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MARKET AND STATE IN SOCIO-ECONOMIC ORDER: A BRIEF REVIEW OF THEORIES

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Białystok, Poland 2018

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Market and state in socio-economic order: a brief review of theories¹

Abstract

The purpose of this paper is to present the views of various schools of economic thought on the sources of the institutional order of economies. The premises of the theories of constituted and spontaneous economic orders are taken as the criteria on the basis of which the sources of an institutional order are identified. In order to meet the research objectives, the paper presents, on the basis of the theoretical notions of constituted and spontaneous economic orders, the views on the sources of institutional order in capitalism within the last 250 years, i.e. from the times of Adam Smith until the present day. Main results indicate that, the classical/neoclassical model of economic order, interpreted here as the ideal one, is arising by itself as a result of market interaction. In contradistinction to the above ultraliberal model of economic order is the consistently centralised model deriving from the Marxist tradition. A synthesis of the strictly liberal and the centralised models is the ordoliberal model of economic order. As regards the course of market interactions and the auto-formation of spontaneous rules of an economic order resulting from the market operations, it is a *par excellence* liberal concept. On the other hand, from the consistently centralised model it borrows the idea of top-down dictation of economic order principles by the political government. This synthesis constitutes ordoliberalism and implies a feedback between the constituted and spontaneous rules of economic order.

Keywords: classical economics, Marxism, ordoliberalism, economic order, institutional analysis

JEL classification: B1, B5

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Introduction

The history of economic thought on the topic of socio-economic orders has produced a relatively extensive legacy. The idea of order was already enquired into by ancient Roman philosophers, who saw it as a state of affairs characteristic of a civilised society in which free individuals were able to conduct transactions in an unimpeded manner and within a generally applicable legal framework. The European philosophy of the Middle Ages defined an order as a combination of various elements, objects and structures into a single, reasonable whole. Furthermore, later research conducted by both European and East-Asian social thinkers indicates a contrast between the ideas of order and chaos (Pysz 2008, p. 35). The scholarly debate on the theory of economic order has been dominated by the views of Friedrich August von Hayek and Walter Eucken. So much so that the theoretical and methodological investigations into the theory of order which are conducted nowadays are more of a continuation and modification rather than search for a new paradigm.

The purpose of this paper is to present the views of various schools of economic thought on the sources of the institutional order of economies. The premises of the theories of constituted and spontaneous economic orders are taken as the criteria on the basis of which the sources of an institutional order are identified. As suggested by Eucken, the author of the concept of made order, it is assumed here that the institutional order of an economy and the rules (institutions) which govern it are imposed from above by the state and are of exogenous nature. Similarly, as Hayek, the creator of the concept of spontaneous order, believed, it is assumed that the institutional framework of an economy and the rules (institutions) which govern it originate in spontaneous changes of endogenous character. It must be emphasised that neither of these authors was a rigid doctrinaire. They both acknowledged the existence of exceptions to their basic principles concerning the formation or auto-formation of socio-economic orders. This is confirmed by the results of the existing research which proves that an institutional order encompasses both constituted and spontaneous rules (Grabska, Moszyński, Pysz 2014). On the one hand, it can be noticed that the rules of the economic game dictated top-down by political authorities have an influence on the behaviour of economic entities, and indirectly (through the course of market interactions) on the very way in which the rules of the spontaneous economic order are shaped. This interdependence also works in the opposite direction. The principles of the economic game, which belong to the realm of the spontaneous order, are not without influence on the rules of the made order; on the contrary, they force the state authorities to impose specific solutions.

In order to meet the research objectives, the paper will present, on the basis of the theoretical notions of constituted and spontaneous economic orders, the views on the sources of institutional order in capitalism within the last 250 years, i.e. from the times of Adam Smith until the present day.

Classical English political economics

Classical economics was the first to notice the framework within which economic processes occurred. Earlier scholars, including, e.g. the mediaeval Spanish scholastic philosophers from Salamanca, focused on search for answers to questions about fair prices or the moral aspects of lending money on interest. It was only Adam Smith, regarded as the founder of liberal economics in the *The Theory of Moral Sentiments* from 1750 (Smith 1989), and above all in *An Inquiry into the Nature and Causes of the Wealth of Nations* from 1776 (Smith 2007), who presented an analysis of conditions which a socio-economic order should provide for business processes to ensure that possibly all its participants benefit from it. Smith actually had a holistic view of the economy: he did not see it as a separate subsystem, but as a subsystem that functioned as part of the social system as a whole.

In his debate with the representatives of mercantilism, a trend dominant in the 17th and 18th centuries, Smith developed the concept of an order whose objective was to guarantee proper conditions for the market mechanism ('the invisible hand'). In the short term, the market mechanism enables mutual adjustment of demand and supply for a given product, whereas in the long term, it makes it possible to match the structures of production to the needs of purchasers, which is an essential prerequisite for the financial gain of the participants of business processes. Motivated by his own interest and a willingness to maximise his profits, indirectly through division of labour, increase in productivity, and exchange interaction among market entities, every market player provides benefits to the entire society, even if he is only guided by self-interest. A thus defined market mechanism would be by itself capable of regulating business processes and catering for the needs of society, making it possible to limit the role of the state to an indispensable minimum. Consequently, from the point of view of the whole society, the most advantageous allocation of goods and resources would stem from the desire of individual persons to pursue their own business goals, with the smallest possible interference on the part of the state. By means of this future-oriented vision of the market, Smith renounced the contemporary reality of the mercantile market economy of

the 18th century, in many European countries, especially France (Colbertism), characterised by strong state interventionism.

According to Smith, the following principles of socio-economic order ensure that a market mechanism functions smoothly: private ownership of production factors, freedom of those who participate in economic processes, competition, and free foreign exchange (Smith 2007, p. 343 and onwards). The role of the state in an economy should be restricted to making sure that the above-mentioned institutional conditions for proper functioning of the market mechanism are fulfilled. To this end, the formal rules of a socio-economic order should entitle the state to protect and enforce the principles binding a given society, i.e. to defend the existing order. It is a necessary minimum beyond which no state authority is allowed to encroach. This, in fact, means that the role of politics in a society is only confined to shaping a few, absolutely indispensable rules of economic order, with complete relinquishment of any interference in the course of business processes. To justify his views, Smith, similarly to Adam Ferguson and David Hume, points out that knowledge needed to ensure rationality on a social scale is not possessed by any one entity, e.g. a state institution, nor is it available in a condensed or integrated form, enabling management of the economic activity of an entire nation, but that it is dispersed among individual persons.

The classical concept of a socio-economic order in which the role of the state is minimal assumes that all the participants of business processes act in a reasonable way and strive to maximise their profits. Such nature of market players entails the necessity to create rules which will allow for maximisation of individual entities' satisfaction within the boundaries set by the right of the other players to increase their gains. According to John Stuart Mill, people should have the freedom to do what they wish, as long as they do not harm others. What guarantees the realisation of this idea is an order based on the principle of individualism and broadly understood freedom, which requires, among other things, legal protection of individuals and non-intervention of the state in business operations.

It stems from the above that the wealth of a nation, which for Smith can be expanded through the market mechanism, is based on the doctrine of spontaneous harmony of individual interests (Blaug 1994, pp. 78-79), akin to Hayek's concept of spontaneous order. Hayek claims that it was Smith who presented the advantages of the market as a process of a spontaneously developing economic order and discovered that the mutual adjustment of individual plans occurs thanks to negative feedback, and that the Smithian 'invisible hand' solves the problem of limited human knowledge (Godłów-Legiędź 2016, p. 56). Not only does it help optimal allocation of goods and resources, but is also conducive to gradual and

spontaneous bottom-up development of the economy. Top-down establishment of order should be confined to safeguarding the lives, freedom and property of the individual.

The Marxist thought

Marx and his followers rejected, as fundamentally false, the liberal economic views of Smith, Jean-Baptiste Say and Mill. They believed that capitalism facilitates, above all, exploiting the working classes in order to derive additional revenue from their labour to be taken over by the owners of production factors. It, therefore, mainly enables the parasitic class to become even richer. Marx described it in an evocative manner as the capitalists' 'wolfish hunger' for extra profit. He claimed to have turned 'from its head to its feet' the idealist theory of mankind's development created by the German philosopher Georg Friedrich Wilhelm Hegel, based on the dialectic method (thesis, antithesis, synthesis). He replaced it with historic materialism, calling it, rather boastfully, 'the law of motion' of modern society. 'Historic determinism' is the key component of the concept of historic materialism. It assumed that the humankind had evolved throughout its history from primitive, tribal communities, through slavery, feudalism, capitalism, to finally reach the stage of communism. According to this view, the socialist socio-economic order was to be the ultimate and most perfect stage in the development of mankind. Then and only then would an ideal socialist society of 'equal and free' people come into being.

The visions of Marx and his disciples as regards the development of the socio-economic order of a socialist society are very general, vague and expressed implicitly rather than explicitly. He described himself as a critic of capitalism, who nevertheless refrained from unscientific predictions as to the specific ways in which the socialist societies of the future would emerge and function. He repeatedly criticised the futuristic visions of other socialist-oriented scholars, e.g. Henri Saint-Simon, Charles Fourier, or Robert Owen. In order to emphasise his reservations about their opinions, he introduced a distinction between scientific socialism, which he himself represented and utopian socialism, which he criticised. According to Włodzimierz Brus, the views of Marx and Marxists on the future economic order under socialism – formulated, in fact, on an *a contrario* basis to capitalism – can be summarised as follows:

- collective ownership of the means of production,
- central planning and bureaucratic control of business processes,
- balancing business processes in natural units,

- distribution of the manufactured products on the basis of the amount of labour contributed by particular individuals,
- elimination of market and money (Brus 1971, pp. 31-41).

In an economy that would live up to the Marxist ideal, the socialist economic order would be shaped exclusively by top-down decisions of political authorities which *ex definitione* were supposed to represent the interests of society as a whole. Unlike Eucken's concept of a constituted economic order, it is an artificial order in which, after the elimination of the market and money as general mechanisms of co-ordination and allocation of goods and resources, there are no institutional conditions for grassroots self-formation of its spontaneous elements. In an ideal model of socialist economy envisioned by Marx, the top-down approach to decision-making does not only concern the elements of institutional order, but also what Hayek referred to as market activity order (von Hayek 2003, pp. 99-100). In other words, also business processes (co-ordination and allocation on a macro- and micro-scale) are fully controlled from above by state authorities.

Although Marx's concept of socialist economy was so completely out of touch with the realities of the economic life of the 19th and 20th centuries that it was essentially utopian, its author became widely hailed as a genius of economic and social thought who had achieved a synthesis of Hegelian historical dialectic with the legacy of the classical English political economics. That synthesis led him to inventing a new materialist theory of the development of human societies, on the basis of which he formulated the thesis of 'historic determinism': the inevitable transition of societies and economies from capitalism to socialism. This particular view of Marx's was accepted by several other thinkers, e.g. Josef Alois Schumpeter, the author of the notion of 'creative destruction': the driving force behind the development of the capitalist economy and society, which he believed, however, was to eventually result in the unavoidable downfall of the capitalist world order (Schumpeter 1993, pp. 509-525). In his valedictory speech given at Marx's funeral at the Highgate Cemetery in London in March 1883, Engels said: "(...) the greatest living thinker ceased to think. (...) Just as Darwin discovered the law of development of organic nature, so Marx discovered the law of development of human history (...)" (Brackmann 2017, p. 48).

John Maynard Keynes

John Maynard Keynes' theory of economic policy was developed after the great economic crisis of the years 1929-1933, and was expounded in detail in his book *The General Theory of*

Employment, Interest and Money (Keynes 2003). The Keynesian idea of socio-economic order, which assumes the freedom of individuals, private ownership of production means, and market co-ordination of business activity in combination with an active role of the state, differs fundamentally from both the classical and neo-classical models. The basic difference consists in the fact that Keynes, unlike Smith, assumed that there was no compatibility between self-interest and the common good, which in turn required corrective action concerning the activity of individual business entities. In Keynes' opinion, it was the state that should be responsible for the corrective action, and that it had a right to interfere not only in business processes but also in re-distribution of wealth in order to minimise the negative consequences of excessive disparities of income and wealth and the curbing of involuntary unemployment (Godłów-Legiędź, Puliński 2008). Moreover, Keynes presented a model described by means of aggregate quantities at the level of a national economy, rejecting in this way a microeconomic approach from the perspective of individual participants of the economic process. Keynes also departed from the neoclassical view of the economy, treating the existence of an economic point of balance as a matter of secondary importance, assuming instead that instability was inherent in economies (Grzesiuk 2014, p. 268). As the focal point of his idea of socio-economic order he chose the process of change and development which occurs in the economy as a whole, as well as the activities which could have an impact on this process.

According to Keynes, an active role of the state in a socio-economic order was an answer to the limited capacity of the market to ensure full utilisation of production factors. The lack of confidence in the market stemmed from Keynes' belief that the scale of the production factors involved in an economy was dependent on the volume of production, which, in turn, he saw as a function of insufficient demand. The state is responsible for compensating for the unsatisfactory level of demand by using the tools of fiscal policy to stimulate its various components. In the field of fiscal policy, Keynes proposed a redistributive tax system, aimed at shifting the revenue produced by affluent persons with relatively higher inclination to save money towards those who were more willing to devote it to consumption, as well as at implementing public investment projects to supplement insufficient private investments. Meanwhile, the activity of the state on the financial market should be reduced to lowering interest rates in order to stimulate private investment decisions (Keynes 2003). Both fiscal policy tools and monetary policy tools involve direct influence on business processes, which from the point of view of the theories of made and spontaneous orders means, in the long

term, potential hazard to the socio-economic order whenever instruments that are incompatible with the logic of the market are used.

Among the natural consequences of the vision of a socio-economic order in which the state plays a significant role is the expansion of the institutional framework. Entrusting the state with the function of stimulating demand requires that the Keynesian model is supported by a variety of new public institutions, which, on the one hand, generate maintenance costs and, on the other hand, give rise to justified concern as to potential attempts to widen their scope and subordination of further business areas to the state. When public institutions are focused primarily on stimulating demand, i.e. spending money, there is a danger that the role of the public sector will become restricted and that discretionary interference in the economy will take place.

From the point of view of the theory of order, the short perspective of time in which an economy can enjoy the benefits of increased demand is a weakness of Keynes' concept. Keynes' teachings are on principle oriented towards the fastest possible *ex post* correction of deep economic imbalance. The experience of business cycles indicates that each period of economic upsurge generated by additional global demand is followed by decreases in production volume and crisis situations, while increased budget deficit and inflationary pressure are the only consequences of the temporary economic improvement. The short-term perspective of analysis of the effects of the implemented economic policy is unacceptable from the standpoint of the theory of made order, and even less so spontaneous order.

The Keynesian concept of a socio-economic order in which the state plays a crucial part in business processes seems to resemble the vision of the ordoliberals. The fulfilment of the tasks assigned to the state by the Keynesians, similarly to the ascertaining of conditions for realisation of the constitutional and regulatory rules of a competitive order proposed by the ordoliberals, requires a top-down process in which the binding principles of the order are established. However, the scope and purpose of these principles differ from those suggested by ordoliberalism. The discretionary state interventionism to stimulate global demand, the short time perspective, as well as interference in business processes are things that Eucken could not accept in the Keynesian model. Furthermore, from the standpoint of a constituted order it was a drawback of the concept that it disregarded the framework conditions of business processes created by the entirety of the rules of the economic game and the moral standing of entrepreneurs. What speaks in favour of Keynes' vision of socio-economic order is its usefulness for bringing economies out of recession and onto the path of economic growth within a short period of time.

Neoclassical economics

Neoclassical economics goes back beyond the 1970s, when during the time of stagflation the liberal doctrine began to displace Keynes' teachings from mainstream academia. Neoclassical economics interpreted an economy as a subsystem which is distinct from society and which possesses structural features which constitute this distinctiveness (private ownership, rationality of entrepreneurial behaviour to maximise utilitarian functions, flexible prices, and market balance). While Smith and Mill, the English classical economists, took into account the broadly understood institutional conditions of business processes and their impact on the behaviour of business entities, with the advent of the 'marginal revolution', the neoclassical thinkers began to focus on the very course of business activity. Little attention was paid to the institutional order that existed in particular countries and societies, and whose development had been shaped by their specific historical and cultural backgrounds. The representatives of classical economics increasingly concentrated on economic models based on restrictive assumptions, involving mutual adjustment of the variable volumes of supply, demand and prices on particular markets (Pysz 2008, p. 137). Interest in the course of business processes was reduced to the question of abstract functioning, a model market as a mechanism of general market co-ordination, as well as allocation of goods and resources.

The strictly model-based nature of the neoclassical theory of economics had an impact on the manner in which market and the ways of its functioning began to be perceived by economists, economic journalists, and the public opinion. A belief in its ability to function perfectly well became widespread. The reasons for the fact that various markets occasionally malfunctioned were sought solely outside those markets and were usually blamed on barriers to free market mechanisms. Sharp criticism was levelled at the rules of the economic game, which by the way were frequently altered, as well as the discretionary state interference in business processes. Very much in line with those trends was the idea of a 'lean state', one that confined its activity to the duty of a 'night watchman', as defined by Smith in his debate with the proponents of mercantilism. This way of thinking proved to result in market fundamentalism, which implicitly accepted the unrealistic premise of the perfect functioning of the market mechanism, regardless of the actually existing economic order or its cultural and social context.

The defence of the freedom of an individual in the market and of unrestrained market mechanism became even stronger in the stagflationary 1970s, with the expansion of neoliberalism in the form of monetarism and supply side economics. The economic mainstream kept departing from the actually existing markets and their frequently suboptimal or dysfunctional manner of operation towards an illusory ideal of absolute perfection. That illusion of an ideal market, so alluring in its formal perfection, fulfilled an ideological role, conducive to the implementation of solutions typical of Anglo-Saxon economies in many other regions of the world.

The apologetics of the market as a perfect mechanism of economic coordination and allocation practised by the proponents of the neoclassical theory, in the neoliberal doctrine became compressed to several main watchwords. Their simplicity and general intelligibility facilitated the promotion of neoliberalism throughout society. The constitutional elements of the socio-economic order according to the neoliberal school, which came into being in the 1950s and 1960s in opposition to the teachings of Keynes' and his followers, included the following premises:

- Private ownership of production means is superior to all the other forms of ownership in terms of business efficiency;
- The state should be 'lean', which entails the necessity to lower tax rates as indicated by the Laffer curve and curb expenditure on social benefits and public goods;
- To ensure stability of prices, the pace at which the amount of money in circulation increases should be adjusted to the dynamics of production potential growth or to the GDP;
- The supply side of the economy requires support through deregulation, diminishing the power of trade unions, lowering taxes, promotion of technological progress, and other policies which benefit producers;
- Deregulation of international financial markets ensures efficient allocation of capital on the global scale and lowering of capital investment risk thanks to diversification;
- Autoregulation of international financial markets will, by itself, guarantee their balance and informationally effective prices of exchangeable assets.

Ordoliberalism

The research programme of the ordoliberal theory revolves around the normative notion of *ordo*. However, since the times of St Augustine in the declining ancient Roman Empire, through the Middle Ages, to the 20th century and the present day, this notion has been

variously interpreted. What all the definitions have in common is that *ordo* has always been understood as the opposite of disorder, anarchy and chaos. Eucken was convinced of the usefulness of the notion in the context of economic policy. As he wrote, particularly in periods of dysfunctional or unjust economic orders, the idea of an order which reflects reality, i.e. a natural order, or *ordo*, becomes increasingly significant. The absurdity of the existing state of affairs is a good motivation for such a way of thinking. People begin to seek an order which, unlike the current one, resonates with common-sense experience or with the human nature and the nature of problems which need solving (Eucken 1989, p. 239).

The method of the realisation of that task depended heavily on the distinction, so characteristic of the ordoliberal theory, between an economic order and the very course of business processes. To put it in a nutshell, the former was defined by the ordoliberals as a set of interdependent formal and informal principles and norms of social and economic life. In other words, an order can also be understood as the framework conditions of the economic process (Eucken 2004, p. 372). This terminology allowed Eucken to describe their concept of economic policy as the 'third way' between the pre-1914 *laissez-faire* capitalism of the *Belle Epoque* period and the increasingly strong tendency for centralisation of top-down decisions concerning business processes at the level of state authorities, which first manifested itself in the years 1914-1918 as a 'war economy'. That trend continued under the rule of Benito Mussolini in fascist Italy of the 1920s (Hertner 1984, pp. 145-163), to become even more pronounced in Germany after 1933, when the national socialists came to power. The socialist planned economy that was established in the Soviet Union at the turn of the 1920s and 1930s was a radical version of an economic order constructed according to the principle of the ultimate centralisation of economic policy-making.

The ordoliberals managed to avoid positioning their concept of the 'third way' as an intermediate solution, half way between capitalism and socialism. They consistently adhered to the idea of a market economy founded on private ownership of production means. Otherwise they would have been unable to devise an effective therapy for the post-war, literally and metaphorically ruined, capitalist market economy. From this point of view, their key thesis was the claim that healing the market economy did not require centralisation of economic policy-making or direct interference of politicians in business processes but, on the contrary, it required focusing the efforts of the political class on the construction of a favourable economic order. While constructing an economic order, it is possible to exert an indirect influence on the behaviour of all the business entities and their interactions on a given market. This is why the ordoliberals advocated the primacy of policies focused on ensuring an

economic order that would be conducive to business. The way in which Eucken formulated the objectives of economic order policies took account not only of the material aspect of business-making but also its social consequences, as was typical of the ordoliberal thought. He believed that in the new industrial economy it was necessary to establish such an order which would simultaneously ensure its capability to fulfil its material task of making rare goods and resources more available and which would guarantee human dignity (Eucken 1989, p. 239). By human dignity he understood the freedom and responsibility of the individual as the only possible form of existence (Eucken 2004, p. 176).

One of the chief aims of ordoliberalism was defined by Wilhelm Röpke as 'defence of capitalism against capitalists' (Röpke 1994, p. 305). That idea was rooted in the ordoliberal conviction that capitalism deprived of a state policy aimed at the construction of a market economic order had an immanent tendency towards self-destruction. In an attempt to find a way to restrict the rule of tycoons or powerful corporations over the market, Eucken developed the concept of a competitive economic order. It was to be based on the constitutional and regulatory criteria which he formulated. From the ordoliberal point of view, market competition was the most efficient mechanism to limit private hegemony. Another ordoliberal thinker and eminent economic politician Ludwig Erhard strived, above all, to ensure such conditions that would strengthen the freedom and responsibility of individuals through elimination of unemployment, stabilisation of prices, as well as maintenance of income diversification and individual wealth within acceptable limits. All this was done under the project of Social Market Economy. His ideal of a business person was embodied in someone who was truly free from the state and its institutions thanks to the certainty that he can rely on his work and achievements, without depending on public aid, but also without having to overcome obstacles presented by state policies (Erhard 2005, p. 17).

Although they emphasised the significance of the economic order established by the organs of political power, the ordoliberals also acknowledged that in the course of market interaction some grassroots, spontaneous principles might emerge. To some extent and under certain circumstances, they might supplement the existing set of top-down regulations and norms of behaviour which would often be a heritage of times long gone (Eucken 2004, pp. 181-182). Neither Eucken nor Röpke was an economic doctrinaire. They both assumed that apart from following its principles, a good economic policy should take into consideration the complex constellation of historical, social, and economic conditions in which it was rooted. What is inherent in those conditions, meanwhile, is bottom-up self-formation of spontaneous

rules of order within the framework of market interactions. And this is the common denominator of Eucken's ordoliberal school and Hayek's Austrian School of Economics.

Conclusion

These days, the world is undoubtedly undergoing increasingly complex and dynamic changes. Modern economies and societies are, above all, are rapidly becoming more and more intricate, the process being additionally accelerated by globalisation. According to Hayek, the main reason for the ever greater complexity of the world is human creativity, which constantly propels us in search of the unknown and the unpredictable, towards areas where we can discover something or learn something new. His conclusion is that man has never been and will never be master of his own fate in this increasingly complex and opaque world (von Hayek 2003, pp. 483-484). Peter Sloterdijk uses a metaphor to explain the consequences of the growing complexity of the modern reality and the breakneck pace of changes that are occurring nowadays. The world reminds him of a laboratory whose staff have lost the balance between past experience and the future, which was characteristic of all the previous generations. Deprived of the internal equilibrium between the past and the future, people and the unstable world in which they live drift uncontrollably in an unknown direction (Sloterdijk 2014, pp. 54-55).

The main reason for this is the fact that the social sciences, and classical economics in particular, fail to provide this group with adequate guidelines, commensurate with the gravity of the situation. This, however, is hardly surprising if we concur with the words of John Kenneth Galbraith that economics has made a 'technical escape' from reality (Galbraith 2011, p. 262). To use Eucken's perspective, one can see economics as a science which by focusing primarily on formalised, theoretical models, has evaded the overly complex and dynamic real world, choosing to operate in such high spheres of abstraction that it has become, literally, a 'stratospheric economics' (Eucken 2005, p. 44).

Based on the assumption that the classical school and, to an even greater extent, its neoclassical successor, are institutional indifferent, it seems possible to classify the schools of thinking as regards the economic order along the lines of the theory created in the nineteenth century by Georg Friedrich Wilhelm Hegel. In his idealist dialectic, he proposed the following triad: i. Thesis, ii. Antithesis, iii Synthesis.

Re: i. The classical/neoclassical model of economic order, interpreted here as the ideal one, is the starting point of the triad. A spontaneous economic order arises by itself as a result of

market interaction. The state remains on the margins of business processes, at most paying the role of a 'night watchman'. Some of the more radical representatives of the modern Austrian school suggest, on the basis of the natural law, that the interference of the state in social business processes should possibly be eliminated altogether.

Re: ii. The antithesis of the above ultraliberal model of economic order proposed by the classical and neoclassical schools is the consistently centralised model deriving from the Marxist tradition. In this model, both the principles of the economic order and, through state regulations and redistribution of goods and resources, the very processes of business making are managed top-down by political authorities. It is a model which involves the omnipotence of the state in terms of establishing the economic order and imposition of the business model. As Engels allegedly put it, after the centralised model has been implemented, the chaotic and anarchic market will be consigned to the 'dustbin of history'.

Re: iii. The ordoliberal model of economic order is a synthesis of the strictly liberal and the centralised models. As regards the course of market interactions and the auto-formation of spontaneous rules of an economic order resulting from the market operations, it is a *par excellence* liberal concept. On the other hand, from the consistently centralised model it borrows the idea of top-down dictation of economic order principles by the political government. This synthesis constitutes ordoliberalism and implies a feedback between the constituted and spontaneous rules of economic order. In this concept, however, emphasis is placed unambiguously on the creation of an order. Spontaneous processes are only subsidiary to the rules imposed from above.

Having attempted to assess the usefulness of the models of economic order discussed as ideal types, it can be concluded that they usually failed to fully meet Hayek's criterion of long-term viability. Liberal market economy functioning according to the expectations of the neoclassical economists underwent one economic downturn after another, which, in the mass societies of the twentieth century, meant the necessity of interference of the unpopular 'night watchman', as according to Keynes' theory the state is obliged to generate additional global revenue in times of crisis. Without this corrective mechanism, the neoclassical liberal model of economy would not have survived the previous century. Meanwhile, the fully centralised model of a state-controlled economy indeed failed to last that long. Unlike in the neoclassical model, in order to ensure its long existence it was not possible to resort to the Keynesian instruments and methods because socialist economies were characterised by an excess of demand over supply. Janos Kornai aptly described them as 'shortage economies (Kornai 1985).

The ordoliberal economic model, thanks to the synthesis of the two above-discussed concepts of order, has managed to avoid the lopsidedness which prevented the survival of the centralised model and is still threatening the existence of the neoclassical one. This provides more favourable conditions for its long-term endurance. The empirical confirmation of this claim is provided by the German Social Market Economy of 1948-1966 introduced by the government of Ludwig Erhard, as well as the modern German economy which is only slightly different in terms of economic order, but still functions well in the spirit of the ordoliberal concept, both from the perspective of economic efficiency and the relatively high degree of respect for superior social values (Mączyńska, Pysz 2016). Because of the high level of economic and social functionality of this model, it is increasingly in the focus of interest of the academic authors and creators of economic policies. This also finds its expression in the constitutional regulations passed in numerous countries, including Poland and other European Union states. Furthermore, it is worth underlining that ordoliberals do not rule out the use of the instruments prescribed by Keynesism in situations of a sudden, drastic decline in the volume of global demand as an *ultima ratio* solution. Therefore, the option of a 'repair workshop' remains open in ordoliberalism as well.

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