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Unwitting Architect: German Primacy and the Origins of Neoliberalism

by **Julian Germann**

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We are used to the idea that the triumphant march of neoliberalism is the result of the top-down Anglo-Saxon implementation of economic ideas. Neoliberalism could simply be perceived only as an expression of the synchronization of the ideological engagement of such historical agents as Ronald Reagan or Margaret Thatcher. The power of ideas goes hand in hand with the *de facto* political and economic power.

However, the adopted “Anglocentric perspective” that writes our standard political and economic narratives obscures the view. Namely, the said perspective overlooks too many relevant moments and sacrifices historical wealth to certain ideological schemes. From the aspect of international political economy (IPE), a different story could be the one that can deconstruct Anglocentric primacy and place German economic policy at the very center of consideration. Moreover, this constitutive role to be attributed to Germany promotes this country as the “architect” of the entire present neoliberal order.

Naturally, an “architect” builds a building based on a conscious projection. However, this is not the case here, if we regard construction as a voluntary activity: German agents traditionally turned to the affirmation of export strategy and did not plan any new political-economic constellation, but strictly followed their national interests in the 1970s.

This resulted in a set of phenomena that could be paraphrased as a variant of unintended consequences *à la* Adam Smith - this is the basis for highlighting the importance of the phenomenon of “non-decision”. Germany (as an “unwitting architect”) has constitutively contributed to a gradual but certain abandonment of the post-war “embedded liberalism” (Ruggie) and a change of the most important levers of the fixed-exchanged regime in Bretton Woods. This way, Germany rearranged the post-war order making various moves, *pace* anglo-centric-view of the origins of neoliberalism, and by pushing capitalism into competitive-neoliberal frameworks. More precisely, it managed to *externalize* neoliberal patterns with floating Deutsche Mark, that is, it imposed neoliberalism on others to keep it away from home.

Attempts to consolidate global Keynesianism were stopped, and the implementation of a strict anti-inflationary path demobilized leftist attempts to reconfigure the post-war compromise and keep things going. Germany is not a “shadow” following “something”, namely the USA, but an independent player with constitutive potentials. Germany is neither a belated newcomer in capitalism, but a transformer and producer of important situations for IPM.

Therefore, neoliberalism is not so much a confirmation that “ideas matter” in terms of the economic domain, but a result of interactive-coevolutionary processes between the actions and performances of different subjects. Neoliberalism is not a homogenized doctrine; it is a combination of different tendencies with amorphous aspects.

The role of Germany in tailoring this cannot remain unnoticed; despite that, we do have the impression that IPE itself, influenced by the deformed vision of the constellation, has not completely entered the consciousness in this discipline. This is the point raised in this book, that is, it focuses on the actions that German agents carried out during the seventies, causing colossal changes in the world political and economic spectrum. The deep involvement of (west) German crisis managers in those years brought a real turnaround in the international political economy, as well as in the economic orientation. The author of the book claims that this reorientation to IPE was not just an empirical change, but a profound transformation in terms of perception. Even with its best achievements, IPE remained a slave to the Anglo-Saxon “hegemony” paradigm instead of focusing on empirical interactions stimulated by interests. Instead of advocating empirically verifiable utilitarian calculations of power in the economic domain, attention should be paid to the struggles over the interpretations of what is “national interest”, that is, what is the interest of imaginary collectivity.

As we know, Germany followed a kind of *Sonderweg*, by taking special paths, and this always raised interest. The same moment was confirmed after the crisis of 2007, when Germany, a subject of various lamentations (“sick man of Europe”), became a political and economic star, the engine of Europe resisting the crisis waves. That is the role of this book, to create a historical narrative that could illuminate the present German positions and, more importantly, to point out the significance of the seventies in the XX century in relation to the present times.

We should first look at the methodology in this book. First, there is a desire to take into account contingent tendencies that cannot be subordinated to abstract general laws. Then, the procedures established based on: (a) “state-centered”; (b) “class-based”; (c) “idea-centered” arguments are rejected.

(a) This concept views neoliberalism as an expression of American state power. Hence Richard Nixon’s desperate move in 1971 to overthrow the gold-based monetary regime and Paul Volcker’s 1979 monetary counterrevolution, which must be interpreted as the signs of an attempt to restore a weakened hegemonic matrix. The USA used its state power to introduce globalization in a neoliberal key.

However, if the German form of crisis-strategy is thought of in this way (as this book testifies based on rich empirical material), then it cannot be positioned anywhere. Germany was eventually a declassified political and economic power that integrated into the rut of American hegemonic expansion. The fact that the USA dominates world economic flows does not mean that American state power is an inexhaustible reservoir of unilateral dissemination of neoliberalism.

(b) Here, the center of gravity is shifted from hierarchical interstate relations to socio-economic conflicts. This argument then presents neoliberalism as a business strategy to restore a weakened profit matrix. Moreover, (a) and (b) can be merged; neoliberalism could be an expression of the synthesis of “financial hegemony” and “American power”. The problem is when there are too many assumptions without any problematization leading to a projection that “American state power” is a homogeneous entity. Lack of interpretation is also noticeable with the theory according to which it is a case of a transnational class project or neoliberal elite consensus. These theories have been gladly censored: productive capital dominated until the crisis in the 1970s, after which money capital took the lead. Still, this was not something that Germany was looking forward to because of its traditional link between financial and industrial capital. However, this historical association did not demonstrate original neoliberal ambitions: German state managers promoted neoliberal ideas. This does not mean that the power of the business elite should be denied, but that instrumentalism and functionalism should be rejected according to which that elite can use certain ideological content at its own will. Business groups may have certain ideas about their dominance, but the transfer of those ideas to the field of economic policy does not happen automatically. Finally, there is no guarantee that the same ruling groups have convergent interests that state managers could take on without additional adjustments. “This is so not only because capital speaks with many voices but because the structures of accumulation are essentially silent. The structural power of capital tends to be proscriptive rather than prescriptive (p. 54)*. In other words, the author of this book emphasizes the “structural power” of capital, but at the same time emphasizes that this mode of power is “disaggregated” and must be unified with special procedures. State managers always jump into the void, especially in a world that is beyond the logic of calculative risk and surrenders itself to the uncertain processes of various crises, so they must be creative and constructive in tailoring different economic and political solutions.

(c) According to this concept, Keynesianism was overpowered by monetarism which responded better to certain stimuli arising from socio-economic practice. In this ideological competition, monetarism emerged as the (irreversible) winner. There are also strong conceptualizers of ideas that are the leaders of the ideological revolution.

In Germany, ordoliberalism emerged as a kind of counterpart of Anglo-Saxon neoliberalism, an ideological framing of a strong state that supported economic order and price stability. Some interpretations recognized the continuity of ordoliberal economic philosophy during Germany’s alleged opportunistic behavior during the 2007 crisis. However, in the case of Germany, ordoliberalism was undermined: wage moderation, classical price stability, positive balance of payments, undervalued DM could not liberate themselves from the ideological realm of ordoliberalism as much as pragmatically calibrated economic policies.

The author of this book faces a double conflict. *On the one hand*, the author intends to show that ordoliberalism does not represent the ideological horizon of the crisis managers in Germany (Bundesbank, state managers). *On the other hand*, the focus is on the idea-based explanation in general: economic ideas allow for many different explanations, they are a reservoir of heterogeneous interpretations.

Julian Germann is not a follower of the methodology of comparative political economy that views national economic policies as separate entities and isolates them

from the international environment: the focus should be on respecting sufficiently rich and diverse international political-economic interactions. Therefore, openness, intellectual sensitivity towards agencies that do not accept institutions as given but interpret them - this is, in short, the method proposed here and which should testify to the relevant world dynamics of neoliberalism. Furthermore, the author offers an alternative framework for description and explanation of the subject; the logic of uneven and combined development that has recently appeared on the IPM scene as a method against the unilinear concept of history and against the homogenization that is blind in relation to dynamic multiciplities. This "heuristic" approach welcomes the interaction between national and international frameworks of analysis; they are complementary to each other and allow a dialectical view of continuity and discontinuity in terms of international relations. Uneven and combined development as an epistemological framework does not shy away from the fact that there are differences within the IPM; they are his starting point. There is also an indication of "advanced unevenness" implying the existence of synchronies and diachrons between existing capitalist countries that manifest themselves as divergent cycles of growth, as business cycles moving on heterogeneous paths. The differences between the capitalist countries occasionally transform, but they are also renewed in the coexistence of different countries. Neoliberalism arose as a result of many interactive processes and as a result of constructive interpretations of various problems.

The German *Sonderweg* predicted its export orientation. In fact, it is quite impressive to see how one country, taking a path other than the ones established by the liberal West, was leading a "second industrial revolution" in the early XX century and was successfully responding to the growing demand for manufactured goods. Germany kept its distance even after the end of World War II - it never just copied the elements of dominant Fordism - the disciplined working class was harnessed to reproduce export penetrations, that is, to ensure movement on the world market.

Here, again, Julian Germann finds it necessary to demystify ordoliberalism as a causal factor in explaining German dynamics. The German economy respects the social elements of the economy to a greater extent than any other country in the American orbit. Yet, this cannot be derived from ordoliberalism, which does not legitimize either the robust German interest in the world market or the external adjustment of the undervalued DM. Therefore, the author claims that the source of German economic policy is a coexistent international context, a construction of state managers that the combination of pregnant foreign trade, deflationary policy, price stability, and affirmation of non-keynesian roads to "welfare capitalism" ensure German success within the centered liberal multilateralism of the United States. Moreover, Germany's ambitions were great from the very beginning, aimed at making the country a "workshop for the whole world". However, that never implied a complete harmony between American and German interests. The German intention was not mere integration into global capitalism, but literally the rehabilitation of German positions that were lost before World War II. Internationalized German capital withdrawn from global demand penetrated Latin America, even with the disapproval of American capital. The economic rationality of the same capital had its geopolitical consequences, whether we like it or not.

In this complex global situation, we cannot blame only the USA for unilaterally abolishing Breton Woods being allegedly motivated by the weaknesses of the leading

country of world capitalism. The Germans had already undermined this monetary regime by enabling the floating of the DM unilaterally, opening the door to volatile exchange rates and abandoning the dollar-gold standard. Bretton Woods had collapsed before America announced it and it was due to German and other European moves. This does not mean that the Germans did not previously cooperate with the Americans in maintaining their monetary dominance and that they did not contribute to prolonging Bretton Woods, but always in order to maintain German global competitiveness, which they considered had positive aspects for the world order. They began to favor the international floating of DM in order to control threatening inflationary tendencies. To this end, they also influenced their European colleagues to do the same, that is, to adhere to the new status of the DM in order to protect monetary stability. At the same time, we can see in this the magical German leadership in terms of European interests and monetary integrity. German planners did not want to confront the Americans as much as they wanted to save the world capitalist order that suited them - sometimes against the Americans.

Here, Germann once again questions ordoliberalism as the ideological background for the Bundesbank that persistently survives with price stability at all costs. Bundesbank undoubtedly played a crucial role in the 1970s, but it is questionable whether it did so under the flag of ordoliberalism. The fact that the Bundesbank gained enviable autonomy as a central bank can be attributed to political and economic struggles, a combination of different contingents. Ordoliberalism does not offer an explanation of the monetary policy of the Bundesbank, not to mention that the decision regarding the floating of DM came from the state managers.

At the same time, it is questionable that the decision was made due to subordination in relation to the ideologically shaped monetarist orthodoxy. It was the case of traditional and, today, still a continuous distance from “imported inflation”, as well as the mentioned intention regarding the position on the world market. There was no manifestation of the monetarist belief that inflation is always a monetary phenomenon. We should not address the monetarist doctrine to reach an explanation: we have not yet explained what happened regarding the German situation.

Once again, the instrumentalist-class view that corporate elites unambiguously determined monetary policy can be rejected. They were part of a long constellation based on a synthesis between external expansion and internal price stability, which “mutatis mutandis” outlived the various cells of postwar capitalism and the abolition of the 1971 gold window, which is wrongly considered a unilateral deliberative American decision. By managing the global capitalism, the United States aimed at consolidating its political and economic positions, but it created such a dynamic that abounded in non-intentional aspects. There is simply no dramatic act denied by Bretton Woods, and the realization of this seemingly simple fact demonstrates Germany’s earned position in post-war capitalism - including today, because the events in those years had an irreversible effect. German leaders coordinated between external and internal pressures of different groups and thus gained a certain autonomy of performance, which secured Germany’s position on the world market.

Special attention should be paid to Germany as a guardian of European capitalism. Germany defined the path which its proponents called “benevolent” strategy of a country trading obsessively instead of aiming to dominate, so it replaces standard forms

of power with “civil power” - we could even use the phrase “benevolent hegemony” but it would not be in the spirit of this book which, as we have already seen, opposes the notion of hegemony. Of course, the critics point to something else: with the opportunistic favoritism of trade surplus, Germany with its restrictive wage politics has parasitized on Keynesianism in others.

Germany could not succeed in imposing neoliberalism on others, and finally, during the seventies, neoliberalism did not stabilize its strongholds for a long time. However, by criticizing economic nationalism and Keynesianism, Germany contributed to the creation of such a political and economic environment that prevented “progressive” aspirations at the time - again with irreversible consequences. It recognized a certain danger in the social-democratic efforts that enabled wage-push inflation and that promoted the economic intervention of the state as a correction of the crisis. It succeeded in doing so despite the up-and-down dynamics in the 1970s (increased oil prices, etc.). The Bundesbank managed to keep inflation lower than it was in other countries - economic policy is always in a relative position, better or worse than the benchmark, i.e. other countries. Low inflation enabled the Bundesbank (which had already created conditions for maneuvering after the finalization of the golden window) to create and maintain differentiated accumulation of capital. Rejection of inflation and protectionism, that is, irresponsible interventionism, is a formula for a successful country that has taken an active part in international financial institutions for the purpose of global coordination. The second half also serves as a model for the application of some paradigmatic elements of monetarism. “By precluding potentially more progressive alternatives and committing the United States to monetary rigor, German state elites had helped to inaugurate the neoliberal counterrevolution” (p. 151). Although it should be remembered that, in the deconstruction of post-war Fordism- Keynesianism, Germany did not run ahead of others, in fact, it combined the remaining elements of “embedded liberalism” with the intention to break the “leftist” pretensions - it left the Americans to attack the working class.

In any case, Germany has monetary power which makes it an important player in both European and world monetary politics. It has affirmed itself as an extraordinary crisis manager for both the Europeans and the Americans (contrary to general opinion, Ford’s administration has played a much more important role in promoting neoliberalism but not necessarily in cooperation with German managers). Interestingly, German economic policy resisted the Keynesian trends coming from the USA. During the Carter administration, there were some global intentions to renovate Keynes-based politics, but Germany was not sympathetic to Keynesianism, with the exception of short episodes in the 1960s. Thus, the reciprocal influence of German politics regarding the rehabilitation of Keynesianism pushed the world even more into neoliberal frameworks. It is symptomatic that, as Germann shows (p. 149) on empirical material, there were very strong external pressures behind Volcker’s revolution - the presence of German elements was certainly there. Still, this cannot be explained by the intention to establish neoliberalism. In fact, not even Volcker could get close to monetarism: he was personally in a very bad relationship with the representatives of monetarism. Things do not go according to the rules of ideas. Neoliberalism is breaking through a forest of different facts, tendencies and counter-tendencies; in the case of relations between Germany and the USA, it is

exchange pressure by German planners who are pushing the Americans towards more consistent neoliberalism.

Historically, the result of German leaders and their active involvement on the world stage was that they framed the ways in which problems could be generally defined. Germany, for instance, did not vigorously participate in the suppression of the claims of the leftist forces, but it did influence the crystallization of the alternative faced by the ruling political entities: to break inflation or destroy the working class political forces? The Bundesbank understood itself as a guardian against the allegedly too ambitious intentions of the union. Germany's unintended influence on the historical formation of neoliberalism must be understood in this regard. At the same time, let us not overestimate its scope: it must simply be acknowledged that the stabilization of neoliberalism cannot be attributed so much to the persuasive strength of neoliberal ideas as to the weaknesses and fragmentary nature of progressive forces. Germany did not imitate the Anglo-Saxon countries even when it began to respect the elements of neoliberalism: no matter how much the constellation changed, like the compromise between unions and corporations regarding export strategy, or certain established benefits for permanent employees.

The historically recorded event was confirmed in 2007. Germann criticizes the idea that Germany, with its austerity-politics, wanted to influence others. It suits Germany that everyone is different. Personally, I would say that Germany wants others to be different with respect to Germany as a normative horizon: otherwise, we would not be able to understand the moralizing attitude of Germany that could be heard during the development of crisis management in 2007.

Germann has written an amazing book abundant in relevant claims. Undoubtedly, this book is indispensable in terms of understanding the dynamics of neoliberalism. Germann has critically focused on the standard IPE concept that chooses US hegemony as a starting point, and his argument represents an interesting step forward compared to the established schemes of explanation. It must be especially emphasized that the book is a result of persistent archival work, that is, a long empirical effort. We certainly need such works that deal with empirical dynamics and connect it with theoretical dimensions. It is the only way to broaden our knowledge of neoliberalism.

Germann criticizes the explanatory approach that neoliberalism offers from the perspective of a great ideological narrative. I would support this effort that points to the lack of an unreflective attitude towards political and economic ideas which could be considered orientations for specific socio-economic subjects but with various mediations. The idealism lurking in these approaches has truly earned condemnation. Germann, as we have seen, offers a synthesis between the paradigm of combined and uneven development and empirical material.

At the same time, it seems to me that Germann goes too far in criticizing the concept "ideas matter". Still, there are nuances in his formulations. The claims that unequivocally allude to the "irrelevance of ordoliberalism" already miss the point and are an unnecessary exaggeration.

Undoubtedly, some other authors have warned about the inadequate use of ordoliberalism, such as pan-narration, and leading us in the wrong direction. However, the same authors do not arrive at rhetoric of "irrelevance". For example, let's look first at one, deliberately chosen, earlier book that presents a narrative about Germany's economic

paths which finds a strong ideological starting point in ordoliberalism (Elmar Altwater, Jürgen Hoffmann, and Willi Semmler 1979) (which is simply equalized with neoliberalism by older authors). It would be just enough to accept that underestimation of ordoliberalism has gone too far. Some of the authors in this book, Alan Cafruny and Leila Simona Talani (2019), argue that German economic policy cannot be unilaterally derived from ordoliberalism (they let “these ideas correspond to the requirements of Germany’s neo-mercantilist export model”), but they do not conclude that *the consequence is that ordoliberalism has become irrelevant*. On the contrary, they say that German local corporate interests represent an “obstacle” to abandoning ordoliberalism, which various commentators wanted from Germany.

Or, let’s look at another author who is also cited in this book. Italian heterodox economist Sergio Cesarrato discusses the heterodox attitudes towards Germany in the context of the global economic crisis and pays full attention to ordoliberalism as an ideological horizon (Sergio Cesarrato 2020, p. 200), namely the ideological repertoire described as “the discreet charm of the ordo-mercantilist state”.

Ordoliberalism was the basis for the social market economy. To quote, “emergence of this set of political-economic institutions was embedded in the German discourse of ordoliberalism - a particular German economic-philosophical strand favoring a capitalist market economy” (Kurt Hübner 2015, p. 623). This is not a symptom of irrelevance. Nowhere here will we find the kind of rigorous and, in my opinion, inadequate assessment that Germann is making. Is it an academic luxury to write about dilapidated ordoliberalism, or should the problem be approached differently?

To deconstruct ordoliberalism, or any other ideological meta-narration, is one thing, and the other thing is to contextualize, to connect ideological narratives with concrete dynamics. This book, however, is missing this. Germann is right when he claims that there is no straight line between Ludwig Erhard and Wolfgang Schäuble - but this is not yet a reason for “irrelevance” (and the points connecting Schäuble and ordoliberalism should not be underestimated) (Joshua Ratz 2017, p. 107). It seems to me that Germann is suffering the consequences from missing the ideology in his attack on master concepts such as ordoliberalism and hegemony. His arguments do not offer understanding of how a certain ideological orientation becomes an ideology. Admittedly, he does mention once the specific channels of dissemination of neoliberalism (think-thanks, etc.), but without attaching it the deserved significance. However, it should be said that the spread of ordoliberalism, therefore, its transformation into ideology, cannot be understood in Germany without the same “civil institutions” (Stephan Pühringer and Walter Ötsch 2019). And then why can’t we work on a synthesis that connects the paradigm of combined and uneven development and the constitutivity of ideological narratives?

Finally, my remarks are not questioning the extraordinary significance of this book. It should be read by anyone interested in the European destiny of neoliberalism and the eternal German enigma.

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