

REVIEW OF KENNETH DYSON,
CONSERVATIVE LIBERALISM, ORDO-LIBERALISM, AND THE STATE,
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Kenneth Dyson has written a superb book: rich in its historical detail, clear in its analysis, and original in its main thesis. It is also wonderfully ambitious. Parts I and II analyze the German tradition of Ordo-liberalism in a comparative-historical perspective and highlight the pivotal works of, among others, Walter Eucken, Franz Böhm, Alfred Müller-Armack, Wilhelm Röpke, and Alexander Rüstow. Dyson draws on a rich set of cross-national archival sources to complement a close reading of canonical and neglected texts in the Ordo-liberal tradition and, for instance, makes clear that contemporary readers should not just look at Eucken's work to grasp the depth of Ordo-liberal thinking. In doing so, he is able to carve out the intellectual ambition and complexity of Ordo-liberalism and its place in larger debates among liberal thinkers about the proper relationship between capitalism and democracy. Part III discusses Ordo-liberalism's personal and philosophical proximity to other conservative liberalisms in Western Europe and the US. Based on original archival research and extensive elite interviews, Dyson examines the role of Ordo-liberals in concrete historical debates about institutions and policies: the Great Depression of the 1930s, post-war German reconstruction, the monetarist revolution of the 1970s, and Ordo-liberals' role in European integration.

Dyson argues that, in spite of its German roots, Ordo-liberalism is not a uniquely Germanic tradition. Instead, it is embedded in a larger effort to revitalize liberalism in the face of deep historical crises in the first half of the 20th century by prominent scholars and public intellectuals

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such as, among others, Luigi Einaudi in Italy, Louis Rougier and Jacques Rueff in France, Ralph Hawtrey and Alan Peacock in the UK and Frank Knight, Henry Simons, and Walter Lippmann in the US. These thinkers were united in rejecting *laissez-faire* capitalism and their efforts to build a distinctively conservative version of liberalism. By describing it as ‘conservative,’ Dyson means to highlight three historical-intellectual reference points which gave Ordo-liberalism its distinct epistemic and moral basis: 1) a *European tradition of Aristocratic Liberalism* which provided an elitist and humanistic social and political thought that emphasized character, virtues, and the noble pursuit of disinterested truth in opposition to utilitarianism and materialism; 2) a *Continental European Ethical Philosophy* which was explicitly moral-idealist and focused on ethical principles and conditions for human flourishing that gave primacy to philosophical examinations of consciousness and meaning over the methods of the natural sciences; and 3) a *Lutheran or Reformist Protestant Theology* that provided Ordo-liberals with a set of distinctively austere religious beliefs that emphasized individual responsibility and frugality, respect for persons and property, and individuals’ capability to transcend selfishness and materialism; without this set of religious background values, Ordo-liberals feared that liberal values would become relativistic and there would be an inherent danger that modern civilization tumbles into chaos, war, or genocide (as experienced under the Nazi regime). Taken together, the three intellectual reference points provided the evaluative and epistemic framework for a political economy program that was opposed to naïve empiricism and a narrow, technical conception of economics. They deeply shaped the founding Ordo-liberals’ *thinking in orders* instead of only *thinking in incentives* and led to their unique way of analyzing the economy in relationship with law, politics, and civil society.

In contrast to *social* liberalism, this unique mix of influences led Ordo-liberals to an economic vision that places great emphasis on the liability of losses and debts to protect the interests of savers and creditors, property rights to incentivize individual productivity, and the price mechanism to ensure social coordination. In contrast to *laissez-faire* liberalism, Ordo-liberals emphasized the need to consciously shape the “rules of the game” since they perceived the market not as a self-healing allocation mechanism but as “an artistic construction and an edifice of civilization”. Moreover, crucial emphasis is placed on rules-based over discretionary policies and on the role of independent ‘supra-majoritarian’ institutions (such as central banks, banking supervision and regulation, the judiciary, or academia) in safeguarding those rules. Ordo-liberal thinkers typically defend a rules-based order for a number of reasons of which two stand out: *in the economy*, a rules-based order should help prevent power concentrations and enable the participation of all economic players, in particular those who are tradi-

tionally disadvantaged by laissez-faire competition; here, decentralization and competition policy are seen as vital instruments of ‘disempowerment’. And *in politics*, a rules-based order strengthens the capacity of the state to insulate itself against potential elite power abuse, rent-seeking of organized special interest groups, and the short-sightedness of election cycles, e.g., by constitutionally enshrining fiscal debt rules that shall uphold the interests of future generations. In all this, Ordo-liberals are aware that a liberal, open society is anything but historically inevitable. Rather in both the economic and politic sphere, there is an inherent fragility; both the economic and political game must be kept in check by guiding rules in order to ensure peace and prosperity and secure the continued acceptance and support of the liberal order in society.

Throughout the book, Dyson highlights that Ordo-liberalism is by no means a monolithic tradition: on the one hand, there is the law and economics-oriented version of the Freiburg School of Economics as represented most prominently by Eucken and Böhm which focuses on the discussion of the right set of rules for a competitive economic order. On the other hand, there is the sociological version of Röpke and Rüstow that highlights the necessary social roots of a stable liberal order, such as the family, the church, and civil society organizations. In spite of their different emphases, Dyson argues convincingly that the various strands of Ordo-liberalism are still united by core features: *i*) their main protagonists stem from the same social milieu of the cultivated bourgeois intelligentsia that share the same or similar ‘patron saints’; *ii*) they share a general sentiment that the liberal society is under threat from populists on both sides of the political spectrum and thus needs to be actively defended; *iii*) unlike laissez-faire liberals, they ascribe a strong role to the state in defending the liberal order; *iv*) probably most importantly, Ordo-liberals share a strong morally driven narrative which goes beyond the narrow confines of economic analysis; they argue that the educated and responsible citizen and politician remains vital for the stability of the liberal order.

Dyson’s book is a timely and important treatise. In a moment of European history when liberalism and the liberal order are again under threat by political demagogues, Dyson’s book offers a history lesson on how liberal academics and public intellectuals can (better) counter populist movements with an encompassing political economy program. Moreover, as we have tried to show in our own work (Dold and Krieger, *Ordoliberalism and European Economic Policy: Between Realpolitik and Economic Utopia*, Milton: Routledge, 2019), in contemporary discussions Ordo-liberalism is an often-misunderstood tradition and many myths have been constructed around it. Critics see it as an integral part of a shared ideology of ‘market radicalism’ and essentially the philosophical culprit of the lingering European

(economic) crisis. Others see the fault for the ongoing crisis in Southern Europe's lackluster efforts to implement structural reforms and their disregard of Ordo-liberal principles of fiscal frugality and political discipline. This debate, which seems more ideologically motivated than fact-based (see Dold and Krieger, "The ideological use and abuse of Freiburg's ordoliberalism", *Public Choice*, 2021, available at: <https://doi.org/10.1007/s11127-021-00875-0>), lacks the clear and level-headed analysis that Dyson delivers with his book. Dyson clears up the myth – hopefully once and for all – that Ordo-liberalism is a market radical philosophy. He further challenges the way Ordo-liberalism was positioned in public debates as the ideational basis for Germany's semi-hegemonic power in the management of the eurozone crisis. Dyson argues against the belief that Ordo-liberal principles – notably Eucken's ideas of avoiding moral hazard and of accepting liability – were responsible for the design and operation of the European Monetary Union. Instead, he argues again convincingly that it was the popularity of the US credibility and time-consistency literature from the 1970s and their adoption as mainstream in monetary economics and central bank thinking in the 1980s and 1990s, which led to the rules-based policy design of the European Monetary Union. Furthermore, Dyson explains meticulously that Germany's position in EU crisis negotiations were driven by the interest to protect their export-led growth model and not by any meaningful defense of Ordo-liberal principles.

While Dyson's book is mainly a treatise on the historical development of political and economic ideas in conservative liberal circles in the 20th century, it does not shy away from asking what needs to be done today to revitalize the Ordo-liberal tradition. Toward the end of the book, Dyson delivers a constructive list of ideas of which we want to highlight two.

1. *A focus on the quality of public discourse, not just economic expertise.* We agree with Dyson that there are fewer, more fundamental challenges for a liberal society today than the quality of public discourse. However, over the last few decades Ordo-liberals have neglected a systematic analysis of the political channels that would allow citizens to effectively participate in democratic decision-making processes. Ordo-liberals and conservative liberals alike often assumed to know the solutions to economic problems (think of recent negotiations in the context of the free trade agreement TTIP or the Troika talks between the IMF, EU, and ECB during the European debt crisis), yet they neglected to think constructively about how to represent the voice of the affected citizens in such negotiations and find means to empower them. This is a missed opportunity. In an age of social media, Ordo-liberalism needs to think about accountability and transparency of elite decision-making, while at the same time be aware that the state might have a role in public discourse by improving citizens' ac-

cess to reliable, evidence-based sources of information. In fact, one might conjecture that the old post-WWII public media institutions (such as the BBC in the UK or ARD/ZDF in Germany) might regain their legitimacy in challenging the dominance of Big Tech and social media platforms by countering ‘fake news’ and ‘hate speech’ through independent investigative journalism (also vis-à-vis the government). As Dyson has emphasized throughout his book, discussions about the quality and nature of public discourse are deeply rooted within conservative liberalism and it is time for contemporary Ordo-liberals to regain lost territory.

2. *A focus on effective freedom, not only formal rights.* We think Dyson is right in his observation that over the last few decades Ordo-liberalism has often been mainly concerned with a legalistic discussion of rules and rights (what Dyson calls “external enabling conditions”), both when it comes to the interpretation of economic regulation on the European level and to the question of the scope and depth of welfare states on the national level. Yet, in its foundational years, ordo-liberalism was not just an economic project: Ordo-liberal thinkers combined their emphasis on institutional design in economics and politics with the insight that the stability of the liberal society was a matter of cultivating the “inner life of the individual”. While this language might strike some of us today as opaque or antiquated, we think that the underlying point is worth considering. In modern complex societies built around knowledge-driven economies it is not enough to simply provide a set of rules and then let the players figure out how to play the game. Instead, one also needs to make sure that people are given the necessary means to participate in markets and be able to make effective use of freedoms that the liberal order formally provides for them, for instance, through sufficient levels of social investment in childcare, in education and training, and in health and social care. In some instances, this might also mean a redesign of tax rules that promote the wider ownership of capital assets; in other instances, it might entail public investment in infrastructure of rural regions. If these points are neglected, there is an inherent danger that the benefits of the liberal economic order only go to an educated-urban elite, while neglecting large segments of the population that lose out from events beyond their control and consequently seek solutions to their situations in the false promises of populists and demagogues.

If we had to mention a point of criticism of Dyson’s great book, then it is the fact that he didn’t develop these and other interesting ideas on the revitalization of Ordo-liberalism any further. But to be fair, his book can also be read as an invitation for the rest of us to do exactly this.