

UACES 45th Annual Conference

Bilbao, 7-9 September 2015

Conference papers are works-in-progress - they should not be cited without the author's permission. The views and opinions expressed in this paper are those of the author(s).

www.uaces.org

The religious foundations of the European crisis

Abstract:

There has been much talk about Ordoliberalism recently. Scholars and the press identify it as the dominant economic instruction sheet for Germany's European crisis politics. However, by analyzing Ordoliberalism only as an economic theory, the debate downplays that Ordoliberalism is also an ethical theory, with strong roots in Protestant social thought. It is this rooting in Protestant social thought that makes Ordoliberalism so incompatible with the socio economic ethics of most of the European crisis countries, because their ethics originate in Catholic and Orthodox social thought. This paper argues that it is the divergence and incompatibility of Ordoliberal and southern European social ethics is what makes the European rescue policies so conflictual, and will ultimately render them redundant.

Introduction

The European fiscal and monetary crisis has shaken Europe to its bones. After seven years of crisis management there is still no light at the end of the tunnel. European nations are entangled in a deep conflict over the right way out of the crisis. Many blame the German approach to the crisis as the prime obstacle to a way out. Ordoliberalism, a socio-economic theory formed in the Weimar Republic, has been identified as the prime “instructionsheet” (Blyth 2013, 141) informing the German position.

Literature on Ordoliberalism has flourished during the crisis and given us a much better understanding of Ordoliberalism and its influence in Germany and Europe. Today, explanations that refer to the influence of Ordoliberal ideas are amongst the most prominent explanations of the crisis that are ideas based. However, the literature shares one common caveat. It conceptualizes Ordoliberalism as a sterile economic theory, neglecting that Ordoliberalism is also an ethical theory, with strong roots in Protestant social thought.

This article asks what is the nature of Ordoliberal ethics and how they play a role in the European crisis management since 2008.¹

The study comes to the conclusion that the rooting of Ordoliberalism in Protestant social ethics is what makes the Ordoliberal instruction sheet incompatible with the socio-economic landscape of Southern Europe. Most Southern European crisis countries are

¹ Alternative: This article asks about the consequences of the ethical foundation, especially its rooting in Protestantism, or contemporary Ordoliberalism for Europe.

based on social ethics, that originate from Catholic and Orthodox Christian social thought.

The article will first introduce the debate about the Ordoliberalization of European politics. The second part gives an introduction to the genesis and content of Ordoliberalism. The third part presents Ordoliberal ethics. The fourth part explores the relationship between Ordoliberal ethics and Protestantism. The fifth part analyses how these ethics surface in the recent European crisis. The sixth part concludes.

The Ordoliberalization of Europe Thesis

In his fulminant book on Austerity Mark Blyth assessed that “Germany’s response to the crisis, and the crisis itself both spring from the same Ordoliberal instruction sheet” (Blyth 2013, 141). Many side with him. Hillebrand comments that „Germany’s crisis policy [...] appears rational from an ordoliberal perspective“ (Hillebrand 2015, 6). Nedergard and Snaith argue that „one crucial consequence has been a strengthening of the ordoliberal governance in the European Union“ (Nedergaard and Snaith 2015) and Bulmer concludes that „ordo-liberalism has trumped pro-europeanism“ in Germany (Bulmer 2014, 1244). The list could be continued with similar citations from many others (e.g. Dullien and Guérot 2012; Dyson and Featherstone 1999; Bulmer 2014; Berghahn and Young 2013; Bulmer and Paterson 2013). Some even speak of an “Ordoliberalization” (Biebricher 2014) of Europe.² In short, Ordoliberalism has become the most prominent explanation for the dysfunction of the Euro and the ensuing crisis policy amongst scholars that explore the crisis from an ideational perspective.

² Jones argues that the „Bruxells-Frankfurt consensus rests on a foundation of rules. In this sense, it rests on foundations similar tot he German notion of Ordnungspolitik“; (Jones 2013: 150). Berghan and Young (2013) point out that Ordoliberalism is economic common sense in Germany.

However, contributions that link Ordoliberalism and German politics share one important downside: they perceive Ordoliberalism solely as an economic theory and pay little attention to the strong ethical components embodied in Ordoliberal thought. When international superstar economists like Dani Rodrik, Thomas Piketty and Jeffrey Sachs complain in a letter to the German government about the rigorousness and inflexibility of Germany's position during the Euro crisis that "has bled the patient, not cured the disease"³ they complain about these Ordoliberal norms and principles that underpin the decisions of German policymakers. Paul Krugman pointed out already in 1999 that compared to US-economic pragmatism "[t]he real divide ... is not political but philosophical its not Karl Marx vs Adam Smith", in contrast to the pragmatism of US economic policy, Germans want "rules that specify the nature of the truth, the basis of morality".⁴

What is Ordoliberalism

Ordoliberalism is a German invention. It emerged during the 1930s as a conservative response to the Great Recession and the political and economic turmoil in the Weimar republic. Ordoliberals were shocked by the economic, political and social havoc of the late Weimar Republic. They identified the strong corporatism of Weimar's socio-economic system as a prime cause of misery. The influence of politics and organized interests on economic and fiscal governance, the rise of encompassing cartels, the clientelism of Weimar's welfare state, "the ruthless exploitation of the state by the

³ <http://www.thenation.com/article/austerity-has-failed-an-open-letter-from-thomas-piketty-to-angela-merkel/>

⁴ Krugman no free lunch collum, Fortune Magazine 19. Juli 1999; <http://web.mit.edu/krugman/www/kompete.html>

interest mob” as Röpke put it, lies at the heart of their analysis (Röpke 1948b, 310).⁵ Ordoliberals deducted that the functioning of liberal market economies could only be guaranteed if they were protected from social and political influence. “The economic system has to be like a un-destroyable toy” Röpke wrote in 1948 and added that it had to be “fool-proof” in the drastic English expression” (Röpke 1948b, 309).⁶

Eucken developed two fundamental Ordoliberal principles for this to work: “First principle: the policy of the state should be focused on dissolving economic power groups or at limiting their functioning ... Second principle: the politico-economic activity of the state should focus on the regulation of the economy, not on the guidance of the economic process” (Eucken 1952, 334,336). Hence, the state becomes central for Ordoliberals. In contrast to classic liberalism, it becomes the solution, instead of the problem (Blyth 2013).

The ordoliberal state should be a „robust“, „impartial“ and „incorruptible“ arbitrator (Röpke 1948b, 310). Governed not by parties or interest groups but by technical elites, “highly educated civil servants”, with strong “vocational ethos“(Röpke 1948b, 310). Central institutions of economic statecraft, most prominently the central bank, have to be made impermeable for any political or social influence. Best would be if economic policy becomes “juridical economic policy” (*justiziale Wirtschaftspolitik*; Röpke 1948b, 312) guided solely through law and arbitrated in courts which are for Ordoliberals “the

⁵ “der rücksichtslosen Ausbeutung des Staates durch den interessenhaufen“ (Röpke 1948: Gesellschaftskrisis der Gegenwart 310)

⁶ „Das Wirtschaftssystem muss sozusagen ein unzerbrechliches Spielzeug sein, das „nicht kaputtzumachen ist“ -, „fool-proof“ wie der drastische englische Ausdruck lautet.“ (Röpke Gesellschaftskrisis 1948: 309)

last fortress of state authority and of trust in the state” (Röpke 1948b, 312).⁷ A strong state should be the guardian that makes this economic constitution, this machinery of law based, technocratic, de-politicized competitive economy, work flawlessly.⁸

It is this conception of the Ordoliberal economic constitution, where commentators see the strongest overlap between Ordoliberal basic principles and the lay out of the European currency union. The independence of the European central bank, modeled after the German central bank, the strict deficit criteria in the stability and growth pact, the absence of economic government, all seem to match with the Ordoliberal calls for an economic constitution (Bulmer 2014; Bulmer and Paterson 2013; Blyth 2013; Hillebrand 2015).⁹ Some even speak of an “ordoliberal monetary zone” (Nedergaard and Snaith 2015).

⁷ „Die Gerichte einens Landes sind in der Tat die letzte Zitadelle der Staatsautorität und des Vertrauens zum Staate“ (Röpke Gesellschaftskrisis 1948:312)

⁸ The notion of guardian (*Hüter*) of treaties is a notion that is used in German political science for the European Commission (*Hüterin der Verträge*). Considering that Schäuble presented sweeping plans for a reform of the commission that had become in his opinion too politicized over the past years make for an interesting connection to the Ordoliberal thought complex.

⁹ The calls for the strong state were dampened when the Nazi state became totalitarian (Berghahn and Young 2013; Manow 2001). Many Ordoliberals had held affinities to fascism and its idea of the strong state at the beginning of the 1930s.⁹ However, after the totalitarian turn some were joining resistance groups, others emigrated. Totalitarianism and war made Ordoliberals tune down their demands for the omnipotent state and led to a “cultural turn” within Ordoliberalism (Haselbach 199X). However, Ordoliberals stuck to their ideas that economic statecraft should be removed from any influence through democratic processes and organized interest influence. They also kept their distaste for parliamentary politics. After the fall of the Nazi regime Ordoliberals played an important part in the reconstruction of German post-war democracy. Many found a home in the Christian Democratic party and managed to introduce the independent central bank and an independent cartel agency (Manow 2001; Hien 2013). This broke with the traditions of corporatism and cartelization of Imperial and Weimar Germany and the interventionism of the war-economy (Abelshauser 1983). However, most of the rougher Ordoliberal positions such as the total rejection of social policy and active labor market programs were swept away by the social Catholic wing of the Christian Democrats (Emunds 2010; Young 2014; Hien 2013).

In the following decades, the influence of Keynesianism and the strength of social Catholicism marginalized Ordoliberal positions, which only survived in remote pockets of academia such as the Freiburg school of economics.

Ordoliberal positions made a remarkable comeback during the 1980s in Germany and in Europe. The deepening of the common market, “[...] in particular the conceptualization of the economic freedoms as basic rights [...]” was very much to the liking of the one and only school of thought which took the legal dimensions of the economy really seriously.” (Joergens 2015: 12). Ordoliberals obtained a powerful voice during the Maastricht negotiations (Dyson and Featherstone 1999).

What we know about Ordoliberal Ethics

Ordoliberalism is not only an economic theory. The central place that the state takes for the protection of the free market makes it also a theory of law, politics and ethics. The law aspects of Ordoliberalism have been well documented and the political aversions towards parliamentary democracy have also been discussed (Joerges 2014; Manow 2001). What has attracted so far only very limited attention is the ethical component of Ordoliberal thought (Wörsdörfer 2011).

In one of the rare comments on the ethical content of Ordoliberalism Hillebrandt states that “[e]ven the ideal principle-based economic order, however, is not the ultimate goal of economic policy. In fact, ordoliberals perceive of the market economy as a means to an end rather than an end in itself, which allows people to conduct their lives self-dependently and with dignity.” (Hillebrandt 2015, 11). Ordoliberalism had since its very beginnings the claim not to be only an economic theory but a theory of society.

In contrast to classic and Anglo-Saxon neo-liberalism German Ordoliberalism has been deliberately developed as a conservative liberalism, which paid a lot of attention to issues like social cohesion, economic traditions, values, culture, nature, religion, kinship, and other social formations that they saw threatened by modernity.¹⁰

Ordoliberals did not buy the idea of “the self regulation of society through self interest of the individual” (Müller-Armack cited in Haselbach 1991, 162).¹¹ The “spiritualization” of the invisible hand would lead to an “atomized” society (Rüstow cited in Haselbach, 220). Classic “secular” liberalism had to be overcome (Müller-Armack cited in Haselbach,

¹⁰ Important is especially the work of Röpke (the trilogy *Gesellschaftskrisis, Civitas Humana, Internationale Ordnung*) and Müller-Armack's extensive dealings with these questions.

¹¹ „Glauben an die Selbstregulierung der Gesellschaft durch Eigennutz des Einzelnen“ (Haselbach 162)

160). “[S]ociological liberalism” should replace “sociologically blind” classic liberalism and help to “embed” the market economy into a “higher total order” (Röpke cited in Haselbach 1991, 172). Ultimately they hoped, this would lead to a “moralization of economic life” (Müller-Armack 1948, 147).^{12 13}

For Ordoliberal thinkers the churches played a major role for upholding social and societal cohesion. The post war economic order had to start with a “re-rooting in faith” (“*Wiederverwurzelung im Glauben*”; Armack cited in Haselbach 1991, 147). Eucken identified the churches as one of the “three regulating powers” of the new economic order (Eucken cited in Rieter and Schmolz 1993, 105).¹⁴

However, Ordoliberals did not share the same affinity to all churches. In his book *Civitas Humana*, Röpke discusses the pros and cons of different branches of Christianity at length and displays a clear preference for ascetic Protestantism (Röpke *Civitas*: 201).¹⁵ The heated debate and the fierce clashes between Ordoliberals and Social Catholics in German post war reconstruction politics of the 1950s and 1960s also shows that while being outspoken Christians, Ordoliberals had a strong affinity for Protestant ethics and a

¹² „Versittlichung des Wirtschaftslebens“ Müller-Armack *Ordo* Jahrbuch erster band p.147

¹³ Ordoliberalism had since its very beginnings the claim not to be only an economic theory but a theory of society.

Hence, it is not a coincidence that *ORDO*, which has been since 65 years the central journal for Ordoliberal debates carries the subtitle ‘Yearbook for the order of economy **and society**’ (*Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*). However, Haselbach and others have pointed out that the new solutions for the embedding of the market are voluminous but do not very sophisticated adding up to little more than a nostalgic conservatism. Critics complain that the Ordoliberals have brought little tangible solutions against the “monstrosities of our times” (Röpke 1948 *civitas*: 275) Ordoliberals, complained about mass society (*‘Vermassung’*), de-rooting (*‘Entwurzelung’*), centralization (*‘Zentralisierung’*) and proletarianization (*‘Proletarisierung’*) but their cure did not often go beyond airy concepts of “rooting, real community and the satisfaction of vital needs” (Röpke *civitas* : 273). (*Die Monströsitäten unserer Verhältnisse“ (275 Röpke Civitas Humane) Verwurzelung, echte Gemeinschaft und Befriedigung vitaler Bedürfnisse“ (Röpke civitas 273)*)

¹⁴ When establishing a competitive market “the job does not merely consist in shaping an economic order, but also requires its incorporation into a total life style” (Armack cited in Haselbach 1991).

¹⁵ Most Ordoliberals, especially Röpke and Müller-Armack had a distinct religious social approach to economics and history.

distaste for Catholic social teachings (Manow 2001; Manow 2008; Hien 2013; Hien 2012; Abelshauser 1996).

There is indeed ample overlap between Ordoliberal ethics and Protestant social ethics. Ordoliberal ethics can best be subtracted from their lengthy discussions of the traditional social insurance state and the Beveridge plan, which they conceive in the 1950s as the most monstrous contemporary incarnation of social policy. Ordoliberals argue that traditional social policy creates moral hazard sets wrong incentives which undermine personal responsibility “mainspring” of society (Röpke 1948b, 364). Social insurance and the welfare state would ultimately lead to the “total catastrophe of state and society” (Röpke 1948a, 258) and degrade citizens to “slaves of the state” (“*Staatssklaven*” Röpke 1948a, 257). Instead the state should limit itself to establish an Ordoliberal framework that creates “equality of opportunity” (“*Startgerechtigkeit*” Röpke 1948b, 264). This is the basis of what we can coin here the concept of Ordoliberal solidarity. For Ordoliberals, in contrast to social Catholics, solidarity is when you help someone to help himself, not when you alleviate him out of misery. It is a conditional solidarity that has strong parallels with Protestant social ethics, especially the protestant social ethic of ascetic Protestantism.

The conceptual religious base of Ordoliberalism

Contemporary theologians draw a line between Ordoliberal and Protestant ethics. Reuter argues that the Ordoliberal obsession with strong rules and institutions stems from the Protestant conception of humans being “warrantable/saints and Sinners at the same time, and that’s why they need to be under an institutional order that disciplines the peccator”(Reuter 2010).

Indeed, the Ordoliberal idea of the human being is much closer to Protestantism than to Catholicism or Orthodox Christianity. Ascetic Protestants can only come closer to salvation if they fulfill their “vocational duty” - “altruism” which is important for Catholics and Orthodox believers is much less important for salvation (Weber 1988, 100–101).¹⁶ This comes close to the Ordoliberal social concept of help to foster self help. Weber sees a “deep suspicion towards the best friend” embedded in ascetic Protestant doctrine because “only God should be the man of confidence” (Weber 1988, 96).¹⁷ He derives from this that for the ascetic Protestant “God helps whom helps himself” (Weber 1988, 111).¹⁸ In a debate on the first German sociology congress in 1910 between Ernst Troeltsch, Ferdinand Tönnies, and Max Weber, Weber sums up that this new ethos of ascetic Protestantism stands in sharp contrast to the “Communism of the ancestral Christianity and its derivatives” which was primarily occupied with brother-love and altruism (Weber 1910).¹⁹

¹⁶ Weber observed that for Protestants, in contrast to Catholics, not almsgiving, altruism or praying is essential for ascendance but fulfilling ones vocation and obeying the Bible. The ascetic Christian sects, (Calvinist, Methodist, Pietist and Baptist) took this ascendance model to the extreme. Ascetic Christian leaders like Calvin rejected the sacramental tools that the Catholic and Lutheran churches had developed to relieve their followers from sin. Ascetic Protestants cannot repent, cannot free their souls through good works or escape damnation by buying indulgences.¹⁶ There is no instrument for “periodic letting off steam” (*periodisches Abreagieren*) like in Catholicism (Weber 1988, 97).¹⁶ This puts permanent salvation-stress on ascetic Protestants.¹⁶ No one can be sure to go to heaven. The only way to please God is through an upright Christian lifestyle and this lifestyle has to be hard-working and ascetic. A successful life, under these premises (a successful business life), becomes a sign of predestination - poverty became associated with damnation.

The rational character of doctrine also forbid the believer to flee from hardship and temptations of daily life into mystic religious images and events. Weber comments: „The angry hate of Puritans against everything that smelled like superstition, against any reminiscence of magic or hierurgical grace, persecuted the Christian Christmas as well as the Maypole” *“Der zornige Hass der Puritaner gegen alles, was nach Superstition roch, gegen alle Reminiszenzen von magischer oder hierugischer Gnadenspende verfolgt das christliche Weihnachtsfest ebenso wie den Maibaum”* (Weber 1988, 185).

¹⁷ „tiefes Misstrauen auch gegenüber dem nächsten Freund“/“nur Gott soll der Vertrauensmann sein“ (Weber 1988, 96).

¹⁸ „daß Gott dem hilft der sich selber hilft“ (Weber 1988, 111).

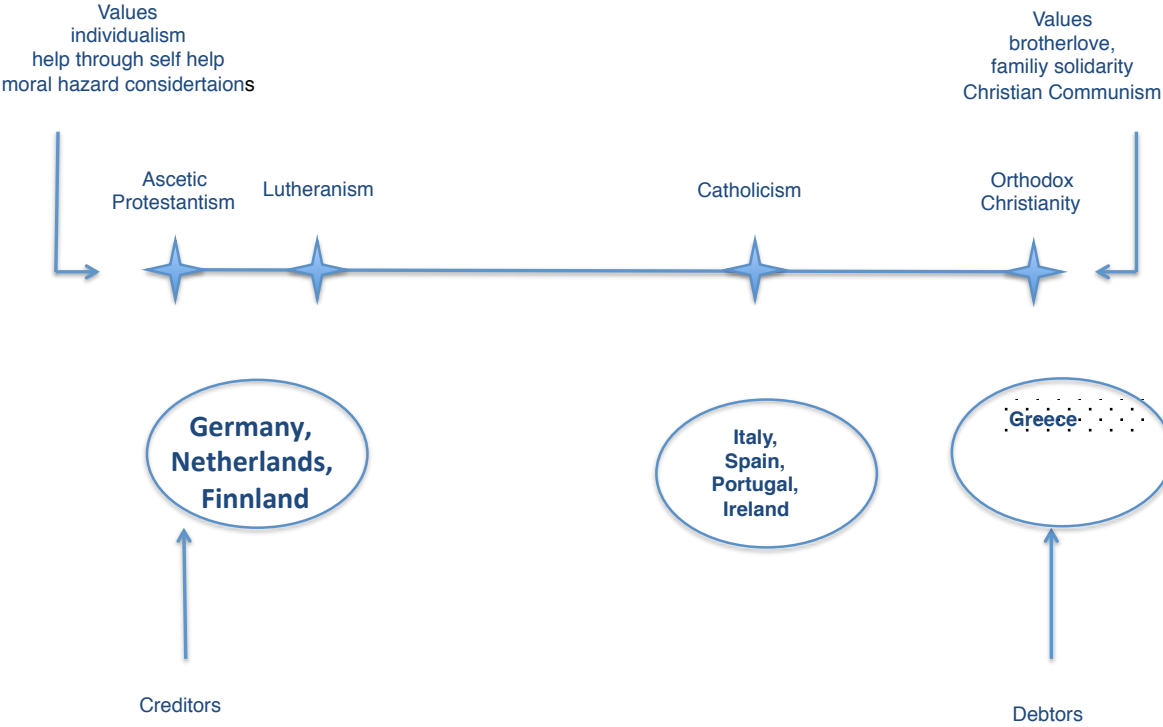
¹⁹ „Der Kommunismus des Urchristentums und seiner Derivate ... wie ja auch das Zinsverbot für Christen ... mit dem alten Satz motiviert wird, daß man unter Brüdern nicht feilscht, unter Brüdern kein Herrenrecht gebraucht und Zins ist Herrernrecht – unter Brüdern seinen Vorteil nicht übt, sondern Brüderlichkeit übt“ (Weber 1910, 763).

The permanent fear to create moral hazards and the reduction of solidarity to help for self-help is a central tenant of ascetic Protestantism and Ordoliberalism. Ordoliberalism, as a contemporary economic theory, seems to be a transposition vehicle that transports religious values into the present, even in times of ever stronger secularization. This has strong repercussions for solidarity in Europe during the crisis. On the one side we find Ordo-solidarity, strongly inspired by Ascetic Protestant social thought on the other side we find catholic and orthodox concepts of familialist and brother-loving solidarity. Unconditional solidarity concepts clash with conditional solidarity concepts. Both, Schäuble (German Finance Minister) and Tsipras (Greek Prime Minister) spoke repeatedly of solidarity during the recent crisis. However, both have a very different understanding of solidarity.

Weber never summarizes the different socio-economic ethics of all Christian denominations. However, I can reconstruct them by picking from different pieces and parts of his work. A continuum evolves in which Orthodox Christianity forms one pole and Ascetic Protestantism the other. Orthodox Christianity is the most solidarity oriented, collectivist, brother loving and mystic branch of Christianity, ascetic Protestantism is the most individualistic, de-mystified and rationalist branch. Catholicism and Lutheranism fall somewhere in the middle whereas Catholicism is closer to Orthodoxy and Lutheranism slightly closer to ascetic Protestantism (Weber 1988; Weber 1910).

As figure one shows, this squares well with the current split that runs through Europe between debtors and creditors between countries that insist on conditional solidarity and those that want unconditional solidarity.

Fig 1: The continuum of Christian Ethics during the European Debt crisis:



This interpretation is shared by central figures in the European monetary architecture like Thomas Wieser the chairman of the Economic and Financial Committee of the European Union. He argues that “[p]olicy makers from Protestant countries tend to think that sins can never be forgiven, whereas policy makers from Catholic countries tend to think that sins can always be forgiven if sinners repent.” The Orthodox religion, according to Wieser, is so loose that sinners will not even have to repent to be forgiven (cited from Chadi and Krapf 2015, 17).

Religious connections of Ordoliberal Key thinkers

This connection between Ordoliberalism and Protestantism does not fall from the sky. It can be linked to the Protestant ties of the first Ordoliberal thinkers (Rieter and Schmolz

1993; Manow 2001; Reuter 2010). Haselbach comments on Müller-Armack that his “Protestant confession was not without impact on his scientific work” (Haselbach 1991, 119).²⁰ Röpke was a descendent of “Protestant-rural notability”²¹ and Rüstow had a strongly Pietist mother and published during his early communist period preferably in the *Bätter für Religiösen Sozialismus* (Journal of Religious Socialism). Writing a letter to Rüstow in 1942, Eucken claimed that ‘I could neither live nor work if I did not believe that God existed.’ (Eucken cited in Rieter and Schmolz 1993, 105).

Eucken, Lampe and Böhm, who did not go into exile during the Nazi period like Röpke and Rüstow, developed their new socio-economic concepts within a dense network of Protestant socio-economic thinkers and theologians during the 1930s.²² Ordoliberalism developed during the third Reich within the influence zone of the *Bonnhöfer Kreis* and the *Bekennende Kirche*, a Protestant Nazi resistance movement. Within the *Bonnhoefer Kreis*, Ordoliberals started to develop the *Freiburger Denkschrift*, an influential blueprint for the restructuring of Germany’s post war economy (*Arbeitskreis Freiburger Denkschrift*) (Rieter and Schmolz 2006, 97; Dietzfelbinger 2006; Manow 2001). The

²⁰ „Müller-Armack wurde 1901 in Essen geboren. Das Protestantische Bekenntnis war für sein wissenschaftliches Werk nicht ohn Bedeutung“ (Haselbach119)

²¹ Röpke war „Sproß einer alten protestantisch-ländlichen Honoratiorenfamilie von Pfarrern und Ärzten“(Haselbach 162)

²² Evcn though Rüstow and Röpke were in exile they still kept a strong connection tot he remaining Ordoliberal circles in Freiburg. „In Eucken's Grundratzdc dcr Wirlrchaftspolitik (1952: ch. XIX), the churches function as one of the three

'regulating powers' (ordnende Pote~m)a, longside the state and science, which are responsible for implementing the new economic order. Indeed, all the ideas and activities of the Freiburg School were motivated by Christian convictionsits resistance to the Nazi regime as much as its scientific work. Walter Eucken confessed in a letter to Alexander Riistow in January 1942 (Lenel 1991: 12): 'I could neither live nor work if I did not believe that God existed.' For Constantin von Dietze, too, religious issues were very closely connected with his scientific work (see e.g. Dietze 1947). Accordingly Christian social ethics played a significant role in the Freiburg Memorandum (see Thielicke 1979: 12-20). For Eucken it was even a credo of (Neo-)Liberalism: 'I do not think that Liberalism declined because its basis was religious and metaphysical. On the contrary, it started to decline when it lost its religious and metaphysical content . . .', he wrote to Riistow in December 1943 (Lenel1991: 13). In his own words, Eucken's Christian beliefs were those 'of Leibniz or Kant' (ibid.: 12). Thus he was a Christian who did not rail at his God because ofthe evil in the world, but one who- like Leibniz (Finster and van den Heuvel 1990: 83) -tried to 'change the world for the better, beginning with himself.“ (Rieter/Schmolz 2006: 105)

Freiburger Denkschrift makes the connection between Ordoliberalism and Protestant religion explicit. It argues that the institutions of Germany's post war economy should enable the "strongest resistance against the forces of sin" and enable everyone "to live a life as evangelic Christians" (*Freiburger Denkschrift* 1943).²³

Habermas sarcastically called the Ordoliberals in today's German government "highly moral people" (*Hochmorale Menschen*) in a recent contribution in the *Süddeutsche Zeitung* on the European crisis.²⁴ The ethically loaded arguments of some members of the German government during the Euro crisis are congruent with Ordoliberal and Protestant ethics.

Ordoliberal Power and Ethics in Contemporary Germany

How does the connection between Ordoliberal values and Protestantism surface in today's German government? Wolfgang Schäuble is one of the most important political promoters of Ordoliberal politics in today's Europe. Being German finance minister since 2009 he is a central actor in the Euro crisis. As chief of the chancellery from 1984 to 1989 under Helmut Kohl he was heavily involved in preparing and negotiating the Single European Act and the Maastricht treaty and he was responsible for its implementation as minister of the interior from 1989 to 1991. In view of his age and his involvement in European policies since the mid 1980s he describe himself as a "fossil" in the current cabinet of Angela Merkel (FAZ 2014).

²³ ,The *Freiburger Denkschrift* states: „besondere evangelische oder auch nur allgemein christliche Wirtschaftsordnung ... entwerfen“, sondern die konkrete Ordnung solle — Zitat — „Sache der menschlichen Vernunft“ sein. Gleichwohl ist es das Ziel der Verfasser, mit der Wirtschaftsordnung — Zitat — „den denkbar stärksten Widerstand gegen die Macht der Sünde (zu ermöglichen), in der die Kirche Raum für ihre eigentlichen Aufgaben behält und es den Wirtschaftenden nicht unmöglich gemacht oder systematisch erschwert wird, ein Leben evangelischer Christen zu führen.“ Cited in Dietzfelbinger (2011), *Die Evangelischen Wurzeln der Sozialen Marktwirtschaft*, 4.

²⁴ <http://www.sueddeutsche.de/wirtschaft/europa-sand-im-getriebe-1.2532119>

Many commentators were puzzled by the determination with which Schäuble brought the European Union to the brinkmanship of collapse during the recent debt controversy with Greece.²⁵ A look into Schäuble's biography, his religious background and into the epistemic communities, within which his socioeconomic thought and ethics were formed, gives us a better understanding of why Schäuble does what he does.

Schäuble was born in Freiburg in 1942, the rock-bed of Ordoliberalism. Here Walter Eucken built up the Ordoliberal Freiburg school of economics during the 1930s and Friedrich von Hayek gave up his chair in Chicago to move to Freiburg in the 1950s. Hayek founded the Walter Eucken institute at the university to cement the Ordoliberal influence and ever since then the university has produced a steady stream of Ordoliberal agents that populate economic and law departments of German universities, the editorial boards of important media outlets and political institutions. Wolfgang Schäuble enrolled at Freiburg University in 1961 and started to study law and economics at the Walter Eucken institute. He obtained his PhD from Freiburg in 1971 and has become a champion of Ordoliberal politics.

In his public speeches and in interviews Ordoliberal reference figures such as Walter Eucken and Wilhelm Röpke reoccur and Schäuble has on numerous occasions declared himself an Ordoliberal (FAZ 2013).²⁶ The Mont Pelerin Society, founded as a neo-liberal lobbying-group in the 1950s by Röpke and Rüstow, is often mentioned in nostalgic and

²⁵ Schäuble's idea of a temporal Grexit, developed together with the Ordoliberal economist Fuest who will later this year take over the most important economic research institute in Germany (IFO), led to a crushing controversy with Chancellor Merkel which became increasingly hard to hide in public. <http://www.sueddeutsche.de/politik/deutsche-euro-politik-wie-merkel-und-schaeuble-um-den-richtigen-krisen-kurs-kaempfen-1.2575587>

²⁶ In an Editorial for the *Frankfurter Allgemeine Zeitung* Schäuble emphasizes that: „Diese wertebegründete Politik verbindet in wirtschaftspolitischer Hinsicht viel mit dem Ordoliberalismus der Freiburger Schule. Walter Eucken nahm - wie Wilhelm Röpke - Politik und Staat gerade für gute Regeln zur Realisierung und Wahrung menschlicher Freiheit in die Pflicht. Politik, wie ich sie hier skizziere, verbindet auch einiges mit dem Denken eines Friedrich August von Hayek oder eines Karl Popper“ (FAZ 2013).

compassionate terms in Schäuble interviews and in his statements as minister.²⁷ (Schäuble 2014; Schäuble 2015).

Schäuble's Ordoliberal politics dominate the current Eurozone. In a speech at Freiburg University in 2014 he still believed that "conditionality has worked"²⁸ in the Eurozone crisis and that we should further rely on "Ordopolitical fundamentals" in order to curb "wrong incentives" and avoid "moral hazard".²⁹ The "hardened" rules have to stay "hard" rather than become "softened" because "the problem of Europe is not its rules but the disobedience of these rules".³⁰

Here Schäuble's Ordoliberal ethics crystallize. In his concept of solidarity, in this proposal coined - Ordo-solidarity -moral hazards are central. Too much and unconditional solidarity leads to moral hazard. Solidarity has to be well dosed. Help only if it induces self-help.³¹ To make sure that people do not live beyond their means they have to be curbed through hard rules (debt breaks, deficit spending targets, six packs etc.). Solidarity has to be coupled with rigid conditionality enshrined in hard rules.

²⁷ „ich denke dabei an Karl Popper, der am Genfer See unter den Gründern der „Mont Pèlerin Society“ war. Rede von Dr. Wolfgang Schäuble bei der Stiftung Ordnungspolitik am 11. Juli 2014 in Freiburg im Breisgau.

²⁸ „Die Konditionalität der Hilfen einschließlich ihrer Überwachung durch die Troika als Hilfe zur Selbsthilfe hat funktioniert.“ Rede von Dr. Wolfgang Schäuble bei der Stiftung Ordnungspolitik am 11. Juli 2014 in Freiburg im Breisgau.

²⁹ Und immer geht es dabei um die ordnungspolitische Grundfrage, die Anreizsysteme so zu gestalten, dass sie die richtigen Anreize setzen und Fehlanreize vermeiden. Angelsächsisch ausgedrückt ist das die Vermeidung der „Moral Hazard“-Problematik. Rede von Dr. Wolfgang Schäuble bei der Stiftung Ordnungspolitik am 11. Juli 2014 in Freiburg im Breisgau.

³⁰ „Deswegen muss jetzt gelten: Die gehärteten Regeln werden hart bleiben“ In Europa sind nicht unsere Regeln das Problem, sondern dass sich nicht alle an die Regeln halten.“ Rede von Dr. Wolfgang Schäuble bei der Stiftung Ordnungspolitik am 11. Juli 2014 in Freiburg im Breisgau.

³¹ „Es geht um eine Sozialpolitik, die auf Hilfe zur Selbsthilfe setzt, die fördert und fordert. Ebenso geht es um eine europäische Politik, die Solidarität an Solidität knüpft“ (Schäuble in FAZ 2013).

For Schäuble, people (and states) need to be frugal.³² The Protestant Schäuble himself lives ascetically – his last drink dating to German re-unification (Handelsblatt 2011). An almost deadly terror attack in 1990 left him paralyzed. Schäuble, still in the intensive care unit took up work immediately.³³ His preference for frugality, conditional solidarity and hard work might come from his mother. A Pietist that grew up in Swabia, close to Stuttgart, a part of the South West of Germany known for its conservatism and traditionalism but also a region of high end entrepreneurship and inventors where a couple of dozen world leading high quality manufacturing enterprises have their home (Bosch, Mercedes, Prosche, Festo, Vileda etc.).³⁴

Schäuble publicly connects his moral and ethic position to his Protestant beliefs. In 2015 Schäuble held an interesting speech on the yearly German Protestant church rally (*Kirchentag*). In light of his hard line during the Greek debt crisis he was asked to discuss a special Biblical parable in Lukas V. The parable suggests that one should allow for debt cuts under specific circumstances. In a passage of his speech Schäuble contests Luther's bible translation and claims that as a Christian, he "cannot think that Jesus could recommend such action".³⁵ Thus, Schäuble deliberately turns key passages of the

³² Schäuble frequently cites the example of the god Swabian housewife who never spends a penny too much and whose household economy is based on "solidity". „Meine Mutter kam in Stuttgart-Untertürkheim zur Welt. Mein Bruder war hier Landesminister. Es ist meine Landeshauptstadt. Stuttgart steht für einen christlich-pietistisch geprägten Unternehmergeist, der mit seinem Ernst und seinem Gefühl für die soziale Verpflichtung des Eigentums viel Gutes bewirkt und die Region zu einer der führenden Wirtschaftsregionen Deutschlands gemacht hat.“ Interview Kirchentag Stuttgarter Zeitung.

³³ Das hat er dem Attentäter auch nie verziehen (Handelsblatt 2011).

³⁴ Pietism is a specific branch of Protestantism, popular in some parts of Germany and with a strong influence on the Prussian state formation, that combines ascetic Protestant and Lutheran elements.

³⁵ „Das Geld eines anderen veruntreuen, jemandem die Schulden erlassen, die der bei einem anderen hat, und eigenmächtig die Regeln brechen: Als Christ kann ich nicht glauben, dass Jesus uns ein Handeln empfiehlt, dass das menschliche Zusammenleben schwieriger, das Leben unsicherer und das Überleben mühsamer machen würde“ In this speech crystallizes that Schäuble is much closer to an ascetic Protestant thought than to mainline Lutheranism. Repenting is not possible for him. Schäuble never forgave his assassin (unlike Pope Johannes Paul II who talked to his assassin immediately after the attack in 1981) He also does not care about the official interpretation of the bible passage (through licensed religious personnel)– he creates his own interpretation, -an autonomous action only compatible with ascetic Protestantism and its self-definition as a lay religion (as opposed to the professionalized branches of Christianity of

parable on their head and uses them to justify his Ordoliberal positions on solidarity and debt in contemporary Europe. In reference to his own special interpretation of Protestantism he mentions help to self-help, the danger of wrong (un-conditional) social incentives, the benefits of frugality and sustainability of finances. Schäuble explicitly links these Ordoliberal positions to his Christian worldview. He closes the speech by emphasizing the foundational connection between Ordoliberalism and Protestantism dedicating a long passage to Dietrich Bonhoefer, Protestant Theologian, Priest and, one of the key Protestant initiators of the new Ordoliberal circles in Freiburg during the 1930s.

Not only the German finance minister is Ordoliberal but most other key positions in German fiscal and economic policies are firmly in the hands of Ordoliberals. Since 1963 the German federal government has an economic advisory board consisting of five Economic professors (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) which routinely files reports on the economic situation and give advice of fiscal and economic government reform. Within this council of “five sages of economy” (*Rat der Wirtschaftsweisen*) Ordoliberals have the upper hand. Only one of the members, Peter Bofinger, is Keynesian and he recently lamented that: “no matter what the topic, it’s four to one against me,” (Bofinger cited in economist). Three of the other four sit on the executive boards of important Ordoliberal lobby groups, the *Kronenberger Kreis* and the *Stiftung Marktwirtschaft*. Today “there are hardly any Keynesians among the leading

Lutheranism and Catholicism). Also Schäuble’s reference to the original sin and the resulting need for humans of strong rules place him in ascetic Protestant rather than the mainline Protestant position. In the introduction he also states that „he can hardly believe what is written in this passage“; see: „Der Bibeltext, über den ich mit Ihnen nachdenken soll, ist ein etwas rätselhafter Text über den Umgang mit Geld. Man kann kaum glauben, was man da liest. Nicht nur ich dürfte mit dem Text bis heute nicht ganz ins Reine gekommen sein.“ (Schäuble 2015).

German economists“ (Neergard/Saith 2015: 4; see also Dullien/Guerot 2012).

The current head of the German central bank, Jens Weidemann, is Ordoliberal. There is hardly a speech on the current situation in Greece where he does not cite Walter Eucken and his concept of accountability. Weidmann considered the purchase of bonds undertaken by the ECB to be a ‘ gambit [that] betrayed its founding principles, which were rooted in the traditions of the Bundesbank’ (Wall Street Journal 2012) Cited in Bulmer 2014: p.1258-1259). He was the only member of the European Bank steering committee that voted against the purchase. In one of the rare studies that trace the Ordoliberal power structure in Germany, Neergard and Saith (2015: 5) interview ten key decision makers in the German finance ministry who all display strong Ordoliberal convictions. Neergard and Saith conclude that Ordoliberalism is a “basic value” among German decision makers.

Ordoliberal Rescue Policies?

So if the German economic epistemic community is dominated by ordoliberals and its economic policymaking institutions are as well, and considering that Germany is since 2008 the new strong man of Europe, is the current crisis management in Europe also Ordoliberal? From an Ordoliberal perspective the European rescue policies are a disaster.³⁶ The no-bailout clause of the Maastricht treaty has been circumvented, the

³⁶ Commentators usually mark the Maastricht negotiations as the beginning of the Ordoliberal influence in Europe. Even though Ordoliberals did not like the ever stronger involvement of the EU in ever more policy-fields that came with Maastricht, Ordoliberals are said to have been very successful in influencing the key institutions of the common single European currency, especially the independent central bank, the fiscal stability rules and the budgetary targets. The Stability and Growth pact was “about uploading ordoliberal principles to the EU level” (Bulmer 2014: 1247). The last word in this debate has not been spoken. We have to distinguish between the Maastricht negotiations that lay the institutional foundations for the Euro and the crisis management for 2008 onwards. Dysen and Featherstone claim a strong Ordoliberal influence on the Maastricht negotiations. However, the epistemic Ordoliberal community claims their own opposition to Maastricht (Kerber ORDO 2014). Only some of the more prominent and publically exposed Ordoliberal scientists like Weizecker though that the Maastricht treaty contained enough Ordoliberal

deficit criteria constantly violated and the European central bank has been politicized and continuously oversteps its mandate. So why is there still so much talk about the German Ordoliberal “instructionsheet” of European crisis policies and why do key decision makers like Schäuble speak about the necessity of Ordoliberal principles in Europe?

I argue that the discourse about rescue policy is still heavily informed by Ordoliberal and therefore Protestant Ethics. Politicians in Northern and Eastern Europe use Ordoliberal images and Ordoliberal ethical arguments during the crisis, at a point where Ordoliberals from the epistemic community have since long given up on the Euro and also the European Union. Here lies the crux: these values can not resonate well with the socio-economic ethics of the south, influenced by Catholic and Orthodox Christian thought and their solidarity concepts. For Ordoliberals, the guaranteeing of free economic competition reigns supreme to any social politics, even to any politics in general. It is the economy that guarantees the good society. In Catholic and Orthodox social doctrine it is the other way round. The economic system exists to cater for the people and society. It is subordinated to politics and society. There exists no independent central bank in Catholic social and economic thought (not by accident the Vatican state does not have one). Instead Catholicism developed a social theory ripe with interventionism, corporatism, associationism that fosters strong ties between state,

elements to make it work (Kerber 2014). Most opposed the treaty, favoring the former European Monetary System which had a Hayekian twist (Streit Ordobuch 2011: 520). As for the rescue and crisis policy one can say that the Ordoliberals are strongly opposed to the current rescue policies (see the critical debates in the ORDO Yearbooks 2012, 2014, 2015). For Ordoliberals, rescue policy represents a treaty breach, impossible to accept for Ordoliberals with their law-fixation. They also regard the ECB policies as foul play. The central bank is breaching its mandate, intervening to an excessive degree in the market (Mestmecker FAZ XXX; Joergens XXXX). So why do many commentator still attribute an Ordoliberal smell to the current Euro policies? I think it is because some German policymakers who are inspired by Ordoliberal ideas are trying to do Ordoliberal look alike politics, even though the mere notion of economic politics is anathema to Ordoliberals. What is left are therefore politics in line with Ordoliberal ethics rather than institutional Ordnungspolitik.

economy, society and the economy pretty much during the same time the Ordoliberalists developed their theory of strict separation between politics, society and economy (see the content of *Rerum Novarum* and *Quadragesimo Anno*).

Conclusion

Ordoliberalism and Social Catholicism and the social thought of Orthodox Christianity are pretty much incompatible from a theoretical perspective. However, historically they have found compromises. Such a compromise happened in Germany after WWII. After bitter fights between social Catholics with a strong preference for corporatism and social policy and Ordoliberal Protestants who rigidly opposed them within the governing Christian Democratic party, at the end "*Modell Deutschland*" emerged as an interdenominational compromise in the late 1950s as a highly successful socio-economic construct that allowed for a high amount of social protection and market competition (Manow 2008; Hien 2012; Abelshauser 1996; Abelshauser 1949). What Europe needs is a similar compromise between its diverging socio-economic ethics. Such a compromise is however not possible if the North tries to enforce Ordoliberal ethics in the South.

- Abelshausen, Werner. 1949. "Die Langen Fünfziger Jahre." *Wirtschaft Und Gesellschaft Der Bundesrepublik Deutschland* 1966 (1). <http://www.ulb.tu-darmstadt.de/tocs/5871832.pdf>.
- . 1996. "Erhard Oder Bismarck? Die Richtungsentscheidung Der Deutschen Sozialpolitik Am Beispiel Der Reform Der Sozialversicherung In Den Fünfziger Jahren." *Geschichte Und Gesellschaft*, 376–92.
- Berghahn, Volker, and Brigitte Young. 2013. "Reflections on Werner Bonefeld's 'Freedom and the Strong State: On German Ordoliberalism' and the Continuing Importance of the Ideas of Ordoliberalism to Understand Germany's (Contested) Role in Resolving the Eurozone Crisis." *New Political Economy* 18 (5): 768–78.
- Biebricher, Thomas. 2014. "The Return of Ordoliberalism in Europe: Notes on a Research Agenda." *Rivista Quadrimestrale on-Line: Www. I-Lex. It*, no. 21. <http://www.i-lex.it/articles/volume9/issue21/biebricher.pdf>.
- Blyth, Mark. 2013. *Austerity: The History of a Dangerous Idea*. Oxford University Press.
- Bulmer, Simon. 2014. "Germany and the Eurozone Crisis: Between Hegemony and Domestic Politics." *West European Politics* 37 (6): 1244–63.
- Bulmer, Simon, and William E. Paterson. 2013. "Germany as the EU's Reluctant Hegemon? Of Economic Strength and Political Constraints." *Journal of European Public Policy* 20 (10): 1387–1405.
- Chadi, Adrian, and Matthias Krapf. 2015. "The Protestant Fiscal Ethic: Religious Confession and Euro Skepticism in Germany." SOEPpapers on Multidisciplinary Panel Data Research. <http://www.econstor.eu/handle/10419/110363>.
- Dullien, Sebastian, and Ulrike Guérot. 2012. "The Long Shadow of Ordoliberalism: Germany's Approach to the Euro Crisis." *European Council on Foreign Relations Policy Brief* 22. http://indice.astrid-online.it/rassegna/Rassegna-212/09-03-2012/Dullien_ECFR_Germany-crisis-approach.pdf.
- Dyson, Kenneth, and Kevin Featherstone. 1999. "The Road to Maastricht." *Negotiating Economic and*. <http://www.academia.edu/download/30909636/269654097.pdf>.
- Eucken, Walter. 1952. *Grundsätze Der Wirtschaftspolitik*. Tübingen: J.C.B Mohr.
- Hien, Josef. 2012. "Competing Ideas: The Religious Foundations of the German and Italian Welfare States." Thesis. <http://cadmus.eui.eu/handle/1814/24614>.
- . 2013. "The Ordoliberalism That Never Was." *Contemporary Political Theory* 12 (4): 349–58.
- Hillebrand, Rainer. 2015. "Germany and Its Eurozone Crisis Policy: The Impact of the Country's Ordoliberal Heritage." *German Politics & Society* 33 (1-2): 6–24.
- Joerges, Christian. 2014. "Law and Politics in Europe's Crisis: On the History of the Impact of an Unfortunate Configuration." *Constellations* 21 (2): 249–61.
- Manow, Philip. 2001. "Ordoliberalismus Als Ökonomische Ordnungstheologie." *Leviathan* 29 (2): 179–98.
- . 2008. *Religion Und Sozialstaat: Die Konfessionellen Grundlagen Europäischer Wohlfahrtsstaatsregime*. Vol. 68. Campus.
- Müller-Armack, Alfred. 1948. "Die Wirtschaftsordnung Sozial Gesehen." *ORDO Jahrbuch* 1 (1): 125–54.
- Nedergaard, Peter, and Holly Snaith. 2015. "'As I Drifted on a River I Could Not Control': The Unintended Ordoliberal Consequences of the Eurozone Crisis." *JCMS: Journal of Common Market Studies*.
- Reuter, Hans-Richard. 2010. "Die Religion Der Sozialen Marktwirtschaft: Zur Ordoliberalen Weltanschauung Bei Walter Eucken Und Alexander Rüstow." *Jahrbuch Sozialer Protestantismus* 4: 46–76.
- Rieter, Heinz, and Matthias Schmolz. 1993. "The Ideas of German Ordoliberalism 1938–

45: Pointing the Way to a New Economic Order*." *Journal of the History of Economic Thought* 1 (1): 87–114.

Röpke, Wilhelm. 1948a. *Civitas Humana*. Erlenbach Zürich: Eugen-Rentsch Verlag.

———. 1948b. *Gesellschaftskrisis Der Gegenwart*. Erlenbach Zürich: Eugen-Rentsch Verlag.

Weber, Max. 1910. "Replik: Das Stoisch-Christliche Naturrecht Und Das Moderne Profane Naturrecht, Printed in Schluchter (2014) Max Weber Gesamtausgabe, 741-764." In *Verhandlungen Der 1. Deutschen Soziologentages Vom 19. Bis 22. Oktober 1910 in Frankfurt Am Main.*, edited by Wolfgang Schluchter. Frankfurt am Main: Mohr Siebeck.

———. 1988. *Gesammelte Aufsätze Zur Religionssoziologie I, Photomechanischer Nachdruck Der Erstaufgabe von 1920*. Mohr Siebeck UTB.

Wörsdörfer, Manuel. 2011. "Die Normativen Und Wirtschaftsethischen Grundlagen Des Ordoliberalismus." <http://publikationen.ub.uni-frankfurt.de/frontdoor/index/index/year/2013/docId/22424>.