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Governing Dynamics and Superfragility: Liberal Political Economists as Order Guardians

By Stefan Kolev*

Abstract

This article pursues two goals. First, to reflect on how *historical Ordnungsökonomik* (Economics of Order) illuminates the politico-economic crises in today's Western democracies via the increasing parallels to the fragilities and fractures of the 1930s. Second, based on these historical inspirations, to come closer to a *modern Ordnungsökonomik* targeted specifically at today's crises. The three-step approach consists of an anamnesis ("crisis burger"), a diagnosis ("anxiety from over-dynamics"), and a therapy ("fixed points towards order security"). Thus the article revisits the role of liberal political economists as order guardians amid what I call superfragility, a context in which citizens radically lose trust and unsubscribe from the order, making the trust-enhancing role of liberal political economists existential for the order's future.

JEL Codes: B25, H11, F60, P16, Z13

Keywords: Trust, Fragility, Resilience, Economic Sociology, Ordoliberalism

1. Introduction

The central scene in the movie *A Beautiful Mind* is aesthetically valuable but economically flawed. In a bar at Princeton, John Nash comes up with the idea of Nash equilibrium, which is expressed imperfectly in the scene (Ikeda 2002). Russell Crowe repeatedly refers to something that runs as a mainline through the movie: "governing dynamics." Nash published his key papers around 1950 (Nasar 1994, 437–40), at a time when J. M. Keynes, Walter Eucken, and J. A. Schumpeter had just passed away, leaving behind their oeuvres partially unfinished. For all the differences, the thought of these three European economists revolved around a key concern: the instability of the capitalist order of economy and society. All three experienced how the dynamics of capitalism in the early 1930s brought not only the economic order, but Western democracy in general, to the brink of collapse. Identifying "governing dynamics" was not just the motivation behind Nash's quest – it was also an overarching theme in the legacy of the Keynes-Eucken-Schumpeter generation. And this is true for both questions which the term raises: first, what are the main sources of dynamics in capitalist societies, and second, how can these dynamics be governed or ordered in

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ways that preclude new politico-economic catastrophes like the ones of the 1930s and 1940s from reoccurring. These two questions were foundational for what Eucken and the slightly younger generation of F. A. Hayek and Wilhelm Röpke initiated during the 1930s and 1940s: a research program called today *Ordnungsökonomik* (Economics of Order, EO).

Along an increasing number of dimensions, the past fifteen years have felt like a protracted version of the late 1920s. Since 2007/2008, Western democracies have been beset by one crisis after another, and what began with “merely” economic ruptures in the financial crisis has long become an existential risk to the overall order of society. Coalition-building, a basic necessity for parliamentary democracies, can make non-populist governance against the far-right and the far-left taken together increasingly difficult. The international order is increasingly shaky, both in terms of economics and of geopolitics, leading to the new relevance of what has been called “geoeconomics.” Finally, all of that happens without a large macroeconomic shock – but with the anxiety that it could hit at any moment.

In these difficult and fragile times, the article revisits the question that James Buchanan (1964) posed six decades ago: what should economists – and especially liberal political economists – do? Our times contain multiple challenges for liberal political economists, some of them long-established, others with novel features. While it has always been a strength of liberal political economists to be respectful of and *admire* societal dynamics, the challenge in today’s context is also to *order* these very dynamics. As Alfred Nobel already understood with his invention, dynamics and dynamite can be closely related phenomena, and ensuring a *minimal degree of statics* as a precondition for the citizen’s ability to admire capitalist dynamics has been at the core of the Social Market Economy’s success in the past 75 years (Goldschmidt and Kolev 2023). Today, yet again, the proximity of dynamics and dynamite must urgently be avoided, unlike what happened fatally in the early 1930s.

To achieve this purpose, the trajectory of today’s “Law and Macro” research program is not promising. Studying the evolution of macroeconomics since the 1930s and its interfaces to other social sciences (Horwitz 2000; Hoover 2015) does not provide too much optimism for ordering the dynamics of our times via macroeconomics: most of today’s disorder is not macroeconomic in nature, some of it is even beyond the scope of the economy. Fortunately, there are alternative modern dynamic approaches which, very much like EO, establish their analysis of economy *and* society on systems and orders (Wagner 2020; Schönfelder 2020). The present article connects to these approaches, not least the particularly promising research program of Entangled Political Economy (Smith *et al.* 2011; Horwitz and Koppl 2014; Wagner 2016; Novak 2018; Podemska-Mikluch 2021).

I proceed in three steps. First, I commence with an *anamnesis* in which I gather today’s crises symptoms by conceptualizing the “crisis burger” in a bundle of related metaphors and by outlining my definition of “superfragility.” Second, I attempt a subjectivist *diagnosis* of these crises, focusing on the cognitive overload of the citizen, and the resulting potential for the possible tipping of dynamics into “over-dynamics” and chaos. It may result in an anxiety-driven polarization between the “still calm” and the “already anxious” citizens. Third, I propose a *therapy* that is situated around the

concepts of “order security” and “fixed points” in an end (order security)-means (fixed points) relationship aiming to reestablish trust in the problem-solving capacity of the order. This three-steps-approach revisits the role of a liberal political economist amid superfragility and conceptualizes this role as being an *order guardian*.

In summary, the challenge addressed in the three-step approach is: how must liberal political economists *change* – in rhetoric and substance – and become trust-enhancing and stabilizing agents for the duration of superfragility? If this change does not happen, liberal political economists risk to fail in their central Buchananite role *vis-à-vis* the order as consultants of the citizen (Vanberg 1997; Cassel 2004) and thus “to assist individuals, as citizens who ultimately control their own social order, in their continuing search for those rules of the political game that will best serve their purposes, whatever these might be” (Buchanan 1987, 250).

2. Anamnesis: Superfragility and Its Crisis Burger

One thing must be clear from the beginning: “superfragility” as conceptualized in this paper can be characterized as a *state of exception*. Fragility itself is not the exception: modernity, the age the West entered about 200 years ago, has been fragile throughout its evolution and has experienced constant crises, followed by adaptations to these crises (Brunnermeier 2021; James 2023). Things change from being “simply fragile” to “superfragile” once a substantial number of citizens lose trust and unsubscribe from the order, robbing it of its resilience capacity to adapt to the crises, ultimately reemerging in more innovative and sustainable shapes following these adaptations. For understandable reasons, liberals have had long-standing difficulties with accepting states of exceptions, but the historical unwillingness even to consider this category has often had catastrophic results: unlike the liberals, various illiberals turned out in many contexts to be prepared for the emergence of states of exception and have utilized them to the existential detriment of the liberal order. The category, of course, is only helpful when it comes with clear delimiting criteria, notwithstanding all the difficulties in debating issues like: what exactly is this state of exception, what are the specific conditions that precisely terminate it, and how can measures be reversed after the state of exception has been terminated?

Out of the n principles that apply for liberal political economists in simply fragile times, the set may shrink to $n-m$ or expand to $n-m+l$ during superfragility, that is, if m principles threaten the existence of the order, while l principles strengthen its resilience when it is existentially threatened. After the end of superfragility, the set has to resume its initial shape of n principles. And while the risk that “nothing is as permanent as a temporary government program” (Friedman and Friedman 1984, 115) is certainly also a danger for temporarily altering the principles set, it is perhaps the lesser danger when compared to the implosion of the order altogether.

The years since 2007/2008 have felt increasingly ominous, not least in Europe. It started with the financial crisis, which soon turned into the Eurozone crisis, followed by the Crimean crisis, the refugee crisis, Brexit, Donald Trump’s election, followed by the acutely perceived climate crisis, the Covid crisis, and finally the Russian war of

aggression in the middle of Europe. If one puts oneself in the shoes of a European student today, their consciousness as youths and young adults has taken place in a mode of constant crisis. Metaphorically, I compare the accumulation of crises to the piling up of slices in a “crisis burger.” The burger gets taller and taller, each crisis adding a slice to the height of the burger. Carrying the burger on a tray by a waiter – the waiter being a metaphor for the order – becomes ever more intricate, and the citizens’ anxiety watching the order-as-waiter with the tipping tray becomes ever more widespread.

The *subjectivist, verstehende* perspective (Weber [1908–1917] 2018; Lachmann 1970; Lavoie 1990) at the heart of this article attempts to understand and explain societal orders from the perspective of the citizen. In such a perspective of the crises of modernity, two varieties have to be distinguished: simply fragile crises, in which the order is still trusted to manage its own crises, and superfragile crises, which critically deplete this trust in the problem-solving capacity of the order. This perspective makes *trust* the focal point of analysis because depleted trust in the second crisis variety constitutes an existential threat to the order.

Let me explain the difference by using an example from my personal experience. When I arrived in Hamburg from Bulgaria in 1999 to take up my undergraduate studies, the economic crisis in Germany was deep and intricate, but I do not recall any real, deep-seated doubts in my ideologically diverse environment that the democratic order of the Federal Republic and its Social Market Economy might not somehow be able to cope with this crisis – arduous and tough as the coping was expected to be, and unclear from where exactly the solution might come. Reformist proposals were formulated from all ideological sides as to what could be changed *within* the order, but hardly any revolutionary ideas circulated as to how to replace the order of the Social Market Economy *as such*. Trust in the *center* of the political order with the *reformist agendas* of the center-left and the center-right prevailed, while the *extremes* and their *revolutionary agendas* were negligible. Importantly, the center-left and the center-right were much more heterogeneous than today, making the debates around their agendas truly captivating for the citizen to follow and engage. This prevalent trust that the order will somehow cope with its own crises made the late 1990s and early 2000s simply fragile, but not superfragile.

In the meantime, the context has changed fundamentally. The discussion is no longer only about centrist reforms within the order, but increasingly about revolutions away from the order as such – and the intellectual and political suppliers of revolutionary ideas on the far-right and the far-left keep burgeoning (Karlson 2024). In France and Austria, far-right parties only lost presidential elections in recent years by very narrow margins. In Italy, Sweden, and Finland, far-right parties set the political agenda at least partially, by participating in the national government to various degrees and in various constellations. In Germany, along with a meanwhile established strong far-right party, other political players emerge which combine far-right and far-left content in dangerous ways. Most prominently, it is far from clear whether the order in the United States, and by that the *Pax Americana* in general, can survive a second term of Donald Trump without serious damage. The prospects for both the 2024 US presidential elections and the 2024 European Parliament elections are increasingly bleak.

Above all, the piling up of slices in the crisis burger is no longer a purely *quantitative* accumulation; rather, a *qualitative* change has also taken place. The burger has not simply become taller. In addition, observing the increasingly intricate balance of the order-as-waiter creates ever more anxiety, leading an ever larger number of citizens who are becoming increasingly skeptical and whose trust in the problem-solving capacity of the order could eventually terminate their trust in this capacity (Berggren and Bjørnskov 2017; Köcher 2023). This trend was already observable before the most recent inflationary surge, a development which is genuinely new to anyone in Western democracies who does not remember the last similarly high inflation of the early 1980s. Inflation has raised specific fears in Europe. The difficult fiscal situation in several countries of the Eurozone adds to the anxiety about the resilience of the monetary order when compared to the US, and the above-average degree of industrialization in Germany had made this core country of the Eurozone particularly vulnerable to the recent surge of energy prices in the aftermath of the Russian war of aggression.

These are some key symptoms of the politico-economic anamnesis of our times. But why is it permissible at all to use the analogy of “the economist as physician” which underlies the anamnesis-diagnosis-therapy approach employed in this article (Rieter 1983; Groenewegen 2001; Klausinger 2005; Dekker 2016)? Physicians can and must do different things, depending on their specialization and understanding of their role *vis-à-vis* the patient. And yet most of them record symptoms in an anamnesis, then pose one or multiple diagnoses to explain the symptoms, and finally propose therapies to solve the problems. They conduct these three steps in diverse variations and iterations, and in equally diverse degrees of intervention on which neither physicians nor economists agree – nor need they. How about the analogy between patient and citizen, as recipients of advice by the physician and the economist? Above all, isn’t the patient much more well-behaved towards the physician than the citizen towards the economist, due to the information asymmetry between physician and patient and the existential threat that health risks pose? Historically, this difference between patient and citizen may be true. But in the course of the increasing digital accessibility of medical advice, the information asymmetry is fading, so that the patient becomes less well-behaved and increasingly critical, given the constant search for advice from a wide variety of non-digital and digital sources – whether from “experts” or not (Koppl 2018). Thus the boundary between medical expert and non-experts becomes more fuzzy in the eyes of the citizen, and thus converges to the case of economics, with its traditionally broad variety of academic and popular economists (Goodwin 2014). All this makes today’s use of the economist-as-physician analogy as legitimate as it has seldom been before.

3. Diagnosis: Dynamics, Over-Dynamics, and Anxiety-Driven Polarization

Carl Menger and Max Weber both came from and contributed to the tradition of German subjectivism, a tradition which attempted to weave together individualism, action theory, and ethics (Boettke 1990; Lavoie 1990; Swedberg 1998; Kirzner 2015; Kolev and Dekker 2023). In both Menger’s subjective valuations in economics and Weber’s subjective value judgements in society, the individual is at the methodological and

normative center of gravity. The subjectivist channel connects individual and order in multiple, bidirectional ways. Through this channel, the individual perceives the order, and various flows between individual and order run through the channel. If one summarizes the flows to one arrow per direction, the order provides outputs like wealth and justice, while the individual provides a central input for the legitimacy of the order: *trust*. To diagnose the crisis burger of the anamnesis, these flows are essential. The subjectivist perspective aims at understanding (*verstehen*) various citizens with their very different subjective perceptions of the flows, including their changes due to the piling up of crisis burger.

How did the dynamics of superfragility come into being? To answer this, we must first take a step back and look at the past twenty-five years. Even prior to crises starting to pile up, the two major megatrends of globalization and digitization were already unsettling social reality. In the metaphor of the order-as-waiter who has to carry the crisis burger on a tray to serve the citizen, globalization and digitalization started creating quicksand-like waves from below the carpet at the feet of the waiter. Thinking back to the WTO unrest in Seattle and the G8 summit Genoa reminds one of how angry many young citizens were in their perception of globalization around the time of the new millennium (Stiglitz 2002), or how angry Western European workers were due to the deindustrializing dynamics and the outsourcing of jobs towards Eastern Europe and Asia after the end of the Cold War and the “China shock” (Raphael 2019).

Already before the crises starting in 2007/2008, digitalization became omnipresent in the lives of the citizen – another quicksand-like wave generator for the burger-carrying order-as-waiter. Digitalization in itself is not new, one can even trace it back to the introduction of the alphabet in antiquity, which decoupled the abstract letters of the alphabet from drawing a concrete object (Weizsäcker 2008, 71–3). But unlike the strongly recurrent patterns across historical waves of globalization, each wave of digitalization felt very different: the 0/1 wave of the 20th century constituted a fundamental shift *vis-à-vis* earlier centuries with several-dozen-character alphabets, and the AI wave of the 21st century is yet another fundamental shift. Thus we are far from understanding the patterns of change that recent digitalization waves keep bringing to the citizen’s perception of social reality. From the waves generated by these two megatrends and the reactions of citizens to them, especially in the aging societies of Western Europe, one pattern is omnipresent: these two megatrends come with ever-increasing *anxiety*.

As one source of this anxiety, individuals of modernity have long struggled with the tension between community and society, as well as the need to reconcile these very different, but simultaneous logics within one’s own existence (Tönnies 1887; Taylor 1989; Bell 1993). In our times, globalization and its ever-expanding division of labor and knowledge reinforce the logic of society, *i. e.*, Hayek’s extended order with its anonymity and generality, while digitalization and its ever-decreasing transaction costs for reconnecting to one’s relatives and friends reinforce the community, *i. e.*, the small group with its concrete interactions and solidarity (Hayek 1988). Through these two opposing forces, the old difficulty of modernity for the individual to cope with one’s simultaneous existence in society *and* community has been put “on steroids” by globalization and digitalization. What was previously a tension now threat-

ens to tear citizens apart. This is especially true in the life of migrants who have been made more mobile by globalization, but also more prone to search for their roots and identities by digitalization (Karlson 2019; Kolev 2020).

In addition to the megatrends, the post-2007/2008 crisis burger has become another powerful generator of anxiety. Liberal societies constantly boast that they are able and willing to learn – and rightly so, at least in times that are simply fragile. But in order to be *able* to learn, an essential precondition lies in patience, tranquility, and ample time, especially for one's capability to process the constant setbacks in life that occur in the open-ended processes of modernity. This precondition has been ruined for many by the crisis burger. It has turned the tranquility it takes to learn how to deal with globalization and digitization, as an individual and as a society, into an anxiety. Worse, the crisis burger has further accelerated and amplified the already difficult – and for many, especially elderly citizens, overwhelming – dynamics of globalization and digitization. The consequences are well understood by harnessing the ancient Greek distinction between *chronos* and *kairos*, the ongoing and ripening time. The *chronos* that would have been needed to deal with the crisis that had just ended, such as the financial crisis, was denied to many citizens of Europe by the next crisis, the Eurozone crisis, and this is a pattern that has persisted ever since. In other words, the *kairos* of yet another crisis kept recurring all too frequently.

And yet in order to learn, one must not only be *able* to learn, but also be *willing* to learn. For many citizens, the crisis burger has diminished both the ability *and* the willingness to learn within the existing order. Regarding the ability to learn, the burger brought the above-mentioned *chronos-kairos* problem of processing what has just happened in the still ongoing crisis, before another crisis hits.

Regarding the willingness to learn, an even more fundamental problem has emerged, a problem to be called here “over-dynamics.” If one imagines the different orders of society (economy, law, state, *etc.*) as different rooms in a club which the order-as-waiter serves, each additional crisis adds a slice on the already skewed burger carried by the trembling waiter. The waiter moves on a carpet constantly rolling because of the quicksand-like waves caused by globalization and digitalization. Many citizens appreciate the club with its different rooms and their distinct charm, *i. e.*, the club of modernity with various orders following individual logics that are not directed by a unified and distant power hub. However, the constantly faltering waiter makes the whole club an increasingly intense acoustic experience, burger plates and cutlery keep falling down, causing crash noises and bringing instability to everything around. The perception of the club shifts from being a multi-voice conversation (*dynamic*) to an anxiety-causing cacophony (*over-dynamic*). That does not apply for all club visitors, there are still the those who can concentrate on their conversations despite all the noise, but an increasing number of citizens tip into the perception of over-dynamics and leave the club in anxiety. The experience of those who have left spills over to those who have stayed, with the rooms ever more void of conversation partners. In the past fifteen years, polarization between these two fractions has increased significantly on both sides of the Atlantic: between those who are “still calm” and consider themselves part of the club, and those who are “already anxious” and have left what they experience as a cacophony-ridden club. In this diagnosis, the

hypothesized criterion is: *polarization emerges at this demarcation line of anxiety*. Given the fundamentally entangled social nature of anxiety, I also suggest it is befitting – and very topical – object of inquiry for Entangled Political Economy (Wagner 2016; Novak 2018; Podemska-Mikluch 2021).

In my personal experience in numerous political conversations in political campaigns on the streets of Saxony since 2013, a club that experienced several extremely rough transitions in the 20th century, this anxiety-demarcated polarization has become clearly palpable over the past decade. Since anxiety (as *angst*, not fear) is not attached to a concrete experience, pinpointing the specific slice in the burger that produced the decisive crash noise for an individual is hardly possible, but a conversation can help to at least date it in the experiences of the conversation partner. The tangle often consists of anxiety about migration, inflation, vaccines, or geopolitical attitudes like anti-Americanism and Russophilia, all to various degrees and not precluding complementarities. The process of unsubscribing from the order by the anxiety-driven fraction is being observed by the others, and this observation creates new anxiety in the observers about what is left from the club.

A key problem for the study of “governing dynamics” emerges here: dynamics is a property of an order. But those who have unsubscribed in anxiety have stopped seeing the order as an order. For them, what was previously an order has tipped into chaos somewhere during the last fifteen years. Within a chaotic system, one no longer looks for patterns – in contrast to the very understanding of an order, central to Hayek’s definition, lying in the attempts to identify patterns within an entity (Hayek 1964).

How does the perception of order tip into chaos (Goldschmidt and Wolf 2021; Brunnermeier 2021)? The tipping has occurred in the moment when the citizen’s attempts to learn about the order have stopped, and when the order has moved from being dynamic to over-dynamic in the eyes of this citizen. The threshold is subjective for each individual. But once it is reached and crossed, going back is not easy. In conversations with citizens who openly report to having voted for extreme parties in previous elections, but are uncertain whether one should do so again in the future, it is often palpable how difficult it is to “find one’s way back to the order” in the sense of doing democratic penance. Once the source behind the legitimizing citizen-to-order trust flow has dried up, this source can be reactivated to bubble up again only with great effort.

In the 20th-century history of Western democracies, there is one paradigmatic moment of disorder, a moment when the anxiety-driven fraction of society unsubscribed and brought about an order implosion: the Great Depression in the context of the young full-fledged democracies of the interwar period. Since this disorder also led to the birth of research programs that are subsumed today under *Ordnungsökonomik* (Economics of Order, EO), drawing analogies to the 1920s and 1930s in the following can substantiate the anxiety-driven diagnosis of this section.

Analogies to the 1920s and 1930s

It is unsettling that German and European history of the 1920s and 1930s increasingly reminds in several ways of today’s fragility. The crisis burger back then started piling up with the lost war and the “dictatorial peace” of Versailles signed begrudgingly by representatives of the very young Weimar Republic, already reason enough for

many never to subscribe to the order of the Republic (Horn 2023). Some of those who did subscribe soon lost trust during the hyperinflation of the early 1920s (Hüther 2020). Some resubscribed during Weimar's few good years, but the vast majority turned their back on the republican order triggered by the Great Depression and finally declared Weimar a chaos that did not deserve any trust and could not be legitimized by any standard (Hacke 2018; Bonn 2023).

It is noteworthy that the archetypical notion for EO – the interdependence of the orders of economy and society – emerged precisely at the moment when the Hayek-Röpke generation was theorizing the Depression. In simply fragile times, one can easily confine oneself analytically to “let the economy be an economy”, *i. e.*, to analyze it as an isolated order. But superfragile times like the Great Depression make it necessary to include into the analysis the interfaces of the economy to the other orders of society, *i. e.*, its interdependences. For when the single orders become crisis-ridden and start sending harmful impulses to one another, the interdependent relations and feedbacks between them turn into the crucial part of the analysis – leading to what is called today “contextual economics” (Goldschmidt *et al.* 2016; Kolev *et al.* 2019). This contextual perspective allows one to demonstrate how crisis dynamics in the single orders can reinforce each other via feedbacks across the orders, for example: *“bad” economy → desperate economic policy of the state → “even worse” dynamics in the economy → undermining the rule of law to bring the state of exception under control, etc.*

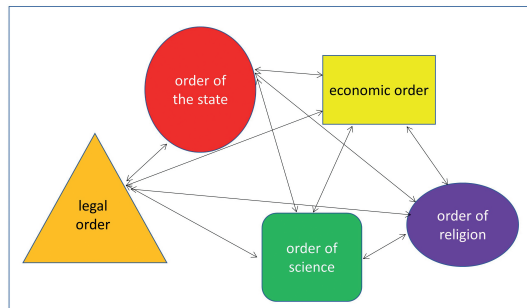


Figure 1: Society as a set of interdependent societal orders.

Revisiting the debates among German-speaking economists at the time is particularly helpful (Grudev 2019; 2020). EO emerged in the 1930s on the basis of two debates: about Socialist Calculation and the Great Depression. Ludwig von Mises convinced the Hayek-Röpke generation that socialism was not an alternative. However, the cohesion in the group was much less pronounced regarding Mises's rejection of interventionism (Kolev 2018a; Kolev and Köhler 2022; Kolev 2024). When the Great Depression broke out, the question of interventions came up again – this time existentially for the order. Mises (and Hayek until 1933) insisted during the acute years of the Depression to still “let the economy be an economy,” *i. e.*, that even in the context of the Depression, the anti-interventionism stance of Austrian Business Cycle Theory

applied unchangedly (Magliulo 2016). Röpke (and from 1931 Eucken) viewed the development differently (Klausinger 1999). As early as 1931, Röpke started distinguishing two contexts: the primary and the secondary depression. In the latter, deflation starts affecting sectors that have not been affected by the preceding boom. Unlike the purifying primary depression which is meaningful because it washes away the excesses of the boom, this secondary depression is economically meaningless, but existentially dangerous to the overall order (Grudev 2018). In this specific context, the economic order threatens to destroy the overall order. The secondary depression was a prescient observation by Röpke in those superfragile times, and constituted an early attempt at conceptualizing superfragility, very much in the spirit of in the anamnesis of section 2.

Crucial for this article, in Röpke's analysis the state's mandate transformed with the transition from primary to secondary depression: from keeping an eye on the economy, to preserving the overall order of society. It also transformed the role of the economist: *from observer to guardian*. So what exactly is the task of the state amid superfragility? In the early 1930s, the answer was not clear, because the timespan between the conceptualization of the secondary depression and the collapse of Weimar was too short – and the question of whether Weimar had the capacity to act at all was far from trivial (Borchardt 1982; James 1986). Hayek's retrospective is particularly interesting. In 1959, he congratulated Röpke on his 60th birthday and recalled how Röpke “realised at an early stage, perhaps earlier than most of his contemporaries, that an economist who is nothing but an economist cannot be a good economist” (Hayek [1959] 1992, 196). This praise of Röpke's prescient contextuality, probably referring to the 1930s, is one of Hayek's earliest formulations of his famous warning to his fellow economists about being “only” economists.

Röpke and Eucken had something like fifteen months to see that superfragility was upon them. Luckily for us, we have their historical experience as an inspiration and warning, and have had fifteen years to analyze and stabilize our national and international orders. So far today's orders have proven more robust and more resilient. But only so far. And so far we have been spared a huge macroeconomic shock like the Depression. In this sense, today's tensions resemble 1928 in the internal difficulties of democratic governance and the tensions in the international order, but a big macroeconomic shock can add to all of this any moment.

4. Therapy: Order Security, Fixed Points, and Order Guardians

A final look back at the 1930s. Why did Keynes win the macroeconomic battle of the day? One answer is that, amid Europe's civilizational collapse, his mix of rhetoric and substance offered at least an agenda, especially for the younger economists – and, as a by-product: hope (Landmann 1981; Goodwin 2014). His contemporaneous success had something to do with the reformist balance in its prescriptions: there was no need for revolutions, no need to turn away from the capitalist order of bourgeois society, no need to become a Marxist or a fascist. Keynes promised a fire brigade that could at least contain the blaze of illiberality. Whether this promise of a fire brigade constituted a political economy that would also prove helpful in the long run did not

matter back then, because he offered his agenda in a *context of urgency*, so even very limited success in economic terms could matter greatly for stabilizing the overall order in terms of trust – because the order could prove that was able to act and thus preclude the implosion of trust.

How about the Hayek-Röpke generation which met at the Colloque Walter Lippmann in Paris in 1938? Could these liberal political economists offer something akin to Keynes's hope, after their technical economics had failed them in the dire years of the Depression? Yes, they could, concluded the more optimistic part of the Colloque's audience (Reinhoudt and Audier 2018; Horn *et al.* 2019). For that, they subjected both their economics and their liberalism to self-critical scrutiny in the context of urgency, leading to a twofold turn: in their economics and in their liberalism. Regarding their economics, they moved *from equilibrium to order* as the key analytical instrument, in other words, *from isolating economics to contextual economics* as described above. Regarding their liberalism, the question was how to conceptualize it in ways that convince the citizen to resubscribe to the liberal order. Even after the defeat of extremely illiberal orders in 1945, the legitimacy of the liberal order remained far from self-evident to a large part of the citizenry in Western democracies (Blümle and Goldschmidt 2006; Caldwell and Klausinger 2022).

The turn in liberalism was bipartite, consisting of a rhetorical and a substantive part. First, the academics readjusted their public role by appearing even more explicitly as liberal citizens *vis-à-vis* their societies. One can call this a *rhetorical turn*, a transition *from academia to agora*. The Hayek-Röpke generation now demonstrated how a liberal voice on the agora may – and, in superfragile times, must – come from academia (Dekker 2016; Kolev 2019). Of course, such interventions by academics have never been trivial. But since Weber's (often misunderstood) formulation of the value-freedom postulate, academics know the criteria when one is allowed to make value judgments: if one labels these judgments as such, separates them from positive analysis, and explicitly “outs oneself” about one's normative position. While the Hayek-Röpke generation struggled for quite some time how exactly to operationalize this Weberian position (Röpke [1942] 2015; Hayek [1962] 1967; Christ 2018; Kolev 2018b), in the context of superfragility they effectively did exactly that by publishing *The Road to Serfdom*, Röpke's wartime trilogy, or Popper's *The Open Society and Its Enemies*.

This reconsideration of one's liberal rhetoric was complemented with a *substantive turn*. It is historically wrong that the term “neoliberalism” was born in Paris in 1938 (Horn 2018), but it is of course true that the Colloque participants argued passionately about the necessity and possible nature of a new liberalism that some called neoliberalism. Looking back at the history of this term which first emerged in the early 19th century, one finds recurrent moments when liberals (and often liberal political economists) *debated the necessity to update their liberalism* (Horn *et al.* 2019; Magness 2021; Kolev 2023).

To formulate an EO that is therapeutically valuable today, liberal political economists need to self-critically rethink their economics and their liberalism, as did the founding EO generation in the superfragility of the 1930s. If the anamnesis and diagnosis around the 1928-focused analogy are correct, our orders can soon burn like a torch if a macroeconomic shock compounds today's already existing tensions. In oth-

er words: *we need a “new neoliberalism” specifically targeted at our times*, including a new role for liberal political economists.

And that despite all the difficulties related to the term “neoliberalism.” It has one decisive advantage over “classical liberalism”: neoliberalism contains within itself as a connotation the ethos that freedom should not be treated as something “classical,” *i. e.*, something worthy of pedestals for imitation and worship, but instead as a living idea (Boettke 2012). This entails that every liberal generation has the duty to think about necessary updates to the idea of liberty and its forms. If one conceptualizes the history of liberalism as a sequence of neoliberalisms, it means that, for example, Adam Smith was a neoliberal *vis-à-vis* John Locke, Wilhelm von Humboldt was in turn a neoliberal *vis-à-vis* Smith and Locke, while John Stuart Mill was a neoliberal *vis-à-vis* Locke, Smith, and Humboldt, *etc.* If the aforementioned liberals had stuck to what was “classical” back then, we would be a lot poorer intellectually without many original ideas produced for renewing and adapting this doctrine.

Such neoliberal therapies for the burger-carrying order-as-waiter can profit from another peek into history – this time into etymology. The ancient Greek *κρίσις* does not mean “crash” or “collapse,” as we often use it colloquially today. Instead, it was meant to signify a junction of roads where one has to decide which way to go. The noun stems from the verb *κρίνω*, which means “to separate,” “to keep apart,” “to decide,” “to debate” (Koselleck 1975). In this sense, the various slices of the crisis burger have produced a multidimensional junction that requires decisions – also for liberal political economists.

In Rosa Luxemburg’s foundational question of choosing reform or revolution (Luxemburg 1898–1899), liberal political economists have rarely been on the side of the revolutionaries: economists think far too much in marginal categories (Rohac 2016). Moreover, liberal political economists understand that once an order has been demolished, a vast amount of knowledge is lost that was built into the order, but that is not available as explicit knowledge when this order should be rebuilt. This mandates liberal political economists to think and act as reformers, improvers along marginal categories who see their task as constantly proposing to the citizens how the economic order can be made better by the standards of liberal political economy – standards which are a constant object of conversation between economist and citizen. As scholars, economists are of course constantly critical and find fault with the status quo – and there is a lot to find fault with at any point of time. Thus, if we return to the categories of rhetoric and substance for making (new) decisions in the context of the crisis burger, the following four quadrants for the role of liberal political economists can be identified. And it is not difficult to see that liberal political economists usually locate themselves in the Northwestern quadrant. Given the above anamnesis and diagnosis, it is equally easy to guess the recommended direction of the therapeutic movement during superfragility – go Southwest. This does not mean that reformist suggestions have to stop altogether, or that the rhetoric must become apologetic. Instead, it means that, as an exercise of intertemporal balance, patience, and moderation that complements the “business as usual” in the Northwestern quadrant (Craiutu 2021; 2023), such reformist suggestions can be stored for better, simply fragile times. When moving to

the Southwestern quadrant, the economist becomes an *order guardian* and should remain so as long as superfragility persists.

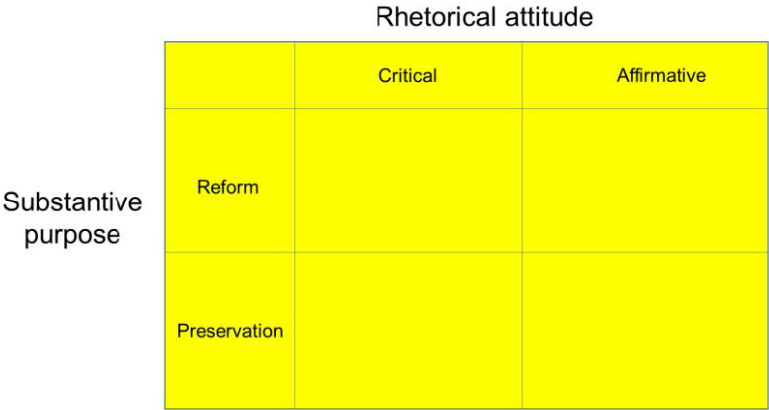


Figure 2: Map for adjusting a “new neoliberalism” to today’s context.

Starting with substance, I plead for dimming the zeal towards change for the duration of superfragility. Reforms are still needed, but the Schumpeterian politician creates and destructs at the same time, and the rhetorical turn towards the affirmative can at least lower the pains caused by destruction (Wohlgemuth and Kolev 2016). Redirecting efforts towards preserving the order in its current – and, as always, imperfect – shape is worthwhile as a potential stabilizer and enhancer of trust. Usually and understandably, for a scientist the glass is half-empty, due to one’s scholarly critical ethos, which is why one favors filling it up via reforms. But in the superfragile context, it is at least as appropriate to point out the half-full glass in one’s conversation with the citizen – which does not make it full, but nevertheless conveys an affirmative image of the order.

There are at least two reasons why such adjustments are contextually required. First, reforms are politico-economically costly and painful, as illustrated by the J-Curve in the economics of transition (Brada and King 1992), and these politico-economic costs strain the already strained trust flows between citizen and order. As discussed above, trust in the order is the most precious resource in superfragile times. Second, references to the half-full glass can be used to explain why we live in such a historically unique order and to point causally to the mechanisms of a free economy and society.

In short, the role of the liberal political economist should be to point out that we live in the best of all *historical* worlds by the standards of liberal political economy. That this is not the best of all *possible* worlds is perfectly clear, as is clear that this latter can be approached only by further reforms. And yet in the context of superfragility, communicating the historical uniqueness of today’s world should have the rhetorical primacy over emphasizing its theoretical imperfections.

This substantive turn towards preservation must be complemented by an appropriate rhetoric. After McCloskey's (1983; 1985) pathbreaking contributions, it should go without saying that economists must be sensitive to language and rhetoric. What is particularly problematic when observing today's liberal political economist, is the often biting criticism, especially of democracy, a rhetoric which is totally insensitive to the trouble it might bring for democracies amid superfragility. Yes, liberalism and democracy coexist in complex tensions (Vanberg 2008; 2023). But the liberals who despaired of the Weimar Republic or the First Austrian Republic in the early 1930s had later to face the (plausible) accusation that, driven by their (understandable) despair, they had nonetheless practiced treason against the crashing democracy. Therefore, the rhetorical turn today is not only not a "dirty compromise" for liberal political economists, but rather a systemically necessary attitude for those who look at the economy via the prism of contextual economics, and an attitude that is urgently needed if one takes superfragility seriously.

It is likely that after such adjustments, a liberal political economist will find oneself confronted with accusations. A first accusation is one has degenerated into a conservative, one who uncritically defends something static instead of relying on the dynamics of open processes. But judged by the standards of liberal political economy, today's world and its orders are a unique achievement which, if threatened existentially, is indeed worth preserving and conserving. A second accusation is that of apologetics, *i. e.*, that economics is abused to justify a really-existing order by expressing the value judgment that the order is worth preserving, which is not what science is meant for. This could become a welcome opportunity for economists to revisit Weber's often misunderstood stance regarding value judgments (Derman 2012; Glaeser 2014), hopefully leading to a more nuanced approach to the issue of normativity. Dealing with normativity very cautiously is one thing, but shunning it like the devil shuns holy water is another.

The liberal political economist as an order guardian fits perfectly with the concept of "order security" coined by German sociologist Heinrich Popitz (Popitz 2017). Popitz was an important theorist of power who was at Freiburg from 1964 onwards – at the same time as Hayek. Order security is in line with the core of this article, the flows in the trust channel between citizen and order. Order security is central for the citizen's perception of the quality of the order. It stabilizes expectations, creates a sense of protection, and, in the terms used in the diagnosis above, a sense of a minimal degree of statics that is essential if the citizen's perception should not tip from order into chaos. As another Hayek contemporary at Freiburg, the political scientist Wilhelm Hennis, has put it, economics is a crucial companion of bourgeois society (Hennis 1997), making it at least a potential co-provider of trust in the problem-solving capacity of the order.

As a means to achieve the end of order security, I propose the term "fixed point." Fixed points are *microeconomic anchors* to which the citizen can cling, preventing one's perception from being devoured by the maelstrom of over-dynamics. They are signals sent out by the order to the citizen that one's anxiety is neither an illusion nor a mirage, but something that the order takes seriously. Liberal political economists in their role of order guardians should be *suppliers and communicators of fixed points*.

Fixed points can sometimes be offered pretty much for free. For example, extending the operating licenses of the remaining German nuclear power plants would cost very little given their full amortization, but would demonstrate that signals of order security are being sent out to industry and households alike for the duration of current superfragility. And yes, fixed points can also cost money, for example when it comes to compensating for the exorbitant increases in electricity and gas bills for certain sections of the population in the winter 2022/2023. This can be done in market-conformable ways and terminated when prices are close to their pre-war levels.

In communicating fixed points, a bottleneck must be considered that relates to the diagnosis of anxiety-driven polarization. Anyone who has experienced anxiety disorders knows that rational communication with such a patient is difficult for one particular reason: disorder makes the attention span during which the patient is amenable to rational arguments extremely brief. But the technical complexity of fixed points needs to be explained – also by economists – to make the fixed point credible for the citizen. Given the very scarce attention span, fixed points with low complexity should be prioritized – other measures may be objectively more effective, but subjectively ineffective for generating order security in the citizen’s perception. When it comes to amending the anxiety coming from the waves of globalization and digitalization, education vouchers for workers anxious about losses in human capital, or data portability of users anxious about data protection can serve as fixed points. Explaining the powerful mechanism of CO₂ pricing can be a fixed point for the anxiety caused by the debate around climate change, with lump-sum compensations as a complement which is easy to communicate. Even though other compensation schemes might be objectively superior in terms of microeconomics, their complexity makes them subjectively ineffective due to the scarce attention span of the citizen.

5. Summary: Liberal Political Economists and the “Governing Dynamics” Agenda

In this article I illustrated how the historical plenty in 20th-century German-language political economy can help understand and handle the multiple crises of our times. By using a three-step approach of anamnesis, diagnosis, and therapy, I depicted how these crises add up to a crisis burger, and how this burger can be conceptualized in the subjectivist perspective of the modern Economics of Order. The notion of superfragility is central in formulating the specific requirements of such a state of exception, *i. e.*, that understanding the governing dynamics of the market economy is not sufficient. Rather, an active attempt at ordering of these dynamics is indispensable. To counter the risks of an anxiety-ridden society, I use the notion of order security as the end, and the notion of fixed points as the trust-generating means to reach this end. This three-step approach is accompanied by a reassessment of what liberal political economists should do in this very specific superfragile context. Both in terms of rhetoric and substance, moves comparable to the ones in the late 1930s lead to a self-understanding of order guardians.

Such self-critical scrutiny for liberal political economists is overdue, given the marginalization of liberalism with the increasing weight and risky skew of the crisis bur-

ger on the plate carried by the order-as-waiter. Not moving is easy, but potentially destructive to superfragile orders. The question about which parts of one's principles set are still topical in the superfragile state of exception becomes the crucial one. Hopefully this admittedly activist plea is based on an analysis that turns out to be "over-anxious." Alas, if the 1928 analogy is even halfway adequate, there is serious urgency to stabilize the national, supranational, and international orders before the next large macroeconomic shock hits. Liberal political economists should not repeat the mistake of the 1930s *vis-à-vis* Keynes's macroeconomics by failing to provide a positive – and hopeful – agenda how to preserve our current world that is the best of all historical ones. If they fail to become order guardians of this superfragile world, those who want its implosion will instead take care of it.

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