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The Philosophy of Social Market Economy: Michel Foucault's Analysis of Ordoliberalism

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Abstract:

Michel Foucault's lectures at the Collège de France in 1978–1979 centered on the analysis of power with regard to liberalism. Foucault especially focused on German ordoliberalism and its specific governmentality. Although Foucault's review of the ordoliberal texts, programs, and books is very faithful, there are some occasional "schematic" simplifications. Our paper will evaluate Foucault's constitution of an ordoliberal "archive", though more emphasis will be put on the general importance of the phenomenological orientation in Walter Eucken's work. Hence, three tasks will guide our paper: first, an analysis of Foucault's position; second, the phenomenological foundation of the ordoliberal discourse compared to the 18th century liberal discourse, i.e. the way in which Walter Eucken received Husserl. Third, our paper shall raise the subject of the mutual historical-epistemological complementation of philosophy and economics by taking Foucault's analysis as the starting point. Furthermore, the consequences of a phenomenological, "eidetic" order of the economy will be discussed, focusing mainly on the expansion of competition in social domains.

Keywords: Foucault, Husserl, Eucken, ordoliberalism, eidetic order of the market, social market economy

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1. Introduction

After all the agitation, the belittling, the denunciations and the euphoric praises, which made it difficult to approach Michel Foucault's "work"¹ in a thoughtful way, it seems now possible to look at his discourses in a calm and circumspect manner, especially with regard to the publication of his Collège de France lectures². Foucault's genealogical and militant method gave rise to suspicion and resentment: according to some he obscured modern reason, he encouraged conservative values, he undermined progression towards the left in the name of an obvious class position, he promoted the death of man, all of which compromised the many humanistic efforts. For many critics, the descent of the author, the discontinuity of the work and its difficult categorization in one discipline were cause for concern and complaints. With all these parrhesiastic and political accusations³ in the name of truth, there was more *polemos* than *agon*⁴. Therefore significant expansions and opposing discursive cross fertilizations could hardly be examined. Of course, Foucault's analyses about madness, medicine and criminal law were relevant for the history of medicine, psychiatry and criminology; in addition, a few discursive threads were produced for gender studies. But subjects strictly belonging to human sciences, which were addressed in *Les Mots et les Choses*⁵, especially biology and economics, were left aside⁶. In the end, knowing whether Foucaultian analyses should be linked to Heideggerian acclamation or failure of the being, which was suggestively drawn from Foucault when he was on his sickbed, did not bring much.

¹ In the following pages we will not be discussing the many debates concerning the condition necessary for a work to be possible or the questionable status of the author. The fact that Foucault did not want to appear as a person to whom statements are ascribed, statements that are only authorized because they obey the command of a proper name and, from a political science perspective, set a subject in the public realm, was one of the most disturbing moments for the scientific community. About the concept of "author", cf. Foucault (1995). About the position of the author and the work, cf. Deleuze (1988).

² The lectures on governmentality, particularly, generated a number of noteworthy studies: Burchell, Gordon, and Miller (ed.) (1991), Lemke (1997), Bröckling, Krasmann, and Lemke (ed.) (2000), Lemke (2001), Schwarz (ed.) (1994), Barry, Osborne and Rose (1996); for an "interim assessment of the reception" of Foucault's work, cf. Honneth and Saar (2003).

³ About *parrhesia*, cf. Foucault (1985).

⁴ About *agon* and *polemos*, cf. Nietzsche (1980).

⁵ Cf. Foucault (1994). About the two archaeological formations of economic science due to the epistemological split, cf. *ibid* pp.166-208 concerning the classical episteme, pp.250-262 with regard to the modern episteme of economic terminology.

⁶ Of course there were some isolated efforts in the aforementioned academic disciplines that adopted the same discursive tone as Foucault, cf. – with respect to biological epistemological – Jacob (1976) and (1992).

Thus, the methods and subjects of his 1978 and 1979 lectures at the Collège de France were all the more surprising.⁷ Contrary to what might be expected given the title of the second volume, “The Birth of Biopolitics”, in that lecture Foucault examined at length German ordoliberalism and Walter Eucken (1891-1950)⁸. Foucault’s interpretation of German ordoliberalism as the foundation of the Social Market Economy in post-war Germany was astonishing. He presented the Freiburg school around Walter Eucken as being not *one* liberal variant, but *the* dominant liberal discourse. This discourse, drawn mainly from Edmund Husserl, an influence that is “easily”⁹ recognizable, steps out of the shadow of a British moral-philosophical liberalism, out of the path of the liberal methodological individualizing in the tradition of Paul A. Samuelson in the United States, and out of the horizon – be it the dogmatic praxeology of an a priori lacking any experience (Mises), or the falsifiable horizon of an open society (Popper) – of the Austrian efforts. Without the discursive shifts and the heuristic horizon, in which Foucault’s genealogical argumentation¹⁰ developed, this proposition remains enigmatic, as enigmatic as the depth of an epistemological event, which determined Foucault’s early work. According to him, ordoliberalism is, both in practice and theory, the most clearly stated liberal governmentality. A governmentality that regulates the behavior of subjects between each other: the behavior of the governed among themselves, as well as their behavior towards the government.

In what follows, Foucault’s argumentation will be analyzed in more detail. In order to do this, we will first present and comment on Foucault’s interpretation of ordoliberalism. Following this, we will closely examine the similarity of thought – emphasized by Foucault – between Husserl and Eucken, and therefore between phenomenology and ordoliberalism, by reviewing Eucken’s work from a phenomenological perspective. Then, we will look at the consequences that the assertion made by Foucault has on the concept of an ordoliberal market economy, assertion according to which the idea of competition as “eidos” (instead of a natural given) is central to ordoliberalism. The quintessence of this is that the Social Market Economy, based

⁷ Both the French and German editions were published in 2004, for the French edition cf. Foucault (2004). We will be making reference to the German edition, the English translation being our own.

⁸ For a broader discussion see Vanberg (1998) and Grosseckler (1989), for the historical background Rieter and Schmolz (1993). For the relation to Erhard and Müller-Armack see Goldschmidt (2004), for the context to constitutional economics Vanberg (1988).

⁹ Foucault (2004/II: 172).

¹⁰ About Foucault’s genealogical way of operating, the fundamental principle of which is the *agon*, i.e. the tactical and strategic struggle of knowledge, cf. Foucault (1999: 17): “By ‘genealogy’, we mean the relation between acquired knowledge and local memories, a relation that makes it possible to establish a historical knowledge of the struggles and to insert this knowledge in current tactics”. About the obvious genealogical source of this genealogy in connection with Friedrich Nietzsche, cf. Foucault (1993: 69-90).

on ordoliberalism, cannot be understood without taking into account the underlying phenomenological philosophy. The fact that Foucault points out this “philosophy of the social market economy” in his lectures makes them particularly valuable for the history of economic thought.

2. What is Foucault’s interpretation of Ordoliberalism?

Two crucial preliminary remarks with respect to method must be made before discussing the eidetic character of ordoliberalism. The most important issue is that of the unity of economics, especially that of a history of economics, which is based, apparently, on one object, in a temporary invariant way. What guarantees that there is a theory of economic thought, that is neither history nor philosophy, yet ensures that economics deals with its subject matter in a historical perspective? Does a history-of-thought approach prevail, in such a way that, to a certain degree, a Platonic idea connects to the historical process of economics as a discipline, that the idea of the market, the subjective utility, gradually frees itself of the metaphysical eccentricities of a Plato, Xenophon or Aristotle in order to appear in the works of the younger thinkers? Is it a competition of ideas, which leads to a selection in light of the specific surrounding conditions? A social-historical dominance of events that leads to a particular way of thinking? If one tries, for the purpose of our topic, to examine the many traces of foam left by Foucault’s dives¹¹ in a schematic way, it can be seen that the texts take two directions: a historical-epistemological direction with respect to the archeological formation of economic knowledge on the one hand, and a discourse-analytical-genealogical direction with regard to the strategic, tactic, agonal use of the power discourse on the other hand. After his work on how specific *epistemes* (natural history, general grammar, the analysis of resources) materialize, or what their cognition refers to, a cognition which primarily shows in the “order of things” (methodically exposed in the “archaeology of knowledge”¹²), Foucault turns his attention, after 1975, to a genealogical analysis, to the micro-analysis of power, which means

¹¹ “I felt a bit like a sperm whale, that surfaces and temporarily leaves behind, on the surface of the water, a small trace of foam, and lets it be believed, or wants to believe, or maybe even believes that down under the water, where it can no longer be seen, where nobody can discern it and control it, it follows a deep, coherent and deliberate course” (Foucault 1999: 10f).

¹² Cf. Foucault (1982).

that the texts are not analyzed “as within the archaeology of knowledge, but in the direction of a genealogy of power technologies”¹³.

The second important methodical preliminary remark deals with Foucault’s handling of “universals”¹⁴. He renounces apparently unquestionable facts and realities such as *the state*, *the people*, *history*. He does not postulate them in his analyses, instead he develops a genealogical theory and practice of forces, whose effects are specific manifestations of the state, the people, a nation: “The state is not a universal, the state as such is not an autonomous source of power. (...) In short, the state has no innards – everybody knows that –, not only in the sense that it has no feelings, neither good or bad, but it has no innards in the sense that it has no inside. The state is nothing more than the changing effect of a system made of several governmentalities.”¹⁵ Foucault does not recognize any ultimate, par excellence unquestionable, entity constituting a stable starting point for knowledge, and where knowledge could find a point of rest. Therefore, for him, antagonisms such as methodological individualism and holism make no sense; rather, they obstruct the diversity of the power discourse, which creates individual patterns of behavior and state effects in the first place. Consequently, he equally rejects a phenomenological or axiomatic origin and the existence of a class referring to a homogeneous entity. Thus no sovereign desire by an individual precedes the economy, a desire that would slowly reveal itself in the history of economic thought in such a way that this seemingly hidden truth finally unveils itself in marginalism. For Foucault, the individual is, like the state, the result of different productions, just as is the expression of a diagram of forces.

¹³ Foucault (2004/I: 61).

¹⁴ Foucault is at odds with the historical philosophical tradition with his handling of “the state”, “the people” or “the society”. He neither establishes political bodies in a holistic way, so to speak, nor does he analyze the manners in which political entities constitute themselves, be it the formation of a Leviathan, the specification of a contract of servitude or dominance in the tradition of Rousseau and Kant, the slow genesis of a historical identity, which in the end finds its expression in the state, or the dialectic cancellation of individual interests that are found in a state, the psyche of a people, or the world spirit. In contrast, Foucault’s analysis has a dual orientation: on the one hand, he analyzes the parrhesiastic statements, i.e. statements that are made on behalf of a political body; on the other hand, he exposes a particular governmentality, where “the” state appears as the effect and result of the dynamic practices of the art of government. For a general context regarding the lectures, cf. the excellent afterword by Michel Sennelart in the German edition of the lectures, in: Foucault (2004/II: 445-489).

¹⁵ Foucault (2004/II: 115). About the political facets of a genealogical constitution of state effects – beyond an affirmation or phobia of the state – in Foucault, cf. the remarks by the editor in Foucault (2004/II: 452f). Concerning RAF terrorism and state measures in Germany, the extradition of RAF lawyer Klaus Croissant to Germany, in the 1970s, Foucault took a stand against terrorism and the interpretation according to which a new fascism was emerging in Germany, cf. Foucault (2003).

Following Foucault, the production of an individual is of course particularly ambiguous, therefore its interpretation supposes a great deal of patience. It is not the entirety of an individual epiphany that is produced, akin to a human being leaving, with his body, an enigmatic production process; rather, a specific truth is produced, in whose name the individuals give in to an interest. Therefore, a particular historical constellation is necessary for the desire of individuals, for a self-interest, to come out of the collection of multifaceted sensations, feelings, a self-interest in whose name individuals will want to trade, in the same way that non-discursive milieu formations are occasionally necessary (prisons). These formations will, among the wide variety of bodily forces, expose some of them, establish hierarchies and suggest compositions¹⁶, so that individuals first know what their self-interest is, and second, that they exercise their freedom in an appropriate way¹⁷. Consequently, the existence of the individual as such is not questioned, and Foucault doesn't claim either to bring about the death of man. What is crucial here is that some forces of the individual are brought out to become the subject matter of knowledge. What is governed, and what will become a manifestation, is the "formation" of individuals as "desiring subjects"¹⁸. The significant break for liberal governmentality is the constitution of a desiring subject that does not obey the logic of a divine or legal will¹⁹. Thus the interest of an individual, by nature, is not the object of regulations, observations, suspicions, i.e. political and administrative efforts, its nature as desiring subject does not precede the state or society, rather it is the result of power technology: "That means that the area of contact between the individual and power, where power is exerted over the individual, and hence the principle of regulation of power over the individual only follows the pattern of *Homo oeconomicus*."²⁰

¹⁶ Jeremy Bentham's Panopticon is the most far-reaching when it comes to economic discourse: "The panopticon (...) is supposed to have a strengthening and intensifying effect; it organizes power and makes power more economical and effective not for power's sake, and not to save an endangered society's life. What is at issue is to strengthen society's forces – to increase production, to develop the economy, to expand education, and to raise to level of public morale: to contribute to growth and increase." (Foucault 1995: 267).

¹⁷ The appropriate use of freedom comes to a head in the "really free translation" – according to the editor Michel Sennelart – of Bentham by Foucault, about the fact that a good liberal government must be a panoptic government: "The Panopticon is fundamentally the real formulation of a liberal government, for, in the end, what must a government do? "The panopticon presents, as a matter of fact, the actual formula of a liberal government, because what is at the heart of government action? It must allow a place for the natural mechanics of both behaviour and production. It must give leeway to those mechanics and must not exert influence in any other way – at least at first – than by supervision." (Foucault (2004/II: 102).

¹⁸ Bröckling et al. (eds.) (2000: 11). About technologies of the self, also cf. Rauchenschwandtner (2004).

¹⁹ "I believe that *Homo Oeconomicus* in the 18th century is a completely heterogeneous character, which cannot be superimposed on what could be called *Homo juris* or *Homo legalis*" (Foucault (2004/II: 379)

²⁰ Foucault (2004/II: 349).

Therefore, a genealogical discourse is not simply a theoretical form of description of these alleged universals, rather it is a relation with other discourses, so that in the end there is no irreducible entity such as society or the institution, from which intention, function or cause and effect can be derived. Moreover, universals are not to be reduced to functions, so that their manifestations can only be described in terms of divergence or congruency. Because no social, economic or political reality is modeled, and concepts are not the expression of specific materialistic fact, “realities” such as the state, and also freedom, are formed. Thus, from Foucault’s perspective, the state is produced through the effect of different practices of governmentality. In the same way, freedom, in the liberal sense, does not have an ontological dignity of its own but is also a discursive effect: “Freedom in the system of liberalism is therefore not a given, it is not a completed domain that one should respect; or when it is, it is only partial, domain-specific, in this or that case, and so on. Freedom is something that is created at every moment. Liberalism does not simply accept freedom. Liberalism takes it upon itself to create it at every moment, to let it emerge and to produce it with all the constraints, problems and costs that come with its creation.”²¹

In the 1978/1979 lectures, Foucault’s interest changes²². In emphasizing, with a genealogical analysis of the fundamental principle of order, territory, population, and security, an issue at the centre of the German and Austrian political sciences, especially with Johann Heinrich Gottlob v. Justi (ca. 1705–1771) and Joseph von Sonnenfels (1732–1817), governmental reason increasingly comes to the forefront. Governmental reason no longer speaks in the name of authentic divine or natural political rights, but instead places the “nature” of humans, especially of the population, at the centre of regulations. In the (historic) moment when people speak in the name of the market, when there is veridiction, it is no longer the right of a subject that needs to be promoted or changed, but the *interest*, which is administered in the name of freedom. The nature of man, of his freedom and interest, that is correlated with the interest of others through the market economy, is not a universal which, after long repressions, finally comes to light thanks to an enlightening and enlightened rationality. Rather, it is also the result of discourses.

For Foucault’s analyses of economics, this means the following: from a historical-epistemological perspective, the economic discourse partakes in the constitution of an archive of knowledge (episteme), where a specific relation with respect to a historical a priori is predicable. But from a genealogical perspective, that is the genealogy of liberalism as a

²¹ Foucault (2004/II: 99).

²² Cf. the lecture of February 1, 1978, Foucault (2004/I: 162).

governmental practice, the differences in the liberal discourse are substantial. Thus, the liberal principle of order is not the expression of a political philosophy, of an ideology's moral-philosophical imperative. The considerable differences that are to be found within the liberal discourse, from the modern founding fathers of economics (David Hume, Adam Smith) to the ordoliberal, American, and Austrian versions of liberalism, affect the relation between nature and eidetic order, between the market and competition, as well as the structure of the economic subject.²³

Central to Foucault's argumentation is the fact that ordoliberalism does not deal with the same subject matter as 18th century liberalism, and that it does not simply help a transcendental freedom to break through – it does this, but this does not constitute the decisive genealogical reevaluation. Rather, the market, freedom and competition bring out variety, i.e. they effectuate other moments.²⁴ In particular, the ordoliberal justification of the state is different

²³ The “Colloque de Lippmann” plays an important role in Foucault's reflexions on the development of contemporary Liberalism (e.g. Foucault 2004/II: 190f, 226f). The Colloque de Lippmann took place in Paris, between Friday, August 26, and Tuesday, August 30, 1938, and is seen today as the “birth of Neoliberalism” in Europe (Denord 2001: 9). The symposium was organized by Louis Rougier, and many liberals participated beside Walter Lippmann. Coming from Great-Britain, Friedrich August von Hayek, Arnold Plant, Michael Polanyi and Lionel Robbins, among others, attended. The presence of Alexander Rüstow and Wilhelm Röpke from Germany is worth noting. The latter, as well as Hayek and Ludwig von Mises, who was teaching in Geneva at that time, decisively lead the discussion on the criticism and new direction of liberalism from the perspective of the Austrian School. From France, Louis Baudin, Jacques Rueff and René Marjolin are worth mentioning. With this conference, Lippmann and Rougier were hoping to carry over into the intellectual European discourse the positive response that Lippmann's book “The Good Society” had achieved in the United States in 1937. In his book, Lippmann clearly took position against the “New Deal” and advocated a review of liberalism. According to Denord (2001), the distinctiveness of “Good Society” is to be found in the fact that Lippmann ascribes an elevated role to legal order, in particular to the rules of the state that govern order. This is also a criticism of liberalism on Lippmann's part, since he disputes the capacity of liberalism to guarantee competition due to the lack of effective rules ensuring order. This point of criticism towards liberalism also motivates Lippmann's understanding of the state. These two points were the main subjects of discussion during the Colloque de Lippmann. A summary of the contributions to the discussion that were made during the Colloque de Lippmann was published under the name of the symposium as the first volume of the works of the International Study Centre for the Renewal of Liberalism, C.I.R.L. (Centre international d'études pour la Rénovation du Libéralisme), which was created following the Colloque de Lippmann. To date, this publication is only available in French (Compte-rendu des séances du Colloque Walter Lippmann, Paris, 26-30 août 1938, Paris: Librairie Medicis 1939). Nowadays, the CIRL is considered as having been the “prototype” for the Mont Pelerin Society, which was founded nine years later (Denord 2001: 10).

²⁴ As regards content, when presenting and reconstructing Ordoliberalism, Foucault mainly follows the argument found in “La pensée économique libérale de l'Allemagne contemporaine” by François Bilger (1964), which for a long time was one of the few works about German ordoliberalism in French. Bilger is still to this day one of the few representatives of ordoliberalism in France, for instance Bilger (2003). In his examination of ordoliberalism, Foucault also relies on Kunz (1962) and François-Poncet (1970).

than that of other liberal programs. It is, after all, the experience of ordoliberal economists with National Socialism which reverses the discursive threads.

What is significant – and this is found in Foucault’s argument as well – in the way the ordoliberals view the National Socialist regime, is that in their opinion the totalitarian dictatorship led to a growing state apparatus and constant intervention. This phenomenon, which is not specific to the Nazi era but is to be found in a wide variety of forms in the development of European societies in the 19th century, requires a rethinking of the understanding of the state, which the ordoliberals carry out. On this topic, Foucault states: “The systematic destruction of the state, or at least its debasement to the point that it became purely the instrument of some thing, which was the community of the people, the principle of the “Führer”, the existence of the party; this subordination of the state indicates the subordinate place that was ascribed to it. Once the ordoliberals realized this, their response was: Make no mistake. ...If one really establishes the economic system that I mentioned earlier [liberalism as the art of governance N.G./H.R.], some form of supra-state is necessary to keep it operating, an expansion of the state that the current organizational and institutional structures can not enable.”²⁵ For ordoliberals, this means that instead of calling for a state that monitors the market – which was the opinion of the original liberal project – they want the market to have a regulatory effect on state action. The different options justifying state action in the modern age, the question of how a political community takes on the quality of a state, can be reconstructed as being *the* contribution of the ordoliberals. In one of his early articles, “Staatliche Strukturwandlungen und die Krisis des Kapitalismus” (*Changes in the structure of the state and the crisis of capitalism*), published in 1932, Walter Eucken provides exactly this line of thought: “Close relations form mainly between economic and national-political courses of events. These interdependencies have become crucial for the current situation of capitalism. The analysis of the forces of development and technical possibilities that capitalism still possesses today is not sufficient in itself. The question that needs to be addressed is whether the societal foundations for the existence of capitalism remain the same.”²⁶ For ordoliberals, this means that in a modern liberal theory the duties and responsibilities of the state must be clearly defined and circumscribed, and with this, the state has to be able to effectively discharge its duties and responsibilities. The meaning of the often misunderstood expression “strong state”²⁷ is to be viewed in this context. Contrary to the “totalitarian state”, the ordoliberals’ “strong state” is not an end in itself, instead it is a

²⁵ Foucault (2004/II: 162).

²⁶ Eucken (1932: 297).

²⁷ Eucken (1932: 307) and Rüstow (1932).

narrowly limited means used to achieve a functioning and humane economic order. The state is not the instrument of private interests, rather it is the guarantor for order and competition. In this regard, Foucault must take special credit for reconstructing the ordoliberal record. Not only does he (contrary to the usual interpretation of the Freiburg School) give them credit for the recognition of a necessary legal-constitutional framework, he also clearly states that the idea of a legal-constitutional framework itself can only be legitimized through another rationale for the state. We will come back to this later.

As we have seen, Foucault points out that the ordoliberal understanding of the state is due in great part to a critical reflection on National Socialism: “I believe however, that one can say that Nazism was, to a certain extent, the political and epistemic road to Damascus for the Freiburg School; i.e. that Nazism, for them, was something that enabled them to define what I will call the domain of enmity.”²⁸ But contrary to what Foucault thought (“Eucken kept quiet during the Nazi era”²⁹), it should be underscored here that the way in which the ordoliberals, and especially Eucken, addressed National Socialism also stemmed from *personal* experience (and not only in the theoretical reconstruction); this was critical in the development of the Freiburg School. Eucken actively took part in the resistance against the Nazi regime. Soon after the change in power in 1933, the antagonism between the members of the Freiburg School, especially Walter Eucken, and National-Socialist ideology appeared. Nazi ideology had found a figurehead in the then rector of the University of Freiburg, philosopher Martin Heidegger. During Heidegger’s term as rector, Eucken became a speaker for the opposition, and in the following years turned out to be a pole of identification during the Third Reich. The resistance of some members of the Freiburg School was institutionalized through the creation of the so-called Freiburg Circles; issues concerning the resistance as well as a possible post-war order, both from an economic and ethical-theological perspective, were debated.

When discussing this connection and Foucault’s reconstruction of ordoliberal thought, it is crucial to bear in mind that it is only within this resistance by the Freiburg members to National Socialism that ordoliberalism could develop into a program of freedom.

Accordingly, it is also helpful to remember that it is only in later years that “freedom” became a key concept in Eucken’s writings. In earlier writings, only occasional references are to be

²⁸ Foucault (2004/II: 154f.).

²⁹ Foucault (2004/II: 150). But this cannot be held against Foucault; indeed, for a long time, Eucken’s role in the resistance was hardly considered. This aspect was researched for the first time by Blumenberg-Lampe in 1973. Rieter and Schmolz (1993) gives a general overview in English; the current state of research is documented in Goldschmidt (ed.) (2005).

found, as in the essay “Nationalökonomie – wozu?” (*Economics – what for?*), published in 1938. With the creation of states in the late 18th century and the early 19th century in mind, Eucken writes that “the state, through the constitutional legislation of the economy, creates a new basis; not only does the state seek to grant freedom to the individual, but also to the entire system”³⁰. Thus in Eucken, freedom is always linked to his understanding of order. In “The Foundations of Economics”, however, which was published for the first time in 1940 and which is central to the elaboration of the underlying phenomenological direction of ordoliberalism, the term “freedom” has no meaning. It is only in “Grundsätzen der Wirtschaftspolitik”, published posthumously, that Eucken’s concept of freedom fully develops. The fact that the term “freedom” could take on this meaning is mainly due to the personal experiences with the Third Reich dictatorship, which despised people and freedom. In a presentation given in 1941, Eucken states that the objective of the order to come must be to guarantee “people’s inalienable rights to freedom”³¹. To establish freedom, however, it is indispensable to link “freedom” itself to the idea of system, and not rely on the factual (existing) state. For the Freiburg economists, the value of freedom is not independent of other concepts, Eucken’s “program of freedom”³² does not make freedom absolute, and freedom is not guiding knowledge either. In fact, it is Eucken’s approach based on his theory of order that explains his understanding of freedom. For Eucken, the concept of freedom takes on significance because order itself (as eidetic order) guarantees freedom: only by recognizing order can freedom develop. In order to understand what Eucken bases his understanding of freedom on within an economic order, one has to examine the influence of Husserl’s phenomenology more closely. It is precisely based on this influence that Foucault argues that the members of the Freiburg School were familiar with phenomenology and that they constructed their economic theory in analogy to Husserl’s philosophy: “Because, exactly as for Husserl, a formal structure cannot be reached through intuition without a sequence of conditions, competition will only appear and generate its effects as the essential logic of the economy when it is subject to a sequence of conditions which have to be carefully and artificially constructed. This means that competition is not an elementary given. Competition can only be the result of a long effort, and in fact, pure competition will never be attained.”³³

³⁰ Eucken (1938b: 43).

³¹ Eucken (1942: 44).

³² Eucken (2004 [1952]: 370).

³³ Foucault (2004/II: 173).

3. The reception of Husserl by Eucken

Walter Eucken's reference to Edmund Husserl is not an economic, academic theoretical overview, nor a biographical side note which accompanies the ordoliberal project. Rather, it is a seminal element needed to define the order of the market. What order fits the market? Is the market the result of natural acts by people, does it refer to an ontological dimension of its own, is it a Neokantian deduced domicile critical of knowledge, is it an eidetic order, or a regulative idea in the Kantian sense? The market does not refer to a natural order, the nature of the market is no longer mentioned during the first third of the 20th century, notices Foucault: "In this regard, ordoliberals break with the tradition of 18th and 19th century liberalism. (...) Why? Because, according to them, when one derives the principle of laissez-faire from the market economy, one is basically caught in what can be called 'naturalistic naivety', i.e. that it is believed that the market (...) in any case is a natural given, something that spontaneously occurs and therefore that the state must respect, as though it were such a natural given. But, according to the ordoliberals – it is here that Husserl's influence is easily recognizable – we are dealing here with naturalistic naivety. Indeed, what exactly is competition? It is surely not a natural given. Competition, in its game, its mechanisms and its positive effects, that are recognizable and evaluated, is surely not a natural phenomenon. It is not the result of a natural game of desire, instinct, behavior and so on. In actual fact, competition owes its effects solely to its essential nature, by which it is characterized and constituted."³⁴

The *essence* of the market is not a metaphysical one, a collective fallacy or a Hegelian power that dialectically pushes towards appearance. Rather, it is a phenomenological-based order, namely an *eidetic order* that Walter Eucken, by referring literally to Husserl, developed and used as the basis of economics.

Foucault's statement according to which Husserl's influence on Eucken is "easily" recognizable stands in sharp contrast to what is found in the prevalent literature on the Freiburg School when it comes to Husserl.³⁵ Foucault emphasizes the influence of Husserl on the Freiburg School, yet he does not provide a detailed, philosophical-historical analysis. It thus seems appropriate, from the perspective of the history of economic thought, to examine the influence of Husserl on Eucken's work more closely, so as to be able to better understand

³⁴ Foucault (2004/II: 172f).

³⁵ Note that concerning Husserl's influence on ordoliberal theory, see the recent work of Klump (2003) and Goldschmidt (2002: chap.3.1).

the epistemological status of the eidetic order in Eucken's work and why Foucault presents phenomenology as the foundation of ordoliberalism.

The main proposition, which we wish here to substantiate, can be formulated as follows: Eucken, when reconnecting his method to the phenomenological approach, also finds an objective for a theory of science, an objective – compatible with the ideal-type approach – that corresponds to his search for a more “crisis-proof science” and for the “true” basis of science. Nowhere is this analogy more clearly exposed than in the literal quote, borrowed from Husserl's first volume of “Logical Investigations”, and included by Eucken in the “Foundations of Economics”:

“Science neither wishes nor dares to become a field for architectonic play. The system peculiar to science, i.e. to true and correct science, is not our own invention, but is present in things, where we simply find or discover it. Science seeks to be means towards the greatest possible conquest of the realm of truth by our knowledge. The realm of truth is, however, no disordered chaos, but is dominated and unified by law.”³⁶

To arrive to the “realm of truth” using science can thus also be described as the purpose of Walter Eucken's scientific program. And the economist, a few lines later, reiterates his intention when he states that the objective is to “get clear of the confusion of everyday experience” and to “hold strongly to the idea of truth”³⁷.

To what extent does it appear meaningful to reconstruct Eucken as a phenomenologist? In order to find this out, one should examine more closely the aspects in Husserl's sophisticated complete works that are relevant to the ordoliberal construct of ideas. In this endeavor, the (remaining six) explicit quotes found in Eucken's writings will be explored (in chronological order), since the implicit references can also be clarified thanks to these sections.

For the first time, in his 1934 programmatic essay “Was leistet die nationalökonomische Theorie?” (*What does economic theory accomplish?*), Eucken's link with the phenomenological basic approaches clearly emerges. Under the headline “Gewinnung von Theorien” (*extraction of theories*), Eucken notes the following:

“If when deducing a theory a mistake occurs due to a priori assumptions, then it is false; but if the deduction was correct from a logical point of view, then the theory holds an

³⁶ Husserl (1970 [1900/1901]: 62) as well as Eucken (1950 [1940]: 304).

³⁷ Eucken (1950 [1940]: 305).

objective, generally valid truth that is independent of anything arbitrary and subjective. It expresses an obvious truth of reason (*vérité de raison*).”³⁸

Eucken supports this line of reasoning by using evidence from “Logical Investigations” (as always when he uses references from Husserl).³⁹ Here again the original:

“There is undeniably a subjective, experiential distinction that corresponds to the fundamental objective-ideal distinction between law and fact. If we never had experienced the consciousness of rationality, of apodeicticity in its characteristic distinction from the consciousness of facticity, we should not have possessed the concept of law. We should not have been able to distinguish generic (ideal, law-determined) generality from universal (factual, contingent) generality, nor necessary (i.e. law-determined, generic) implication from factual (i.e. contingently universal) implication. ... Leibniz *vérités de raison* are merely the laws, i.e. the ideal truths in the pure and strict sense, which are solely rooted in our concepts, which are given and known to us in pure, apodeictically evident generalizations.”⁴⁰

Apart from the obvious parallels, which culminate in the orientation towards “ideal truths”, and the linguistic similarities, including the term “*vérité de raison*”, borrowed from Leibniz, there is one particularly noteworthy analogy. Eucken, by using the term “evident truth of reason” explicitly relates to the Husserlian concept of “evidence” as the purpose of theoretical knowledge. In this regard, the goal is “the full agreement of what is meant with what is given as such”⁴¹. This means that Eucken borrows the phenomenological basis of evidence from Husserl to be able to present consistent correlations of justification within the framework of the theory, and in this way state – in Husserl’s terminology – the “absolute unimagineness (inconceivability) of their non-being”⁴². Eucken considers this approach as the “Archimedean point ..., from which the objective and exact knowledge of specific correlations of individual,

³⁸ Eucken (1954 [1934]: 29).

³⁹ Eucken, however, at the same time, refers to two other writings by Husserl. One can find a reference to the 1936 essay on crisis (cf. Eucken 1938a: 199, note 1) and to the 1911 essay on logos (cf. Eucken 1950 [1940]: 321).

⁴⁰ Husserl (1970 [1900/1901]: 154).

⁴¹ Husserl (1970 [1900/1901]: 765).

⁴² Husserl (1960 [1929]: 16).

concrete reality succeeds”⁴³. It is only through this perspective that Eucken’s strict differentiation between actuality and the truth of theories can be understood:

“As soon as, actually, a theory’s assumed conditions approximately hold in a specific place and at a particular time, then the relevant part of the theoretical apparatus sets into motion, while otherwise it just about rests. ... Meanwhile, the truth of theories is not at all affected by their actuality”⁴⁴

As the aforementioned Husserl quotes from “Logical Investigations” show, the issue of “actuality” and “truth” in Eucken’s work is nothing else than the difference between “law” and “fact” in Husserl’s work. This is where the importance of truths of reason comes to the fore – they constitute the normative backbone, i.e. only found in ideal situations, of the Euckenian theory and “are unconditionally and absolutely true and in no sense provisionally so.”⁴⁵

This aspect leads to the next quote from Husserl in Eucken’s work, which is also to be found in the preamble to “Was leistet die nationalökonomische Theorie?”. With Husserl’s authority to support him, Eucken rejects the idea according to which theories should be distinguished based, “not on their truth content ..., but on their convenience and usefulness when it comes to giving an account of factual observations”⁴⁶. Here again, Eucken is at pains to prove how instable mere observations are, that they alone do not suffice to make “universal statements about essential correlations.”⁴⁷

The matter of principle with regard to the status of science leads to the third place where Eucken refers to Husserl. In his 1938 essay “Die Überwindung des Historismus” (*Overcoming historicism*), he considers Husserl as being one of the few philosophers who is not mired in historicism.⁴⁸ What is interesting here is that Eucken not only refers, as usual, to “Logical Investigations”, but also to Husserl’s last work, “The Crisis of European Sciences and Transcendental Phenomenology”, published in 1936. This is particularly noteworthy since

⁴³ Eucken (1954 [1934]: 29).

⁴⁴ Eucken (1954 [1934]: 30).

⁴⁵ Eucken (1950 [1940]: 343).

⁴⁶ Eucken (1954 [1934]: 31).

⁴⁷ Eucken (1954 [1934]: 33). The cognitive theoretical background here is the debate on the principle of the “economy of thought”, especially as found in Ernst Mach, the mastermind of logical empiricism. Eucken, in the mentioned passage, refers to him as an advocate of the rejected positivistic approach. A similar position is to be found in Husserl; cf. for instance Husserl (1970 [1900/1901]: 208f).

⁴⁸ Cf. Eucken (1938a: 199, note 1).

Husserl, in this book, combines his “ultimate goal for a strict philosophical science” with the “inclusion of tradition and history”⁴⁹. This, however, is also the reference point in Eucken’s search for a solution to the “great antinomy”, to find stability in the intellectual, but also – as will appear later on – political confusion of his time.⁵⁰ But first where is the “crisis of sciences” to be found according to Husserl? He writes:

“The exclusiveness with which the world-view of modern man, in the second half of the nineteenth century, let itself be determined by the positive sciences and be blinded by the ‘prosperity’ they produced, meant an indifferent turning-away from the questions which are decisive for a genuine humanity. Merely fact-minded sciences make merely fact-minded people. ... But can the world, the physical as well as the spiritual world, and human existence in it, truthfully have a meaning if the sciences recognize as true only what is objectively established in this fashion, and if history has nothing more to teach us than that all the shapes of the spiritual world, all the conditions of life, ideals, norms upon man relies, form and dissolve themselves like fleeting waves, that it always was and ever will be so, that again and again reason must turn into nonsense, and well-being into misery?”⁵¹

Thus, Husserl attacks a purely positivistic interpretation of science, and wants to oppose to it the “the creation of a science of the ultimate grounds [Gründe]”⁵² using transcendental phenomenology.

Irrespective of the specific methodic and ethical-normative dimensions that arise from the Husserlian intention, it becomes clear why Eucken demands a science “more secure against its crisis”⁵³. If one sticks to the facts and doesn’t reach the truths of reason, then one rushes from one theory limited in applicability to a particular period to the next, without ever penetrating the system of pure forms:

“Thus economics is without a firm basis, always trying to catch up with events and always moving from one crisis to another.”⁵⁴

⁴⁹ Ströker (1992: 105).

⁵⁰ To see that this is also true for Husserl, cf. Ströker (1992: 107).

⁵¹ Husserl (1970 [1936]: 6f).

⁵² Husserl (1970 [1936]: 146).

⁵³ Eucken (1950 [1940]: 307).

⁵⁴ Eucken (1950 [1940]: 306).

It all comes to a head in the question that Eucken literally borrows from Husserl in “The Foundation of Economics”:

“The question as to how natural ‘confused’ experience can become scientific experience, as to how one can arrive at the determination of objectively valid empirical judgments, is the cardinal methodological question of every empirical science.”⁵⁵

To answer this question, Eucken develops an economic instrument: the pointedly distinguishing abstraction. This approach – mainly devised under the influence of Max Weber – is also influenced by Husserl.

The origin of Husserl’s influence over Eucken’s methodological approach is to be found in the rejection of mere concepts and the focusing, instead, on “things themselves”⁵⁶. Husserl’s discourse against the “excesses of conceptual realism”⁵⁷ – the expression comes from another reference to Husserl in the “Foundations of Economics”⁵⁸ – is similar to Eucken’s harsh criticism of “conceptual economics”:

“There may be a desire to understand economic reality more profoundly than can be done simply by the ascertaining of individual facts, but as this sort of economist is busy with concepts rather than facts, his discoveries relate simply to his own schemes of concepts rather than to the structure of the real world, with which they have nothing to do. Instead of looking for and finding the order and interrelations in the seeming chaos of facts, they construct a chaos of concepts supplementary to the facts.”⁵⁹

In this way, according to Eucken, the concept becomes a fetish⁶⁰ that fails to achieve the necessary “penetrating into the facts”⁶¹. To achieve this, one must turn to the facts, since – as

⁵⁵ Eucken (1950 [1940]: 321) or Husserl (1965 [1910/11]: 99f.). About the similarity between Husserl and Eucken concerning their thoughts about crisis, also cf. Weisz (2001: 140f).

⁵⁶ First in “Logischen Untersuchungen. Zweiter Band I. Teil”; Husserl (1970 [1900/1901]: 252). Cf. Eucken (1950 [1940]: 43).

⁵⁷ Husserl (1970 [1900/1901]: 340).

⁵⁸ Eucken (1950 [1940]: 330).

⁵⁹ Eucken (1950 [1940]: 53f).

⁶⁰ Cf. Eucken (1950 [1940]: 52).

⁶¹ Eucken (1950 [1940]: 53).

formulated by Husserl – “the essence of the matter does not reside in changing contents, but in the unity of an intention directed to constant attributes”⁶².

The parallel in the way of thinking (i.e. to reach the substance, or the being, of facts) of Eucken and Husserl is reinforced when Eucken sets out to eliminate the “heap of rubble”⁶³ of the historical school. Eucken, clearly dissociating himself from the historical school (and its hope to arrive at a general theory through historical analysis), turns towards “phenomena of great uniformity”⁶⁴ and starts upon the “path of abstraction”⁶⁵. Eucken links the concept of abstraction with the characteristics “pointedly distinguishing” and “isolating”. In doing so, Eucken once again refers to Husserl.⁶⁶ In this quote, Husserl talks of “abstraction in the sense of an emphatic pointing to ‘abstract contents’”⁶⁷.

It becomes clear, however, that this concept, in the substantiation of its content, is not mainly derived from Husserl when one considers the fact that the concept of abstraction does not play the same role in Husserl’s work as it does in Eucken’s, especially in “The Foundations of Economics”. Therefore it would be a mistake to see a definite terminological parallel in the description “pointedly distinguishing”. Indeed, except for the aforementioned quotation, Husserl usually uses the expression “ideational abstraction”⁶⁸, or simply “ideation”, to designate his process of abstraction. In “Logical Investigations”, Husserl considers this process of abstraction as characterizing the phenomenological method:

“Logical concepts, as valid thought-unities, must have their origin in intuition: they must arise out of an ideational intuition founded on certain experiences, and must admit of indefinite reconfirmation, and of recognition of their self-identity, on the reperformance of such abstraction. ... We desire to render self-evident in fully-fledged intuitions In the practice of cognition we strive to arouse dispositions in ourselves which will keep our

⁶² Husserl (1970 [1900/1901]: 362).

⁶³ Eucken (1940: 474).

⁶⁴ Eucken (1954 [1934]: 16).

⁶⁵ Eucken (1954 [1934]: 19).

⁶⁶ Cf. Eucken (1950 [1940]: 332).

⁶⁷ Husserl (1970 [1900/1901]: 426).

⁶⁸ Husserl equates it with the “generalizing abstraction”; cf. Husserl (1970 [1900/1901]: 432). A term that was strongly rejected by Eucken. Therefore it seems at least as problematic when Eucken refers to Husserl as an authority when it comes to differentiating “pointedly distinguishing abstraction” from “generalizing abstraction”; cf. Eucken (1950 [1940]: 332).

meanings unshakably the same, which will measure them sufficiently often against the mark set by reproducible intuitions or by an intuitive carrying out of our abstraction.”⁶⁹

Accordingly, for Husserl, the “power of abstraction” consists in “the power to separate off partial ideas, ideas of such attributes, from the phenomenal things given to us as complexes of attributes, and to associate them with words of which they are the general meanings.”⁷⁰ The objective of the intuition is thus to reach real universality in the sense of essential universality. Of course analogies to Eucken’s approach are to be found here; one only needs to recall the part about the stove at the beginning of “The Foundations of Economics”.⁷¹ Eucken, however, does not become a phenomenologist (i.e. a disciple of Husserl) because he uses abstraction. This is due to the fact that Husserl, even when he grants the aforementioned meaning to this process, especially in “Logical Investigations”, ultimately does not find a consistent or even an explicit a priori definition of the concept, nor a clear stabilization of the term. Yet this is exactly what Eucken tries to do in “The Foundations of Economics”: the pointedly distinguishing abstract is the process used to extract ideal types.⁷²

From the concept of “ideational abstraction”, or “ideation”, a link can be drawn to another term, which is not without significance both in the Husserlian and Euckenian methods: “reduction”. In Husserl, reduction takes on a fundamental meaning, which is explicitly linked to ideation. This change is introduced by the concept of “epoché”, which – generally similar to the approach of “transcendental reduction” – becomes Husserl’s main methodological concept a few years after the publication of “Logical Investigations”. Because of its complexity, Husserl’s method can not be outlined here. But it is crucial to bear in mind that Husserl, through “epoché”, through the “method of bracketing”, discards the “the world of the natural standpoint: I and my world about me”⁷³. Within the framework of “epoché”, or “transcendental reduction”, another process – in second place, so to say – is introduced: the “eidetic reduction”. In this case, a real or imagined individual subject matter, set as an example, is the starting point, and diversity in its free, fantasy-like variation, which is necessary to record universality, is created:

⁶⁹ Husserl (1970 [1900/1901]: 251f). This passage is in context with the previously mentioned call to turn towards the “things themselves”.

⁷⁰ Husserl (1970 [1900/1901]: 354).

⁷¹ Eucken (1950 [1940]: 18).

⁷² Cf. Eucken (1950 [1940]: 107).

⁷³ Husserl (1958 [1913]: 101).

“As over against this psychological ‘phenomenology’, *pure or transcendental phenomenology will be established not as a science of facts, but as a science of essential Being* (as ‘eidetic’ Science). ... the corresponding Reduction which leads from the psychological phenomenon to the pure ‘essence’, or, in respect of the judging thought, from factual (‘empirical’) to ‘essential’ universality, is the *eidetic Reduction*.”⁷⁴

The concept of “reduction”, especially in the preface to “Kapitaltheoretischen Untersuchungen” (*Examinations into a theory of capital*), is also regarded as characteristic of Eucken’s method:

“The conditions set by researchers must therefore be reductions of the factual given to pure facts and can, in no way, be chosen arbitrarily or unilaterally.”⁷⁵

If one accepts this comparison as evidence for the parallels between Husserl’s and Eucken’s methods, at least two difficulties arise, which make it appear problematic to grant far-reaching substantial meaning, beside the similar intention postulated here, to the phenomenological approach. First, Eucken, in his comments, does not differentiate between “reduction” and “abstraction”; Husserl’s ramified analysis of theory of science is, in the context of “epoché” and “transcendental consciousness”, meaningless for Eucken: his sole focus, in the end, is to advance “extraction of realistic theories”⁷⁶. Accordingly, with regard to “reduction” in Eucken, there is no reference to Husserl, and in the case of abstraction, the phenomenologist is only cited as evidence for a clear separation of different concepts of attraction. Second, the concept of “reduction” in “The Foundations of Economics” has no importance whatsoever for Eucken; only “pointedly distinguishing abstraction” comes to the forefront. Yet, if Eucken were an “applied phenomenologist”, this crucial concept would be indispensable.

To sum up: Eucken at least sees no contradiction between Husserl’s method and his approach with respect to economic reality; both reject naturalistic naivety. Husserl can be regarded as an authoritative figure, evidence for the fact that Eucken’s approach based on ideal types and the method of abstraction (which for the most part were born out of the “Methodenstreit” and the economic theory debate of the time), coupled with the process of reduction, was adequate

⁷⁴ Husserl (1958 [1913]: 44). Though Husserl’s objective is the “realm of transcendental order as an ‘absolute’, in a specific sense, existence”.

⁷⁵ Eucken (1954 [1934]: 20).

⁷⁶ Eucken (1954 [1934]: 20).

to reach what both of them, within their conceptions – with different shades –, aspired to: namely, conquer the “realm of truth”.

The references to Husserl are recognizable, yet, at the same time, there emerges a clear differentiation from Kantian understanding: Eucken’s conviction concerning values can not be reduced to the acknowledgement of the Kantian philosophy of freedom. Rather, Eucken finds himself in a context of history of ideas, which, regarding the Kantian “Copernican turning point” as the only legitimate authority for cognition, recognizes the system of (transcendental) consciousness: philosophy stands there, with no definitive rear cover, through “*Sein*” (being). In this “era of lost illusions” (Helmuth Plessner), the Neokantian axiology especially, tries to bridge this post-idealistic gap between Being (*Sein*) and Should (*Sollen*), which is no longer mainly thought of in terms of ethics. Bridging this divide is the purpose of axiology as developed by Hermann Lotze in his “Platonism of value”. This means that values are not objective-ideal, but they *hold*. In Wilhelm Windelband, this approach leads to the given absolute values in normal consciousness, as well as the synthesis of these values into a comprehensive world order. Heinrich Rickert carries it over to become an objective, yet unreal, domain of values. In order to understand Walter Eucken’s methodology, one must bear in mind that he is the son of the philosopher and Nobel prize winner Rudolf Eucken. Rudolf Eucken’s philosophy must be placed in the context described above – even though we can not go into details here. Rudolf Eucken is concerned with the mediation of values, which are to lead to the development of a new order of life. His contemporaries recognized in his work “rising idealism ... in the intellectual life not only of Germany but everywhere on the higher and freer levels of civilized life.”⁷⁷ – according to historian Harald Hjärne in his award-giving speech when Eucken received the Nobel Prize in 1908. For Rudolf Eucken, and later for Husserl, what is crucial is to extract universality from the factual, the empirical givens. Similarly to the intentional experience of consciousness of phenomenology, which seeks to arrive to “the fact itself” by neglecting the randomness of factual experience, Rudolf Eucken calls for an “(essential) insight”⁷⁸. Thus he writes: “The question about the intellectual qualities of the individual has to be rephrased into a question about the role of the individual

⁷⁷ Hjärne (1908).

⁷⁸ Eucken, R. (1885/1922: 51). The possible scientific links between Rudolf Eucken and Husserl can also be seen in the fact that the Australian philosopher W.R. Boyce Gibson did not only translate writings by Rudolf Eucken into English; he also translated Husserl’s “Ideas. General Introduction to Pure Phenomenology”, for which Husserl wrote a specific introduction for the English version. Later, Gibson and Walter Eucken met at Husserl’s house in Freiburg. On this subject, cf. Spiegelberg (1971). Concerning the influence of Rudolf Eucken on Husserl, see Fellmann (1989). As regards the relation between Rudolf Eucken’s philosophy and Walter Eucken’s economic approach, see Goldschmidt (2002: chap. 3).

in intellectual life” – and in this way aims at the “emancipation of intellectual order”. From a history of ideas point of view, Rudolf Eucken can be seen as the missing link between German idealism and phenomenology, and one might add that Rudolf Eucken is also the missing link between Walter Eucken’s economic method and Husserl’s philosophical research. This impression is reinforced by the fact that Husserl was on friendly terms both with the father and the son.⁷⁹

However, what is crucial in the present context is that economist Walter Eucken also felt exposed to the (nihilistic) danger of the loss of values, and that the ideas of axiology presented him with possible solutions. And Eucken perfectly follows the post-Kantian tradition when, in “Grundsätzen der Wirtschaftspolitik”, he states: “Only free decisions allow for the recognition and realization of the binding moral order of values”⁸⁰. Thus, the (institutional) concept of order is fundamental to the understanding of freedom and opposes naturalistic naivety. Naturalistic naivety is, among other things, an epistemological deficit and basically leaves the history of economic thought open to three possibilities. First, an epistemological absence, such that economics only proceeds methodically, irrespective of what the subject matter is – hence the epistemological absence of a certain type of orthodox economics. Second, a detailed definition of type of nature can actually be characterized by a natural order and by the rules that its development follows, i.e. a specifically Lamarckian or Darwinian interpretation of the market. Third – and here we are dealing with economics in Germany and Austria in the first third of the twentieth century – an epistemological exposure of the market in its entire gamut: Neokantian, phenomenological and ontological efforts, even though an ontological – at times even fundamentalontological – explanation hardly deserves being called epistemology⁸¹.

4. What follows from the eidetic justification of the market?

Whereas the government around 1800 was regulated in the name of a natural order of the market (this was due to the fact that the two spheres, the legal justification of sovereignty and the market, were separated – sometimes in such a way as to become heterogeneous; civil society later became the interface of these domains), in the liberal principle of order, the

⁷⁹ About this, cf. Goldschmidt (2002: excursus 2) and Dathe and Goldschmidt (2003).

⁸⁰ Eucken (2004 [1952]: 176).

⁸¹ In the work of Friedrich von Gottl-Ottlilienfeld, professor of economics in Berlin in the 1930s, the long path from the attempt to deduce the order of the economy from a perspective that is critical of knowledge to an ontological justification is apparent, cf. Rauchenschwandtner (2005).

eidetic order takes over the mandate of deciding what political strategies and tactics are to be set in motion. The fragile coordination between sovereignty and market disappears in favor of the eidetic order, in the name of which the state was founded after 1945 in Germany. Contrary to the 18th century liberal discourse, the strategic orientation changes: “In other words, it has more to do with a state being controlled by the market than a market being controlled by the state.”⁸²

Another consequence that follows from the eidetic justification of the market is the fundamental role played by competition; not only must one’s own desire be articulated on the market, but the agonal character of the market itself is to be desired. Thus, competition and competitiveness derive from the ordoliberal discourse: “Pure competition should and can only be an objective, an objective that accordingly requires very active policies. Competition is thus a historical objective of governance, it is not a natural given that should be respected. In this type of analysis, we of course find Husserl’s influence, which needn’t be mentioned, as well as the possibility to base history on economics, in a manner similar to Weber’s.”⁸³

No natural battles whatsoever necessitate economic regulation; instead, ordoliberal governance generates the agonal character of economic transactions. The interpretation of ordoliberalism according to which ordoliberalism is the continuity of 18th century liberal governmentality, is turned upside down by Foucault. Yet ordoliberalism is not a frame within which the market is supposed to operate, it does not set limits around the market. Instead, it is the expression of a (fundamental) principle of order as well as an imperative, namely that all obstacles to competition, except the most vital political cushions, are, from a social policy point of view, undesirable. With regard to the eidetic order of the market, this means that, not only should the endeavors of competition be given free rein, but more importantly, competition should be created and produced. Foucault is right in spending some time in his analysis examining how the ordoliberals dealt with the monopoly problem. Following the ordoliberal logic, Foucault positions the solution to the problem of monopoly on the institutional level, to maintain competition operational. Arriving at a monopoly position is not a phenomenon that is inherent to the market; rather, it is caused by external effects (privileges): “The goal [N.G./H.R.] is to prevent external processes from creating occurrences

⁸² Foucault (2004/II: 168).

⁸³ Foucault (2004/II: 173).

of monopoly.”⁸⁴ The legal-constitutional framework then enables competition to be really effective.

Because the German polity after 1945 was built on an economic-eidetic foundation, following the ordoliberalists’ recommendations, the ordoliberal governmentality not only regulated the government’s restraint with regard to the market, but also regulated social tensions that stood in the way of the expansion of competition. Consequently, individuals should not only realize their desires on the market, but also actually desire a competitive market. It is no longer the idea that trade is the regulative principle of the market, instead it is competition. Therefore, in the ordoliberal discourse *homo oeconomicus* is no longer a person that simply hopes to satisfy his needs, rather it is a person who desires the *agon*, who welcomes the competition of interests as an entrepreneur: “Not a society made up of supermarkets, but a society made up of entrepreneurs. The *homo oeconomicus* that some want to recreate is not the man of trade, not the man of consumption, but the man of entrepreneurship and production.”⁸⁵ In this regard, the social market economy’s principle of order is not a corrective that cushions competition’s harshness and supports those that are pushed away. Rather, it is a social political intervention to make sure that fragile competition can realize itself and that the market broadens and deepens: “Social policy therefore should not eliminate the anti-social effects of competition, but the mechanisms that work against competition, mechanisms that could be generated by society, or at least appear within it.”⁸⁶ This is also clear in the ordoliberalists’ intellectual tradition. Eucken also pursues a change in perspective: social policy is no longer understood as a mechanism to correct market processes and make the results of the market beneficial for “society’s objectives.” Rather, Eucken’s conception seeks to resolve the apparent contradiction between economic action and moral obligation on a constitutional level: economic policy is always social policy. Yet this also means that the ordoliberalists can not be understood if one does not take into account the fact that their program does not simply represent a position on economic policy, but that instead it is to be understood as a social-political concept (and this is why Foucault interpreted it as being “vital policy”⁸⁷).

⁸⁴ Foucault (2004/II: 196). Foucault overestimates the significance of the “as-if” principle for the ordoliberal policy of competition. The idea of the “as-if competition” mainly goes back to Leonhard Miksch and remained controversial among the Freiburg members; cf. Goldschmidt and Berndt (2005).

⁸⁵ Foucault (2004/II: 208).

⁸⁶ Foucault (2004/II: 226).

⁸⁷ The concept of vital policy was originally shaped by Alexander Rüstow. In a rather romantic representation, the integration of the individual into the broader community is described as occurring in four ways: in a community, in nature, in his property and in his traditions. For this see Schefold (1999). Müller-Armack’s notions of “social irenics” can be interpreted in a similar way, understood as “an integrated society where the

The philosophy of the social market economy, as developed by Foucault, is the dominant liberal discourse because, starting from the *eidos* of a market, the domains of political sovereignty and the “phenomenal republic of interests”⁸⁸, i.e. the market, are fundamentally shifting. In the name of a market order based on competition, the necessary precondition of which is an *eidos* – and not nature –, social and political domains are, along liberal governmentality, regulated in such a way that every subject can have “its cake and eat it too”⁸⁹, i.e. every subject can become an entrepreneur. Only minor, politically vital adjustments are still allowed: “The return to entrepreneurship, then, is an economic policy or a policy seeking to economize the entire social realm, to have the whole of the social realm geared towards the economy; but at the same time it is also a policy that presents itself, or is understood, as a *vital policy*, whose role it is to compensate for everything that is cold, insensitive, calculating, rational, mechanical in the game of actual economic competition.”⁹⁰

5. Conclusion

Michel Foucault’s analyses of ordoliberalism uncover the different traces of governmental reason. His discursive, genealogical methods highlight how particular effects coming from the state are produced, the state here not being thought of in terms of a universal subject nor as the embodiment of possible functions. Instead, the crucial issue is which discursive formations arise from the statements made in the name of the state. If the state is not a subject that is welcomed or rejected, promoted or attacked, then this has considerable repercussions, particularly on the liberal discourse. Following this, Foucault does not assume thematic continuity, an overall question that remains the same over the centuries, he doesn’t pursue the emergence of freedom either, freedom that historically speaking would express itself in different ways. For economic discourse, but especially for a history of economic thought, the genealogical shifts are substantial. Thus Foucault addresses the difference between the 18th century liberal discourse and the 20th century liberal statements with regard to freedom. In

theory of economic order and economic policy is in harmony with its culture and its cultural policy, social policy and other fields of policy.” (Koslowski 2000: 8). Even though Eucken, as Rüstow, Röpke, and Müller-Armack among others, understands economic policy as social policy, these romanticized thoughts concerning a “vital policy” are not to be found in Eucken’s approach. About this and the question of social policy, cf. Goldschmidt (2004).

⁸⁸ Foucault (2004/II: 335).

⁸⁹ Foucault (2004/II: 335).

⁹⁰ Foucault (2004/II: 335).

this regard, freedom is not an irreducible principle that emerges under different forms; rather, freedom is an object of the discursive formation and an effect of governmentality. Because, following this, Foucault analyzes the ways in which possible objects of cognition are formed, or, more precisely, objects of knowledge, that are strictly expressed in terms of power relations, no object is by nature simply fictitiously constructed, or – in the sense of a Neokantian interpretation – epistemologically constructed. Rather, it is the result of power structures, which possess no origin, only a provenance.

Contrary to an economic history of dogmas, which describes the continuous path of economic method in such a way that, gradually, through the mistakes of the forerunners, the truth emerges, Foucault's method is characterized by the fact that he cites the historical-epistemological condition of the possibility of cognitive objects as a result of power relations. According to this, the fundamental elements of the economy, the individual, desire, utility, trade, and especially freedom are not inherently or simply a methodological postulate, rather they are formed in different ways through a specifically historically ever-changing governmentality. With regards to ordoliberalism and the concept of a social market economy, Foucault places the emphasis on the eidetic order of freedom and of the market, as opposed to the formations in the name of nature in the late 18th century. Governmental reason around 1800 constructed a domain for the market and for freedom that was the result of various state rules and regulations, whereas, in ordoliberalism, state order is to be formed in the name of the eidetic order of the market. In the name of a phenomenological *eidos*, it is no longer just the desire of the individual that is encouraged (18th century liberal discourse), but also the fact that the market itself, as an expression of competition, is to be desired by individuals. Social market economy does not attempt to limit the outgrowths of the order of the market economy; instead, the social realm should be formed in accordance with the *eidos*. Thus, ordoliberal social policy, and sometimes vital policy as well, constructs objects and relations in the name of this eidetic order of the market.

In order to be able to analyze the shift in liberal discourse, it is essential to expose the phenomenologically formed eidetic order of the market and of freedom, and avoid falling in the trap of naturalistic naivety. Therefore, to be able to understand the 20th century liberal discourse and the *order* of the actual social market economy in Germany, it is necessary to read Edmund Husserl, i.e. it is essential to retrace the marks left by Husserl in Walter Eucken's work, because the subject matter of the modern economy, and not only its method, is addressed, and of course not in a naive or a naturalistic fading form,. These traces, however, were simply schematically suggested by Foucault who did not portray them in a

comprehensive manner. Yet a close examination of the relation between Husserl and Eucken leads one to realize that the Foucaultian suggestions should all be acknowledged, that his genealogical endeavors represent a remarkable expansion on the economic issue of freedom – in the narrow sense of the term. But, of course, enough room is left for other outcomes, outcomes that do not satisfy themselves with an esthetics of the self with regard to the liberal principle of order, but which once again and with great effort strive towards an ethics of the polity.

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