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December 2013

Online at <https://mpra.ub.uni-muenchen.de/52331/>  
MPRA Paper No. 52331, posted 20 Dec 2013 21:40 UTC

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# **The Influence of Ordoliberalism in European Integration Processes**

**- A Framework for Ideational Influence with Competition  
Policy and the Economic and Monetary Policy as Examples**

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**Acknowledgements:** I would like to thanks Asmus Leth Olsen, Ben Rosamond, and Frederik Hjorth for helpful comments.

**Word count:** 10,100 (including abstract, title, endnotes, references, but excluding tables).

## **Abstract**

How can one study the ideational influence of ordoliberalism on European integration processes? This is the overarching question answered in this paper where I propose a refined methodology,

taking into account that the influence of ordoliberalism can vary over time and, more importantly, that its influence has to be measured on the backdrop of a detailed specification of the characteristics of ordoliberalism itself compared to the strongest ideational alternatives. I have carefully identified these alternatives as interventionism (competition policy), laissez-faire liberalism (competition policy), and Keynesianism (economic and monetary policy).

I show the usability of my framework; however, I also point to the fact that more analyses are needed, especially where traces of ordoliberal influence does not seem likely to find.

**Keywords:** political economy, Europe, ordoliberalism, competition policy, economic policy

**JEL classification:** B59, E61, G18, P16.

## 1. Introduction

In the scholarly literature, ordoliberalism is generally recognised to be one of the most powerful economic philosophies framing the thinking of post-World War II Germany's political decision-makers (Berghahn and Young 2013; Vanberg 2004; Goldsmith and Rauchenschwandtner 2007; Walters and Haahr 2005). It has also been recognised that this economic philosophy is the source of ideational influence to a smaller or larger extent on European integration processes (Dullien and Guérot 2012; Ito 2011) even though there are surprisingly few studies of this last aspect. How can we actually recognise the possible ideational influence of ordoliberalism? This question will be answered in this paper.

In this paper, I present a framework for investigating the possible influence of ordoliberalism on the process of European integration. I use two policy cases as examples of the utility of my framework. Admittedly, competition policy and monetary policy are two cases where there has already been at least some research on the possible global influence of ordoliberalism (see Walters and Haahr 2005; and Akman and Kassim 2010 with references).

The reason behind this paper is that the way in which the possible influence of ordoliberalism on European integration processes has been researched so far is methodically and substantially unsatisfactory. This might also be the reason why there are divergent results in regard to answering the questions about ordoliberalism's influence on European integration. Hitherto, the influence of ordoliberalism has been studied through interviews with the founding fathers of European integration, studies of the negotiations that led to the articles of competition policy in the European

Coal and Steel Community, or it is just a more or less well-founded assumption about such an influence (Akman and Kassim 2010; Fejø 2009; Walters and Haahr 2005). In this paper I propose a more refined methodology, taking into account that the influence of ordoliberalism can vary over time and, more importantly, that its influence has to be measured on the backdrop of a detailed specification of the characteristics of ordoliberalism itself compared to the strongest ideational alternatives.

I acknowledge that ideational influence is one of the most difficult subjects to handle in political science (see e.g. Blyth 2013). However, I claim that due to my framework I will be able to solve at least some of these difficulties. At the same time, I leave the question of the possible mechanism of ideational influence aside in this paper (cf. Nedergaard 2006).

This paper is structured as follows: first, ordoliberalism is examined in pursuit of a framework. Second, the methodology is presented. Third, the analyses are carried out, and finally the conclusion.

## **2. Theory: Ordoliberalism**

Ordoliberalism is a theoretical school of German origin, whose most prominent representative is the late economics professor, Walter Eucken (Hutchinson 1981).<sup>1</sup> According to Dullien and Guérot (2012), most German economists have at some point in their career been influenced by ordoliberal ideas. Generally, the German economic consensus is close to 'Neo-classical Economics.' This theory is consistent with ordoliberalism, but ordoliberalism is a much broader *societal* theory. Dyson (2009, p. 141) concludes that a "distinctive characteristic of the Bundesbank is its absence of a significant historical context of Keynesian economic thought. The Bundesbank represented the central domestic institutional embodiment of a distinctive German 'Ordoliberal' tradition of Economics." In addition, there are hardly any Keynesians among the leading German economists (Dullien and Guérot 2012).

Ordoliberalism appears to be an essentially original German 'invention'. Not many direct influences from other sources can be discerned except some minor influences from the Austrian School of Economics (with Ludwig van Mises and Friedrich A. Hayek as leading figures) (Vanberg 2004).

Ordoliberalism is the economic philosophy behind the successful German social model following World War II: the social market economy (Goldschmidt and Rauchenschwandtner 2007; Vanberg 2004).<sup>2</sup> The father of the German 'Wirtschaftswunder' and former minister of finance,

*Bundeskanzler*, and economics professor, Ludwig Erhard, was an explicit proponent of ordoliberal ideas (Hutchinson 1981). The assumption of this paper is that the excellent economic performance and position of Germany in most years after World War II might have given weight to the ideas behind ordoliberalism in the way in which both the EU competition policy and the EU monetary policy were constructed and have developed (cf. Dullien and Guérot 2012).

In the sparse literature on ordoliberalism and its possible influence on European integration processes we see few attempts to gain a deeper understanding of what kind of economic philosophy ordoliberalism actually is. In this section I remedy this flaw and I compare ordoliberalism with laissez-faire liberalism, Keynesianism, and (French type) interventionism, which I argue are the strongest ideational contenders at the same level of abstraction in the two selected policy areas. In the following I construct normative idealtypes as far as these theories are concerned. I acknowledge that there are variants within and developments over time in all three theories (cf. Berghahn and Young 2013), but our focus is on the idealtypical character of the analysed theories. In addition, I am interested in the normativity of the idealtypical theories because this is where the *ideational influence* might be found.

At the most general level, Walter Eucken and ordoliberalism emphasise that economic order is interdependent with all other 'orders' in society, including the judicial, social, and political orders. The basis to successful economic policy is thus the establishment of a strong legal and institutional framework, which he called 'Ordnungspolitik' (Eucken 1965). The term 'Ordnung' ('order' or 'ordo' in Latin) is (or should be) related to an economic constitution in the sense that this is the rules of the game upon which economic systems are based (Vanberg 2004).

According to ordoliberalism, the market is defined by its institutional set-up and, as such, subject to a decision-maker's choice. In other words, an economic order is subject to human design and decision-making. The market is a construction, and this radical anti-naturalistic assumption of the market is in stark contrast to the laissez-faire liberals where the market is a natural economic reality (Walters and Haahr 2005, p. 49). For ordoliberals, it is the task of the decision-makers deliberately to create conditions under which the 'invisible hand' (that Adam Smith described) can be expected to do the work (Vanberg 2004). However, this is also in stark contrast to traditional French type interventionism or dirigisme where interventions on a permanent basis are the order of the day (Joliet 1981).

At the more concrete monetary policy level, essential tenets of the Ordnungspolitik of ordoliberalism are those such as price stability and central bank independence (Dyson 2009, p.

141), and these are key elements in establishing order in the monetary field (Dullien and Guérot 2012). One could imagine that specific German historical experiences with hyperinflation were the sole reason for Germany's anti-inflationary policy and not the ideational influence of ordoliberalism. However, many other countries such as Greece and Austria (both countries without an ordoliberal tradition) have experienced hyperinflation, but they do not traditionally share Germany's fear of inflation (Dullien and Guérot 2012). To a certain extent this falsifies the hypothesis that the specific German historical context is the explanation of the German position on the EU's economic policies.

Eucken considered laissez-faire liberalism to be incompatible with the principle of the rule of law ('Rechtsstaat'), as this form of liberalism without order always threatened to harm society as a whole (e.g. via cartels and monopolies) (Hutchinson 1981, p. 163). At the same time, interventionism also contradicts the principle of the rule of law as this economic philosophy does not respect the market as a common ground where actors can meet on an equal basis.

Similarly, Eucken was highly critical of Keynesianism and its idea that expansionary fiscal policy should solve the economic crises and fulfil the goal of full employment. He regarded Keynesianism to be a theory without order, in the sense that it set no limits to how expansionary fiscal policy could be. Thus, there was always a serious risk that Keynesianism would entail permanent public deficits. According to Eucken, it was not the responsibility of the state to ensure full employment but to provide the framework, stability, and predictability to enhance the possibility of this goal being met (Eucken 1965).

According to ordoliberalism (and in contrast to laissez-faire liberalism), the free market order is not simply what one would find if government was absent. In the view of ordoliberalism, the free market forces require careful 'cultivation' for its maintenance and proper functioning (Vanberg 2004). Ordoliberals therefore use the activities of a gardener as a metaphor for what political decision-makers should do vis-à-vis the market. They should hold back the growth that was not desired (Böhm 1989). The neo-liberals often used the night watchman instead as a metaphor for what political decision-makers should do (i.e. nothing except lighting up the night). On the contrary, the metaphor used by the interventionist state is often that of an engineer (cf. the concept of social engineering).

Eucken therefore demands a 'strong state' if ordoliberalism should function as a political programme (Goldschmidt and Rauchenschwandtner 2007).<sup>3</sup> It is not necessarily a state of big scope, but it is a

state that is strong enough to act as a “guardian of the competitive order” (Eucken 1965, p. 327). At the same time, it is also a state that is constrained by a political constitution that prevents the government from becoming the target of (with a more modern public choice term) special interests’ rent-seeking (Vanberg 2004). This is in contrast to an interventionist strong state that seeks permanently to intervene in the competitive order (Clift 2008).

The idea that a strong state should act as a guardian of the competitive order is in stark contrast to neo-liberalism as represented by Friedrich A. Hayek (1960, p. 221), who stressed that “the method of specific orders and prohibitions” (which might be necessary for the 'cultivation' of the market forces according to ordoliberalism) is ruled out, as a matter of principle, by the liberal concept of market order. In other words, the freedom of contract (which was hailed by Hayek) cannot be accepted by ordoliberals to undermine the market, through for example cartel agreements and beggar-thy-neighbour devaluations (Eucken 1947, p. 125; Vanberg 2004). In opposition to this view on cartel agreements, one of the founding fathers of neo-liberalism, Murray Rothbard, sees no reason to object to cartel contracts. From his perspective, they are nothing but voluntary contracts among producers (Vanberg 2004, p. 12). “To regard a cartel as immoral or hampering some sort of consumer sovereignty is therefore completely unwarranted” (Rothbard 1970, p. 570).

According to ordoliberalism, it seems as if the functioning of the economy cannot be entrusted to market mechanisms alone, neither can the economy be entrusted to state interventions on a more or less permanent basis as is often the dominant position in France (Joliet 1981; Clift 2008). Eucken also stressed that it is the duty of the strong state to create a stable monetary policy and avoid large public deficits. The principles of ordoliberalism in this regard differ from the Keynesian micro management. Instead, what should be attempted by the government is the establishment of solid and predictable economic institutions replacing continuous Keynesian exercises of fiscal policy (Hutchinson 1981, pp. 163f). Treatment of all practical politico-legal and politico-economic questions must be tied to this idea of economic constitution ('Wirtschaftsverfassung') (Eucken 1947, pp. 239ff).

In contrast to laissez-faire liberalism, but in line with interventionism, ordoliberals claim that the business community alone cannot be trusted to serve the common interest due to the fact that it may well serve to promote business interests at the expense of common interests (Eucken 1947, p. 32). At the policy level, according to Eucken, Ordnungspolitik first and foremost implies a policy that aims at securing a competitive process that works to the benefit of consumer interests. It should always pursue consumer sovereignty to the largest possible extent (Vanberg 2014, p. 13). The

reason is that the consumer is a representative of the common interest in the ordoliberal philosophy. It is the actor towards which all economic political decision-making should be directed. In interventionism, on the other hand, state interventions may serve all sorts of purposes: national pride, security purposes, employment, etc. (Clift 2008).

Based on the analysis above Table 1 highlights the ideal typical characteristics of ordoliberalism in contrast to laissez-faire liberalism and interventionism (in regard to competition policy) and Keynesianism (in regard to economic and monetary policy). The characteristics are all selected in order to measure the political influence as precise as possible. The characteristics are selected due to the following criteria of relevance for competition policy: a) the normative state characteristics, b) the normative characteristics of the economy, i.e. whether economic freedom is important and how it should be enhanced, c) the approach toward the market forces (and the metaphor used in this regard), d) the normative and analytical role of the consumers, and e) the normative political approach toward the question of mergers in the market as an indicator of the role and strength of the competition policy that should be followed.

The characteristics of relevance for the economic and monetary policy are selected due to the following criteria: f) the normative position on the importance and the size of public deficits, g) the question of whether inflation should be low or not, h) the normative issue of whether central banks should be independent of political decision-makers or not, i) the normative position on whether a long term perspective is relevant or not in economic and monetary policy, and j) the normative question of whether the economic policy of a political system should be backed by an economic constitution or not.

These are all characteristics of or characteristics that can be distilled from ordoliberalism, interventionism, and laissez-faire liberalism.

**Table 1. The Characteristics of Ordoliberalism Compared to Interventionism, Laissez-faire Liberalism and Keynesianism**

<i>Issues relevant for competition policy:</i>	<i>Ordoliberalism</i>	<i>Vis--à-vis (French type) interventionism</i>
a) The state	Should frame the economy and then leave it alone	Should intervene in the economy on a permanent basis
b) Economic	Economic freedom is important	Economic freedom in an illusion



freedom	within an 'order'	
c) Market forces	Market forces should be cultivated – gardener metaphor	Market forces should be constantly corrected – engineer metaphor
d) The role of consumers	Consumer sovereignty is important	Consumers' interest are but one of many reasons for interventions in the economy
e) Mergers	Not if they harm competition or consumer interests	Yes, if it is in the national or European interests no matter their impact on competition
<i>Issues relevant for competition policy:</i>	<i>Ordoliberalism</i>	<i>Vis--à--vis laissez-faire liberalism (or the Chicago School)</i>
a) The state	Should be strong	Should be less strong <sup>1</sup>
b) Economic freedom	Restrictions are necessary in order to take care of consumers	Unrestricted freedom of contract
c) Market forces	Should be 'cultivated' – gardener metaphor	Should be left untouched – night watchman metaphor
d) The role of consumers	Consumer interests should be sanctioned both through consumer protection legislation and through market forces	Business profit maximising activities is per definition in the consumer interest
e) Mergers	Should be banned if they harm the consumer interest	Should not be banned
<i>Issues relevant for economic and monetary policy:</i>	<i>Ordoliberalism</i>	<i>Vis--à--vis Keynesianism</i>
f) Public deficits	Should be strictly regulated and sanctioned	Should be allowed as part of an active fiscal policy
g) Inflation	Should be kept low	High inflation is acceptable in order to fight an economic crisis
h) Central bank independence	Yes	No
i) Short term or long term view	Long-term	Short-term

<sup>1</sup> Admittedly, Hayek does have some formulation about a 'strong state', but as far as I can see the content of the concept differs from Eucken's concept of a strong state.

j) Economic constitution	Yes, preferably an economic constitution should be set up	No, an economic constitution would hinder an active fiscal policy
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### 3. Methodology

This paper has set up a framework for analyses of the possible ideational influence of ordoliberalism on the two policy areas at the level of the EU: competition policy and the economic and monetary policy where we have some indications that an influence might be found. Hence, the study is a most likely study. The reason for choosing this approach is that we want to make a probability probe of the potential influence of ordoliberalism in specific policy areas which is something that has hardly been done in a systematic way. Later studies must also include least likely studies in order to increase the analytical foundation of this line of research. By influence we mean that ordoliberalism has influence to the extent *that it can get the EU decision-makers to do something that these decision-makers would not otherwise have done* (cf. Dahl 1957). We measure influence via the ten issues mentioned in Table 1 above (five for each of the policy fields).

For each of the ten issues we have deduced a characteristic that is found through a comparison with the most obvious theoretical contenders of ordoliberalism in the two policy areas. For competition policy this is the (French type) interventionism and laissez-faire liberalism (or the neoliberal Chicago School). As to the economic and monetary policy, it is Keynesianism.

In Figure 1 below, we point out how ordoliberalism is positioned compared to laissez-faire liberalism and interventionism in the competition policy field and how this economic philosophy is positioned compared to Keynesianism in the economic and monetary policy field. The dimensions in the spatial model used for this positioning are indicated in Table 1.

#### **Figure 1. Ordoliberalism, laissez-faire liberalism, interventionism and Keynesianism: The positioning towards each other**

Competition policy: Laissez-faire liberalism ---- Ordoliberalism ---- Interventionism  
Economic and monetary policy: Ordoliberalism ---- Keynesianism

In the EU, Germany and France have dominated political decision-making in all years (Dinan 2005). As mentioned earlier, the ordoliberal configuration of thought dominates the German politico-economic landscape. France, on the other hand, has always been dominated by an interventionist, Colbertian economic philosophy vis-à-vis the market (Clift 2008) and – since World War II – a strong Keynesian way of thinking vis-à-vis economic and monetary policy (Rosanvallon 1987, pp. 39; 46). These policy areas have been selected because there are already indications in the literature that there is an influence stemming from ordoliberalism, and therefore I cannot generalise from our findings to all other EU policy areas.

I claim that the specific characteristics above in Table 1 belong to the ordoliberal configuration of thoughts when compared with interventionism, laissez-faire liberalism, and Keynesianism. I also claim that ordoliberalism has some kind of influence if and when this configuration of thoughts can be traced in the investigated policies (i.e. when the EU decision-makers have done something that they would not otherwise have done). This allows me to detect an ideational influence even in cases where there are no direct references to ordoliberalism. One could argue that when I find traces of ordoliberalism it is just a sign of German influence due to the fact that this member state is probably (at least in recent years) clearly the most powerful member state in the EU. This might be true even though there is far from a 1:1 correspondence between the actual German government positions and the normative recommendations of ordoliberalism. However, in spite of the fact that German influence is what I to a large extent find through our framework, I have argued above that such an influence comes dressed as ordoliberalism. Hence, I see no point in distinguishing between German and ordoliberal sources of influence.

Besides, my ambition is to present a framework, not to come up with final answers as far as the influence of German ordoliberalism is concerned. In consequence, my data material is academic literature, reports, statutes, treaties, political statements, etc. concerning the investigated characteristics. For example, I do not investigate the actual role of the state and the actual inflation rates. The analysis is mainly kept at the linguistic and rhetorical level. Concrete statistical data are only illustrations hereof.

Among political decision-makers it is often the case that they adopt policies without knowing the ideational origin of them or their exact ideational content (Nedergaard 2006). Admittedly, at the same time, my methodology has a problem if there is a third unknown configuration of thoughts (partly) similar to ordoliberalism influencing the two policy fields. I have dealt with this potential

failure carefully by studies of which other possible ideational influences have been pointed out in the literature.

Finally, it is a matter of further analysis as to whether this influence is weak, medium, or strong. In this paper, I try to estimate the strength of the influence of ordoliberalism, but these estimations are not final.

#### **4. Analysis 1: Competition policy**

Generally, competition policy is a government policy designed at preventing distortions in competition. It is a policy 'policing' the market. In the United States, it has been around as an important policy area since the beginning of the 20<sup>th</sup> century.<sup>4</sup> However, in Europe there was a lack of experience with competition policy until the 1950s. Hence, the competition policy in the Coal and Steel Community from 1953 was established and co-evolved in parallel with the national competition policies (Akman and Kassim 2010, p. 113). The EU competition law was basically inspired by the US' antitrust regulations. The principle of free competition was incorporated through the cartel law in West Germany, which was issued by Allied forces, and the law reflected the US antitrust principles (Fejø 2009, p. 25). In the eyes of the American government, German monopolies (IG Farben, Vereinigte Stahlwerke, etc.) had been too co-opted by the national socialist regime, and thereby were partly responsible for the atrocities of the World War II (Berghahn and Young 2013; Walters and Haahr 2005, pp. 50-52). In addition, competition law in the European Union; however, also has a story of its own, despite the influence of the US in the 1950s. Significant differences between the two systems can be traced (Niels and ten Kate 2004). At the same time, as stated by Buch-Hansen and Wiggers (2010: 29), most governments “were not favoring strict EC level competition regulation along ordoliberal lines.”

An analysis of the characteristics relevant for competition policy follows below (cf. Table 1).

##### **4.1. Re a) The state**

At the general level, and in line with the general thinking of ordoliberalism (but also in line with the American antitrust regulations), the EU competition policy follows the concepts that if the market is left to itself there is a risk that various developments will undermine competition. More concretely, EU competition policy today covers 1) antitrust measures and the fight against cartels (Article 101 TFEU) and dominant positions (Article 102 TFEU),<sup>5</sup> 2) state aid (article 106 to 108 TFEU), and – since 1989 – 3) mergers (Regulation No. 4064/89 and No. 139/2004). Hereby, the EU competition policy should be free of selective interventions.

In accordance with the ordoliberal ‘strong state’ concept, in principle, the Commission’s General Directorate for Competition plays a strong and central role as overseer in the implementation of the EU competition policy. According to the treaties, the Commission may investigate rules at their own initiative or upon complaints. It can force firms to hand over documents and carry out raids on companies without prior warning (Walters and Haahr 2005, p. 55). After an investigation, the Commission can order enforcement or impose a fine. The European Court of Justice (or the Court of First Instance) is responsible for appeals (Nello 2012, p. 365).

However, the Commission only potentially represents a strong state in the competition policy field. As argued by Akman and Kassim (2010, p. 120), the Commission “elected not to enforce vigorously the provision of state aid, government monopolies and government facilitation of private anti-competitive conduct in the foundational period (Gerber, 1998, pp. 357-8 and 365), it was only with the launch of the internal market programme that the Commission directed attention to government interference in competition (Gerber, 1998, p. 382).” In the period leading up to the Single Market, the interventionist policy with considerable state aid and untouched government monopolies were popular among EU member states.

In 2004, as a prolongation of the Single Market programme, a reform of the EU’s competition policy took place, and a more effective division of tasks was proposed where the Commission, national competition authorities, and national courts would share responsibility for enforcing EU antitrust rules. Hereafter, the Commission should focus on the infringement presenting the greatest risk of distortion at the EU level. One can speculate on whether the 2004 reform was a sign of a stronger ordoliberal EU competition policy or one less so. Most signs seem to point in the first direction. For example, it is in recent years that the largest fines have been imposed by the Commission in cartel cases. Out of the largest fines ever, nine of them have been imposed since 2007 (see Table in Nello 2012, p. 366). On the other hand, there has been a deliberately more relaxed attitude towards state aid since the start of the economic crisis in 2008.

In sum, as far as the strong state issue is concerned, EU competition policy operates with a potentially strong state in the form of the Commission. Depending on the circumstances and the acceptance from the member states, this potentially strong state has only in some periods actually been a strong state, cf. Table 2 below. There was some ideational influence from American antitrust regulations in the 1950s, but not since then. The strengthening of the EU's competition policy from 1985 onwards we regard as an indication of a stronger ordoliberal influence as this policy change is

in contradiction with the recommendations of both interventionism and laissez-faire liberalism. In short, EU decision-makers have done something that they would not otherwise have done due to the influence of ordoliberalism concerning the role of the state in the EU's competition policy, cf. Table 2. The strong state in the EU's competition policy has functioned as an adverse force towards the selective interventions in the economy. Hence, the potential influence from ordoliberalism is constantly present, but its influence varies significantly over time and between the three main elements of the EU's competition policy.

**Table 2. The Ideational Influence of the Ordoliberal Strong State Concept: the Example of Competition Policy**

<b>EU's competition policy</b>	<b>Anti-trust/ dominant position</b>	<b>State aid</b>	<b>Mergers</b>
<b>1958-1985</b>	<b>Medium strong state</b>	<b>Weak state</b>	<b>Weak state</b>
<b>1985 –2008</b>	<b>Strong state</b>	<b>Strong state</b>	<b>Medium strong state</b>
<b>2008-</b>	<b>Strong state</b>	<b>Weak state</b>	<b>Medium strong state</b>

#### 4.2. Re b) Economic freedom

The ordoliberal version of economic freedom is that it should be an 'orderly' economic freedom. This version seems to have been part of the EU's competition policy right from the beginning; however, it has been more strongly embedded in the rhetoric of the EU decision-makers only since the Single Market programme was adopted and especially since the globalisation processes took speed in the 1990s. Large firms have to behave 'as if' they were subject to market competition (Walters and Haahr 2005, pp. 50-55).

The decision-makers of the EU, for example, stress that “[w]ithout a solid competition policy [...] the European economy would descend into chaos” (statement by the former Competition Commissioner, Neelie Kroes in Akman and Kassim 2010, p. 17). In 2009, Kroes suggested that “we need a clear level playing field for European Consumers and businesses, not a jungle. But a jungle is what we would get if we suspended or abandoned competition policy” (Akman and Kassim 2010, p. 110). Here, a ‘jungle’ and ‘chaos’ can both mean a market without EU competition regulations (i.e. laissez-faire liberalism) as well as a market being the victim of interventionist and competition distorting national measures (Clift 2008).

In sum, both the chaos and the jungle metaphor represent a different conceptualisation of economic freedom than the one found in laissez-faire liberalism as well as in interventionism. Again, we conclude that – at least at the rhetorical level – there are indications of an ideational influence on the EU's competition policy in regard to economic freedom stemming from ordoliberalism.

#### 4.3. Re c) Market forces

The ordoliberal line is that market forces should be unfolded under the auspices of a strong state and in an orderly manner. Since the proposed Single Market programme in the mid-1980s, Articles 106 to 108 have not least been relevant in sectors with public ownership like postal services, energy, transportation, and telecommunication. The EU's competition policy has been instrumental in opening up such markets (Nello 2012, p. 371). This is in opposition to interventionism, but could be in line with laissez-faire liberalism. However, it is well-known in the literature on the internal market that this process of liberalisation and deregulation in the EU since the mid-1980s has been followed closely by a process of reregulation, e.g. in the form of consumer protection and minimum health and safety standards (Majone 1990).

The Single Market programme meant that Articles 107 and 108 were implemented in a much stricter way than before. However, in response to the economic crisis, in 2008 the Commission eased up on state aid rules and introduced a temporary framework that allowed governments to grant loans, state guarantees, and direct aid to banks and companies. This opened up for a much more interventionist and competition-distorting policy in the state aid field. This state aid policy was extended in 2010 for one year and then phased out (Nello 2012, p. 373), cf. Table 2.

Among EU decision-makers, the Commission is generally seen as the gardener of the EU market order through its competition policy. In practice, however, over time this role has been played in a variety of ways depending on what the strongest member states would allow (Akman and Kassim 2010). This illustrates the permanent ideational strength of interventionism as far as market forces are concerned where the state is like an engineer that is constantly adapting and changing the market machinery.

The French government has often been a proponent of protectionism and interventions in market forces (Clift 2008). The former French president, Nicholas Sarkozy, therefore, famously persuaded the European Council to drop the reference to “free and undisturbed competition” in Article 2 in the Lisbon Treaty (Nello 2012, p. 384), which could be a way of rhetorically distancing the French

government from both laissez-faire liberalism and ordoliberalism (even though it has increasingly supported the latter).

Generally, the unfolding of market forces as part of the EU's competition policy has for long periods definitely been very different from both laissez-faire liberalism and ordoliberalism. Interventionism has been a much stronger ideational influence than ordoliberalism in these situations. Nevertheless, the way that market forces have been opened up probably owes something to ordoliberalism. This is seen with the Single Market programme of the 1980s and onwards. This programme was influenced by the general neoliberal (or laissez-faire) tendency of that period. At the same time, the Single Market was implemented in a more orderly manner than one would have expected if neoliberalism was the only ideational influence. As mentioned above, it is well known that the Single Market implied not only negative integration (deregulation), but also many positive integration (re-regulatory) initiatives (Majone 1990). This special EU balance between positive and negative integration elements can probably best be explained by the influence of an ordoliberal-like thinking due to the fact that ordoliberalism operates with such a delicate balance. In sum, I estimate the ideational influence of ordoliberalism to have been medium strong after the Single Market programme as far as the issue of market forces is concerned.

#### 4.4. Re d) The role of consumers

Akman and Kassim (2010, p. 118) point out that the prioritising of the consumers has been a constant myth of EU competition policy since 1958. They give many references, e.g. that (according to the Commission report on the EC's general affairs from 1988) without an EU competition policy "there is a risk that the Community consumers would be unable to enjoy the promised benefits of a large market."<sup>6</sup>

It was the general view of the decision-makers behind the Single Market programme that consumer protection violations flew from internal market failures. These failures should be protected through market liberalisations as well as better legal consumer protection and more strictly sanctioned antitrust law (Averitt and Lande 1997).

In sum, at least at the rhetorical level, the EU's competition policy has taken care of consumer interests' right from the beginning. However, it is only with the Single Market programme that this rhetoric materialised. The idea of promoting consumer sovereignty directly and without other purposes is where ordoliberalism differs strongly from both interventionism and laissez-faire



liberalism. Hence, I conclude that ordoliberalism has influenced EU decision-makers in coining this idea.

#### 4.5. Re e) Mergers

It was only in 1989 that merger control was directly added to the EU's competition policy. An important reason for this late arrival was the fact that the interventionist idea of promoting European company champions was so popular in the 1970s and early 1980s (Buch-Hansen and Wigger 2010: 29). An indication of the popularity of this idea was the bestseller book *The American Challenge* (1967) by the French writer, Jean-Jacques Servan-Schreiber, where he argued that what Europe needed in order to meet the American challenge were many more mergers in order to establish multinational companies that could operate across the continent (Buch-Hansen and Wigger 2010: 27). Nevertheless, the number of mergers at the EU level was few until the announcement of the Single Market programme in 1985. Afterwards the number rose ten times – from 200 in 1985 to 2000 in 1989 (Nello 2012, pp. 369-370). The adoption of the 1989 Merger Control Regulation gave the Commission the authority to control mergers that met specified size and multi-nationality conditions. However, also before this some regulation of mergers were based upon the general articles of the treaties. The famous *Continental Can* ruling by the European Court of Justice paved the way for this juridical activist extension of the EU's jurisprudence (Nello 2012, pp. 365-371).

Between 1989 and 1995 the approach of the Commission to merger control was sometimes criticised as being too cautious. Only four of 398 mergers were blocked in the period. Many firms were not meeting the threshold for notification of the merger. This led to a revision of the turnover threshold with regulation No. 1310/1997. Perhaps the Commission's administration of this regulation became too strict. In any case, in 2002, the Court in First Instance upheld three high profile cases of appeal against the Commission's merger decisions (*Airbus/First Choice*, *Schneider/Legrand*, and *Tetra Laval/Seidel*). Partly to address these reversals, the 2004 modernisation reform of the EU's competition policy also covered mergers. Hence, a new merger regulation was adopted in 2004 (No. 139/2004) (Nello 2012, pp. 370-371).

In sum, the regulation of mergers in order to safeguard competition policy for the benefit of the consumers was almost non-existent until the Single Market programme. This was in line with the French inspired interventionist belief in the necessity of creating big European multinationals that could meet the American challenge. Afterwards, a medium strong regulation was implemented. This seems to be the result of a stronger ordoliberal configuration of thought that took root among

EU decision-makers. This is concluded on the basis that the other ideal typical theoretical alternative, laissez-faire liberalism, recommend no merger legislation.

### **5. Analysis 2: Economic and Monetary Policy**

Here follows an analysis of the second EU policy example, the economic and monetary policy, with the aim of showing the usefulness of our framework.

Until around 1970, the monetary policies of the EC were non-existent due to the fact that all Western countries were integrated into the Bretton Woods system of fixed exchange rates vis-à-vis the dollar (devaluations were possible). But the system broke down and the EU decision-makers began to speculate on the future EU monetary policy. The so-called Werner Report from 1970 proposed a three-stage move to full economic and monetary union by 1980 (Gros and Thygesen 1998). This plan was watered down to what became an EU arrangement called 'the snake in the tunnel'. It implied two margins of fluctuation: plus/minus 2.25 per cent against the dollar and between the strongest and the weakest EC currencies.

In 1979, the 'snake' was transformed to the more institutionalised European Monetary System (EMS), which was also based on fixed but adjustable exchange rates as well as a system of monetary cooperation with short and medium term credits to defend the semi fixed exchange rates. The EMS was envisaged as a symmetrical system. However, given the economically dominant role of Germany, it soon became clear that it was operating in an asymmetrical way. Countries other than Germany (the anchor country) benefitted from being able to 'import' low German inflation rates, but the 'cost' was that they had to follow the German monetary line. The system worked until German unification when the other EC countries became increasingly dissatisfied with the existing asymmetry. The costly German unification led to a severe tightening of German monetary policy. Other EMS member states were most unwilling to follow the German line that would lead to higher unemployment in these countries. As a consequence, the idea of a monetary union was revitalised (Gros and Thygesen 1998).

The European Monetary Union (EMU) was established with the adoption of the Maastricht Treaty of 1992. The aim was (as taken out of the ordoliberal vocabulary) to "faire de l'Europe une zone de stabilité" (Salin 2011, p. 516). The EMU presupposed the harmonisation of the economic and monetary policy of the EU member states, and it involved the introduction of a single currency in the form of the euro.

On January 1<sup>st</sup> 2002, the euro was physically introduced as the currency of 12 of the then 15 EU countries: Germany, France, Italy, Belgium, Luxembourg, the Netherlands, Ireland, Greece (one year later), Spain, Portugal, Austria, and Finland. This was quickly followed by the import of low German interest rates in many Southern European member states, which resulted in a boom in consumer spending and construction building (the balance between the two varied from country to country). From 2008 and onwards the Eurozone crisis came. It had its internal EMU causes even though it was triggered by the international financial crisis.

Below follows an analysis of the issues relevant for economic and monetary policy.

### 5.1. Re f) Public deficits

In accordance with ordoliberalism, the EMU accession criteria consisted primarily of the requirement for a maximum of 60 per cent of accumulated government debt-to-GDP-ratio and annual public budget deficit of maximum three per cent of GDP. In order to ensure that the criteria were met after EMU accession, the Stability and Growth Pact was adopted.<sup>7</sup> The accession requirements of the Maastricht Treaty have thus been made permanent. This is due to the fact that more countries joined the EMU than Germany, in particular, had envisioned. The Stability and Growth Pact was made to ensure that these countries exerted a responsible economic policy as the concept is understood according to ordoliberalism. There are many indications that Germany had imagined that in the first years the EMU would consist solely of Germany, France, the Netherlands, Belgium, Luxembourg, and Denmark – countries whose way of conducting economic policy resembles that of Germany (Nello 2012, p. 224).

According to Wyplosz (2006, p. 217), the EMU reflects a German economic philosophical view, but in practice in 1998 when the initial decision was taken on which EU member states could join the euro, the German position was lost. Hence, the problems of the future Eurozone crisis were created.

The rather casual final interpretation of who was able to fulfil the EMU criteria probably owes much to the weakness of the German economy at exactly the time when EU decision-makers made this decision, which led to huge public deficits in Germany. In other words, at this particular moment Germany could not live up to the prescripts of ordoliberalism. This meant that some of the authority of Germany was lost and more member states were allowed to join the EMU.

Specifically, the Stability and Growth Pact implies that the EcoFin<sup>8</sup> are continuously assessing the performance of the EMU countries in order to ensure that they comply with the prescribed criteria.

In the event of, for example, a drastic increase in unemployment, the EcoFin can choose to accept the violation of criteria.<sup>9</sup> In other cases, through an interest free deposit or a fine, it can sanction countries that do not comply with the Pact. The Stability and Growth Pact was mainly introduced in response to the belief of German decision-makers in the need to create a system that would ensure co-ordination of budgetary policies (Heipertz and Verdun 2010; Nello 2012, p. 239). Despite the fact that there have been numerous violations of the Stability and Growth Pact since its introduction, sanctions have not yet been practised.

From 2002 the EU economy slowed down, and the Stability and Growth Pact came under attack for being much too rigid.<sup>10</sup> By late 2002 the excessive deficit procedure had been initiated for France and Germany by the Commission, aiming at potential sanctions. However, Germany (supported by France) favoured revising the (ordoliberal) recommendations by the Commission (Heiperetz and Verdun 2010). This dispute caused deadlock in EcoFin as a qualified majority could not be found for a decision. Instead, a qualified majority in EcoFin annulled the sanctions of the Stability and Growth Pact against France and Germany. The ECB warned against this de facto suspension of the Pact and claimed that it was against the ordoliberal policy line (Nello 2012, p. 240). At the time, Greece had already violated the Pact as it has been doing since. Italy, Austria, and Belgium have also violated the Pact in most of the years since the introduction of the euro. Member states have avoided sanctions because there was no qualified majority in EcoFin to impose them in the aftermath of the annulment of the sanctions against Germany and France. Meanwhile, the regulatory framework was increasingly considered to be too weak to ensure the necessary harmonisation of economic policies.

The problem was that the sanctions had to be adopted by a qualified majority, which has given many violators the opportunity to dodge the measures. From 2008 and onwards, there was a sharp increase in public debt in several Eurozone countries. In the aftermath of the financial crisis, growth slowed down, resulting in lower private demand (consumption, investment, and exports), which in turn led to lower public revenue and higher expenditure (Duellien and Guérot 2012).

This signaled that the decision-makers of the Eurozone countries had not internalised the ordoliberal way of viewing economic policy as expressed in Angela Merkel's speech in the German Bundestag on December 2<sup>nd</sup> 2011 during a debate on the Eurozone crisis: "The lessons are very simple: Rules must be adhered to, adherence must be monitored, non-adherence must have consequences" (Beach 2013, p. 35). Therefore, the decision-making procedure on sanctions was tightened by the Fiscal Compact, cf. below.

For this reason the cooperation on economic policy in the EU and EMU has been strengthened in recent years. The increased cooperation has taken the shape of some comprehensive EU legal acts under the names 'Six Pack' and 'Two Pack', which involve automatic sanctions for violations of EMU rules (they will be far more difficult to avoid than before)<sup>11</sup> and through the decision that national budgets are to be discussed in the EcoFin before adoption (the so-called European semester). These initiatives include all EU member states, but only full members of the EMU can be given fines. Finally, an intergovernmental agreement on the Fiscal Compact was adopted, cf. below under Re j). In this process even the French President, Nicholas Sarkozy, began to underline his support for the ordoliberal austerity line as far as public deficits are concerned (Sarkozy 2011).

In sum, the decision-makers of the EU's monetary policy since the 1970s have been influenced by ordoliberalism. The 'snake', EMS, and EMU have been established with the aim of creating more order in the area. However, even German decision-makers have not always been able to follow the ordoliberal prescripts. With the Fiscal Compact things have changed, and the rules of public debt have been strengthened. The strengthening of the rules on public deficits and their sanctioning are indications of a strong influence on the EU decision-makers stemming from an ordoliberal configuration of thought. At least at the level of intergovernmental treaties, this new policy on public deficits is as far from Keynesianism as one can imagine. Even the traditional Keynesian French government – at least at the rhetorical level – now supports the ordoliberal line more than it has ever done previously. As measured in this framework, due to ordoliberalism, EU decision-makers have acted in a different way than they would otherwise have done.

## 5.2. Re g) Inflation

The EMU was established with the aim of low inflation. This is an important accession criterion, and it is part of the statutes of the ECB. The statute about low inflation was a strong demand from German decision-makers. It reflected the statute of the German Bundesbank where low inflation has been the order of the day since it was established after World War II.

In the statutes of the ECB it is stated that the goal of the ECB is first and foremost to independently ensure price stability, which as mentioned is an expression of an ordoliberal recommendation on monetary policy coinciding with monetarism. Ordoliberalism came first in temporal terms. Monetarism only became an international trendsetting economic theory 25-30 years after ordoliberalism had inspired the economic model of Germany following World War II. However, monetarism further strengthened the ordoliberal agenda in the making of the EMU and its

guidelines. Low inflation as an independent policy goal is not part of the Keynesian configuration of thought.

In sum, the demand for the low inflation target in the statute as well as in the policy of the ECB is an indication of a strong ordoliberal influence (coinciding with monetarism on this issue) on the EU decision-makers.

### 5.3. Re h) Central bank independence

In relation to the Maastricht Treaty, the EU policy-makers made decisions on the independence of the ECB and that its main task was to conduct long-term stability-oriented monetary policy, like in the German Bundesbank. In an ordoliberal perspective, independence provides the ECB with credibility and stability. An independent ECB is therefore part and parcel of an ordoliberal Ordnungspolitik. The design entails that the primary focus of the ECB is the fighting of inflation rather than unemployment, as it is assumed that inflation targeting is a good long-term method for countering unemployment. At the same time, the ECB has not assumed the role of 'lender of last resort' as central banks in nation states often do. This can be seen as an ordoliberal guarantee against non-ordoliberal disorder in an EMU with many intergovernmentalist traits. Even though central bank independence is not contrary to a Keynesian configuration of thought, in practise, most countries with a Keynesian dominated economic policy have had central banks being dependent government decision-making (Lijphart 1999)

Even though the ECB is independent, there have been many attempts to put political pressure on the board of the ECB. This seems to be an essential part of life for an institution like the ECB in a political system like the EU, which is neither a unitary nation state-based political system nor a real federal political system (e.g. Gabor 2012).

In sum, the ordoliberal influence has been detected on EU decision-makers in the issue of central bank independence, which is medium strong to strong.

### 5.4. Re i) Short-term or long-term view

The assumptions of ordoliberalism are based on the fact that the effects of monetary policy are extensive and include a significant impact on long-term unemployment rates. Monetary policy can be politically and economically beneficial in a short-term perspective, but harmful in the long run. It is assumed that politicians will tend to use monetary policy to obtain instant benefits, e.g. by asking central banks to cut interest rates to improve unemployment rates and housing loan conditions, even

though that will be detrimental to long-term socio-economic stability and growth. Long-term considerations thus also warrant that central banks be independent of political influence (Lijphart 1999; Mueller 2003). However, there are also many examples of short-term decisions taken by EU decision-makers on the EU's economic and monetary policy like the annulment of sanctions against Germany and France and other member states for violations of the rules of the Stability and Growth Pact as well as the inclusion of too many member states in the EMU (cf. above). Hence, short-term interventions often prevail over long-term ordoliberal recommendations. At the same time, the attempts (however, in practice often unsuccessful) to improve the EMU with a long term economic perspective corresponds to a ordoliberal configuration of thought whereas Keynesians normally prefer the short term perspective ("In the long run we are all dead", as J.M. Keynes said).

The creation of Eurobonds or other forms of collective liability of member states' debt has been rejected by Germany in particular, which believes that an introduction at this time would increase uncertainty and reduce the credibility<sup>12</sup> and, thereby, the Ordnungspolitik-basis – of the European economy because of the inherent moral hazard problems associated with Eurobonds (a country may increase public debt at the expense of other euro countries as Eurobonds do not distinguish between the debt of individual member countries). Such a situation would contravene both the intergovernmentalist national interest of Germany by making the EU a 'transfer union' and the recommendations of ordoliberalism.

In sum, generally, and in principle, the EMU has been long-term oriented. However, at the same time there are a number of examples where the ECB and especially the EU decision-makers have made decisions that are far from long-term oriented. The long-term ordoliberal influence is there, but it is far from the only influence and not even Germany always supports ordoliberalism in this regard. Short term interventions often prevail.

#### 5.5. Re j) Economic constitution

The increased focus on avoiding debt in EU member states includes an attempt on the obligation of maintaining balanced budgets in the EU member states as part of the EU treaty; however, this failed due to – mainly British – resistance. Instead, the Fiscal Compact was adopted as an international treaty to be ratified by 25 Member States, i.e. the whole of the EU except for the UK and the Czech Republic.

The Fiscal Compact was adopted in December 2011 as the 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union'. The goal is to introduce stricter fiscal discipline

in order to reduce public debt and thereby restore confidence in the Euro and the public finances of the EU member states. In concrete terms this is pursued through five stabilisation initiatives, e.g. member states can have an annual structural deficit (i.e. deficit adjusted for the effect of cyclical fluctuations) of no more than 0.5 per cent of nominal GDP. Member states must also pursue stabilisation of the balance between government revenue and expenditure, which the European Court of Justice is granted authority to ensure is done (Fiscal Compact 2012).

This was accompanied by an international agreement (i.e. not a treaty) on a number of structural policy initiatives in the form of the Euro Plus Pact (initially a Franco-German initiative called the Competitiveness Pact) in which all the Euro countries participate together with Denmark, Poland, Latvia, Lithuania, Bulgaria, and Romania. In addition, it has been suggested that the position of European Finance Minister should be established, provided with the competence to overrule national budgets if they conflict with the Eurozone rules (Gabor 2012).

Furthermore, the EU has established two emergency funds (EFSF/ESM),<sup>13</sup> which are exclusively available to and funded by Eurozone countries. The funds are to be activated if a member state is hit by a crisis and extraordinary public expenditure and deficits. These are all semi-constitutive elements of the EU, which is a sign of ordoliberal influence as Keynesians would never recommend such institutions due to the fact that they will unnecessarily bind the financial policies in the EU member states. The emergent economic constitutionalism of the EU is thus contrary to everything that Keynesianism stands for.

The proposal for a banking union constitutes another initiative for rebuilding the credibility of the EMU policy and institutions. It consists of a European supervisory authority under the ECB. It will be possible for non-euro countries to become members of the banking union, but given that the ECB is the parent authority, only euro countries will enjoy voting rights. A banking union will include a single bank resolution mechanism, a single rulebook, and possibly a common deposit protection mechanism.

In sum, the Maastricht Treaty and the EMU, the Fiscal Compact, the ESM, and the banking union have a lot of similarities with the economic constitution for economic and monetary policy that ordoliberalism advocate. However, the Fiscal Compact is only an intergovernmental agreement and not part of the EU treaties. This means that it is not totally in line with ordoliberal recommendations even though significant ordoliberal influence on EU decision-makers has been detected as far as the economic constitution is concerned.



## 6. Conclusion

In this paper, I have attempted to present a framework for investigating the possible influence of ordoliberalism on the process of European integration. I use two policy examples to show the utility of our framework. Hitherto, the influence of ordoliberalism has been studied through interviews with the founding fathers of European integration, studies of the negotiations that led to the articles of competition policy in the Coal and Steel Community, or it is just a more or less well-founded assumption about such an influence. I find that there's support for this claim and that ordoliberalism has influenced the European integration processes when it comes to competition policy and monetary policy. However, the main result is that I constructed a more refined methodology in order to analyse this issue, taking into account that the influence of ordoliberalism can vary over time and, more importantly, that its influence has to be measured on the backdrop of a detailed specification of the characteristics of ordoliberalism itself compared to the strongest ideational alternatives.

I have identified these alternatives as interventionism (competiton policy), laissez-faire liberalism (competition policy) and Keynesianism (economic and monetary policy) on the basis of a careful study of the literature.

I acknowledge that ideational influence is one of the most difficult subjects to handle in political science. However, I claim that due to my framework I will be able to solve at least some of these difficulties.

Some preliminary results from the use of my framework are shown below.

**Table 3. Results of the investigations of the paper concerning the influence of ordoliberalism of the EU's completion policy and the EU's economic and monetary policy**

<i>Issues relevant for the EU's competition policy:</i>	<i>The influence of ordoliberalism</i>
a) The state	The EU competition policy operates with a potentially strong state in the form of the Commission. Depending on the circumstances and the acceptance from the member states, this potentially strong state has only in some periods of time actually been a strong state. We regard the

	<p>strengthening of the EU's competition policy from 1985 onwards as an indication of a stronger ordoliberal influence as this policy change is in contradiction with the recommendations of both interventionism and laissez-faire liberalism. Hence, EU decision-makers have done something that they would not otherwise have done due to the influence of ordoliberalism on the role of the state in the EU's competition policy. The strong state in the EU's competition policy has functioned as an adverse force towards the selective interventions in the economy.</p>
b) Economic freedom	<p>Both the chaos and the jungle metaphor represent a different conceptualisation of economic freedom than the one found in laissez-faire liberalism or in interventionism. Again, we conclude that – at least at the rhetorical level – there are indications of an ideational influence on the EU's competition policy in regard to the concept of economic freedom stemming from ordoliberalism.</p>
c) Market forces	<p>The unfolding of market forces as part of the EU's competition policy has for long periods of time definitely been very different from laissez-faire liberalism. Ordoliberalism helps to clarify how the EU version of competition policy is different. This is seen with the Single Market programme of the 1980s and onwards. This programme was influenced by the general neo-liberal (or laissez-faire) tendency of the time. At the same time, the Single Market was implemented in a more orderly manner than one would have expected if neoliberalism was the only ideational influence. It is well known that the Single Market implied not only negative integration (deregulation), but also much positive integration (re-regulation) initiatives. This special EU balance between positive and negative integration elements can probably best be explained by the medium strong influence of an ordoliberal-like thinking due to the fact that ordoliberalism operates with such a delicate balance.</p>
d) The role of consumers	<p>At least at the rhetorical level, the EU's competition policy has taken care of consumer interests' right from the beginning. However, it is only with the Single Market programme that this rhetoric materialised. The idea of promoting consumer sovereignty directly and without other purposes is where ordoliberalism differs strongly from both interventionism and laissez-faire liberalism. Hence, we conclude that ordoliberalism has influenced EU decision-makers in coining this idea.</p>

e) Mergers	<p>The regulation of mergers in order to safeguard competition policy for the benefit of the consumers was almost non-existent until the Single Market programme. This was in line with the French-inspired interventionist belief in the necessity of creating big European multinationals that could meet the American ones. Afterwards, a medium strong regulation was implemented. This seems to be the result of an ordoliberal configuration of thought taking root among EU decision-makers. The most significant theoretical alternatives (and potential sources of influence) recommend no merger legislation.</p>
<i>Issues relevant for the EU's economic and monetary policy:</i>	<i>The influence of ordoliberalism</i>
f) Public deficits	<p>The decision-makers of the EU's monetary policy since the 1970s have been influenced by ordoliberalism. The 'snake', EMS and EMU have been established with the aim of creating more order in the area. However, even German decision-makers have not always been able to follow the ordoliberal prescripts. In the 1990s Germany, along with other EMU members, violated the rules on public deficits. With the Fiscal Compact things have changed, and the rules of public debt have been strengthened. It is now easier to be fined and new procedures make it harder not to follow the rules. The strengthening of the rules on public deficits and their sanctioning are indications of a strong influence on the EU decision-makers stemming from an ordoliberal configuration of thought. This new policy on public deficits is as far from Keynesianism as one can imagine. At least rhetorically, even the traditional Keynesian French government now supports the ordoliberal line more than it has ever done previously. Due to ordoliberalism, EU decision-makers have probably acted in a different way than they would otherwise have done.</p>
g) Inflation	<p>The demand for low inflation in the statute as well as in the policy of the ECB is an indication of a strong ordoliberal influence (coinciding with monetarism on this issue) on the EU decision-makers. This configuration of thoughts stemming from German economic thinking is unthinkable without the influence of ordoliberalism due to the fact that its main ideational contenders have no recommendations in this regard.</p>

h) Central bank independence	The ordoliberal influence has been detected on EU decision makers in the issue of central bank independence issue in principle, which is medium strong to strong. Most Keynesian informed governments have traditionally preferred politically dependent central banks. However, in practice, there are clear signs of political pressures being put on the ECB, especially during the Eurozone crisis.
i) Short term or long term view	Generally, and in principle, the EMU has been long-term view oriented. However, at the same time there are a number of examples where the ECB and especially the EU decision-makers have made decisions that are far from long-term oriented. The ordoliberal influence is there at the rhetorical level as Keynesians prefer the short term perspective, but the ordoliberal influence is not always seen in practise.
j) Economic constitution	The Maastricht Treaty and the EMU, the Fiscal Compact, the ESM and the banking union have a lot of similarities with the economic constitution for economic and monetary policy that ordoliberalism advocates. However, the Fiscal Compact is only an intergovernmental agreement and not part of the EU treaties. This means that it is not totally in line with ordoliberal recommendations even though significant ordoliberal influence on EU decision-makers has been detected as far as the economic constitution is concerned. This new institution is in contrast to all Keynesian recommendations.

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## Endnotes

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<sup>1</sup> The other most prominent figures are Franz Böhm and Hans Grossmann-Doerth. They were all researchers at the Freiburg University (ordoliberalism is also called the Freiburg School) in the 1930s, 40s and 50s. During the period with national socialist rule in Germany they were a kind of internal opposition to the regime. Their writing in this period was an (implicit) critique of the deficit oriented fiscal policy of the national socialist government.

<sup>2</sup> With the adoption of the Lisbon Treaty, the 'social market economy' concept has become part of the treaty framework of the EU (Article 3 in TFEU). The 'social' in the social market economy should not be understood as meaning that the market economy has to be particularly social. It should be read in the sense that the market economy must always be carried out within a specific social framework shaped by political decision-makers and experts.

<sup>3</sup> According to Walter Eucken, ordoliberalism is both a theory and a political programme (Vanberg 2004).

<sup>4</sup> In the US, the competition policy was established in the so-called progressive period around 1900 when the US government gradually broke up the monopolies in steel, oil, railways etc. into smaller companies that were supposed to compete with each other. This was a result of the Sherman Antitrust Act passed by Congress in 1890. It was the first statute in the world to limit cartels and monopolies.

<sup>5</sup> These two articles are traditionally the ones that are claimed to be the most directly ordoliberal (Fejø 2009).

<sup>6</sup> However, Akman and Kassim (2010: 127) seemed to misunderstand ordoliberalism when they wrote the following: "The most important implication of the reading suggested by the conventional wisdom is that if the EC competition provisions are indeed ordoliberal, then their objective cannot be 'welfarist' (for example, 'consumer welfare') or efficiency based." A more thorough reading of the classics of ordoliberalism would have revealed that consumer sovereignty is at the core of ordoliberal thinking, cf. above in this paper.

<sup>7</sup> Germany wanted 'stability' and France wanted 'growth', as expected in the theory. Both items are contained in the name of the pact, but tellingly 'stability' comes first.

<sup>8</sup> EcoFin is the acronym for the Economic and Financial Affairs Council of the EU.

<sup>9</sup> Ecofin is furthermore responsible for negotiating currency agreements with third-party countries and determining the EU's position with regard to EMU (e.g. ensuring compliance with agreements on maximum public deficits).

<sup>10</sup> In a speech on 18 October 2002 the then President of the Commission, Romano Prodi, even called it "stupid".

<sup>11</sup> Previously the adoption of proposals for sanctions required a qualified majority in the Council of Ministers. In the future a qualified majority will be necessary in order to remove the sanctions. The burden of proof has, so to speak, been reversed in regard to sanctions.

<sup>12</sup> This can be seen as a reflection of the idea of 'credible commitment' in modern political science.

<sup>13</sup> The European Financial Standing Facility (EFSF) was established in the context of the Greek crisis, and was supplemented by the permanent European Stability Mechanism (ESM) in 2012.

Words: 10.105 (incl. title, abstract, keywords, references, and endnotes).