

## THE DOCTRINE OF GERMAN NEO-LIBERALISM IN TERMS OF ITS GENESIS AND PRACTICAL IMPLEMENTATION

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*The phenomenon of German neo-liberalism as a peculiar political-economic doctrine which became popular after World War II is analysed in the context of the ideology of neo-liberalism. Attempts have been made to show historical and cultural conditions which favoured the implementation of the ideas developed by W. Eucken, theoretician of the German neo-liberalism, and the representatives of the Freiburg school. The aim of the paper is to identify the peculiarities that make this economic thought different from classical neo-liberalism and have stimulated the development of the economy in post-war West Germany.*

*Key words: liberalism, neo-liberalism, social market theory.*

### Introduction

J. M. Keynes, the father of modern macroeconomics, defined the role of the economy in the following way: "To blend economic productivity with social fairness and political freedoms". One of the initiators of the neo-liberalist ideology, Milton Friedman (1982), in his book "Capital and Freedom" wrote: "There are not many ideas that could undermine the cornerstones of our free society so conceptually as an idea that company managers should take

some other social responsibilities except just bringing profit for the shareholders". Thus, if for macroeconomics classics the market first and foremost was means meant to meet people's needs, for neo-liberals it was just the opposite: market was the aim and society, the people, were just means.

To put it frankly, market is neither good nor bad as it is often referred to, because it is a vaguer subject-matter than we could think. Market models were often applied in other spheres of social life partly because the concept

of market seems to be surprisingly flexible at first sight (Slater, Tonkiss, 2004).

Speaking about the 20th century, it could be definitely said that its economic wonders were not a result of *laissez-faire*, but vice versa (Čiegis, 2002). Radical economic liberalism, finally liberated from an oppressing tension between the East and the West and the related bureaucratic planned economy, after the fall of the Berlin wall finally broke free from constraints left over by social movements of the latter centuries and such economists as J. M. Keynes. Liberalism, re-named as neo-liberalism, started its victory march across the world from its new centre in Chicago. Its aim was, and still is, to let market forces compete without any restrictions; it acknowledges those forces as the only rule and declares them the source of not only personal, but also public wealth. It means nothing else than replacement of one system, one of the main gains of our time, namely civic society and its social security system which protects an individual and limits his egoism, by the principle: everyone is for oneself. Therefore Margaret Thatcher, the “iron” lady of neo-liberalism, claimed: “There is no such thing as society” (Kurnitzky, 2004).

In this context, German neo-liberalism stands out as an economic doctrine developed in the 1930s–1940s as “the third way”, an alternative to capitalism and economic processes of the planned economy. German neo-liberalism, as a specific trend of neo-liberalism, is related to such names as Walter Eucken<sup>1</sup> (1891–1950), Ludwig Erhard (1898–1977), Alfred Müller-Armack

(1901–1978), Leonhard Miksch (1901–1950) and others.

The ideas of the philosopher and historian W. Eucken, the father of German neo-liberalism and the theory of social economy, and of his followers as well as the methodology of economic activity analysis gave a new turn to the development of economic thought in Germany. The ideas developed by the Freiberg school theoreticians were brought into practice by the Erhard–Adenauer administration after World War II, whereas W. Eucken’s school, which developed into the theory of social market, became Western Germany’s official economic policy and is related to “the German wonder”, the rapid recovery of the German economy devastated after World War II and gaining leading positions. Rapid economic development was blended with economic liberalism; monopolies that caused threat to the state and economic freedom were controlled, some other control measures were introduced, state social policy was developed; thus, the middle class and stable social guarantees were established.

Germany’s official economic policy is the social market economy. German neo-liberalism and the aspects of its practical implementation are concurrent from the historical conditions and national mentality.

**Research object:** German neo-liberalism.

**Research aim:** To reveal historical and cultural conditions for the development of German neo-liberalism as a political–economic thought, its genesis and peculiarities that guaranteed practical implementation of this economic theory.

**Research tasks:**

1. To review the historical genesis of liberal thought in Germany.

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<sup>1</sup> W. Eucken’s main works: “*Kritische Betrachtungen zum deutschen Geldproblem*” (1923); “*Kapitaltheoretische Untersuchungen*” (1934); “*Nationalökonomie wozu?*” (1938); “*Grundlagen der Nationalökonomie*” (1939); “*Gundsätze der Wirtschaftspolitik*” (posthumous); *periodical “ORDO”* (since 1948).

2. To define the main causes of the development of the doctrine of neo-liberalism and the context of its genesis.
3. To define the peculiarities of the doctrine of neo-liberalism proposed by W. Eucken and the Freiberg school.
4. To evaluate the cultural and historical conditions that contributed to the implementation of ordo-liberalism in practice.

**Research methods:** Systematic analysis of scientific literature, general and logical analysis, analogy, generalisation and comparison in complex.

### Historical preconditions

In order to understand the genesis of the neo-liberal thought (in our analysis its German aspect), it is necessary to overview the social, cultural and historical context, stimuli that conditioned the formation of this way of society development and first of all the factors that conditioned the strengthening and transformation of neo-liberalism. The cognizance of society as a social system, development, transformations of economic and political ideas appeal to the reason insight into an individual's actions. To analyse the process means to manage each of its stimuli and their entirety (Hollis, Smith, 1998; Coleman, 2005; Kvedaravičius, 2006).

S. A. Martišius (2005) states that outstanding economists of the 19<sup>th</sup> century were already fully aware that in order to apply an economic theory it is necessary to take into consideration not only factors of the problem under analysis, but also its social, political, moral and cultural features. The influence of changes in these features on the problem may be more important than economic factors. Consequently, the scientific economic analysis

should be complex, systematic as well as abstract and definite.

According to the author, no matter whether you like it or not, nations, historical communities of people united by the common language, culture and life style still play the main role in history. Interrelations among nations are the main driving forces in modern history and the world economy. All classes and strata, if they want to exist for a long time, should act and think driven by the benefit for the nation. The economic thought of every state is an integral part of the nation's culture. Thinkers of every nation have always analysed causes of the rise and fall of their nation's wealth and poverty. It has been the main stimulus for the formation of national economic thought.

In most general terms, liberalism does not reveal much. Part of liberals advocate the so-called classical liberalism, others refer its "social" variant, still others look for common grounds with conservatives, Christian democrats or anarchists. Nowadays it is difficult to find a more or less influential tradition of political thinking, which has not tried one or another variant of liberal theory (Jokubaitis, 2003). In foreign trade, classical economic liberalism relies on the idea that no restrictions should exist in foreign trade as they reduce the opportunities for international labour division as well as the benefits for the trading partners (Viningienė, 2006).

The main principles of liberalism, although far away from the occidental comprehension formed in ancient Greece, were the apotheosis of private life and a conservative position concerning the state interests in regard of a person (Held, 2002; Miller, 1987). Many thinkers made their contribution to the formation of the theory of liberalism, among them such classics of political liberalism as

John Locke (1632–1704), Jeremy Bentham (1748–1832), Charles Louis Montesquieu (1689–1755) and John Stuart Mill (1806–1873). The English economist Adam Smith (1723–1790) laid the foundations of the economic conception of liberalism.

In his work *Two Treatises on Power*, John Locke grounded the necessity of power on the theory of people's inborn rights and public agreement. He stressed that a person and his private property should be protected; he focused on the freedoms of the press, communities and conscience. J. Locke fundamentally criticised one of the versions of the doctrine about royal rights and maintained that God did not grant His signs of preference to anybody to exercise control over others as people are born equal and therefore nobody has any right to rule others against their will. This theory of natural law and nation's sovereignty, developed by the thinker, inspired many revolutions at the end of the 18th century against the monarchy's absolutism.

According to J. Locke, the concept of natural law means that people live in concord without any authority exercised by people and are led by natural law until they unite into a political community. Those in power are accountable to the community which has empowered them. According to J. Locke, natural law is based on the Ten Commandments and common sense. He wrote that land and its resources are created by Lord and granted to people. He rejected the thesis that this wealth has to be distributed by agreement and tried to prove that if you exploit natural resources and process goods they become your private property without other people's consent. In his opinion, owners should not be allowed to possess property if it does not bring any profit.

Locke's theory justifies people's resistance when power is misused or overused (Indriūnas, Siaurukas, 2006).

Liberalism is a political doctrine which advocates peoples' freedoms and rights: the freedom to act, free capitalist enterprise, free market, free competition and a specifically restricted democratic order (Indriūnas, Siaurukas, 2006). Liberalism developed in a struggle against feudalism, as a reaction to people's division into classes, which came from the Middle Ages, restrictions for businesses, absolute and uncontrolled power of the monarchy. In the 15<sup>th</sup> century, heavy industry and trade started developing, they rapidly progressed and reached a large scale in the 18th century, the class of industrialists developed, but their business activities were still restricted and their interests were ignored by the old order. Thus, a need for a political doctrine justifying their fight and ways and means against the old order arose. Liberalism became such a doctrine; it defined the ways and means to be put into action while developing the principles of a new society. The doctrine inspired several political movements of the next four centuries, first in Europe and later in other continents, particularly in European culture states (Indriūnas, Siaurukas, 2006). Historical roots of liberalism go back to the times of Reformation and long discussions on the issue of religious tolerance in the 16<sup>th</sup> and 17<sup>th</sup> centuries. Since then a modern conception of the freedom of conscience and thinking started developing (Rawls, 2002). Economic liberalism is tightly linked with political liberalism, i.e. words with democracy, because economic freedom cannot exist without political freedom. It is also linked with liberalism in other spheres. The development of the ideas of liberalism in any state, also in Lithuania, has specific features. In essence and in a broader

sense, it is the development of economic and social economic thinking (Lukoševičius, 1995).

Least theoretically developed is the rating of ideologies on the value scale. It is difficult to identify one main value acceptable for all; often there are several ones. Liberalism is the concept of freedom; socialism declares freedom and adds equality. Conservative classics practically do not define their values; we have to identify their priorities. However, even an incomplete analysis allows us to attribute freedom and responsibility to liberalism, fair and equal society to socialism, and traditions and social security to conservatives (Valevičius, 2004).

The ideology of liberalism, developed in the 17<sup>th</sup>–18<sup>th</sup> centuries, nowadays is referred to as classical liberalism. It should be noted that it is a conditional term because the complicated development of liberalism does not allow to specify it in strict terms. The theoretical basis of the ideology of classical liberalism was formulated by many authors. Despite some differences, we may state that all these authors unconditionally agreed that classical liberalism is a political doctrine with a strong position among other ideologies, and its aim (what suggests its denomination) is to protect the freedoms of an individual (Indriūnas, Siaurukas, 2006).

From the very beginning classical liberalism developed in two directions: political liberalism and economic liberalism. Political liberalism was looking for ways and means to break free from feudal privileges. Political liberalism was inspired by the commonly accepted conception of power. It is worth mentioning that the evolution of liberalism started much earlier than the Age of Enlightenment. Some signs of freedom may be traced in the ancient times. Democritus and Lucretius, philosophers of the ancient world, as if outlining modern

liberalism, praised private life and doubted individuals' civic duties to their community or state. Some signs of freedom in action may be traced in the Republic of Venice of the Middle Ages as well as in other cities of Italy (and not only of Italy) as they were powerful states for many centuries. Such signs may be also traced in the Lithuanian–Polish Republic of the gentry, which fell in 1795 after its third partitioning.

The ideas of liberalism in its early phase of development, although named differently, were closely related to attempts to limit the power of the monarchy (the “liberales” movement was the first to use this word, the constitution was written in 1812 as an opposition to the power of the Spanish monarchy). The first more significant and longer political victory of liberalism was when some ideological principles were implemented and capitalism in North America started developing. Despite the fact that part of liberals of that time supported limited power of the monarchy as a guarantee of stability, it was a victory. Then some principles propagated by liberals were implemented: law supremacy, the rights of man, constitutional procedures, religious tolerance and human rights. Property was very important for liberals; according to them, it showed a person's value and was his/her citizenship determining factor, thus they were against giving voting rights to people without property. They strictly opposed the monarch's right to succession, the privileges of the Church and the nobility.

It is reasonable to take Europe of the 19<sup>th</sup> century, and especially the United Kingdom of the 19<sup>th</sup> century, as a historical example of a liberal civilisation. For many authors the 19<sup>th</sup> century was “the golden age” of the liberal theory and practice in the United Kingdom (Gray, 1992). In the 19<sup>th</sup> century the ideas of

classical liberalism lost many positions in the U. K. J. Bentham, the founder of utilitarianism, and his follower J. Mill made the first split between English liberalism of the 19th century and classical liberalism (Gray, 1992).

The fate of liberalism in such Catholic states of Europe as France, Italy and Spain is linked with different trends of nationalism; despite some victories in the sphere of politics, liberal movements did not succeed in creating a more sustainable system which would protect constitutional rights. However, in general, liberal order existed in Europe in the 19th century until World War I: there was no passport control (except for Turkey and Russia) what guaranteed free migration and other main freedoms of an individualistic society, and even where protectionist or state welfare policy was introduced, some elements of the priority of the main laws functioned. World War I, almost in one night, brought out all the tendencies of anti-liberal thought, which had developed in the last decades of the century, and put them into practice (Gray, 1992).

In many terms, liberalism first and foremost meant freedom. It is free enterprise, free trade and private property in the economy; equal rights for people, the freedom of the press, meetings, free education in the native language in politics; the freedom of conscience, reliance on progress, common sense and humanistic ideals in other spheres. Classical economic liberalism is closely related to A. Smith and is defined by the cant phrase „*laissez faire et laissez passer*“. It means that the economy of a nation is run by itself, the only regulating forces being free competition and fluctuations in supply-demand, thus no one's intervention can be justified. The role of the state is to protect private property, safeguard the functions of the courts and the police but

in no case interfere with the matters and processes of the economy.

Such economic liberalism was introduced in the first half of the 19th century, put into action in the middle of the century in the United Kingdom and other states, but in the second half of the century an open dissatisfaction with it rose first in Germany where a historical school developed (Lukoševičius, 1995).

Differently from the United Kingdom and France where there was no school of political economy, economic thought in Germany followed its own way in the 19th century. It may be explained by characteristic conditions of economic and socio-political development of the state. The industrial revolution, which accelerated the development of capitalist production, took place in the state in the 50s–60s of the 19th century; meanwhile capitalism in the United Kingdom had made a big progress. However, the spirit of feudalism pervaded “the Prussian way“ of the development of capitalism in Germany: modern industry, which needed customs protection under the conditions of political disintegration, was developing preserving strong relics of agrarian relations from the Middle Ages. The economy of the United Kingdom dominated in the world markets; meanwhile the economy of Germany was backward and could not compete with it. For these reasons, customs protection and state support were necessary.

In the 50s–60s of the 19th century, during the period of consolidation of the German lands, a trend alternative to the thought of classical political economy developed: it was the so-called historical school; its characteristic features were fetishism of the national economies of different countries and the overvalued role of state institutions. This school was the most influential school of

economic thought for 40 years in German-speaking countries; basically it represented a socio-historical rather than a historical trend because its authors, differently from classics, included into their researches on political economy not only economic but also non-economic factors. Also, they were the first to start research on a variety of aggregate socio-economic problems and social relations in the historical context. The beginning of the German historical school is related to the publication of the work "Grundris" by W. Roscher in 1843; this school functioned until 1883 when the Austrian economist C. Menger published his researches on the method in social sciences, especially in political economy. Criticising the classical school and its universal (absolute) economic laws and being under the influence of a romantic historic movement, German authors showed solidarity in agreeing that classics admired abstraction and generalisation too much and undervalued the importance of facts and observations related to the past and present. They also accused classics of making the principles of economic liberalism (*laissez faire*) absolute, their attachment to a particular universal economic model, narrowness of individualistic doctrines and cosmopolitanism, and spoke in favour of researches on a real, not imaginary, picture of a particular reality. Thus, the historical school became a good example showing what difficulties of classical doctrines face striving to remain pure in the conditions of economic development or, in this case, in different national environments (Čiegis, 2006).

Events in Germany and other European states were less favourable for stable liberal order than in the United Kingdom. In the majority of countries, liberalism and nationalism formed a synthesis which later played an important role in destroying the

international liberal order. The liberal movement in Germany, almost from its very beginning, was connected with nationalistic ideals. These ideals are not clearly expressed in the works of the great German liberal authors I. Kant, W. von Humboldt and Friedrich Schiller, however, when liberalism gained the biggest influence in Germany in the middle of the 19<sup>th</sup> century, nationalism merged with the liberal movement. However, the ideal of limited power and law supremacy, proposed exclusively by liberals, is found also in I. Kant's works; this ideal advocates individual freedom in a strictly regulated constitutional system; the word *Rechtsstaat* in the German thinking corresponds to the conception of a civil association of the vigs; it was theoretically based by J. Locke in the United Kingdom and the French guarantistic doctrine of Constanto and Guizot. The idea of minimal state in Humboldt's early work "On the Domain of Power Activities and Duties" (1792) is stricter than the one of Kant; it is based on romantic ideals of individualism and self-creation: state activities should be limited to violence elimination because, according to him, this is the only way to guarantee the complete self-expression of individuality. This early work of Humboldt had a great influence outside Germany, especially in the United Kingdom; J. S. Mill took a quotation from it as an epigraph for his work "On Freedom" (comp. Mill, 1859; Gray, 1992).

The political development of liberalism in Germany was stopped in the 80s after return to protectionism and when O. Bismarck started implementing the state welfare policy (Gray, 1992). German economic policy under O. Bismarck's rule was completely oriented towards statehood. O. Bismarck exceptionally consistently integrated all economic-political issues into his general policy. Just as in the 60s

his liberal policy on making agreements rested on his political strive to unite the divided Germany, transition to customs policy at the end of the 70s rested on the internal struggle for the empire's financial security (Eucken, 2002). According to D. Held, A. McGrew, D. Goldblatt, J. Perraton, (2002), the trade regime in Germany in the 80s of the 19<sup>th</sup> century was one of the most liberal in the world. The situation, according to the authors, changed in the 90s. Trade share in the GDP as well as trade volumes decreased. Starting with the 10s trade recovered because export rose due to trade development and the aggressive promotion of German export policy.

To sum it up, it may be stated that by the end of the ninetieth century in Germany the reforms became a break which influenced the social and economic system in Germany at a later date. Unlike the Western states of Europe that headed the liberal way, in Germany, authorizing state interference into economics in national interests, the central state administration apparatus increased and was reinforced. At the beginning of the 20<sup>th</sup> century, several social theories were active in Germany, they proposed radically different ways of solving economic and social problems in the state, starting with liberalism, Marxism and finishing with national-socialism. Attempts to find a new, the so-called "third way", continued. However, there the Bismarckism may be traced as well.

### **Neo-liberalism as a compromise**

Speaking about modern approaches to markets, the opposition of market-favourable and market-unfavourable approaches – liberal *versus* romantic, capitalist *versus* socialist, populist *versus* conservative – are often attacked. Consolidation of neo-liberals in many

countries since the 1970s, the fall of the socialist alternative "in practice" and the development of the global markets of goods, labour force, finances indicate that this opposition seems to be unjustified (Slater, Tonkiss, 2004).

Neo-liberalism may be definitely named an outcome of the evolution of liberal ideas, their logical historical and social outcome. If liberalism was born as a reaction, an individual's resistance to monarchism, neo-liberalism may be regarded as a compromise with state power, although even more drastic evaluations are proposed. Firstly, by liberals.

The ideas of radical liberalism have not been implemented yet in practice in any democratic state of the market economy. Why the ideas of "pure" liberalism have not rooted in world's states?

Firstly, because human beings of the world even in civilised, affluent countries could not and presumably will not be able in the future to become so honest as to come to an agreement how produced material goods and other wealth should be distributed according to contributed work. Moreover, the so-called "wild" capitalism still exists in many states of the world (Ausiejus, 2005).

During the period of Industrial Revolution, while strengthening the economic relations and increasing the capital, the unrestricted economic development was perceived as a condition of societal welfare. Many were ravished by democratic ideas of liberals and new opportunities, which earlier were restricted by titles – the poor was always poor and the status of nobility was granted by the right of inheritance. The period of capitalism made capital the top (Petkevičiūtė, Svirskaitė, 2001; Held, 2002; Mises, 2006; Siaurukas, 2006). However, society is too complicated, variegated and bears too many different



interests to equally satisfy all its needs by ideological principles of liberalism. The main tactic mistake of liberalism may be the fact that individualism and restraint of state power affect one's liberty. Liberalism overestimated the market which, however, fails to regulate the process of all human decisions, and misjudged the role of society in the life of the state. Society needs liberty, justice and safety of its different layers – these problems were not being solved. Therefore, in the late 19<sup>th</sup> and early 20<sup>th</sup> century, the thinkers that endeavored to coordinate even economic and social development started admitting the state's interference in the private sphere. New tendencies of economic thought developed (Strange, 1998; Parsons, 2001; Hayek, 2002; Held, 2002; Pruskus, 2005; Indriūnas, Siaurukas, 2006). The free market doctrine, corroborated by neo-liberalism, declared the economic *laissez-faire* to free trade in international severances, work and minimal state interference inside the nation (Gamble, 2001; McGuigan J, 2005).

The concept of neo-liberalism was introduced by a group of economists at a conference in Paris in 1938 (W. Röpke, W. Eucken, F. A. von Hayek). As an economic-political principle which stresses the role of the state in competition (ordo-liberalism), neo-liberalism in its original form may be ascribed to the main social principles of the market economy (Bischoff, 2005).

After the end of World War II liberalism was revived. This revival and the further development of classical liberalism was named conservative liberalism or neo-liberalism. Important stimuli for the formation of neo-liberalism were the fall of the fascist and later communist regimes in Europe and new generalisations about liberalism in action in the works of philosophers and political scientists.

Some ideas of neo-liberalism, e.g., the role of the state and others, were analysed by Herbert Spencer (1820–1903) who declared radical individualism and expressed disapproval of total state power in his ten-volume work “The System of Social Philosophy”. His negative attitude towards the role of the state or that it should be minimal, and propaganda of *laissez-faire* ideas are evident in his early as well as latest political works. A rational and scientifically grounded strive for ethics is evident in his political theorisations. He has pointed out that the main principles of political ethics give rise to a vast majority of human rights including the universal voting right, children's rights, private property and *laissez faire* as well as the right “to ignore the state”. He explained social evil as a result of illegal restrictions of human rights and privatisation of natural resources, although that all have equal rights to them (Brodbeck, 1999).

Hayek developed neo-liberalism as a dynamic theory of social institution. Economic order develops “spontaneously”, with a minimal interference of the state which is delegated to warrant the right to work and earn, because each individual is responsible for his welfare. It is both philosophy and ideology influencing every dimension of social life (Brodbeck, 1999; comp. Giroux, 2004; Schwarzmantel, 2005; Ausiejus, 2005; Rakauskienė, 2006).

Neo-liberalism strictly follows the thesis of classical economic liberalism that the market system produces a stable system itself (*the invisible hand*). Alongside with market selection processes, A. Hayek fixes the process of formation of rules for activities; economic order is understood as a result of a blind, unplanned process of selecting rules (“order as a result of individual's activities but not of his plan”). F. A. Hayek rejects the constructive

intervention of the individual's plans into the economy as "knowledge expropriation". F. A. Hayek believes that the prototype of a constructive model of society is socialism with all its rules of the game.

Neo-liberalism gained importance with F. A. Hayek's works and first of all because of the activities of the Chicago school: since 1974 representatives of this school were awarded the Nobel prize in economics many times. The Chicago school stresses the main advantages of the market, state intervention and strictly follows rules in financial policy (monetarism). The thesis of Keynesianism that the market is subject to sub-employment and depression is disapproved. This economic theory, promoted by the helplessness of Keynesian economy after the oil price shock in 1973 and stagflation (rise of prices and unemployment) that followed, gained political importance when Ronald Reagan and Margaret Thatcher, who definitely relied on F. A. Hayek and economists of the Chicago school, were in power. Previously economists of the Chicago school had mainly relied on Russia's economic policy.

Neo-liberalism considers all economic crises as a result of a moderate state intervention, politicians' wrong attempts to bring disorder into "good" market laws. Therefore, deregulation is promoted so that market processes are liberated from the blocking influence of the state. The substantiation is simple: it is impossible to collect all decentralised information in one centre – no bureaucracy is more rational than many decentralised decision makers. Only market prices are "true" indicators of scarcity, only they give true information about economic facts (Brodbeck, 1999).

There is no single opinion about neo-liberalism. "Neo-liberalism dominated for a short time as an ideology of capitalist recons-

truction; however, it collapsed as a project of the hegemony" (Krebs, 1999). Many analyses of the situation in modern society are formulated like that or similarly. Neo-liberalism, purportedly, failed in developing a consistent model of wealth accumulation using an appropriate form of power. The political, social and economic development at that time was inconsistent and unstable. The corresponding approach towards the implementation of neo-liberally reconstructed politics existed as a manifestation of the continuing crisis of Fordism (Kisker, 2000). Re-election of the conservative liberal governments of Thatcher, Major, Bush, Kohl, etc. evidences this collapse. A contra thesis is given as a comparison: neo-liberalism proposes a new form of capitalism development. The consistency and stability, as is pointed out, are weak: on the one hand, the development of Fordism is not absolute and new tendencies may be established; on the other hand, because Fordism, not so unanimously as it is presented nowadays, fought for recognition, against strict public discussions (Bischoff, 2005).

First tendencies of the prevalence of the Fordist model are already identifiable in the 20s. During the world economic crisis of the 30s, workers and trade unions succeeded in gaining more rights in direct governance. This finally led to the New Deal program in the USA. Fordism gained ground in Europe only after the tragedy of World War II. Firstly Adenauer and de Gaulle promoted the state welfare policy. They oriented, first in Germany at the beginning of the 60s, towards the principles of the "social market economy" and "shaped society" rather than to Keynesianism.

The "Keynesian state welfare" prospered only at the end of the 60s; then the first signs of the crisis of Fordism became noticeable. In different states Fordism pervaded different

forms of development; some were rather liberal or conservative, others were social democratic. The stabilisation phase of Fordism, its “golden age”, was a short period from the end of the 50s till the middle of the 60s. At that time a warning about lack of stability in neo-liberalism was unbiased (relying on the fact that the definition of stable development remained unchanged for 20 years and its final phase of crisis – for over 30 years has little sense). Neo-liberalism is often understood as a reflection of the formation of a leading society (Candeias, 1999).

Although neo-liberalism was criticised, it may be stated that the greatest merit of neo-liberals is their strive for a sustainable and stable economy and developig society, sacrificing the freedom of part of social-economic units to this idea.

### **German neo-liberalism as freedom from state and economic regulations**

The development of neo-liberal thought in Germany took its own way. According to R. Paliulyté (2004), the formation of ordo-liberalism began in Germany where liberalist traditions were weak. There, its rise was determined by the country's economic and political backwardness which made remember “the old good times”. Romantic longing for the state of classes of the Middle Ages was present in the theories of the late 19<sup>th</sup> – early 20<sup>th</sup> century. Historicism and nationalism were deeply rooted in Germany and influenced liberalism there; strive for such an economic program that could suit only the German economy proves it.

Undoubtedly, the singularity of this approach was determined by the country's shocking historical experience: World War I, economic crisis, severe inflation and national

socialism, followed by the country's partitioning. Deep social shocks made to re-evaluate relations among the state, economy and society subjects.

In the 30s of the 20<sup>th</sup> century, representatives of the Freiberg school, led by W. Eucken, worked actively developing this concept. The essence of the concept is revealed in its name which may be translated as “freedom under order”. Ordo-liberalism is based on the theory, raised by M. Weber, sociologist of the beginning of the 20<sup>th</sup> century, about two main types of economy. W. Eucken developed this idea in 1939 in his main work “The Basics of the National Economy” (Ярцева, 2003). Then, how W. Eucken's theory tries to compound such seemingly incompatible notions as *liberty* and *order*?

In his theory, W. Eucken relied also on Germany's experience; he tried to evaluate and generalise it. Although Germany was a capitalist country, some elements that restricted its market economy were evident: legislation of cartel agreements at the end of the 19<sup>th</sup> century and the system of central governance which strengthened under the national-socialists' rule.

W. Eucken, who developed German neo-liberalism, or ordo-liberalism, understood *laissez faire* in a slightly different way than did liberalism classics. Firstly, because in the past century neither the right to property nor the possibility to compete guaranteed free competition in Germany. German industrialists used contract freedom to limit competition and formed cartels. Thus, free competition was endangered not only by the system of the centrally governed planned economy. Therefore ordo-liberals or representatives of the Freiberg school, striving for economic stability and society development, proposed their own approach to monopolies and cartel mergers. Because of his criticism during the

national-socialist regime W. Eucken risked to be arrested. However, a new phase began after World War II when the ideas of W. Eucken and the so-called Freiberg school came into focus. Conditions after the fall of the Reich also contributed to it.

After 1945, serious conflicts between the Freiberg school and the old and the new German industrialists and big bankers began, firstly because representatives of the Freiberg school demanded to decentralise the heavy industry and prepared detailed projects of a new economic system. For the first time after the end of the war they were partly supported by representatives of the military administration of antitrust traditions.

“The competitive system we propose is far from the two mentioned economic systems (planned and free market)”, stressed W. Eucken and others from his camp in the preface to Volume I of his “Ordo”. He wrote: “The question whether there is more or less of state power does not reveal the essence. The essence is quality, not quantity. The state should neither regulate the economy nor leave it to self-regulation” (Eucken, 2002). According to the author, it is the only way to achieve that all the state citizens and not their insignificant minority regulate the economy through the price system. The only economic system, where possible, is the system of perfect competition. However, it is possible to implement it only when no one market player has the right to change the market rules. Therefore the state, using legal leverages, has to create a certain form, i. e. rules of the game, which would guide economic activities. W. Eucken specifies: “To ban cartels is not enough”. According to him, it is necessary to fight not against the misuse of power, but against economic power.

Thus, ordo-liberals saw a direct danger of uncontrolled market not only to the economic liberty, but to society as well. This insight helped Germany to strive for significant goals. For example, with reference to V. Indriūnas and J. G. Siaurukas (2006), in Great Britain, differently from Germany, such strong influence of government on monopolies did not exist, so monopolies quickly entrenched, even in politics.

According to W. O. Eucken (2002), the classical idea of the separation of powers means that state power is separated into legislative, executive and judicial powers which limit state power and guarantee its control. W. Eucken generalised this social discovery and applied it to the economic and state system. According to him, perfect competition means the economy with maximally separated economic power. It corresponds to power separation in a democratic legal state. Economic power provides conditions to shatter a legitimate state and even democracy without breaking law. For example, trusts or big banks may hinder or even block the free formation of legislative power. This may be done not resorting to corruption but only using economic dependence.

Laws directed against economic power should come into effect in the second phase (Eucken, 2002). According to W. O. Eucken, the state that has put free competition into action cannot implement antitrust policy regarding foreign cartels, therefore it has to stop penetration of foreign trusts into the local market. On the one hand, he spoke against such nationalistic economic measures as subsidies, grants or foreign trade monopoly. On the other hand, he proposed to ban any possibility to exercise control in the market and thus to prevent subsidiaries and give a chance to small and medium-size foreign companies.

Neo-liberalism developed with the doctrine of Keynesianism, however, unlike the latter, it stated that the main problem of capitalism was monopolisation of economic processes what violated the functioning of market regulators. W. Eucken did not relate "monopolism" to production and capital concentration, he defined it as a mere market phenomenon (i.e. he related the formation of monopolies only to the characteristics of the exchange process). Therefore, according to him, monopoly was any deviation of different ground from the model of perfect competition. W. Eucken was assertive denying that monopoly was a regular phenomenon of the economy. According to him, capitalism is one of historical forms of the market economy, characteristic of a historical period when the state adheres to non-intervention into economic processes.

According to M. Dapkus (2004), discussions between the proponents of the free market and the regulated market continuously arise on the content and intensity of the role of the state. The two opposing parties provide arguments for the proposed economic measures of social and economic efficiency and focus on different aspects. The proponents of the regulated economy acknowledge that the free market provides the most favourable conditions for the effective development of the economy (cf. Sen, 1997; Alderson, 1997), therefore the main discussions include efficiency of self-regulation in the social sphere.

In W. Eucken's opinion, perfect competition fails exactly because the state acts passively and all social outcomes of capitalism arise; state intervention into the economy can partly eliminate them. The proponents of ordoliberalism have no common opinion about state intervention into the economy. For example, W. Eucken proposed two ways of state economic policy. First, economic policy

is formed. Some measures aimed at the development of the same rules of the game for all market players and control of how they are obeyed should be introduced. Such measures are free competition at its maximum and anti-monopolistic policy. Also, proportions of private and state property and state direct and indirect intervention should be observed. The economic system is developed and sustained enacting laws that regulate economic activities. The other way of state economic policy, according to W. Eucken, is sanctions in economic processes when they deviate from the designed criteria. He identified a complete set of state measures to regulate economic growth. The essence of this thought is that the state confines to the formation of economic policy, meanwhile all economic processes and their regulation proceed spontaneously and are based on the principles of free enterprise and market competition (by analogy with football: the referee stops the game when the players foul). The basis of this economic policy is free competition permanently safeguarded from monopolies. W. Eucken developed the main principles of competition, which should guarantee its functioning. They are: protection of private property; stability of the national currency; free market for all activities; freedom making all contracts and deals (except those causing threat from monopolies); material responsibility of businesses; stability and predictability of state economic policy. The proponents of this doctrine also assume that institutional regulations are the best measure to overcome business cycle fluctuations. They justified state intervention only in special cases when fluctuations were caused by external factors (politics, natural disasters, etc.). Ordoliberalism foresaw neither nationalisation of monopolies nor limitation of their numbers, nor any other threat to property.

In other words, W. Eucken and the Freiberg school remained liberal in their essence and presented a new approach towards economic freedom, which met the needs of many business subjects. Contradicting the socialistic model even more than some other neo-liberal trends, they emphasized the interest of society.

### **The Freiberg school: social market theory and practical outcomes of its implementation**

A social-economic mechanism developed by German ordo-liberalism theoreticians arouses interest firstly because, adopted after World War II, it guaranteed in practice what is called “the German wonder”.

Although the country was destroyed, lost one third of its territory and was not rich in natural resources, achievements of the Adenauer–Erhard administration in a short period of time were amazing. In 1946 Germany’s production output made up a third of its output in 1936, the black economy was active, unemployment was high. When the economic reform was started, the economy of the famished, occupied country began to grow. In 1952–1960 the country’s GDP grew up by 7.8% a year. Unemployment decreased from 8.5% to 1.3%. Another important measure after the monetary reform and investment into housing was formation of the middle class when at the beginning of the 1970s, under the pressure of the reformers, all companies were obliged by the Bundestag to allocate a third of their profits for their employees’ social needs.

According to A. V. Indriūnas and J. G. Siaurukas (2006), certainly, after the war Germany received many credits and even a great support from the USA (the Marshall plan), but support to France and the U. K. was even bigger and almost as big as to Holland. But Germany

outperformed these states. It is understandable that some other factors were of great importance (e.g., very limited expenditure on armament), but the main factor was the ability of the German people to function in an organized way, not only keeping to a spontaneous liberal model. (Inter alia, liberals are most critical about this feature of the German people).

“The experience of the world shows that where a good result was reached, it was led by thoroughly framed actions related to the social adaptation of the ideas of market reforms” (Rakauskienė, 2006). It may be stated that the practical implementation of the Freiberg school doctrine was mainly successful because of the German mentality. The consistency of liberty and order reflects the mentality of this nation. And it is unlikely that in any other state, for example, in Lithuania, it could have been possible to implement social-economic reforms of such vast dimensions. This doctrine corresponds with the German character and was formed for it.

M. Vorontsova (2006) maintains that usually typical features of mentality are manifested by representatives of a certain culture, social behaviour. The mentality of a nation is a complex of behaviour styles, emotional reactions which are determined by the perceptions of the world typical of people with the common historical past, culture, traditions and populating in a particular territory.

The main factors that condition the nation’s worldview and mentality are its historical development, cultural inheritance, geography. The main events that predetermined the formation of the German mentality were that the German state was founded very late (at the end of the 19<sup>th</sup> century); small, unconsolidated states existed for a long time (about 600 of such states at the beginning of the 19<sup>th</sup> century); its

population was multinational. Rich philosophical traditions and philosophical literature are characteristic features of its cultural inheritance. Reformation began in Germany; it shows the nation's critical spirit. Geographically, Germany is a northern state. The German mentality has much in common with the Scandinavian, British mentality. German people, compared to the nations of southern Europe, are less emotional and more reserved.

The main characteristics of mentality are self-perception in time and space, attitude to privacy and publicity. Characteristic features of the German mentality are preference of small, closed spaces, strict time planning and time pressure, strict execution of plans and quick lifestyle as well as strict separation of private and public life and hidden feelings. Identifying characteristic features of time and space perceptions, separation of privacy and publicity, the very principle of separating and setting bounds is characteristic of the German mentality. One more characteristic feature is the people's abidance by rules and instructions while pursuing goals.

In the Middle Ages, the military forces and state power were weak in Germany; however, the people were ready to obey not under compulsion but because of belief. It is a very distinctive feature of the German nation.

Such features as abidance by rules, respect of power and discipline were passed from generation to generation. The German mentality favours structures and systems, which are governed by law, and blocks any demonstration of individuality. "Freedom is realised necessity", the German saying goes (Теория общества). Thus, the German mentality justified state intervention for the sake of public welfare, and the theory of ordo-liberalists became a set of rules, a plan of their action. This plan guaranteed social welfare and

was meant to protect the state from political disasters. Although much attention was paid to social guarantees, Western Germany did not become a socialist state. However, its economic policy differed from the general neo-liberal tradition.

According to Indriūnas and Siaurukas (2006), in terms of philosophy and ideology neo-liberalism proposes to replace the model of a total welfare state by a new one – "a state of two thirds": for two thirds of the state population to live a good life, one third of it should live in poverty. Neo-liberals claimed that the functioning system of social insurance and services should be reorganised radically and state intervention into economic and social life should be limited. The social function of the state should be as limited as possible because social guarantees spoil people, make them lazy, block the mechanisms of natural development, unfairly distribute state revenues and thus endanger private property. Neo-liberalism continues the traditions of liberalism and advocates for a society with strong competition and business freedom where growth of strong entrepreneurs, "locomotives of progress", should be promoted.

The economy relies on competition for profit and, finally, for wealth. Equal access of all society members to public goods (consumption) and strive for solidarity prevails in the social sphere (Laurénas, 2005).

The main rule of liberalism that everyone may realise his/her aim so far as others' freedoms are not infringed was developed in the spirit of I. Kant's imperative. Meanwhile modern liberals ignore a human being's social essence and reduce his behaviour to the reactions of *Homo oeconomicus* ("the economic man"), to the market parameters (Čiegis, 2004). For those who were striving for social fairness, sustainable development became a

hopeful alternative to economic conformity and neo-liberalism (Čiegis, 2002). It was contrary to German neo-liberalism which was striving for economic development, rational use of resources (W. Eucken stressed responsibility to future generations) and coherence of social guarantees. Since 1948, the ideas of German neo-liberalism became the state policy of the Adenauer–Erhard government. Theoreticians of German neo-liberalism blend market freedom with fair distribution based on social equality. For the first time it was conceptually grounded by Alfred Müller-Armack in his book “Business Management and the Market Economy” (1947) in which he used the term “the social market economy”. Wilhelm Röpke, Ludwig Erhard, Walter Eucken et al. developed the concept further (Röpke, 1959; Müller-Armack, 1966; Erhard, Bruns, Hagemayer, 1973). Therefore, the economic and political thought of Western Germany cited the school of Freiberg, and the practical implementation of market economy concept consolidating the principles of free the market and social justice came with L. Erhard, minister of economics, and A. Müller-Armack, persons of the state sector (Rieter, Schmolz, 1993; Paliulytė, 2004; Rakauskienė, 2006; Balvočiūtė, 2007).

The development of “the social market economy” as a state strategy from W. Röpke’s book “Is German Economic Policy Right?” (1950) was phrased by K. Adenauer, Chancellor of GFR. According to W. Röpke, “the social market economy” is the way towards economic humanism. In his book “Humanistic Society” he wrote that this type of the economy opposes collectivism versus individualism, power concentration versus freedom, centralisation versus decentralisation, etc. Seconding W. Röpke’s opinion, in 1957 L. Erhard spoke at the congress of the

Christian Democrats Union about the second phase of “the social market economy” in GFR. Later he stressed in his works that exactly “free competition is the cornerstone of the social market economy”. According to L. Erhard and his followers, the doctrine of “the formed society” is the best search for a natural economic system which is attained developing “the social market economy”. The ideas about Marxist class antagonism, the social system of five types and industrial relations were categorically rejected. It is based on W. Eucken’s thoughts about the economy of two types: the centralised (totalitarian) economy and the market, open economy.

In the 60s, W. Eucken’s followers transformed his ideas, and the model of “the social market economy” was developed. A. Müller-Armack, one of the main theoreticians of this model, did not assume that monopolies and competition regulation are the main measures of capitalism stabilisation. He acknowledged the main principles of ordo-liberalism and declined attempts to guarantee free competition through monopoly restrictions. His conception stressed the issue of purposeful social policy. W. Eucken did not consider these issues to have their own meaning because he linked social fairness with free market. A. Müller-Armack assumed that the aim of national economic policy is to strive for progress on the basis of free competition and a flexible and efficient economic system. Such “economic humanism” may be achieved applying the model of “the social market economy”. Therefore, he supposed that the main part of this model is active social policy based on the principle of “social compensation”. It should guarantee “social peace”, cooperation and mutual assistance and create the environment favourable for the market system. According to him, the main



instruments of such “compensatory” policy are: firstly, progressive income taxes (help to reduce a gap between high and low incomes); secondly, budget allocations for low income persons (guarantee a certain living standard); thirdly, the development of a social insurance system (illness, unemployment benefits, etc.) and social infrastructure (education, health care, etc.). The concept of the social market economy is an attempt to blend economic freedom in the market economy guaranteed by the state with the ideals of a socialist state based on social protection and fairness. This theory is called “the third way”, i.e. the way between capitalism (19<sup>th</sup>–20<sup>th</sup> centuries) and the totalitarian administrative economy, the way that leads to a free and effective economic and social system. Therefore, after World War II this doctrine formed the basis of official economic and social policy in West Germany and was implemented after the reforms of the 1950s by L. Erhard. The results of this economic model were so good that later they were referred to as “the German economic wonder” in literature. This idea, as a sub-type of “people’s capitalism”, supplemented with the slogans “welfare for all” and “property for all”, stuck deeply in public memory (Ярцева, 2003).

The main elements of the market economy are private ownership of production means and the policy of free prices; creation of conditions for competition and competition protection (e.g., antitrust laws against unfair competition); purposeful policy of economic growth; free foreign trade, free currency exchange; currency stabilisation policy; social protection, social fairness and social progress (state redistribution providing public services, paying social pensions and benefits, subsidies, progressive taxes, health insurance, social insurance, unemployment insurance against job loss and accidents at work guaranteed by social and

labour laws) (Diskussion: Neoliberalismus, 2005).

Thus, the social reforms implemented in West Germany guaranteed political stability, accelerated economic growth and public welfare. These reforms differed from the ones of the planned economy implemented in East Germany; their consequences are still felt in the united Germany. It may be stated that Germany became the largest laboratory to show how in a comparatively short time a theoretical economic model is realized. The cognition of German neo-liberalism, its genesis and practical realization helps to understand and forecast the processes of the social sphere while implementing reforms of lesser or major importance.

## Conclusions

1. The development of the ideology of liberalism since Democritus’ times was long; its outbreak occurred in the times of Reformation. As a political and economic doctrine it first manifested as a challenge of individualism to feudalism and monarchy. The ideology of liberalism is based on free self-expression, the freedom of conscience and the press, equality, protected private property. Free market, free competition, i.e. “the invisible hand” regulate the economic processes, and none has any right of intervention into economic activities. The role of the state is very limited: to protect private property and to guarantee law and order. The development period of the ideas of liberalism in Germany was longer than in other European states because they were related with nationalistic ideas. It was conditioned by state partitioning which lasted for a long time, feudalism relics and late industrial revolution. State welfare policy was started and implemented by

O. Bismarck and aimed to guarantee state security; it acknowledged the right of the state to regulate the economy.

2. The industrial revolution and economic development did not guarantee the long-expected social welfare, therefore in the late 19<sup>th</sup> – early 20<sup>th</sup> century a new social thought developed. It was acknowledged that liberalism undervalued the role of an organised and united society. Because of the increasing class differentiation social unrest threatened. With the formation of the ideas of social liberalism, support for those in need was initiated, so higher taxes for the rich were fixed. Already in the second half of the 19<sup>th</sup> century certain state intervention into private business was noticed; outbreak of neo-liberalism, or conservative liberalism by others, is linked with the end of World War II. Neo-liberalism bases the ideas of free market and self-regulating economy on liberal thought and also acknowledges state-regulated economy.

3. The main principles of German neo-liberalism, or ordo-liberalism in other words, were developed by W. Eucken at the end of the 1940s (later promoted in the periodical “Ordo”). He developed M. Weber’s idea about a state of two types. Rejecting the models of a totalitarian state and planned economy, the example of which was the Soviet Union (and even Germany of the 1940s to some extent) and absolute economic freedom, he based the theory of “the third way” which could ensure a sustainable economic development and social guarantees for society. The role of the state is limited: it can form economic policy, meanwhile all business activities should be guided by liberal thought, free market and competition. State intervention is justified only when the rules of the game are broken or businesses themselves, e. g., monopolies, endanger free competition. Protection of

private property, stable currency, open local and foreign markets, contract freedom, material responsibility in business activities, stable state economic policy guarantee free market. Differently from other schools of neo-liberalism, ordo-liberals proposed their own ideas about economic freedom: economic freedom is endangered not by state power but by economic forces in the form of monopolies and trust agreements. Finally, trust agreements cause threat for the state itself because politics become dependent on the influence of business group interests. The U.K. is given as an example; there, less attention was given to anti-trust measures than in West Germany. Favourable conditions to implement the ideas of W. Eucken and the Freiberg school appeared after World War II: the progressively thinking USA administration favoured anti-trust and anti-monopolistic ideas and supported the reforms proposed by the Freiberg school.

4. After World War II, W. Eucken’s ideas were developed by representatives of the Freiberg school. The reforms implemented by the Erhard–Adenauer government contributed to the rise of the destroyed economy, and soon Germany took the leading positions. Lessons from two world wars started by Germany also contributed to the successful implementation of the neo-liberal theory into practice. The fact that the German mentality, very special and developed for centuries, approved state intervention for the sake of public welfare and thus guaranteed a pedantic execution of plans and rules was also of great importance. Representatives of the Freiberg school developed W. Eucken’s theory into the social market economy which formed the basis of West Germany’s state economic policy. Market and monopoly regulations guaranteed a stable development. Much consideration was

given to public welfare, therefore in the 1970s companies were required by the Bundestag to allocate one third of their profits for their employees' social needs. Social progress and

stability was ensured by the social protection and support programs which included social pensions, subsidies, health and other insurances and progressive taxes.

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## VOKIŠKOJO NEOLIBERALIZMO DOKTRINA GENEZĖS IR PRAKTINIO ĮGYVENDINIMO ASPEKTU

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Santrauka

Vokiškojo neoliberalizmo, arba ordoliberalizmo, doktrinos genezės, įgyvendinimo prielaidų pažinimas atskleidžia tuos kertinius akmenis, kuriais remiasi kiekviena įgyvendinama reforma. Po Antrojo pasaulinio karo Vakarų Vokietijoje įvykdytos reformos turėjo gilią istorines ir socialines šaknis, leidusias iš principo nauja kryptimi pasukti šalies politinę ir ekonominę sistemą. Liberalizmo ideologijos suklestėjimas Europoje, nusivylimas juo ir įvykusios transformacijos neaplenkė ir Vokietijos. Tačiau per šimtmečius susiklosčiusios istorinės sąlygos, vėlavusi pramoninė revoliucija, O. Bismarko valstybės galios stiprinimas ir savitas vokiškasis mentalitetas, pateisinę valstybės kišimąsi vardan visuotinės gerovės, mėginimas liberalų individualizmą derinti su visuomeniškumu skatino ieškoti savito kelio. Įvertinama Vokietijos, kurioje vienu metu gyvavo dvi ekonominės sistemos – centrinio aparato valdomos ir laisvosios rinkos, žalojamos monopolijų, patirtų ordoliberalų teorija pasiūlė tre-

čiąjį kelią, kuris grindžiamas vadinamoju „laisvės tvarkoje“ („ordo“ – tvarka) principu, būdingu tik šiai ekonominei srovei. Būdamą neoliberalizmo ištakose, savastimi likdama liberali, ordoliberalų doktrina plačiau traktavo laisvės sampratą, akcentuodama laisvę ne tik nuo centrinio valstybės administravimo aparato, bet ir nuo ekonominio diktato, pasireiškiančio per monopolijas, oligopolijas ir kartelinius susitarimus.

Pagrindinius ordoliberalizmo principus ketvirtajame praėjusio amžiaus dešimtmetyje suformulavo šios teorijos tėvu laikomas W. Eucken. Jis valstybei numatė gana siauras funkcijas, apibrėžiamas ekonominės politikos formavimu, o visą šalies ūkinę veiklą grindė liberalia veiklos, laisvosios rinkos ir visiškos konkurencijos laisve. Valstybė atlieka prižiūrėtojo funkciją ir įsikiša tik tada, kai pažeidžiamas žaidimo taisyklės arba pasireiškia rinkos monopolizavimo, kartelinių susitarimų tendencijos, kurios iš esmės kelia pavojų tobulai, nevaržomai konkurencijai. Laisvosios

rinkos garantu tampa pagrindiniai liberalizmo ideologijos principai – privačios nuosavybės neliečiamumas, nacionalinės valiutos stabilumas, visų rinkų – šalies ir užsienio – atvirumas, sutarčių laisvė, materialinė atsakomybė už ekonominę veiklą, valstybės ekonominės politikos pastovumas. W. Eucken sekėjai per Fraiburgo mokyklą ordo-liberalizmo teoriją praplėtė iki socialinės rinkos ūkio teorijos. Palankios sąlygos ekonominę teoriją įdiegti praktiškai susidarė po Antrojo pasaulinio karo. Liberalias reformas po antrojo Reicho žlugimo įgyvendinę Fraiburgo mokyklos atstovai L. Erchard, A. Müller-Armack ir kiti kėlė tikslą atkurti valstybę, atgaivinti karo sugriautą ekonomiką ir sukurti viduriniąją klasę kaip stabilios ekonomikos pamatą. Ieškoma kelio, užtikrinančio darnią ekonominę ir

socialinę plėtotę, įgyvendintos ekonominės ir socialinės reformos, tapusios socialinio rinkos ūkio pagrindu. Per trumpą laiką Vokietija pasiekė stulbinančių rezultatų tiek ekonominėje, tiek politinėje srityje, kuri, skirtingai nei kitose Vakarų Europos valstybėse buvo kur kas mažiau įtakojama ekonominių jėgų. Ir nors galima abejoti, ar kurioje nors kitoje valstybėje būtų įmanoma taip sėkmingai įgyvendinti ordoliberalizmo doktriną, Vokietijoje įgyvendintas modelis gali būti pavyzdys reformatoriams, kokios reikšmės turi terpė reformoms kuriančios istorinės, socialinės-kultūrinės sąlygos, kaip ieškoti ekonominės laisvės ir valstybės dalyvavimo, ūkio subjektų siekiamos naudos ir socialinių garantijų, visuomenės poreikių, siekiant užtikrinti darnią visuomenės ir ekonomikos raidą, pisiausvyros.

## THE DOCTRINE OF GERMAN NEO-LIBERALISM IN TERMS OF ITS GENESIS AND PRACTICAL IMPLEMENTATION

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### Summary

The cognizance of German neo-liberalism or ordoliberalism, its doctrine, and realization assumptions reduce the cornerstones of any practically implemented reform. The reforms implemented in West Germany after World War II had deep historic and social roots which allowed, to turn the politic and economic system to a new way. The prosperity of liberalist ideology in Europe, disappointment and transformations did not pass Germany. However, the historical conditions formed through ages, the late Industrial Revolution, O. Bismark's state power increase and the distinctive German mentality authorizing the state interference in the name of the commonwealth, attempts to combine liberal individualism with sociability encouraged to look for a peculiar way. Evaluating the experience of Germany where two economic systems coexisted, managed by central apparatus and free market, mangled by monopolies, – the ordoliberal theory offered the third way which was based on the so-called “liberty in order” principle, characteristic only of the economic trend. Appearing in the fountainhead of neo-liberalism, being individual, the liberal doctrine of ordoliberals approached the perception of liberty more amply, emphasizing the liberty not only from the central state administration apparatus, but also from the economic dictate exercised by monopolies, oligopolies and cartels.

The main principles of ordoliberalism in the fourth decade of the previous century were formed by W. Eucken, the farther of this theory. He provided the state with pretty narrow functions determined by formation of economic politics, and the state economy was based on liberal activity, free market and absolute competition liberty. The state is a supervisor and interferes only when the rules of the game are broken or tendencies of market monopolization, cartel agreements emerge, which substantially menace the perfect, unrestricted competition. The principles of liberalist ideology become the warrant of free market proprietorship immunity, stability of national currency, openness of all – state and foreign – markets, freedom of agreements, material responsibility for economic activity, the constancy of state economic policy. The followers of W. Eucken extended the theory of ordoliberalism through the Freiberg School to the theory of social market economy. The space for the practical implementation of the economic theory emerged after World War II. Liberal reforms after the second collapse of the Reich were implemented by the representatives of the Freiberg School L. Erchard, A. Müller-Armack and others, who had the aim to re-establish the state, to vitalize the economics demolished by the war, and to re-establish the middle class as a base for stable

economics. A way was searched to warrant a safe economic and social development of the economic and social reforms which became the basis for the social market economy. In a very short time Germany succeeded in reaching the goals both in economics and politics, which, unlike in other countries of Western Europe, were much less influenced by economic powers. It was even doubted whether it is possible to realize the doctrine of ordo-

liberalism so successfully in any other country; the model realized in Germany can be an example for reformers, showing how important historical and social-cultural conditions may be for a reform, how to balance economic liberty and state involvement, the benefits and social guarantees pursued by the economy subjects and the needs of society in order to ensure a harmonious development of society and economics.

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