

Return or Revival: The Ordoliberal Legacy

THOMAS BIEBRICHER

interviewed by William Callison

With the onset of the European sovereign debt crisis in the spring of 2010, the name “ordoliberalism” surfaced, or more precisely resurfaced, in public discourse: German authorities, and especially the German finance minister Wolfgang Schäuble, have been infatuated with fiscal discipline and rule-bound governance because they are said to be ordoliberal at heart. European institutions are also reportedly the product of ordoliberal design because they were largely “made in Germany,” though beyond the borders of Germany proper.

Ordoliberalism is the German branch of what the economist and historian Philip Mirowski has called the “neoliberal thought collective.” The multiple offshoots of this family tree include Friedrich Hayek’s section of the Austrian School, Milton Friedman’s Chicago School, and the Virginia School of public choice, or “constitutional economics,” led by James Buchanan and Gordon Tullock. The ordoliberals owe their name to the journal *Ordo*, founded in 1948 by the Freiburg School economists Walter Eucken and Franz Böhm. However, the ordoliberal intellectual sensibility dates back further to the 1930s, also encompassing the work of Wilhelm Röpke, Alfred Müller-Armack and Alexander Rüstow, among others.

While the ordoliberal doctrine has been widely recognized as the main inspiration of postwar Germany’s “social market economy” – and thus as a major influence on Konrad Adenauer and Ludwig Erhard, the first two Chancellors of the Federal Republic of Germany – its lasting mark on policy-making has long been overshadowed by the pre-eminence of Keynesianism up until the mid-1970s, and thereafter by other strands of neoliberal thought, particularly those of Hayek and Friedman. How are we to understand and assess ordoliberalism’s recent “return” or “revival,” both in Germany and in the European Union? What are the distinctive features of the ordoliberal brand of neoliberalism? These are the questions we asked Thomas Biebricher, whose work explores a variety of neoliberalisms and focuses on the German older sibling of the neoliberal family, namely ordoliberalism.¹

WC: Before we discuss the relevance of ordoliberalism in Europe today, perhaps you could begin by recalling the historical context of its emergence. Under what conditions did the ordoliberal doctrine come into being?

TB: My understanding is that neoliberalism in all its variants is a response to a multifaceted crisis – the crisis of what is now referred to in the Anglo-American context as “classical liberalism.” I think that very early on, when the neoliberal movement was in its formative stages, there was a broad agreement between the narrative produced by the ordoliberals and that of other early neoliberals. According to this narrative, sometime in the second half of the nineteenth

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1. Thomas Biebricher, “Neoliberalism and Democracy,” *Constellations* (Volume 22, Issue 2, 2015); “The Return of Ordoliberalism: Notes on a Research Agenda,” *i-Lex* (Volume 9, Issue 11, 2014); “Sovereignty, Norms, and Exception in Neoliberalism” *Qui Parle* (Issue 23.1, 2014); “Europe and the Political Philosophy of Neoliberalism,” *Contemporary Political Theory* (Volume 12, Issue 4, 2013); and *Neoliberalismus zur Einführung* (Hamburg: Junius-Verlag, 2012, second enlarged edition, 2015).

century liberalism went astray: its doctrine was either impoverished – reduced to slogans like *laissez-faire* – or distorted – leading liberals to make an alliance with progressive or even social-democratic forces. Early neoliberals saw both the impoverishment and the distortion of the liberal doctrine as major problems – especially as they persisted in the first part of the twentieth century. Thus, neoliberalism actually arose as a response to the crisis of liberalism, and especially to the alliance between liberals and progressives.

Other factors were involved in the crisis of liberalism: first, there was WWI, when a bourgeois liberal world collapsed after thriving for more or less a hundred years – the era that Karl Polanyi describes in *The Great Transformation*. After WWI there were of course all kinds of economic problems, including the Great Depression, which constituted a major blow to liberal ideas about markets and put their harbingers on the defensive. At the same time, Keynesianism was on the rise, partly in response to the Great Depression, while, in the United States, there was the New Deal – a defining step in the development of the American welfare state.

Still in the 1920s and 30s, very illiberal forces were also on the rise, from Soviet Communism to fascism and National Socialism; so, altogether, the “crisis of liberalism” points to a very complex crisis syndrome. All of these factors put together – grave internal factors within liberalism itself as well as important external factors – led to the formulation of a neo-liberal project, which was not supposed to be a restoration of classical liberalism, but actually a modernization of the liberal creed and in that sense really and properly a neoliberalism.

For the German ordoliberals especially, I think that all of these factors played an important role. In their particular narrative, what is of great importance is the failure of classical liberalism to theorize what a properly functioning market order should be; they thus took on that theoretical task as their main project. They associated the failure of both the discourse and the practices of “old” liberalism with the Weimar Republic, a context which was at once revealing and traumatic for them, not least with regard to what they considered to be the deficiencies of pluralist democracies. I think that, politically speaking – for their political thought – the collapse of the Weimar Republic was the most important event.

In terms of economic policy, the premise of the ordoliberal project was that liberalism got into a crisis because it did not keep the promise of functioning free markets – namely that the latter are supposed to deliver economic growth and welfare for all (pretty much). And so, the new kind of liberalism that the German ordoliberals sought to define centered on the question of how markets are constituted in the first place, and how markets are then regulated in a proper way so that they don’t undermine their own logic.

WC: How would you compare the central features of ordoliberalism with other neo-liberal currents? What are the differences, for example, with the ideas of Friedrich Hayek, who both falls inside and outside of the ordoliberal framework in certain respects? Or with the version of neoliberalism we find in Milton Friedman and the Chicago School of economics?

TB: The term “neoliberalism” was officially introduced during the “Colloque Walter Lippmann,” which took place in Paris in 1938. I think that, in those days – throughout the 1930s, the 1940s and even early 1950s – the ordoliberals were probably the most influential members of the broader family of neoliberal scholars. When you read the things that even the young Milton Friedman wrote around 1951, in an article called “Neoliberalism and its Prospects,” you notice that he still speaks the language of ordoliberalism. Later on, of course, the ordoliberals’ hold on neoliberal thought will loosen, and other strands will become much more important.

But to go back to the ordoliberals: for them, the main issue is really about how to constitute and sustain a functioning market system. Markets operate properly, they claim, when there is effective competition. However, competition does not come about spontaneously: it requires the right kind of infrastructure, norms and regulation. What they call an “economic constitution” is needed to establish markets in the first place.

An important part of this constitution involves the financial order. The idea of “sound” money is very important for ordoliberals because, according to them, it is only when you have sound money, only when you don’t have inflationary bubbles that you will have functioning markets.

Yet, in their view, economically speaking, the biggest *bêtes noires*, if you will, are probably monopolies, cartels, and trusts. In their analysis, these processes of capital concentration and centralization – manifestations of economic power, as they would call it, that they had witnessed in the first decades of the 20th century – are what spells doom for the liberal idea of a market order. So in terms of economic policy, the kind of framework or competitive order that they have in mind must primarily prevent the formation of monopolies. And if monopolies already exist, the watchword would have to be: slash or disentangle them. This is really the radical aspect of what they are proposing.

What you have, then, when a proper “economic constitution” is in place, is what Michel Foucault calls “an entrepreneurial society.” Because if you push the ordoliberal reasoning to its ultimate consequences – as Röpke, Eucken, and Rüstow actually did – what you already find is a notion of the entrepreneurial self that Foucault talks about; that is, if you draw all the consequences of what they advocate. I think the crucial insight on which the ordoliberal doctrine is predicated is that markets are not a “natural” phenomenon. They need to be sustained and supported; they can’t be left to their own devices.

Just in parentheses here: of course when you hear this, it sounds really ironic. For you get the impression that over the course of the last five or six years, we are rehearsing the history of economic thought. Because that’s exactly what people have been saying over and over again, in the wake of the financial crisis of 2008 and as a critique of allegedly neoliberal deregulations: “Oh, self-regulating markets, what a joke! That can never exist.” It’s strange because this is exactly the discourse of early neoliberalism, namely that markets are not self-regulating. Okay, end of parentheses.

Now, regarding the differences between ordoliberalism and other strands of neoliberal, I’m just going to stress a couple of contrasts – though more could be said.

First, if we compare Hayek and the ordoliberals, there are grounds for claiming that Hayek's perspective was in fact germane to the ordoliberal ideas, as would be attested by the fact that, toward the end of his career, Hayek went to teach in Freiburg, the alma mater of ordoliberal thought. However, I think that there is a crucial difference between the ordoliberals and Hayek: the former, as I stated earlier, believed that a functioning market order, one based on free and fair competition, required a framework of norms and rules, and that the formulation of these norms and rules was an exercise in economic and political imagination. The latter, on the other hand, especially in the later part of his intellectual career, was highly skeptical about such a vision, which, for him, bordered on "rational constructivism" – namely, the idea that we can use our political, economic imagination, or simply our reason, to draw up rules and regulations and expect that they will actually work. For Hayek, the market order could only arise from a spontaneous evolutionary process – which implies that rules can do no more than facilitate or, at least not hamper, this evolution. In that respect, constitutional economists, like James Buchanan, would come down on the ordoliberal side rather than seconding Hayek's belief in cultural evolution and his insistence on the fact that norms cannot be invented out of thin air.

As for Milton Friedman, the other great neoliberal luminary, we can say that the famous Chicago school economist was influenced by ordoliberal thought early on but that his thought soon developed in a different direction. Central in Friedman's contribution to economic thought is of course his monetarist doctrine. Now, to a large extent, monetarism is in line with what the ordoliberals have to say about "sound money." Friedman's approach is just a bit more radical and must be understood in light of his adamantly anti-Keynesian stance. His conviction is that the only thing public authorities can do with regard to economic policy is to provide for a steady, slow expansion of the amount of money that is in circulation. And that's really all there is: you shouldn't use monetary or fiscal policy to try to engage in anti-cyclical economic policy, as the Keynesians would have it. Friedman claims to be concentrating on what works, which leads him to argue that a number of things – proactive fiscal policy, tinkering with interest rates – just don't work: all you get when you try to implement those measures is the exact opposite of what you aim to achieve, namely inflation and stagnation.

The consequence is that Friedman's toolbox of economic policies – of what the state can do to help markets thrive – is all but empty, whereas the ordoliberals believe that a pretty wide set of public policies are necessary to sustain the market order. Overall, Friedman has been incredibly influential, of course, but, in my view, his thought is not the most intellectually stimulating version of neoliberal thinking. But what is distinctive to his brand of neoliberalism is the way in which he combines monetarist ideas with supply side economics and market de-regulations. This is Friedman's signature, so to speak.

A final sentence on this question: so far, I have only focused on the political economy side, if you will, on the economic dimension of all of these brands of neoliberalism. I think we should add that there are other distinctions to be made when it comes to their political thought.

WC: Let's push forward a bit historically to what is generally considered the onset of the neoliberal era. How and to what extent did these differences inform the contrasting modes of government deployed by the promoters of the "conservative revolution" in the U.S. (with Ronald Reagan), in the U.K. (with Margaret Thatcher), and perhaps also with their German counterpart in Helmut Kohl?

TB: Well it's a complex issue to figure out what the relationship is between neoliberal theory and neoliberal practice, or what we call the neoliberal policies of Ronald Reagan's administration and Margaret Thatcher's government. There is this wonderful anecdote where Thatcher throws Friedrich Hayek's *Constitution of Liberty* on the cabinet table and says: "This is what we believe in." But of course it is not as if she had just implemented Hayek's agenda, and neither did Reagan simply implement Friedman's agenda. There is a book by Daniel Steadman Jones, called *Masters of the Universe*, where he analyzes how Hayek's and Friedman's ideas were respectively translated, or implanted, into Thatcher and Reagan's governmental practices. But it's not as if there is a well articulated neoliberal playbook that's coming from Friedman or Hayek that can just be used and implemented by politicians step by step. The only case where something like a direct transposition of theory into practice actually happened was Chile under Pinochet. I think there is nothing comparable.

Nevertheless, there are policy ideas that you find in Friedman and Hayek, which you also find in the policies of Reagan and Thatcher:

One of the most important examples would have to be the monetarist ideas of Friedman that were implemented both by Thatcher and Reagan. Yet, they have been abandoned just as rapidly – Thatcher, in particular, gave up on monetarism per se after just a couple of years. While monetarism was implemented, however, it certainly had a major impact, triggering a deep recession in the United States, for example, and thus indirectly weakening an already fairly weak labor movement.

Another instance of Friedman's influence on the Reagan administration was the latter's attempt to deregulate many sectors. Whether these deregulations were successful is a matter of controversy, depending on where you stand politically. Similarly, under Thatcher, we saw a massive initiative to privatize public assets, which is something that not only Hayek but more generally, all neoliberals were always in favor of.

The introduction of market logic and market imperatives into the public sectors – what later on would be called "new public management" – was also introduced under Thatcher: for instance, new mechanisms such as "opting out" and "competitive compulsory tendering" are injected into the welfare state and in the National Health Service in the 1980s – even though the full-fledged neoliberalization of state apparatuses will only be achieved in the following decade.

The difficult question (and I think so far there have only been tentative answers to it) is really: Why is the story of Germany so different? In the early 1980s, and in some cases as soon as the late 1970s, there certainly have been dramatic policy shifts in a neoliberal direction, not only in the US and UK, but also in Canada, New Zealand and Australia. Not in Germany, though.

There was a change in government in 1982-83: the Christian Democratic Union won the elections and, in coalition with the Liberal Democrats, which is a liberal party in the classical sense, formed the new government. Early on they announced that there would be a massive shift in policy – and not just policy, they also spoke about changing the overall culture of Germany. Ultimately, however, nothing dramatic happened. There were certainly needle pricks, I'd say, with respect to the welfare state and the power of unions, but they were really not much more than needle pricks – at least if you compare them to what happened elsewhere in the developed world, especially the US and the UK, at the same time. So, the question is why.

One answer is that Germany was substantially different from its American and British counterparts in terms of its political and economic structures beforehand. The German economy was considerably less exposed to the triggering conditions of the 1970s stagflationary crisis – to the high inflation rates combined with economic stagnation. So, to the extent that the pain was not as significant, the pressure to steer public policies in a radically different direction was simply not as strong in Germany as it was in other Western countries.

We also have to remember that, before the 1982 elections, the economically liberal Free Democrats were already in government, but in a coalition with the Social Democrats. So all they did was change partners once the Christian Democrats won the election. It's not as if this were a sort of grassroots movement that demanded a significant shift in policy. Though voters gave the center-right a majority, I'm not sure the newly elected government thought that they had such a strong mandate to enact dramatic policy changes.

The last thing I can say is more anecdotal, but telling. In 1982, but before the elections, when the Liberal Democrats were still in a coalition with the Social Democrats, Otto Graf Lambsdorff, minister of economic affairs from the Liberal Democratic Party, drafted a famous "white paper" where he advocated a number of pro-free market reforms. Once the Christian Democrats came to power, and the Liberal Democrats joined them in the cabinet, the white paper was apparently briefly examined, before the new cabinet decided to put it away in some desk drawer. The irony of the story is that a number of the measures that Lambsdorff proposed were eventually implemented, not by the Christian Democrats and the Free Democrats, but rather by the Social Democrats and the Green Party when they took office – sixteen years later, in 1998. So, the real neoliberal turn in Germany took place under the stewardship of the Red-Green coalition in the 1990s, and thus coincided with the second wave of "neoliberalization" in the US and the UK under Bill Clinton and Tony Blair, respectively, rather than with the so-called Black-Yellow coalition (the Christian Democrats and Liberal Democrats) of the 1980s.

WC: *It's fascinating that neoliberalism – here, as a modified mode of economic reasoning and as a strategy for rationalizing state-economy relations – was so quickly and widely disseminated that the Social Democrats embraced and advanced an agenda that was beyond the reach of the free-market-Right just a decade before. Regarding the connection between this belated wave of German neoliberal reforms,*

on the one hand, and Tony Blair and Bill Clinton's "Third Way" push to the "middle," on the other hand: Do these transnational links help explain the shift toward measures that were once (and that are still) floated by the conservatives (CDU) and the free-market liberals (FDP)?

TB: The first thing to stress is this: you can say that an agenda has been successful, if not hegemonic, when even your political opponents feel obliged to subscribe to it. So, in that respect, you must hand it to the proponents of the neoliberal agenda. For they were able to influence even those who are expected to oppose them at the doctrinal level, like Social Democrats in Germany, the Labour party in Britain or the Democrats in the United States.

Now, regarding the German Social Democrats specifically, they were clearly influenced by the evolution of the center left in the United States and Great Britain. They remained in the opposition for a very long time – from 1982 to 1998 – and, during that time, of course, they noticed what was going on with the New Democrats and with the New Labour – whose leading figures rose to power on a program of “modernization” that largely amounted to infusing social democracy with neoliberal ideas.

Now, to conceal their conversion to the neoliberal creed, New Labour, New Democrats and “modernized” German Social Democrats resorted to a kind of “communitarian” fig leaf – what the British sociologist Nicholas Rose refers to as “governing through communities” and “empowering civil society.” By that token, however, Third Way parties actually added a new discursive dimension to neoliberalism, at least if you compare their appeal to communities with Thatcher’s famous claim that “there’s no such thing as society.”

As an aside, one should recall that, for their part, ordoliberals already insisted on the importance of naturalized communities, small communities at the grassroots level – which they saw as an indispensable complement to the relative coldness of market relations. All of these things came into play in this second wave of neoliberalizations, with the representatives of the Third Way, but you already find them in the writings of Röpke and Rüstow: ordoliberalism is really a unique combination of neoliberalism and quasi-communitarian ideals – another difference between the German strand of neoliberalism and Hayek or the Chicago School.

WC: *This brings us to the present political context, and specifically to what some scholars have called “the return of ordoliberalism,” even at the supranational level. This is partly due, of course, to Germany’s relative dominance in the European Union, but it’s arguably also a result of the buildup of EU accords and of the response of the Troika and other actors to the sovereign debt crisis.*

Is it pertinent to speak of a “return” of ordoliberalism in Germany and Europe, or rather of its “revival,” the latter implying that the construction of a united Europe (particularly, as a monetary union) was an ordoliberal project from the start? Or should we speak instead of an ordoliberal “turn” across the EU and its members – that is, precisely because of Germany’s hegemonic power over the institutions and other member-states of the Eurozone?

TB: In a way this is a question of perspective. There is reason to speak of a “return” of ordoliberalism insofar as, for a long time, I don’t think ordoliberalism was very present in public discourse or even in the consciousness of the European elites. It was a rather obscure tradition in the academy, and was no longer perceived as being very influential. So to suddenly hear the language and vocabulary of ordoliberalism being spoken again, to hear its merits being extolled again by a number of people – to name just a couple of people, for example, Wolfgang Schäuble, Jürgen Stark (a former chief economist at the ECB), and Jens Weidmann (the chairman of the German Bundesbank). Even Mario Draghi, the current chairman of the ECB, has talked about the ordoliberal foundations of the institution he represents. I think this is kind of surprising. It’s puzzling and it should focus our attention on what’s going on here. So, it is in that sense that we can speak of a “return” of ordoliberalism – because it was not part of our vocabulary for quite a while.

Yet, on the other hand, I think it might make even more sense to speak of a “revival,” considering that ordoliberal ideas have always contributed to the overall architecture of the European Union and its various developments. At the same time, it’s not as if Europe is an exclusively ordoliberal construction; I think that would be way off the mark. There are a number of different and sometimes countervailing logics that have presided over the institutional development of the European Union. But ordoliberalism is certainly one of them. The idea of the common market, for example, is clearly inspired by ordoliberal ideas. There are a number of early and very interesting texts by the ordoliberals, but also by Hayek, that expound the merits of something like the “common market,” something like a federation of states endowed with a common market.

Regarding Europe, the ordoliberals had concerns about the early European Union, the “European Community,” as it was called back then. They worried that too many political competences would migrate up to the supranational level. They were concerned about the advent of some kind of super-state, completely removed from “natural communities.” That hasn’t happened, though. And I would argue that things are much better from an ordoliberal point of view today than they seemed to them very early on, in the first stages of the EU’s development. So I think the proper way to describe what is going on these days is to say that we are looking at a new round of ordoliberalization – which is not to say that the ordoliberal logic is the only one at work in European institutions.

Take the Maastricht Treaty for instance: The European Monetary Union (EMU) was strongly influenced by ordoliberal ideas and concerns about sound money. Likewise, the strict rules that were part of the Maastricht Treaty are clearly rooted in the ordoliberal doctrine. For the latter professes that the economy should be governed by rules – and by sanctions that need to be enforced when the rules are not respected. The Maastricht regime established in 1992 was exactly that – although its custodians have since considered that the rules originally established were not sufficiently strict or at least that they had not been enforced rigorously enough.

So what we have seen, especially in the last four years, is the attempt to tackle the alleged laxity of the Maastricht regime by means of introducing more stringent rules backed by more sanctions. In fact, it is not only the stringency of the rules that has been reinforced but also their scope that has been expanded. The point is not merely to crack down on existing budget deficits but, more broadly and preventively, to monitor the macroeconomic imbalances in every member-state – this has been the purpose, since 2010, of the so-called Six-Pack of regulations. The public policies and budgets of the EU member-states are now monitored on a continual basis – not only when they are on the brink of default. The European Commission and, to some extent, the European Council and the European Parliament, are in charge of the monitoring process.

Overall, what we see is a multiplication of enforceable norms at the supranational and also at the national level. The two levels are connected of course, insofar as the Fiscal Compact established at the European level mandates the member-states to introduce legislation or even Constitutional amendments in order to abide by the European rules. Indeed, the 2012 Treaty on Stability, Coordination and Governance, often dubbed “Fiscal Compact,” which was signed by all EU member states except for Great Britain and the Czech Republic, requires all signees to pass a legal and preferentially a constitutional reform that has the effects of a balanced budget amendment. Practically, this means that, major crises or unexpected disasters notwithstanding, budget deficits must never exceed 3% of the country’s GDP, while in the medium and long-range, the budgets of all member-states ought to be balanced – their deficits should not exceed 0.5% of GDP.

Both the *modus operandi* and the goals of the Maastricht and, even more pointedly, the recent post-Maastricht regimes are deeply true to the ordoliberal creed. On the one hand, the combination of rules and sanctions purported to keep governments on a narrow track corresponds to the ordoliberal vision of a proper “economic constitution.” On the other hand, the purpose of these rules and sanctions is also in keeping with ordoliberalism, since they are largely about securing an environment of effective competition and about bolstering the competitiveness of every member-state through a process of “internal devaluation.” Since the EMU makes it impossible for the members of the Eurozone to increase their economic competitiveness by an export-boosting devaluation of their currency, the only way they can improve their position in the race is to lower the cost of labor – to wit, cap wages – and reduce public expenditures – social benefits and investments in public services. Such measures are not only music to all neoliberal ears but also steeped in ordoliberal doctrine. Politically, this translates into a semi-authoritarian order, to use a harsh word, and one that is definitely technocratic.

WC: *That’s an excellent segue to the question of neoliberalism and democracy, a topic you engaged in a recent article. One central claim shared by different branches of the neoliberal family is that the fragile workings of the market need to be protected from democracy’s allegedly illiberal tendencies. Neoliberal policy-*

makers and their intellectual mentors often concede that democratic procedures should be preserved – at least in the countries where they are part of a longstanding liberal tradition – while simultaneously claiming that they cannot be allowed to interfere with the price mechanism. Could you elaborate further on a question that we’ve already partially taken up, namely: What are the specifically ordoliberal ways of curtailing the unruliness of democracy while leaving its formalities more or less intact?

TB: Before we focus on the ordoliberal response to the threats presented by democracy, it is important to recall that there is a range of positions in neoliberal thought with regard to democracy. The dominant opinion – which is a bit of a cliché – is that neoliberals argue for the replacement of democratic processes and institutions by pervasive market mechanisms: whenever and wherever it is possible, markets and their logic should take over. However, there are neoliberal thinkers who not only pay lip service to democratic traditions but also advocate some forms of direct democracy – at least when they believe that the people can be mobilized to advance neoliberal reforms and thus circumvent the resistance of what they see as the cartel nature of party politics.

Now, with regard to the ordoliberals, the concern that they have with democracy – and which they share with other branches of the neoliberal family – is rooted, in part, in their elitism, the suspicion in which they hold the judgment of the masses. To make sense of their mistrust, we must remember that the ordoliberal doctrine was forged during the Weimar Republic, which was the first instance of mass democracy in the German context. And, as we know, it did not work so well. So, the pathologies of the Weimar regime left a mark on the ordoliberal view of democracy. Carl Schmitt’s critique of liberal democracy had an impact on them, as it did on Hayek.

The ordoliberals’ main concern was that most people did not understand much about economics. So, in their view, it was unwise to let the unknowing majority decide on these matters. However, their argument was less about the ignorance of the masses than about what constitutional economists call the rent-seeking propensity inherent in representative democracy. According to the ordoliberals, what typically happens in a democracy is that different segments of civil society – more or less powerful individuals and groups – will make demands based on their “special interests.” Because they seek reelection, politicians will then grant favors and make promises to satisfy these demands, even at the expense of the general interest. So, the aggregated or cumulative result of all this favor-granting and promise-making business will be really bad economic policy. In short, what ordoliberals don’t like about democratic practices is the erosion they cause to the general rules that ordoliberalism treasures so much. Thus, in their view, it is necessary to insulate the political process of decision-making, or at least to shield it, from the pressures of the “special interests” that make up a pluralist civil society.

Now, it is important to admit that many of us share the ordoliberals’ concern – namely, that powerful and wealthy private interests besiege the political system. There is no denying that lobbies are a huge problem. So, the ordoliberals’ misgivings about pluralist democracy are not entirely outlandish and, by

themselves, their worries don't make them into authoritarians. Yet, their response to the flaws of representative democracy – namely, that the political process should be sheltered, as much as possible, from popular oversight – is clearly problematic. That all the demands stemming from civil society would be treated as the expression of “special interests” is what I find worrisome.

If it should not be up to the people to decide how the economy should be run, then who? For the ordoliberals, the answer is: economists and experts because their position is predicated on knowledge and competence, not on sympathy with any type of special interests. This is not the answer Hayek gave. But for the ordoliberals, there is such a thing as an “intelligentsia” – in Karl Mannheim's sense of the word – whose members are not driven by interests and ideologies – which in the ordoliberals' eyes always go together – but by science – which is necessarily “disinterested.”

WC: *Arguments of the sort you just mentioned – expertise over demagoguery – were of course used by the Troika and the Eurogroup to discipline the first Syriza government. Perhaps most famously, Wolfgang Schäuble held the neoliberal line and dismissed the Greek referendum by saying, “Elections can't change the rules.” What did the negotiations between the Eurogroup and the Greek government during the first six months of 2015 reveal about the tensions between neoliberalism and democracy?*

TB: There is hardly any question that the Troika effectively restricted the exercise of democracy in Greece. Of course, some will say that the Greeks have brought this upon themselves – not without motive, for there is no doubt that the Greek state has been plagued by inefficiency and cronyism for many years. Yet, it is not an overstatement to say that, in the past several years, the Troika – meaning the representatives of the EC, the ECB and the IMF – and not the Greek people, has dictated the terms of Greece's economic and fiscal policy. And this situation continues today, despite the referendum of July 2015, where the Greek people said “No” to the memorandum that European institutions wanted to impose on their country. So, the anti-democratic, and technocratic, nature of the Troika's exigencies is undeniable.

Another argument purported to minimize the Troika's assault on democracy states that the infringement of European agencies on Greek domestic affairs is an emergency measure, due to the fact that Greece is nearly bankrupt. So, it makes sense that harsh conditions would apply to those who have to beg for money. Though I don't want to subscribe to this kind of logic, the broader point is that it is not just countries on the verge of bankruptcy whose democratic institutions are trumped. Because of the permanent monitoring system of the post-Maastricht regime to which I referred earlier, all the member-states of the EU, and especially of the Eurozone are subjected to the same surveillance and sanctioning mechanisms.

The crucial actors in this regime are precisely the ECB, the IMF, and the European Commission – especially the EC, I would say. Since the thrust of the European dynamic is to depoliticize decisions regarding public policies, the EC

is the agency that is best qualified to prescribe measures designed to correct macroeconomic imbalances on the basis that they are just sound economics. To the extent that they are accountable to voters, national governments and the European Parliament tend to re-politicize matters, whereas the Commission does not have to worry about elections.

This situation is problematic not only because public matters should not be depoliticized – if democracy is to be preserved – but also because the political reforms pushed by the EC produce winners and losers among member-states, and thus redistribute burdens and benefits. So what is being depoliticized is in fact a supremely political matter.

WC: *At the domestic level in Germany, the current government, where the CDU and the SPD rule in tandem, has maintained its commitment to a balanced budget (the so-called “black zero” or Schwarze Null) despite the impending costs of “welcoming” more than a million refugees. At the EU level, the Fiscal Compact and the past year’s developments reveal not simply a similar intention to stay the course, but a determination to intensify the stringency of sanctions for those who might wish to take a break from austerity. In your view, what are the main challenges that this hard line may have to confront, both in Germany and in Europe?*

TB: In the German context the *Schwarze Null* is first and foremost about symbolism. For the government, it is important to be able to claim that the budget will be balanced – or at least that the state will not run structural deficits (I am fairly certain that a number of accounting tricks are mobilized to secure this accomplishment). For the German authorities, the symbolic importance of maintaining and displaying fiscal discipline is twofold:

On the one hand, it is about being exemplary and, by that token, conveying to the leaders of the other EU member-states that they can and must follow the German example: “we are balancing our budget and so should you; with a little effort, any country in Europe could be like Germany.”

On the other hand, the display of fiscal discipline is directed at a domestic audience. For German conservatism is currently experiencing a kind of identity crisis. Though Angela Merkel has been very successful in terms of staying in power, the traditional base of the CDU, the more conservative voters, are no longer sure of what their party is about and so they are wondering what is in the CDU for them. So, showcasing the *Schwarze Null* is about telling these people: “this is what we stand for. We stand for fiscal discipline, and that’s conservative. We might have gotten rid of all kinds of other tenets that were formerly considered to be conservative, but in terms of economic policy, we’re still the real conservatives because we’ve delivered on what we promised... even in the middle of a refugee crisis.” Saying that is especially important because it is the first time in fifty years that the budget of the German state is balanced – and because it may not happen again in the years to come. Thus, making as much as possible of this year’s feat is the best way to make sure that conservative voters will remember it when the next campaign season comes around.

Now, in terms of the challenges that the politics of fiscal austerity may face, we have to remember that, since the beginning of the European sovereign debt crisis in 2010, Germany has been acting as a quasi-hegemon, in terms of economic policy at least, simply because its government had a lot of money that other European countries needed. So, having cash to lend gave German authorities considerable leverage. Of course, the way they used the leverage they had, making themselves into the chief enforcers of austerity, did not produce a lot of gratitude and good will on the part of the peoples who were on the receiving end – in Spain, Italy, Greece, Portugal. So, considering that the role Germany played is hardly forgotten in these countries, the latter are unlikely to show much solidarity towards the country of Angela Merkel when it comes to the sudden inflow of refugees. For the tables have turned now, at least in part: in particular, German authorities are trying to convince their Greek counterparts to keep a large number of asylum seekers in Greece, so as to lighten Germany's load. But of course Greek authorities are unwilling to comply – not to mention that they cannot afford to do it properly: why should they show any solidarity with Germany, considering the way Germany treated them and continues to treat them, with respect to their public debt? Therefore, I think we are entering a phase that Germany may find quite difficult to navigate – a phase that may prove problematic and worrisome for Europe as a whole.