

COMMANDING HEIGHTS

Ordoliberals

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Adapted from *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw.

The Ordoliberals were a West German economic group of the post-World War II era, closely associated with the University of Freiburg and committed to competitive, free markets operating within a strong social, political, and moral framework. They counted among their number Walter Eucken, who attended Hayek's first Mont Pelerin conference, and, most significantly, Ludwig Erhard, who became the political architect of West Germany's postwar economic revival.

Ordoliberals blamed the origins of Nazi totalitarianism on concentrations of economic power that had begun under Bismarck in the latter part of the 19th century, when cartels and monopolies were allowed to develop unchecked by the state.

In the Ordoliberal vision of the "social market economy," competition was the best way to prevent excessive private or public concentrations of power, and was the best guarantee of political liberty, as well as providing a superior economic mechanism. Yet the Ordoliberals' vision was not simply laissez-faire. Government had the responsibility to create and maintain a framework to promote fair competition and prevent cartels while also providing a safety net to protect the weak and disadvantaged. Ordoliberals backed a strong central bank, protected from political interference, with power to stabilize the currency and prevent any recurrence of the hyperinflation that had wiped out the German middle class after World War I, undermining the democratic institutions of the Weimar Republic.

To the Ordoliberals there was nothing inconsistent about a commitment to competitive markets combined with a system of subsidies and transfer payments to take care of the less fortunate and less able. What the state was not to do, however, was interfere with the market mechanism by fixing prices or controlling output.