shaped the thinking of early Ordoliberals: Lutz had advocated freely fluctuating currencies precisely because he thought that divergent wage behaviour would make stable rates impossible.³⁴⁸ Similarly, Röpke had feared that the European Community would force inflation on Germany, since only in this way could free trade and fixed exchange rates be maintained.³⁴⁹ Seeing this threat, the council's majority recommended domestic structural reforms (TOP5) to create 'appropriate incentives' in Europe's peripheral countries (JG1990/91, §93*). Strict conditions were necessary since governments would otherwise 'delay the correction as long as possible' (JG1992/93, §76*), showing that German economists were worrying about 'moral hazard' long before the Eurozone-crisis. In the event of excessive budget deficits, automatic sanctions should be applied (JG1995/96, §76*).

In sum, given the GCEE's focus on commercial integration via the single market, its neglect of social security or fiscal harmonisation, its emphasis on strict convergence criteria to guarantee price stability, its wish to extend Germany's competition law to European scale, and its promotion of trade liberalisation (summary: JG1994/95, §74*), the council's regulatory approach towards European integration can be classified as ordoliberal. In the event, these ordoliberal demands were mostly met. Ordoliberal thought shaped four central components of European integration: the EU's approach to competition law,³⁵⁰ the mandate of the ECB focusing on price stability; the Stability and Growth Pact (SGP) that focuses on fiscal discipline; and the

³⁴⁷ Ohr, R., 'Clubs im Club – Europas Zukunft?', *ORDO*, 58/1 (2007), pp.67-84.

³⁴⁸ Oliver, 'Neo-Liberals', p.146.

³⁴⁹ Curzon, 'International Order', pp.184ff.

³⁵⁰ Breker, 'Integration', p.126.

rejection of joint liability in the Treaties ('no bail-out' clause).³⁵¹ Therefore, in the early 2000s, the process of European unification had replaced German unification as the main vehicle for disseminating ordoliberal ideas.³⁵² Through their influence on European reforms in the aftermath of the financial crisis, these ordoliberal ideas acquired a new level of force.

4.4 Euro-Crisis Period (2008-17): Rebuilding Europe 'from below'

Before the outbreak of the financial crisis, the ordoliberal attitude towards European integration had oscillated between optimism and pessimism. On the one hand, there was evidence that the single market was achieving its goal of reaping economies of scale while simultaneously increasing competitive pressure.³⁵³ For optimists, believing in the European continuation of their ordoliberal spirit, the EMU promised a final triumph. On the other hand, Ordoliberals like Röpke would have regarded the EU's attempts to centralise and standardise European policy as a departure from free markets and free trade.³⁵⁴ For pessimists, institutional and cultural differences between German and foreign competition and anti-inflationist policies implied that Ordoliberalism would lose its significance as a standard setter. A benchmark for this sub-chapter's analysis is provided by Wohlgemuth, who hypothesised in 2001 that from an ordoliberal perspective, 'positive net results' would result from the EMU if 'some deviation from the high standards of ordoliberal ideals' would be compensated for 'by an internationalised acceptance of even somewhat compromised principles of *Ordnungspolitik*'.³⁵⁵ As shown below, ordoliberal ideas, triggered by the outbreak of the Eurozone-crisis, dominated the GCEE's reports and determined European policy during this period. Given Wohlgemuth's definition, the optimists were ultimately proven right by history.

While the 2007 report devoted one chapter to explain the complex causes of the US financial crisis, which mainly accused the Fed's expansionary monetary policy between 2003-05 (JG2007/08, §134) and the 'alchemy of securitisation' (JG2007/08, §§151ff.), the larger part of the report praised the good condition of Germany's economy, which was explained as 'the yield of previous structural reforms' (JG2007/08, §11). After the shocks in the global financial system 'reached a new dimension in September 2008' with Lehman Brothers' bankruptcy (JG2008/09, §2), central banks ensured with extensive liquidity support and interest rate cuts that banks were able to meet their payment obligations, while governments helped the banks with their solvency problems.³⁵⁶

³⁵¹ Blyth, *Austerity*, pp.13f.; Streeck, 'Heller'.

³⁵² Gerber, 'Neo-liberalism', p.71.

³⁵³ Eichengreen, *European Economy*, p.377.

³⁵⁴ Sally, *Liberalism*, p.145.

³⁵⁵ Wohlgemuth, 'Ordnungstheorie', p.225.

³⁵⁶ Overview of the events discussed in this sub-chapter: Baldwin, R.E. and Wyplosz, C., *The economics of European integration*, 5th edn (London, 2015), ch.19.

The GCEE's reasoning regarding the proper scope of state action (TOP1) was informed by historical experience (JG2008/09, §241). Referring to the Swedish banking crisis of the 1990s (JG2008/09, §§230f.), the council inferred that 'it would be wrong to keep as many banks as possible at any cost' (JG2008/09, §9). However, the 'largely passive state role' during a similar financial crisis in Japan had hindered the country's banks' return to international competitiveness (*ibid.*). The GCEE concluded that the state should actively drive forward a restructuring of the financial system, but should withdraw quickly after having re-established a viable market-economy structure (JG2008/09, §240). Given the depth of the crisis, the government's decision to temporarily change the framework conditions for corporate financing with the establishment of the 'Germany Economic Fund' was 'justified by the difficulties in restoring the flow of credit to businesses solely by supporting the financial market' (JG2009/10, §38), echoing Röpke's secondary deflation argument.³⁵⁷ This conceptualisation of the state as 'a strong impartial player, who upholds market-economy principles and provides a practicable legal framework for the restructuring of the economy' (JG2009/10, §38) reflects the ordoliberal strong state (TOP1).

The GCEE understood recessions as 'phases of restructuring in which overcapacities are reduced and existing business models are called into question' (JG2009/10, §38), which create the basis for a subsequent Schumpeterian upturn. Consequently, the economists criticised that the automotive industry received special support, citing the case of Opel where 'the state [...] gave up its role as an impartial player by trying to explicitly save a single company,' thereby creating 'distortions of competition' that were 'unjustifiable' (*ibid.*). In October 2008, the council sent a letter to the German chancellor urging her to replace case-by-case actions with an overall support concept (JG2008/09, §237). This distaste of selective support for large, powerful firms was in line with the ordoliberal understanding of the competition process (TOP2), as were proposals to strengthen competition and bankruptcy law (JG2009/10, §41).

Prior to the 2008 financial crisis, the Bundesbank and the ECB had roughly followed the ordoliberal preference for transparent rule-bound behaviour by relying on simple inflation targeting and emphasising independence. However, such definitive policy prescriptions are challenged by financial panics with their deteriorating effects on the economy and quick shifts in both the velocity of money and the latent neutral rate of interest.³⁵⁸ This time was no different: following the crisis' outbreak, central banks faced financial instability, concerns about their balance sheets, and questions about their independence, while their growing responsibilities were not accompanied by corresponding capabilities.³⁵⁹

Apparently, the GCEE did not see this dilemma. Despite the fact that it initially proposed a monetary policy strategy committed to both price stability and stability of the financial mar-

³⁵⁷ Röpke, *Crises*, pp.135f.

³⁵⁸ Duca, J.V., 'The Great Depression versus the Great Recession in the U.S.: How fiscal, monetary, and financial policies compare', *Journal of Economic Dynamics & Control*, 81 (2017), p.52.

³⁵⁹ Siklos, P.L., *Central Banks into the Breach: From Triumph to Crisis and the Road Ahead* (New York, 2017).

kets (JG2007/08, §§201ff., JG2008/09, §261), the council effectively prioritised price stability (TOP3). The ECB's decision to raise its main policy rate by 25 basis points to 4.25% in July 2008 in response to a slight increase in headline inflation was left uncriticised (JG2007/08, §201), a decision characterised by an American economist as 'extraordinarily destructive'.³⁶⁰ By contrast, the council criticised the Fed's 'quick intervention' after the bursting of the price bubble since this would only encourage 'careless behaviour and excessive credit expansion' in the future and undermine 'the correction mechanism of the market-based funding model' (JG2007/08, §208). Already in 2008, the GCEE demanded the formulation of explicit exit strategies (JG2008/09, §211) and a year later, it asked the ECB to 'take care that the strong expansion of refinancing loans at very low interest rates neither re-overheats the financial system nor jeopardises the objective of monetary stability' (JG2009/10, §12). While the analysis of foreign economists suggested the need for considerable caution regarding the pace of fiscal consolidation in depressed economies,³⁶¹ German economists demanded 'priority for fiscal consolidation' from 2009 onwards (JG2009/10, §19; JG2011/12, §38). The GCEE believed that 'the risk following from a consolidation task that is tackled too late and not consistently enough' was 'significantly greater' than the risk involved in a premature budget consolidation (JG2009/10, §112). With hindsight, this assessment has been inappropriate. As Eichengreen concludes, citing work by the IMF's Olivier Blanchard, Europe's premature 'shift to austerity' caused an 'entirely man-made' slowdown.³⁶²

In May 2010, the refinancing problems in Greece and the recurring doubts about the sustainability of public debt in Ireland, Spain and Portugal culminated in the Eurozone-crisis. Only after the ECB's declaration in the context of Outright Monetary Transactions to purchase, if necessary, bonds indefinitely did the situation start to ease in autumn 2012.³⁶³ But the council continued to call upon Eurozone governments to 'consistently and swiftly pursue their fiscal consolidation course' (JG2013/14, §28), while criticising the OMT program for introducing disincentives for domestic economic policy (JG2013/14, §§170ff., §208) and for 'softening' the borderline between monetary and fiscal policy: 'From a regulatory point of view, it is therefore imperative to relieve monetary policy of this task' (JG2012/13, §134; similar: JG2013/14, §202). The same formulations, echoing the ordoliberal 'primacy of the monetary order,' had been used by GCEE member Lars Feld, head of the Walter-Eucken-Institute, in ORDO.³⁶⁴ Like Ordoliberals, who criticised the ECB's actions as counterpro-

³⁶⁰ Eichengreen, B.J., *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses - and Misuses - of History* (New York, 2015), p.338.

³⁶¹ De Long, J.B. and Summers, L.H., 'Fiscal Policy in a Depressed Economy', *Brookings Papers on Economic Activity*, 1 (2012), pp.233-97.

³⁶² Eichengreen, *Mirrors*, pp.352f.

³⁶³ Baldwin and Wyplosz, *Integration*, p.500.

³⁶⁴ Feld, L.P., 'Europa in Der Welt Von Heute: Wilhelm Röpke Und Die Zukunft Der Europäischen Währungsunion', *ORDO*, 63/1 (2012), p.414.

ductive,³⁶⁵ the council remained sceptical towards subsequent unconventional monetary policies such as Quantitative Easing (JG2015/16, §§282f.).³⁶⁶ Since late 2013, foreign economists had discussed the possibility that the long-term equilibrium interest rate had dropped significantly as a result of ‘secular stagnation’³⁶⁷ and was now close to zero or negative, which seemed to justify the current zero-interest rate policy.³⁶⁸ The council was not convinced by the proponents’ evidence (JG2015/16, §327) and instead endorsed more ‘reliable’ interest rate rules (TOP4) such as the Taylor Rule, which suggested a tightening of monetary policy (JG2015/16, §§303ff.; JG2016/17, §§416f.). Lately, the GCEE feared that the ECB could fall into a state of fiscal or financial dominance (JG2016/17, §421; JG2017/18, §§381f.). The recent criticism is captured by the Topic Model’s renewed rise in *monetary policy* (Figure 8).

The Eurozone-crisis revealed significant regulative difficulties: fiscal discipline was inadequate, capital flows allowed for the deterioration of competitive positions in Southern Europe, a single supervisor for European banks and mechanisms for fiscal transfers between booming and depressed regions were missing.³⁶⁹ As indicated by the Topic Model (Figure 8), the *Jahresgutachten* were dominated by regulatory reforms for the Eurozone which gradually developed into a unified concept known as ‘Maastricht 2.0’ (JG2010/11, §§146ff., JG2011/12, §§198ff., JG2012/13, §§173ff.; JG2013/13, §§269ff.).³⁷⁰ This concept relied on three pillars – one for fiscal stability, one for the stability of the private financial system, and one for crisis management – and was based ‘on national liability and the disciplinary function of the markets’ (JG2012/13, §6). Different preferences and institutions, the council argued, spoke against far-reaching harmonisation or a transfer of competences to the European level (JG2013/14, §§279f., §§338ff., §§497ff.). This resembled Ordoliberalism’s emphasis on subsidiarity and ‘open integration’ (TOP6).³⁷¹ Like Röpke, who regarded Swiss federalism as a role model for European integration,³⁷² the council’s recommendations were informed by reflections on the experiences of Switzerland and other federal states (JG2012/13, §§178f.). This reasoning

³⁶⁵ Belke, A., ‘Europäische Zentralbank: kontraproduktive unkonventionelle Geldpolitik und der Euro-Wechselkurs’, *ORDO*, 65/1 (2014), pp.117-32.

³⁶⁶ Through Mr. Weidmann, even the QE programme was partly influenced by Ordoliberalism. Meiers, *Role*, p.83.

³⁶⁷ Summers, L.H., ‘U.S. economic prospects: Secular stagnation, hysteresis, and the zero lower bound’, *Business Economics*, 49 (2014), pp.65-73; Krugman, P., ‘Four observations on secular stagnation’, in C. Teulings and R. Baldwin (eds), *Secular stagnation: Facts, causes, and cures* (London, 2014), pp.61-8.

³⁶⁸ Yellen, J., ‘Normalizing monetary policy: Prospects and perspectives’, *Conference “The new normal monetary policy”* (Speech, San Francisco, 27 March 2015), <https://www.federalreserve.gov/newsevents/speech/yellen20150327a.htm> (05.04.2018), pp.13f.

³⁶⁹ Eichengreen, *Mirrors*, pp.372ff.

³⁷⁰ The increase in *regulation* was also driven by Germany’s ‘energy turnaround’ (JG2013/14, ch.10; JG 2014, §§32ff.; JG2016/17, ch.11) and the migration crisis (JG2015/16, §§18ff., §§514ff.; JG2016/17, ch.8).

³⁷¹ Fahrholz, C. and Freytag, A., ‘Finanzpolitik in Europa zwischen Subsidiarität und Vergemeinschaftung: Eine ordnungsökonomische Analyse’, *ORDO*, 65/1 (2014), p.107.

³⁷² Feld, ‘Europa’, p.405.

implied that not all of the above-mentioned institutional deficiencies were equally addressed by ‘Maastricht 2.0.’ As shown below, the concept prioritised ordoliberal ideas.

First, the *fiscal stability pillar* comprised credible fiscal rules that would provide incentives and sanctions to ensure fiscal discipline (JG2009/10, §§123ff., JG2010/11, §§148ff.; JG2012/13, §§115ff., §§204ff.; JG2013/14, §§317ff.). The council proposed to set up a ‘consolidation pact’ to ensure ‘that the exit from the expansionary fiscal policy takes place in an ambitious, transparent, stringent and expedient manner’ (JG2009/10, §19). Each country should be obliged to define a consolidation path that would be implemented as a rule for non-cyclical expenditure. The advantages attached to such rules resembled the ordoliberal preference for rule-bound behaviour (TOP4): ‘Deviations can not only be identified relatively clearly, but at the same time they can easily be attributed to a misconduct on the part of politicians’ (JG2009/10, §126). Throughout the consolidation phase, member countries should set all expenditure-relevant tax provisions beforehand. The Commission should have the right to propose sanctions and should publish a biannual verification report that would strengthen financial markets’ sanctioning capacity (JG2009/10, §§123ff.). Overall, the GCEE’s fiscal pillar, which intended to implement budgetary discipline via automatic rules and other regulations (Figure 20), mirrored the ordoliberal understanding of public debt as a negative external effect that is only avoidable by means of regulation.³⁷³

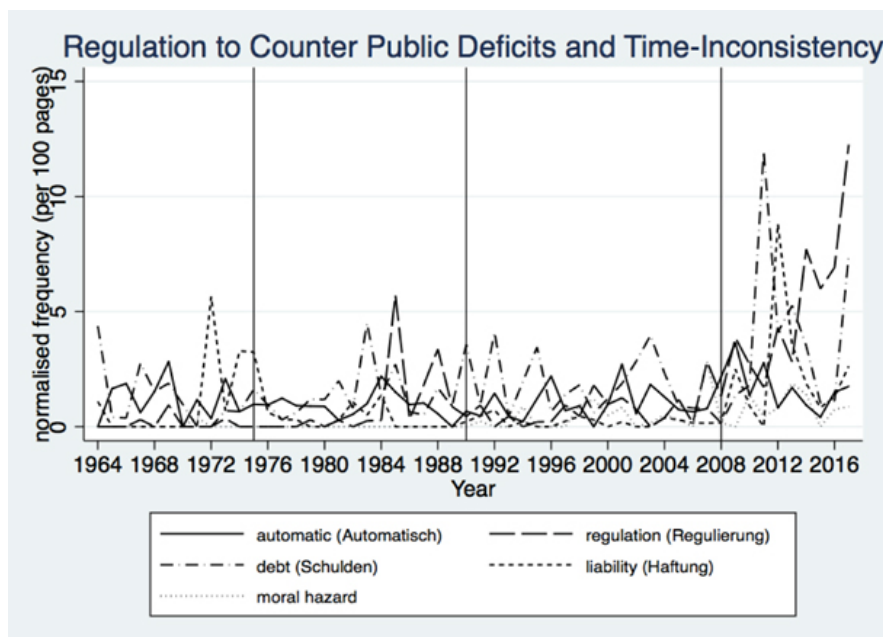


Figure 20: Rise in Regulation. Source: Own calculations via NVivo; numbers include stemmed variants.

³⁷³ Berthold, N. and Koch, D., ‘Von der (Un-)Möglichkeit ausgeglichener Haushalte’, *ORDO*, 59/1 (2008), pp.39-62.

It is remarkable how close the German economists' ideas were to the actual response of the European governments, which took the form of new EU regulations implemented between 2010-13 and known as Six-Pack (perhaps, as Eichengreen only half-jokingly notes, 'to appeal to beer-loving Germans'),³⁷⁴ Two-Pack, and Fiscal Pact. Six Pack regulations added new sanctions, an expenditure rule and the operationalisation of the debt ceiling to the SGP. The Two-Pack reinforced the coordination of the national budget processes within the Euro-area. Monitoring of member states' budgets was strengthened. The Fiscal Pact committed signatories to implement deficit rules and to entrust monitoring to independent fiscal councils. The Commission's *Vade Mecum* is the official compendium of these fiscal rules and comprises over 200 pages.³⁷⁵ For Meiers, this renewed SGP is Ordoliberalism's 'categorical imperative,'³⁷⁶ while Biebricher argues that the 'mechanizing of the EU's fiscal policies' through the Six-Pack is part of a 'German strategy for the Ordoliberalization of Europe.'³⁷⁷ Germany's insistence on a mandatory constitutional debt break has also been related to Ordoliberalism.³⁷⁸ In sum, the Fiscal Pact is 'all about the 'ordo'.³⁷⁹ The German economists' enthusiasm for a rule-based approach contrasts with a recent multinational research project, which revealed several shortcomings of such an approach, particularly criticising debt rules because they 'too readily neglect the asset side of the public balance sheet, militating against the kinds of public investment that might be used to restore underlying growth performance.'³⁸⁰

Secondly, the *pillar for the stability of the private financial system* focused on the creation of a single financial supervision. Again, the GCEE referred to the experiences of Switzerland to demonstrate the desirability of a strict no-bail-out rule at the state level combined with uniformly regulated financial markets (JG2012/13, §186). The Eurozone-crisis had revealed shortcomings in the European single market for capital (JG2012/13, §322), which necessitated a singular 'departure from the principle of subsidiarity' (JG2012/13, §299). A review article in *ORDO* on banking regulation approved of the same theoretical reasons for a Europe-wide supervisor.³⁸¹ Building on its earlier call for a uniform system of EU banking supervision (JG2010/11, §§154ff.), the GCEE presented a detailed concept for a banking union in its 2012 report (JG2012/13, §§324ff., also: JG2013/14, §§291ff.), coinciding with the launch of the European banking union (EBU). The EBU consisted of four components: a single rulebook; a common European banking supervision with ECB participation; the establishment of a

³⁷⁴ Eichengreen, *Mirrors*, p.373.

³⁷⁵ European Commission (2017), 'Vade Mecum on the Stability and Growth Pact', *European Economy Institutional Paper*, 52 (2017), https://ec.europa.eu/info/sites/info/files/ip052_en_0.pdf (15.03.2018).

³⁷⁶ Meiers, *Role*, p.80.

³⁷⁷ Biebricher, 'Europe', p.10.

³⁷⁸ Hien, 'Ordoliberalism', p.356.

³⁷⁹ Blyth, *Austerity*, pp.13f.

³⁸⁰ Begg, I., 'Should rules continue to rule?', *Policy report from the FIRSTRUN project* (February 2018), http://www.firstrun.eu/files/2018/02/D6.6_policy_report.pdf (06.04.2018), p.10.

³⁸¹ Vollmer, U., "'Stairway to Heaven' oder 'Highway to Hell'? – Eine Einschätzung der Europäischen Bankenunion", *ORDO*, 66/1 (2015), p.168.

‘single resolution mechanism’ for systemically important financial institutions; and a recast of the deposit guarantee schemes on the European level.³⁸²

While generally welcoming the EBU, the council criticised several aspects of the plan (JG2013/14, §296, §327, §§417ff.), foremost the inclusion of the ECB in the supervision, which was deemed to threaten the independence of monetary policy (JG2012/13, §325; JG2014/15, §16; JG2015/16, §40). Similarly, the ECB’s new responsibilities for macroprudential oversight would lead to ‘conflicts of interest between oversight and monetary policy and a significant concentration of power’ (JG2014/15, §377). To remedy these deficiencies, the GCEE drafted a three-phase transition concept to a complete banking union, based on two key considerations: First, liability and control should be kept together; secondly, communitarisation of ‘bad debts’ should be prevented (JG2012/13, §§334ff.). Both considerations followed Eucken’s liability principle. In addition, the GCEE proposed adequate capital cushions and reversal of the preferential treatment given by prudential bank regulations to sovereign exposures (JG2011/12, §§248ff.; JG2015/16, §§52ff.; JG2016/17, §§537ff.). Sceptical Ordoliberals recommended similar regulative changes.³⁸³ Despite this criticism, the legal foundations of the EBU with their clear hierarchy of losses are generally interpreted as ordoliberal victory.³⁸⁴

The *pillar for rule-based crisis management* encompassed a permanent set of rules for crisis situations. The GCEE aimed to establish a transparent, predictable and credible long-term stabilising regulatory framework, which implied ‘a high degree of rule-binding’ (JG2011/12, §243), in line with TOP4. The EFSF needed to be replaced (JG2010/11, §159ff.), preferably by a ‘debt redemption fund’ that would protect monetary policy’s independence ‘so that the ECB would not be forced to act on the border of its mandate’ (JG2013/14, §30, similar: JG2013/14, §§259ff.). In contrast to the existing liquidity stimuli, joint liability would only be granted on a temporary and quantitative basis and secured by depositing collateral (JG2011/12, §184ff.), again echoing Eucken’s liability principle.

States whose debt sustainability was permanently called into question should not be supported by this crisis mechanism. In 2011, the GCEE introduced an insolvency code for states, which was linked to their debt ratios (JG2011/12, §§245ff., JG2012/13, §§181ff.). An insolvency code for states, so the argument went, would stabilise the expectations of market participants, increase the market’s disciplinary function and ensure that the debt restructuring process becomes more ‘regular and orderly, thereby reducing the risk of contagion and strengthening the non-assistance clause’ (JG2015/16, §§47ff.). The 2011 ORDO-yearbook featured a similarly positive article on bankruptcy codes for states.³⁸⁵ Later, Ordoliberals

³⁸² Overview: Spence, R.A., ‘The European Banking Union: Will It Be Sufficient to Avert Another Debt Crisis in Europe?’, *International Journal of Business and Social Research*, 6/11 (2016), pp.15-33.

³⁸³ Vollmer, ‘Bankenunion’, p.168; Smeets, H.-D., and Schmid, A., ‘Europäische Staatsschuldenkrise, Lender of last resort und Bankenunion’, *ORDO*, 65/1 (2014), pp.66f.

³⁸⁴ Meiers, *Role*, p.50.

³⁸⁵ Beck, H. and Wentzel, D., ‘Ordnungspolitische Überlegungen zu einer Insolvenzordnung für Staaten’, *ORDO*, 62/1 (2011), pp.86ff.

acclaimed the GCEE's proposal for 'clearly signal[ing] to investors the (liability) risk'.³⁸⁶ By ensuring that a bankruptcy would run quasi-automatically along certain benchmarks, the GCEE's insolvency code reflected Ordoliberal's rule-preference (TOP4) and distrust of political negotiations. The proximity between the GCEE's ideas and ordoliberal thought is underlined by the fact that Feld was able to almost literally reprint the council's proposals in the ORDO-yearbook.³⁸⁷

Besides analysing what the council *wanted* to regulate, it is equally revealing to analyse what the council *refused* to regulate. Foreign observers criticised the German current account surpluses as an expression of an unfair 'beggar-thy-neighbour policy'.³⁸⁸ Several international institutions described the German 'wage deflation policies' as an important determinant of these imbalances.³⁸⁹ Germany, so the argument went, was required to pursue a more expansionary wage and fiscal policy in order to support European recovery.

The GCEE used two strategies to counter these attacks. Firstly, it argued that the imbalances *could* not be addressed in an effective way. Referring to spillover-simulations of a multi-country macroeconomic model (NiGEM),³⁹⁰ the majority argued that Germany could not make a significant contribution to reducing EMU-imbalances through stronger wage increases or more expansionary fiscal policies (JG2010/11, §§195ff.).³⁹¹ The council's conclusion contrasted markedly with the assessments of foreign economists,³⁹² who emphasised that discretionary fiscal policy has an important role both in countering deep downturns that are accompanied by liquidity traps and deleveraging³⁹³ and as a stabilisation tool when interest rates are constrained by the zero nominal lower bound.³⁹⁴ A team of international researchers showed that NiGEM estimated larger spillover effects when applying reasonable assumptions proxying a severe downturn.³⁹⁵

Secondly, the GCEE argued that the imbalances *should* not be addressed: 'it cannot be the goal to undermine the stabilisation effect of national budgetary policy and to accept the overheating of the economy in Germany in order to stabilise the economy in other member states' (JG2017/18, §93). The council's proposed reform-package for the Eurozone 'deliber-

³⁸⁶ Smeets and Schmid, 'Staatsschuldenkrise', p.68.

³⁸⁷ Feld, 'Europa', pp.422-4.

³⁸⁸ Baldwin and Giavazzi, *Crisis*; CFM and CEPR, 'Surpluses'.

³⁸⁹ ILO, *Global Employment Trends 2012: Preventing a deeper jobs crisis* (Geneva, 2012), p.46; IMF, *Toward Lasting Stability and Growth* (June 2012), <https://www.imf.org/external/np/g20/pdf/062012.pdf> (06.04.2018), AnnexII, §10.

³⁹⁰ National Institute Global Econometric Model: <https://nimodel.niesr.ac.uk/index.php?t=1> (06.04.2018).

³⁹¹ Choosing this model is already an act of judgement. Models with anticipatory expectation formation, such as NiGEM, usually result in lower multiplier effects.

³⁹² Summary: Duca, 'Recession', p.56.

³⁹³ Eggertsson, G. and Krugman, P., 'Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach', *The Quarterly Journal of Economics*, 127/3 (2012), pp.1492f.

³⁹⁴ De Long and Summers, 'Fiscal Policy', pp.21-4.

³⁹⁵ Määttänen, N. and Alcidi, C., 'Summary report of the FIRSTRUN project' (February 2018), http://www.firstrun.eu/files/2018/02/D1.7_summary_report.pdf (06.04.2018), pp.5f.

ately' did not provide for an 'excessive imbalance' procedure because 'macroeconomic imbalances can be traced back to different causes that are only partially under the control of a member state' (JG2010/11, §120; similar: JG2010/11, §§171ff., JG2012/13, §168, §232). While half of the surplus was indeed related to fundamentals (e.g. ageing society), this still left room for complementary attempts at achieving a more balanced intra-Eurozone landscape.³⁹⁶ However, the GCEE opposed any fiscal capacities to cushion macroeconomic shocks, as discussed at that time by international institutions.³⁹⁷ The *Jahresgutachten* elaborated on a paper by the ordoliberal Feld (JG2013/14, §§328ff.; JG2017/18, §102), who argued that in order for a fiscal insurance mechanism to be effective, a series of 'very stringent' requirements had to be met, which 'in practice' were likely to be missing.³⁹⁸ Instead, the council demanded to focus on crisis countries' domestic, targetable 'root causes' (JG2010/11, §120), thereby shifting the level of analysis from the macro- to the micro-level.

These two strategies were based on a problematic macroeconomic reasoning. Despite acknowledging Germany's wage moderation strategy between 2000-07 (JG2014/15, §§462ff.), the majority concluded that the German current account surplus should not be classified as a macroeconomic imbalance due to weak domestic demand (JG2014/15: ch.6). This ignored that from the perspective of other countries, Germany's wage moderation implied a deficit in aggregate demand and a loss of price competitiveness. Simply following the council's wage moderation recipe, that is competing over net exports, would lead to 'zero-sum game'.³⁹⁹ This 'overarching aspect,' as Bofinger noted in his minority vote, 'remains unnoticed in the analysis of the majority' (JG2014/15, §490). The council's understanding of the national account, based on the view of Germany as a typical 'small open economy,' bears similarities with Ordoliberalism. Röpke had argued that the passivity of a country's trade and balance of payments would not be of much greater importance 'than that between Berlin and Hamburg.' If the merchants in Berlin were permanently 'in debt' to the Hamburg merchants, then this simply reflected a mistake in their 'commercial dispositions,' which in the worst case would lead to the bankruptcy of individual merchants.⁴⁰⁰ Commenting on Keynes' ideas regarding the savings-investment-relationship, Röpke had noted that 'it is not with impunity that people are deprived of the sense that they are doing the right thing by saving.'⁴⁰¹ Such a macroeconomic perspective 'from below' ignores the well-known paradox of thrift,

³⁹⁶ Steinberg, P., 'Global imbalances – coordinating with different script books', in Beck and Kotz, *Oddity*, pp.168, 171.

³⁹⁷ IMF, 'Toward a fiscal union for the Euro Area', *IMF Staff Discussion Note*, 13/9 (2013), §§25-8.

³⁹⁸ Feld, L.P. and Osterloh, S., 'Is a fiscal capacity really necessary to complete EMU?', *Workshop "How to build a genuine Economic and Monetary Union"* (Genshagen, 2013), https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Sonstiges/Genshagen_Paper_-_Feld.pdf (06.04.2018).

³⁹⁹ Cooper, R.N., 'Germany and the world economy', in Beck and Kotz, *Oddity*, p.183.

⁴⁰⁰ Quoted in: Feld, 'Europa', p.406.

⁴⁰¹ Quoted in: Schneider, 'Streit', p.108.

suffers from a ‘microfoundations delusion,’⁴⁰² and could have facilitated the emergence of a moralistic crisis discourse.⁴⁰³

From the council’s macroeconomic perspective followed that the only effective policy option was a consistent continuation of structural reforms (TOP5) to enable growth and convergence (JG2009/10, §§323ff.; JG2010/11, §§212ff.; JG2013/14, §37; JG2014/15, §§286ff.; JG2016/17, §428; JG2017/18, §§88f.). While international research noted that structural reforms can only be successful if implemented in a positive macroeconomic environment,⁴⁰⁴ the GCEE’s majority approved of the ‘significant structural reforms’ made by program countries like Spain (JG2014/15, §286) and linked the resurging growth with its ‘loans against conditions strategy’ (JG2015/16, §263). Bofinger connected his colleagues’ opinion with Ordoliberalism by arguing that the majority’s proposals for ‘structural reforms’ reflected Eucken’s negative attitude towards trade unions and corporatism.⁴⁰⁵ More clearly, ordoliberal concerns became apparent when the majority debated political obstacles to reforms: Firstly, they noted that from the politician’s perspective, ‘reforms become unattractive as voter short-term effects are immediately felt, while long-term positive effects remain undefined’ (JG2013/14, §347), which is in line with ordoliberal calls for a ‘regulatory policy for the policy domain.’⁴⁰⁶ Secondly, referencing Olson’s well-known work,⁴⁰⁷ they described the power of interest groups in negative terms (JG2013/14, §348), echoing Eucken’s insistence on ‘complete competition.’

In conclusion, regulatory and structural reforms played a significant role in ‘Maastricht 2.0,’ while fiscal transfers did not. Concerns for stable money, distaste of fiscal policy, and a liberalism-from-below approach towards (macro)economic problems overlap with ordoliberal ideas. Paraphrasing Winkler, who argued that the history of the Eurozone-crisis could be depicted as an ongoing attempt to implement the ‘right’ ordoliberal measures,⁴⁰⁸ one could describe the council’s reform agenda as an ongoing promotion of ordoliberal ideas.

⁴⁰² King, J.E., *The Microfoundations Delusion: Metaphor and Dogma in the History of Macroeconomics* (Cheltenham, 2012), ch.3.

⁴⁰³ Picard, R. (ed), *The Euro Crisis in the Media: Journalistic Coverage of Economic Crisis and European Institutions* (London and New York, 2015).

⁴⁰⁴ Eggertsson, G., Ferrero, A. and Raffo, A., ‘Can structural reforms help Europe?’, *Journal of Monetary Economics*, 61 (2014), pp.2-22.

⁴⁰⁵ Bofinger, ‘Shadow’, p.17.

⁴⁰⁶ Lösch, D., ‘Das Dilemma mit der Rolle des Staates in der Wettbewerbsordnung. Zum 50. Todestag von Walter Eucken’, *Wirtschaftsdienst*, III (2000), p.192.

⁴⁰⁷ Olson, M., *The logic of collective action: Public goods and the theory of groups* (Cambridge, 1965).

⁴⁰⁸ Winkler, A., ‘Ordnung Und Vertrauen – Zentralbank Und Staat in Der Eurokrise’, *Perspektiven Der Wirtschaftspolitik*, 14/3-4 (2013), p.200.

5. Mechanisms: Narrative Economics and Ordoliberalism's Partial Influence

Max Planck famously noted that a new scientific idea never triumphs by convincing its opponents, but only because these opponents eventually die off. However, despite Eucken's early death in 1950, ordoliberal ideas experienced several revivals in subsequent periods. This follows from a summary of both the quantitative and the qualitative analysis (Tables 5). While the upper box of Table 5 illustrates that one can detect policy recommendations in line with Ordoliberalism throughout the GCEE's history, the bottom box makes clear how important it is to complement this qualitative analysis with a quantitative dimension. To produce reliable results, one has 'to come at problems from quite different points of view using different methods and perhaps data, and then focus on those results upon which these different points of view separately arrive.'⁴⁰⁹ Analogously, ordoliberal peaks correspond to policy ideas of the council that are in line with ordoliberal thought (as evidenced by JG paragraphs) *and* constitute a large part of the reports (as evidenced by the Topic Model and word counts).

Qualitative Results					
Field of Economic Policy	Topics	Keynesian Period	Supply-Side Period	Post-Unification Period	Euro-Crisis Period
Competition Policy	Strong state (TOP1)				
	Antimonopoly policy (TOP2)				
Monetary Policy	Price stability (TOP3)				
	Rule-based behaviour (TOP4)				
Regulation Policy	Unilateral action & structural reforms (TOP5)				
	'Open integration' approach (TOP6)				

Qualitative and Quantitative Results (combined)					
Field of Economic Policy	Topics	Keynesian Period	Supply-Side Period	Post-Unification Period	Euro-Crisis Period
Competition Policy	Strong state (TOP1)				
	Antimonopoly policy (TOP2)				
Monetary Policy	Price stability (TOP3)				
	Rule-based behaviour (TOP4)				
Regulation Policy	Unilateral action & structural reforms (TOP5)				
	'Open integration' approach (TOP6)				

Legend: ■ Ordoliberal influence identified; ▨ mixed results; □ no Ordoliberal influence.

Table 5: *Qualitative Results (top) and Combined Results (below).*

This combined analysis reveals that Ordoliberalism has not been a permanently visible characteristic of German economics, but has been re-activated during certain episodes (Table 5, bottom). The ordoliberal peak during the Keynesian period refers to the early 1970s, when

⁴⁰⁹ Boumans, M. and Davis, J.B., *Economic Methodology: Understanding Economics as a Science* (Basingstoke, 2010), p.X.

the council refused deficit spending in an attempt to bring about price stability and developed first Monetarist ideas, the competition peak after unification was gradually replaced by labour market and social security reforms, and finally, the council proposed ordoliberal regulatory reforms during the Eurozone-crisis. This impression of a partial and varying influence is supported by the general volatility of the Topic Model (Figure 11) and the continuous evolution of the Micro/Macro topic ratio (Table 4). Given these results, the task becomes to find a mechanism that can account for the identified succession of ordoliberal peaks (and simultaneously explain why Ordoliberalism did not dominate the *Jahresgutachten* for most of the time). The variance in the JGs contents rules out any long-term, structural transmission mechanism as in cultural evolution models.⁴¹⁰ Instead it points to short-term transmission mechanisms, as described by *Narrative Economics* approaches.⁴¹¹

Narrative Economics studies the relationship between the dynamics of narratives and economic fluctuations.⁴¹² We can understand ordoliberal thought as a collection of narratives that are well-known within the epistemic community of German economic policy advisers and can ‘go viral’ in specific contexts, thereby triggering new life-cycles for suitable ordoliberal ideas. New narratives are ‘causative innovations’ produced by single or a few individuals.⁴¹³ The Freiburg School comprised a small group of committed researchers whose collaboration can be described as ‘putting up of a front’⁴¹⁴ against contemporary developments like Keynesianism. The underlying normative basis of Ordoliberalism, equivalent to narratives’ underlying values, is reflected in its ‘missionary zeal.’⁴¹⁵ Just as spreading narratives can affect the economy, ordoliberal thought ‘went viral’ under the heading of the social market economy and thereby supported post-war growth.⁴¹⁶ Humans use narratives to justify ongoing actions and Ordoliberalism’s easily accessible logic legitimised Germany’s export-oriented post-war order⁴¹⁷ and, lately, structural reforms and budget balancing (‘Swabian housewife’ metaphor).⁴¹⁸

In *Hall of Mirrors*, Eichengreen uses a Narrative Economics approach to argue that the lessons of the 1930s as distilled by economists and historians have significantly shaped perceptions and reactions in the financial crisis of 2007-09. His study provides a framework for analysing the mechanisms behind the identified ordoliberal peaks. ‘The historical past is a

⁴¹⁰ E.g. Mokyr, J., *A culture of growth: The origins of the modern economy* (Oxford, 2017).

⁴¹¹ Literature survey: Hansen, P., Review ‘Hall of Mirrors: The Great Depression, the Great Recession, and the Uses – and Misuses – of History’, *Business History Review*, 89/3 (2015), pp.557-69.

⁴¹² Shiller, ‘Narrative Economics’, p.967. Shiller treats narratives as exogenous shocks, while I endogenise them.

⁴¹³ Ibid., p.968.

⁴¹⁴ Riese, H., ‘Ordnungsidee und Ordnungspolitik – Kritik einer wirtschaftspolitischen Konzeption’, *Kyklos*, 25/1 (1972), p.27.

⁴¹⁵ Peacock and Willgerodt, ‘View’, p.3.

⁴¹⁶ Glossner, *Communication*.

⁴¹⁷ Blyth, *Austerity*, ch.5.

⁴¹⁸ Anonymous, ‘Hail, the Swabian housewife: The German mentality’, *The Economist*, 410/8872 (2014), pp.45-46.

rich repository of analogies,’ writes Eichengreen, ‘that shape perceptions and guide policy decisions.’ He continues:

‘Those analogies are especially influential in crises, when there is no time for reflection. They are particularly potent when so-called experts are unable to agree on a framework for careful analytic reasoning. They carry the most weight when there is a close correspondence between current events and an earlier historical episode. And they resonate most powerfully when an episode is a defining moment for a country and society.’⁴¹⁹

These four mechanisms – sense of urgency, disagreement among economists, availability of historic lessons, perceived turning point – will be tested below to evaluate the conditions that enabled the ‘spread’ of ordoliberal narratives during the identified peaks.

In urgent situations, people often think back to narratives, which suggest a certain behaviour.⁴²⁰ In the present context, these behavioural norms can be understood as normative values (e.g. valuing price stability for non-economic reasons) influencing economic policy advice (e.g. prioritising budget consolidation during a downturn). The urgency involved in the council’s decision-making can be approached with a set of macroeconomic variables (Figure 21). All three ordoliberal peaks were accompanied by strong declines in GDP growth rates: The 1973-75 recession marked the end of the capitalism’s ‘golden age,’⁴²¹ unification occurred during a protracted world recession (1990-92) and an unprecedented domestic recession (1992-94),⁴²² and the ‘Great Recession’ got its name with good reason. Except for this last episode, inflation and unemployment also increased significantly during ordoliberal peaks.

⁴¹⁹ Eichengreen, *Mirrors*, p.377.

⁴²⁰ Shiller, ‘Narrative Economics’, p.972.

⁴²¹ Marglin, S.A., ‘Lessons of the Golden Age: An Overview’, in S. Marglin and J. Schor, *The golden age of capitalism: Reinterpreting the postwar experience* (Oxford, 1990), pp.1-38.

⁴²² Dale, ‘Therapy’, p.129.

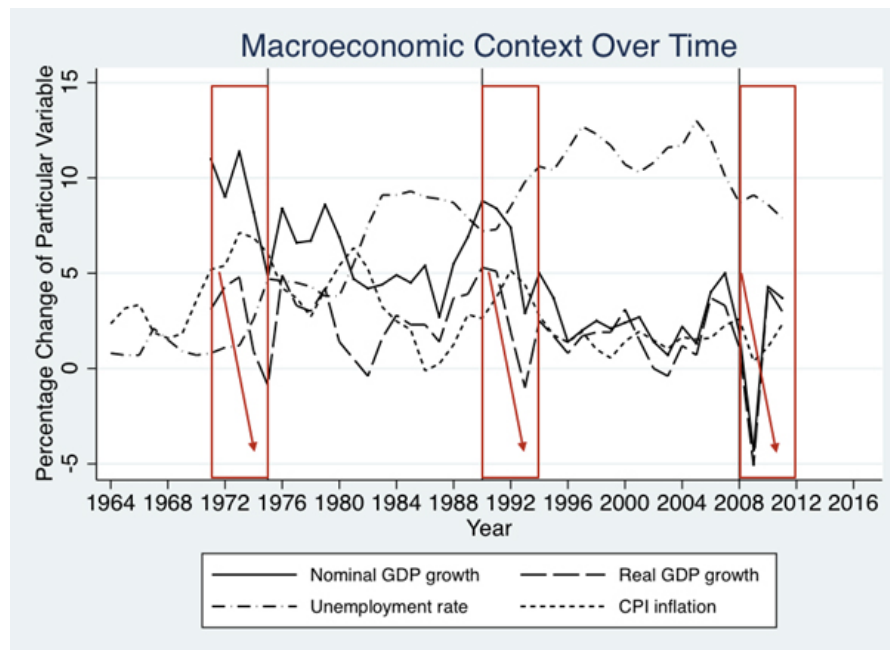


Figure 21: Macroeconomic Context Over Time. Source: Potrafke, 'Minority positions'.

This quantitative evidence is supported by self-descriptions of the council. The 1972 report debated the 'currency crisis, which began in spring 1972 and reached its peak in late June,' necessitating a special report in July, whose recommendations were then reiterated in the *Jahresgutachten* published in November (JG1972/73, Preface, §2). The subsequent foreign exchange inflows 'came faster than expected,' prompting a letter to the Chancellor in February and a special report in May (JG1973/74, Preface, §§2f.). 'During the final work on the 1973 annual report,' the council later explained, 'it became clearer from day to day that the Federal Republic [...] had to expect [...] a multiplication of the price of crude oil' (JG1974/75, Preface, §4). Similarly, the report coinciding with the fall of the Berlin wall noted how the 'upheaval' in the GDR had changed the council's agenda 'in recent weeks:' Initially, the economists' thoughts revolved around 'the influx of ethnic German immigrants from the GDR,' but 'in the last days' the 'tumultuous events in the interior of the GDR' had been added to their concerns (JG1989/90, Preface, §2). The 1990 preface described the hectic and accelerating events of the preceding months and the council's respective responses (JG1990/91, Preface, §2). When analysing the 2007 crisis the council admitted that its 'impact cannot yet be fully assessed' (JG2007/08, §4). Due to the 'surprising' bankruptcy of Lehman Brothers, the crisis 'reached a new dimension in September 2008' (JG2008/08, §2), shortly before the publication of the next report. The 'unusually large fluctuations' in economic indicators made it 'very difficult to predict further economic development' (JG2008/09, §4).

When asking whether ordoliberal narratives were related to disagreement among economists, it is helpful to distinguish between internal and external disagreement. By using minority votes as a proxy, internal disagreement can be analysed in two ways (Figure 22).⁴²³ First, the total number of minority votes submitted in a particular year indicates the *quantitative* dimension of disagreement by revealing the number of topics with no unified opinion (dashed line). Second, the number of GCEE members who submitted a minority vote in a particular year indicates the *qualitative* dimension of disagreement by highlighting instances where several GCEE members considered themselves to defend a heterodox position (solid line). Although it is possible to detect slight increases in the number of minority votes during the ordoliberal episodes, there are other times, notably during the mid-1980s and during the Hartz reforms, when there were considerably higher numbers of minority votes (dashed line). Moreover, the Eurozone-crisis is the only ordoliberal peak where disagreement also affected a non-union ticket member (solid line).

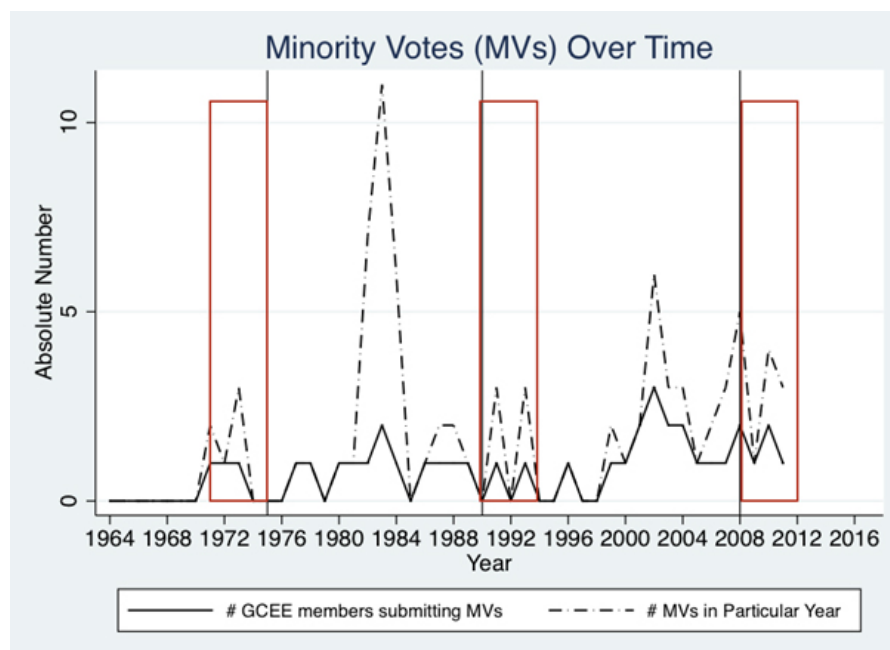


Figure 22: Minority Votes Over Time. Source: Potrafke, 'Minority positions'.

With respect to external disagreement, the *Jahresgutachten* provide valuable indications. The proposed unilateral move towards free exchange rates was heavily contested by other

⁴²³ I am grateful to Prof. Potrafke for providing me with the dataset. Potrafke, N., 'Minority positions in the German Council of Economic Experts: A political economic analysis', *European Journal of Political Economy*, 31 (2013), pp.180-7.

economists, especially those employed at the federal government.⁴²⁴ In the aftermath of unification, the GCEE's reform agenda was criticised for being too market-oriented and for ignoring the state's role in preserving and creating employment in Eastern Germany (JG1991/92, §262, §507; JG1992/93, §§294ff.). During the Eurozone-crisis, the council frequently noted that economists 'especially at the international level' criticised its stance towards the current account surplus (JG2010/11, §179; similar: JG2006/07, §§141ff.; JG2014/15, §401). The finding that the ordoliberal peaks were related to external rather than internal disagreement is in line with the conceptualisation of ordoliberal thought as an normative narrative, since the latter often implies a spirit of 'us versus them.'⁴²⁵

If an influential narrative is being retold regularly, the resulting *historical analogy* can establish a reference point (framing) that affects current decisions such as policy recommendations.⁴²⁶ During the first ordoliberal peak, the GCEE gained its optimism regarding Germany's ability to manage price stability from Germany's 'special social conditions, especially the experience of two major inflations within one generation' (JG1969/70, §246). Its recommendations were based on the 'monetary policy experiences of the past twenty years' (JG1969/70, §288). Following unification, observers noted the similarities to the 'West German switch from a war economy with state planning to a market economy in 1948.'⁴²⁷ The council was more cautious, regarding unification as a 'unique' task 'without role model' (JG1990/91, Preface, §3; similar: JG1993/94, §275). Nevertheless, it stressed the importance of the social market economy's framework for transforming the GDR (JG1990/91, §48*, §418; JG1991/92, §41). The council's recent regulatory proposals towards public debt were inspired by the observation that 'in history, unchecked public debt has repeatedly provoked strong inflationary processes' (JG2009/10, §107). The council referred to Germany, where 'these developments have resulted in a total collapse of money twice over' (ibid.). Additionally, the country's transformation from the 'sick man of Europe' into a global 'economic engine' (JG2010/11, §1) provided historic lessons about the value of structural reforms (JG2010/11, §185, JG2013/14, §§2ff.). The council's argumentation illustrates how 'successful countries could not resist the conclusion that their success derived from their virtue and that, to succeed, other countries only had to develop like-minded virtues.'⁴²⁸

A final mechanism follows from Eichengreen's hypothesis that narratives are most powerful when the current period is 'a defining moment for a country and society.' During the first ordoliberal peak, this was given by 'the unusually strong inflationary development' (JG1972/73, Preface, §3), which 'went far beyond what was expected from the experience

⁴²⁴ Hesse, 'Beratung', pp.433, 459f.

⁴²⁵ Shiller, 'Narrative Economics', p.972.

⁴²⁶ Ibid., p.974.

⁴²⁷ Welfens, 'Transition', p.115.

⁴²⁸ Eichengreen, *Mirrors*, p.385.

of previous cycles' and endangered 'social peace' (JG1973/74, Preface, §3). Likewise, unification was clearly anticipated as 'one of the great events of this century' (JG1990/91, Preface, §3; similar: JG1989/90, Preface, §2) that necessitated 'new priorities for economic policy' (JG1991/92, Preface, §2; similar: JG1992/93, §43*). When the financial crisis worsened in 2008, the council recognised that this 'threatened to cause a collapse of the global financial system' (JG2008/09, Preface, §2), while the Eurozone-problems were seen as 'vicious circle' of sovereign debt and banking crisis (JG2010/11, Preface, §3).

	Keynesian Period	Supply-Side Period	Post-Unification Period	Euro-Crisis Period
Years	1964-1974	1975-89	1990-2007	2008-17
External Trigger	"Imported Inflation"	Oil Price Shocks	German Reunification	Sovereign Debt Crisis
Reaction	- Price stability focus - Reluctance to use counter-cyclical spending	- Monetarism - Import of American Supply-Side Economics	- Revival of 'Ordo' and competition policy - Hartz reforms	- Focus on regulation - Criticism of 'cheap money'
Influential Ordoliberal Peak?	Yes (early 1970s)	No	Yes (1990s)	Yes (2010-17)
MECHANISMS	Urgency	Yes	Yes	Yes
	Disagreement	Yes	Yes	Yes
	Historic Lesson	Yes	Mixed (only implicitly)	Yes
	Defining Moment	Yes	No	Yes
Scope of Problem	Domestic	International	Domestic	Eurozone (but perceived as domestic threat)

Table 6: Mechanisms involved in Shifts in Argumentation.

In sum, Eichengreen's mechanisms provide a useful framework for analysing the emergence of ordoliberal peaks. With the interesting exception of the unification period, all four conditions are met by all three ordoliberal episodes (Table 6). It is important to compare these results with a crisis that did *not* result in the spread of ordoliberal ideas, as happened during the supply-side period. Following the oil price shocks, the GCEE was also overwhelmed by the events (JG1975/76, §1*), there was also disagreement between demand- and supply-siders (JG1977/78, §§236ff.; JG1981/82, §§295ff.), and, of course, inflationary lessons from Germany's history were readily available. Significantly, however, the first oil price crisis was perceived as an international phenomenon, which affected equally all 'Western industrialised countries' and could only be remedied by 'aligned action by all' (JG1975/76, §§1*f.). Similarly, the second oil price shock was seen as an 'external disturbances that clouded the picture,' but would not affect Germany's 'satisfactory development' (JG1979/80, Preface, §2). Its legacy was seen in initiating a *worldwide* re-thinking of economic priorities (JG1981/82, §§297f.). One might therefore speculate that such an international challenge did not necessitate a specific German response in the sense of economic policy advice that reflected, like Ordoliberalism, the singular experiences of German history. Instead, it was possible to join the international supply-side revolution (chapter 4.2). It follows that the perceived scope of the economic problem was a crucial element in driving the ordoliberal peaks – only problems

perceived as domestic threats constituted defining moments in Eichengreen's sense and only those triggered guidance by ordoliberal narratives (Table 6).

6. Conclusion

This article analysed quantitatively and qualitatively the GCEE's annual reports in an attempt to evaluate recent claims that German economic policy advice is and has been influenced by Ordoliberalism. This chapter reviews the main findings, points to both possibilities for future research and limitations of this study, evaluates the particular methodology, and closes by interpreting this article's lessons in the context of the Eurozone-crisis.

According to Bernanke, central banks are 'never static' but regularly 'adapt to events, new ideas, and changes in the economic and financial environment'.⁴²⁹ The GCEE's conceptions have been similarly shaped by external economic events, often resulting in new life-cycles for ordoliberal ideas. After defining the 'essentially contested concept' Ordoliberalism as a set of policies encompassing ideas about competition, money, and regulation (chapter 2.1), a case study was designed to analyse the critics' claim that Ordoliberalism has shaped German post-war economics. This case study consists of the *Jahresgutachten* published by the GCEE between 1964-2017 (chapter 3.1), which were structured through Topic Modelling (chapter 3.2). The quantitative exercise identified three potential ordoliberal episodes, retraced the gradual decline of the macroeconomic perspective and established four distinctive periods in the council's history (chapter 3.3). All reports were then analysed qualitatively against the background of Ordoliberalism's six distinctive topics (chapter 4). Combining quantitative and qualitative evidence suggests that Ordoliberalism's initial innovation-cycle (chapter 2.2) was followed by three ordoliberal peaks, namely during the early 1970s with concerns about price stability, during the 1990s with 'Ordo' reforms attempting to create 'complete competition' in the GDR, and during the Eurozone-crisis with rule-based regulatory proposals. Based on a Narrative Economics framework, the fifth chapter analysed four mechanisms that could have triggered these new ordoliberal life-cycles. The results suggest that ordoliberal ideas have been re-activated during times of domestic crisis.

The above argument has constructed correlations over time, firstly between GCEE reports and ordoliberal ideas, and secondly between these peaks of ordoliberal policy advice and other contextual factors such as Germany's macroeconomic performance. Yet, there is still a difference between underlying reasons why different periods of economic thought ended (causes) and events that sparked off these ends (triggers).⁴³⁰ While such a causal argument

⁴²⁹ Bernanke, 'Century', p.13.

⁴³⁰ Distinction taken from: Marglin, 'Lessons', p.34.

is behind the scope of this article's approach, a clear-cut causation is not necessary to evaluate the critics' hypothesis that Ordoliberalism permanently influenced German economists. This article argues more subtly that ordoliberal thought was not permanently visible in German economic policy advice, but that certain ordoliberal ideas have been reactivated during times of domestic crisis that called for guidance by easily accessible narratives.

If one adopts a supply-demand-perspective of scholarship,⁴³¹ the Narrative Economics interpretation offered in chapter 5 focused on the demand-side by asking which economic or societal factors increased the demand for ordoliberal narratives. It would be equally intriguing to look at supply-side factors, that is the GCEE members themselves. Mechanisms such as the co-optation procedure,⁴³² intellectual 're-production' through teacher-pupil relationships and going-public initiatives could have supported the 'institutional consolidation' of ordoliberal ideas.⁴³³ Future research should therefore pursue an individual-level approach that treats the GCEE neither as neutral advisor nor as closed epistemic community.⁴³⁴ Potrafke's minority-votes-dataset could be expanded by including more biographical data about GCEE members and the information from this article's evaluation of the *Jahresgutachten*. Additionally, one needs to reflect how these individual preferences interact and aggregate.⁴³⁵

Shiller demanded recently that 'the field of economics should be expanded to include serious quantitative study of changing popular narratives.'⁴³⁶ As shown, Topic Modelling is a useful method to provide such quantification, but the letter is not sufficient. This can be illustrated with the term 'production potential' (*Produktionspotenzial*), which initially designated the economic performance of a full-employment economy in a demand management context. Following the shift towards Monetarism, potential-oriented monetary policy also referred to 'production potential.' Nowadays, the concept is used to determine a state's structural deficit in the Fiscal Compact. This poses problems when classifying respective topics – while 'productive potential' as part of a demand management topic would be classified as *fiscal policy*, potential-oriented monetary policy would be counted as *monetary policy* and structural deficit regulations as *regulation*. Although Topic Modelling theoretically allows for this semantic flexibility by putting the same word into different topics, the practical experience of manually labelling and classifying topics revealed the necessity of always checking the broader context of words and topics. In a more general sense, this article's methodological lesson is

⁴³¹ Margo, R., 'The integration of economic history into economics', *Cliometrica* (Published online: 25 January 2018), pp.1-30.

⁴³² Blesgen, *Preiser*, p.610.

⁴³³ Hirte and Otsch, 'Verstetigung'.

⁴³⁴ Kirchgässner, G., 'Zur Politischen Ökonomie der wirtschaftspolitischen Beratung', *Wirtschaftsdienst*, 93/3 (2013), pp.198-203.

⁴³⁵ Granovetter, M., 'Threshold Models of Collective Behavior', *American Journal of Sociology*, 83/6 (1978), pp.1420-43.

⁴³⁶ Shiller, 'Narrative Economics', p.967.

that quantitative and qualitative analyses should be treated as necessary complements when analysing the influence of economic ideas.

Were GCEE members true Ordoliberals? In theory, stable preferences can be aligned with different behavioural outcomes, given that the rational actor's environment changes over time. We are only able to point to specific reports that utilised ordoliberal ideas and rhetoric – but we cannot relate this to inherent ordoliberal (or other) preferences. Promoting ordoliberal narratives could reflect national interests,⁴³⁷ but it could also reflect history-driven social norms independent of current payoffs.⁴³⁸ For practical lessons, this caveat is not serious. Knowing that German economists sometimes rely on ordoliberal arguments is important to know in a world that is populated by many economists who have never heard of the Freiburg School.

In contrast to sceptical observers like Germann,⁴³⁹ the temporal variance in the council's argumentation as described in this article suggests the possibility of German economists changing their opinion regarding the Eurozone-crisis – in particular, if an external trigger (Brexit?, Macron?) accompanies this change. A promising sign is the recent reform plan jointly written by French and German economists, including current and former GCEE members.⁴⁴⁰ Such a change in the council's stance would not only prevent further 'curious incidents' involving foreign travelling economists such as Peacock and Varoufakis, but might also help to achieve the turnaround in public opinion necessary to implement the much needed reforms in Europe.

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⁴³⁷ Burda, 'German', p.20.

⁴³⁸ Acemoglu and Jackson, 'Norms', p.448.

⁴³⁹ Germann, 'Strategy', p.713.

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