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THE AUSTRIAN SCHOOL OF ECONOMICS AND ORDOLIBERALISM – SOCIO-ECONOMIC ORDER

Abstract. The scientific aim of the paper is to juxtapose the views on economic order developed by the leading representatives of two schools of liberal thinking – German ordoliberal Walter Eucken and the Austrian economist Friedrich August von Hayek. The first scholar opted for deliberately constructed competitive economic order, the second one advocates for allowing the social institutions to emerge and evolve spontaneously. The analysis proves the similarity of both theories in regard to the significance of principles of an economic order and the importance of competition for maintaining individual freedom. On the other hand some differences in the areas of sources of rules, institutional change, and the role of the state, induce their complementarity. Developing an intellectual basis for economic policy requires an eclectic approach combining two analysed perspectives.

Keywords: Ordoliberalism, Austrian school of economics, economic order, spontaneous order, constructed order

1. Introduction

After the collapse of real socialism in Central and Eastern Europe at the turn of the 1980s and 1990s, the world economy and society must have seemed very harmonious to economists and the representatives of other social sciences. The rivalry between the capitalist market economy and socialist centrally managed economy ended with the victory of liberal stu-

dents of Adam Smith, not the followers of Karl Marx. During the period of market and democratic euphoria, an American political scientist Francis Fukuyama (1992) formulated the famous thesis of the “end of history”, claiming that the world has entered a long phase of the rule of free market economy and liberal parliamentary democracy. In economics, a deeply rooted conviction of prestigious domination of mainstream neoclassical theory was compatible with Fukuyama’s thesis. However, in his newer book Fukuyama (2014) grew distant from his initial thesis and analyses the decay and collapse of the existing order.

One can indicate the premises of the progressive drift of the modern world towards disorder, chaos, and anarchy. The global financial and economic crisis of 2007–2009 is not a primary cause of this drift, but one of its effects. Its deep roots are sought in the transformation of human mentality on a global scale. In this context, the views of philosopher Peter Sloterdijk are inspiring, according to which modern man – “modernity’s enfant terrible” – has lost the balance between the past and the future which still existed in previous generations. Tradition and the message of the rules of economic and social games, moral norms, and the knowledge previous generations were familiar with, seem to lose their importance. The modern world reminds Sloterdijk of a global laboratory, in which undertaken experiments concern almost exclusively the future.

This world of “modern times” instigates fear. The point is that the past, and the current cultural and historical “path of development”, provided individuals, societies, and the world with a certain degree of indispensable balance and stability in the face of necessary adjustments to the dynamic challenges of the future. At the same time, it has to be taken into account that modern economies and societies are characterized by a rapidly increasing level of complexity. According to Friedrich August Hayek, man’s creative thought, which constantly leads him to search for something unknown and unpredictable, i.e. to new discoveries and/or acquisition of new knowledge, is the main driving force behind this process. The academic claims that modern man in an ever more complicated, less and less transparent world will no longer be the master of his own fate (Hayek, 2003, pp. 403–404). In the first two decades of the 21st century, almost everything has become less certain and highly unstable.

In this complicated and dangerous situation of the drift of the modern world and economy, it seems reasonable to look at the economy and economic policy in terms of the order which was proposed in the 1930s by Wilhelm Röpke and Alexander Rüstow among others. The discussion of the theory of economic order was dominated by the views of the leading repre-

representative of the Austrian school of economics, Friedrich August Hayek, and the thought leader of German ordoliberalism, Walter Eucken. Both of them focused their research on the problems of economic order, based on principles and rules and its impact on the course of economic processes and, more broadly, social life. They shared a common goal – the desire to ensure individual freedom and competition, and the opposition to discretionary state interference in current business activity. However, the issues they were concerned with differed. Hayek tackled the problem of the dispersed knowledge of individuals, whereas Eucken dealt with the concentration of economic and market power. Despite these differences, it is reasonable to state that both of the above mentioned concepts of economic order show a high level of complementarity.

The aim of the article is to gather and systematize the fundamental differences between Eucken's theory of designed economic order and Hayek's spontaneous order, and then to identify the possibilities of their application to solve the problems of dysfunctions of modern market economies. In order to achieve the main objective, the thesis of the complementarity of both order theories in significant areas providing the possibility to pursue effective economic policy in the modern economy was adopted. The study was based on critical literature studies and a comparative analysis of economic doctrines.

2. The axiological background of designed and spontaneous socio-economic order

Both Eucken and Hayek were ardent proponents of liberalism embedded in the broad context of the traditional values of European culture. They claimed that the freedom and responsibility of an individual, as well as the existence of a just society, were the ultimate goal of economic activity. Both theoreticians were aware that guaranteeing and stabilizing freedom, responsibility and justice, requires the existence of a socio-economic order, i.e. the institutional structure relevant to these superior goals of the society. In contrast to the mainstream neoclassical theory of economics, these scholars did not disregard the institutional framework of economy and society, and simply made them a focal point of their research. However, they perceived the road leading to the realization of the institutional framework for the market economy and the society in a different way. Hayek developed the concept of socio-economic order, evolving independently and evolutionarily during the lifespans of successive generations, while Eucken opted for the order constructed by the public authorities.

Eucken grew as a theoretician economist in the tradition of a younger German historical school developing under the influence of Berlin professor Gustav von Schmoller. Both his doctoral and habilitation dissertation corresponded to the way of thinking within the framework of the historical school. It influenced Eucken's approach to scientific research. He expressed a willingness to tackle real problems concerning economic life. His wife, writer Edith Eucken, claimed that he was not interested in practicing economics in formalized theoretical models as art for art's sake. He was characterized by a strong "will towards reality" (Eucken, 2004, pp. V–VI). It was further strengthened by the influence of his father, Rudolf Eucken, a philosopher and laureate of the Nobel Prize in literature in 1908. Rudolf Eucken propagated the idea of ethical activism, i.e. every free man has the right and duty to shape economic and social reality. He should, however, do so in a way that enables him and others to live in accordance with ethical principles (Goldschmidt, 2006, p. 84).

The hyperinflation in 1923 fully exposed the weakness of the German historical school deprived of a theoretical basis. Its coryphaeuses could not make an appropriate diagnosis of the situation, and offer relevant remedies. In 1931, Eucken (1997, p. 24) made a critical comment: "There is a lack of both an understanding of the sense of historical facts and a lack of thinking in terms of economic theory. What can you expect from an idea of economic policy that has emerged as a result of combining such weaknesses?". Eucken further claimed that the existence of a significant antinomy between two different ways of a methodological approach to research into economic life was a fundamental cause of economic weakness. Empirically oriented, the younger German historical school contrasted with the highly formalized – soaring, according to Eucken, in the "clouds of abstraction" – neoclassical theory of economics. In the theory of economic order which integrated the historical aspect of the economic process (order) with its theoretical aspect (neoclassical economics), the Freiburg researcher saw the possibility of overcoming antinomy (Eucken, 2005, pp. 51–54). Eucken was convinced that the historical experience would trigger the learning process, providing decision makers with knowledge necessary to set the principles of competitive economic order.

In relation to this problem, there is a striking difference between Eucken's way of thinking and the ordoliberal "Freiburg school", and the views of the leading representative of the "Austrian school of economics" Friedrich August Hayek. The latter was of the opinion that a man – even a genius – would never have at his disposal expertise that would allow him to constitute a deliberate socio-economic order. Therefore, humanity is forced to

accept the fact that these complex habits are shaped in the long-term historical process, primarily in a spontaneous way. The justification for this fact should be sought in the scientific background of the later Nobel Prize winner, who as a graduate of the University of Vienna was closer to the legacy of Carl Menger and his view on the evolution of social institutions. Hayek's participation in the private seminar of Ludwig von Mises in the 1920s was of utmost importance. The academic was greatly influenced by Mises's work from 1922 titled *Die Gemeinwirtschaft. Untersuchungen über den Sozialismus*. This book made Hayek abandon his youthful sympathies for the socialist principles of the organization of economy and society, as well as the image of a fully rational man of socialism. Over the years, the above mentioned model became less and less realistic for him. As far as the genesis of socio-economic order is concerned, as time passed by, he grew more inclined towards the view of 18th-century Scottish philosopher and political thinker, Adam Ferguson. According to him, socio-economic order was not "the result of human action, but not the execution of any human design".

3. Comparative analysis of the concept of designed and spontaneous economic order

In the collections of the University of Freiburg informing about the members of the Freiburg school who are the authors of the concept of social market economy (SME), among such names as Walter Eucken, Franz Böhm, Hans Grossmann-Doerth, Leonhard Miksch, there is also the name of Friedrich August Hayek (Wohlgemuth, 2013, pp. 149–150). The words of Hayek himself prove the correctness of this classification. The scholar stated that his task is to "resume and continue the tradition which Eucken and his friends created in Freiburg" (Ebenstein, 2001, p. 241). These declarations, pointing to the link between the representatives of the Freiburg school and Hayek, may justify research aimed at identifying similarities between Hayek's theory and the Freiburg school, including ordoliberalism (Vanberg, 2003, pp. 3–20; Moszyński, 2012, pp. 121–133). The list of common points of research of Hayek and Eucken, the leading representative of the Freiburg school, includes:

- the significance of the concept of order in the process of management and individual freedom;
- negative attitude to the theory of socialism;
- inclusion in the research on the process of managing the achievements of other scientific disciplines, such as law and history;

- negative attitude towards excessive mathematization of research on the basis of neoclassical economics;
- limited, in comparison to neo-classics, research on allocation, optimization and forecasting issues (Moszyński, 2012, pp. 126–126).

Despite such a wide range of common features of Hayek’s theory and the Freiburg school, including theories of spontaneous and designed order, one may speculate that these theories are not substitutable, but they complement each other in a significant way. The findings of the conducted research show that also real economic systems are characterized by the coexistence of rules corresponding to the assumptions of the Hayek’s and Eucken’s theory of order (Grabska, Moszyński, Pysz, 2014). Therefore, in the search for an optimal model of socio-economic order, a comparative analysis of both theories through the prism of differentiating criteria is justified. Such

Table 1
Comparison of the theory of economic order by Eucken and Hayek

Criterion	Ordoliberalism (Eucken)	Austrian school (Hayek)
The source of the principles of order and their change	Both the source and the change of rules represented by the relatively quick adaptation of formal rules of the game to the context of time and place by the decisions of the state, to preserve their desired impact on the behaviour of participants in the socio-economic life	The source of principles lying in the grassroots decisions of market participants; their changes, arbitrary and gradual, consisting in the selection and improvement of the existing rules of socio-economic life
The role of principles	Control of the economic process in situations of concentration of power and abnormal behaviour of market participants	Coordination of the economic process in a situation of dispersed knowledge
The role of the state	Creation, protecting of an order	Protection of very narrowly defined tasks (e.g. protection of property)
The effect of competition	Positive, in the form of an impersonal coercion of market participants to make efforts and improvements. Negative in the form of concentration of power among participants in the economic process	Discovering dispersed knowledge among participants of the economic process and creating a system of incentives to acquire knowledge and skills necessary to participate and achieve benefits
The scope of competition policy	Subject to limiting the degree of concentration of power of market participants	No need to conduct competition policy

Source: own elaboration.

analysis may constitute a basis for drawing conclusions on the strengths and weaknesses of both concepts of order and their possible complementarity.

For the purposes of this article, the comparison of Eucken's designed order and Hayek's spontaneous order will be based on the following differentiating criteria: sources of order, the role of principles, the role of the state, approach to competition. The most important differences, summarized in Table 1, will be discussed later in the study.

3.1. The sources of the socio-economic order and their change

According to Hayek, economic order and its principles have a starting point in spontaneous endogenous changes. In this context, Hayek distinguishes between the effects of human action and the human plan and proves that the rules of spontaneous economic order are not the result of a human design, but rather outcomes of mutual interaction of participants of the market process. He defines the occurrence of spontaneous order as a state of affairs in which the participants of the market process, making use of their knowledge, are able to accurately predict what cooperation they can expect from others (Hayek, 1973, p. 36). Lack of order, i.e. non-existence or non-compliance with the rules of the economic game, prevents mutual adjustment of activities in the economic process, and thus the satisfaction of basic material and social needs.

As part of the spontaneous order, the eventual formulation of rules shaping the course of the economic process takes place by means of trial and error. The decisions made by business entities are based on their intuition and situational awareness, and they consist in adapting to specific situations and conditions. The actions that have proven to be effective create repetitive structures, habits, rules, customs and laws. What turns out to be beneficial and effective gathers and involuntarily establishes a spontaneous order of economic behaviour. That is how order is created. On the one hand, it does not violate the freedom of individuals, and on the other hand, it most efficiently contributes to the satisfaction of human aspirations. The spontaneous order is created as a result of adaptive evolution, over the life span of several generations.

Eucken shared Hayek's view on the emergence of a spontaneous socio-economic order, but with a stipulation that this process had lasted without major disturbances until around the mid 19th century. With the revolutionary progress of industrialization in England, North America and continental Europe, spontaneity of the order was, however, gradually limited by the necessity of its top down designing going hand in hand with these changes. It resulted from very profound changes in the social and economic structure

of industrialized societies, including the establishment of large industrial production plants, deepening of labour division, migration from the countryside to the cities. Unlike classic English liberals and Hayek, Eucken was convinced these changes threaten the functioning of the competitive market, despite it being a natural law. He indicated the pursuit of economic entities to obtain a position of advantage and subsequently a monopolist on their market as a natural tendency (Eucken, 2004, p. 31). According to him, historical evidence proved that the spontaneous development of economic order may lead to the appearance of deep dysfunctions of the market economy, and even ultimately to the self-annihilation of a competitive market.

The adoption of a specific model for the formation of rules of economic order determines the nature of institutional change. Having thoroughly examined various forms of the political system, Eucken concluded that a coherent economic constitution must be top-down-created. The possibility of a relatively quick introduction of the institutional rules of the game of competitive economic order constitutes the advantage of a constructive approach. Principles of economic order proposed by Eucken may give the impression of a static institutional framework that stands above time and space, but, in fact, they are open to change. Eucken further explains it, writing about the “principle” and “moment”, by which he understands the possibility and necessity to adapt specific solutions related to the implementation of a given general rule to the requirements of time and place. One can imagine changes in the institutional order while still remaining in accordance with the generally formulated principles of a competitive economic order. It is a task of the state to introduce formal corrections of institutions. The principle of stability of economic policy suggests restraint in this respect.

Hayek’s approach to institutional change is based on the assumption of an evolutionary process of eliminating inferior rules and slow improvement of better ones. This reflects the learning process of society and the codification (also informal) of dispersed knowledge of the participants in socio-economic life, as well as the increasingly better organization of the principles of social coexistence. Such an evolution is, by definition, aimed at a long period and the possibility of its occurrence presupposes political (systemic) stability. The history of Western countries indicates that few countries would be able to meet these conditions; one of them could be Britain in the 19th century. In periods of dynamic changes and political breakthroughs, such as the transformation of socialist countries, such an evolutionary approach seems unrealistic, because system change management requires an active rules creator and no time to wait for the proper creation of the rules of the game.

3.2. Approach to competition

Both Eucken and Hayek being representatives of liberal economic thought, place the issue of free competition at the centre of attention. According to Eucken, the main advantages of an economic order based on the competition mechanism are, among others, as follows:

- guarantee of the correctness of the economic calculation. The prices in the order based on an efficient mechanism of competition inform about the relative scarcity of individual products, enabling optimal allocation of resources;
- balance of the sphere of freedom and regulation, which at the same time guarantees individual freedom and limits the possibilities of limiting the freedom of other individuals by creating economic formations with a powerful force (Eucken, 2005).

Eucken claimed that free competition occurs when both tenderers and clients compete with each other, and on this basis develop their economic plans. The prices are not imposed as part of a market strategy, but come from the market, and the only way to coordinate business is the freedom to exchange and conclude contracts. Free market competition is characterized by the absence of collusive cartels blocking buyers and suppliers (Eucken, 2004, pp. 247–250)¹, who should have the same market power. Thus, a freely operating competition mechanism allows entities to participate in the unrestricted economic process, which may come from both state institutions and private entities. This approach allows to perceive competition not only as a model that guarantees the greatest effectiveness in the scale of the entire economy, but also as a process that allows protection of the freedom of participants in the economic process as the basic value of society. In this case, the allocation efficiency stressed in neoclassical economics is only an effect of the freedom of participants in the economic process (Molski, 2011, pp. 158–159).

The degree of realization of the assumptions of free competition depends on specific conditions, the scope of which, according to the ordoliberals, should be the concern of the state. Wilhelm Röpke (1994, p. 305) formulated the role of the state in the context of competition as “the defence of capitalism against capitalists”. The basis on which the above assumption was formulated is the conviction prevalent among ordoliberals that capitalism, including free competition, deprived of a state policy for shaping the market economic order, is characterized by an immanent tendency to self-destruct, among others, by striving to monopolize the structures of the economy. The willingness of participants in the economic process to achieve a privileged position on the market, which is a source of power, constitutes

a natural feature of free competition. According to Eucken, an economic system based on competition is not a natural order (*ordre naturel*), because it is constantly threatened by interest groups and their desire to eliminate, or even restrict competition (Eucken, 2004, p. 30). Therefore, in the opinion of the ordoliberalists, free competition requiring protection cannot be developed without the state, and more specifically without an independent antimonopoly office (Eucken, 2004, p. 294).

In response to the anti-competitive behaviours of participants in the market process, ordoliberalists also propose that the state should be responsible for creating and observing generally binding rules of economic order that guarantee conditions for free competition. The scope of the rules established by the state is not to change depending on the current economic situation, whether it depends on the interests of the privileged group, but only to be oriented towards guaranteeing comprehensive conditions for free competition.

According to Hayek (1976, p. 117), competition as a discovery procedure enables all participants in the economic process to use their decentralized knowledge to achieve mutual benefits on the market, and disseminates information “in coded form”, through prices, about the opportunity to achieve benefits. Competition provides and disseminates information on alternative projects, as well as provides opportunities to replace partners and objects of transactions, positively affecting overall economic efficiency and effectiveness. Furthermore, competition allows you to discover what is available to individuals, but not available to the public at large (Hayek, 2002, pp. 9–10).

Competition according to Hayek means a procedure for discovering facts that would not have been revealed and thus used if this competition were lacking. In this approach, competition enables the discovery of previously unknown production possibilities and new opportunities, while its absence means that many possibilities remain undisclosed and unused (Hayek, 2002, pp. 9–10). Therefore, the effects of competition are unpredictable and frequently different from the purpose formulated in a conscious manner, and thus not relevant for all participants of the economic process.

In Hayek’s spontaneous order, in which competition was perceived as a dynamic procedure for discovering knowledge, each participant in the economic process has the opportunity to use his skills and unique knowledge to pursue his own goals. Moreover, competition enables the creation of a system of incentives to acquire the knowledge and skills necessary to participate and gain benefits, and through flexible prices – it’s responsible for providing information to all participants of the market process. The system of flexible prices allows carrying out market transactions for those market participants

who incur expenditures, have adequate purchasing power, and are able to properly interpret other market signals.

Competition as a “discovery procedure” of knowledge is a manifestation of the use of freedom to take action by market participants. Therefore, according to Hayek, pursuing a competition policy, including legislative proceedings aimed at regulating the competition mechanism, should be treated as an attempt to restrict freedom and thus be unacceptable.

3.3. View of the role of the state

A characteristic feature of ordoliberals’ thinking about economic order is the separation of two levels – institutional, also referred to as the economic constitution (*Wirtschaftsverfassung*), compiled from formal rules of the game, and the process level, which is the economic game itself. As far as this lower level is concerned, there are a lot of analogies between ordoliberals and Hayek’s approach, since Hayek talks about the economic *order of actions*, and the ordoliberals likewise describe market coordination at the level of the process as spontaneous interactions compliant with the rules. Both Hayek and the ordoliberals clearly oppose the state’s interference at this level, while they distribute the accents in a different way. Hayek (1979, p. 37) justifies the rejection of the state’s intervention by the subordination of the society to the decisions of a narrow group of people (“the will of a few persons”), and to a lesser degree decreasing economic efficiency. The ordoliberals do not negate the achievements of neoclassical economics as to allocation matters, but the focal point of their arguments concerns the question of freedom. Most ordoliberals were economists or lawyers. Although they differed in terms of many details of the liberal economic system, they agreed that the market economy is indispensable for a free society (Willgerodt & Peacock, 1989, p. 6).

Differences arise when it comes to the level of institutional order, which, according to ordoliberals, cannot be left alone for self-development. Therefore, it is necessary for the state to act decisively and to pursue a policy of economic order (it can be described as institutional policy), to lay down rules, ensure their observance, and enforce sanctions for violating them. Hayek was less skeptical about the dangers of accumulation of private power, concentration and centralization in the economy, and he may have thought that they could not be sustained in the long run due to the emergence of new competitors. Hayek’s views on the role of the state evolved. In the period 1930–1940, when he abandoned the study of business cycles and turned to the problems of principles and competitive order, his standpoint was closer to the views of the ordoliberals. During this period, he recognized that the

state has a significant role to play in order to create a competitive environment, and not, according to the idea of *laissez-faire*, to leave things as they are. He argued that creating competition where it does not exist is the best way to give direction to individual efforts. A legal framework is necessary for this purpose (Hayek, 1944, p. 37). Later, Hayek sharpened his opposition to attempts at top-downing the rules of socio-economic life, because he was closer to the evolutionary processes of creating rules of conduct. His views grew closer to the opinions of Ludwig von Mises, who consistently denied the necessity of state interference both at the level of the process and the economic order.

As already mentioned in point 3.2., the ordoliberals allowed for a wider scope of state intervention, which mainly included the policy of economic order. Yet, in certain situations, it could also take place at the process level. The directions of creation of the economic constitution were determined by the so-called constitutional rules formulated by Eucken in a posthumous work of 1952 (2004). According to the author, they should be tailored to a current “historical moment”, and implemented comprehensively. The manner of their introduction must be agreed on by the decision-makers with a sense of context and the ability to look at the economy in a holistic way. The effective price system, without which it would not be possible to create a competitive order, was recognized as the most significant principle. Other principles covered: price stability, open markets, property rights, freedom of contract, responsibility for and the stability of economic policy. A few situations, when ordoliberals allowed the correction of market processes, described the so-called regulating principles; the premises for the government’s actions were, *inter alia*, excessive income inequalities or abnormal supply behaviour (Eucken, 2004, pp. 254–304). The overriding and ambitious goals set for the economic order to be functional and worthy of a man can be interpreted as justification for state intervention. The ordoliberal theory is based on the assumption that in a competitive economic order, fulfilling a set of constitutional principles, the necessity of state intervention in the market process will be minimal. It should be noted that the positions of classic ordoliberals in this matter were not uniform. W. Röpke and A. Müller-Armack were able to accept a deeper interference than Eucken, but all postulated that it should be carried out in accordance with market logic and mechanisms.

Hayek allowed the state to participate in social and economic life to a much more limited extent, which resulted from the conviction that the economic order cannot be given the attribute of purposefulness, because the objectives of individual units are realized within its framework. The

decision maker confronts the problem of limited knowledge about the market and preferences of its participants, and the “fatal conceit” of intellectuals means that they attribute to themselves the ability to design society and guide it according to a specific plan, while they are actually unable to fully comprehend how it works². Hayek (1944, p. 36), like Eucken, saw the role of planning in economic life, admitting that it is indispensable, but only at the microeconomic level. Both opposed the creation of one plan for social life, because it leads to a centrally managed economy. Hayek illustrated the role of the state with a metaphor of a gardener who creates conditions for growth and slightly corrects plants (1944, p. 18). Both ordoliberals and Hayek did not directly ask about the quantitative problem of the state’s presence in the economy. They only stressed the quality dimension of politics. Yet, Hayek’s position here was closer to the positions of classical liberalism.

4. Summary – theories of order and the problems of modern economies

The juxtaposed concepts of economic order by Walter Eucken and Friedrich A. Hayek, taken together, allow one to understand the purposefulness and the essence of creating principles of socio-economic life, as well as the process of their change. Both research programs have many similarities, including stressing the significance of principles in the economic system and the importance of competition for maintaining the freedom of the individual. The analogies are the basis for drawing conclusions on the substitutability of these theories in the above areas. On the other hand, the analysis of the criteria differentiating both theories, in the form of approaches to the sources of rules, institutional change, and the role of the state, allows the setting up of their strengths and weaknesses, and thus to identify potential areas of complementarity.

The specificity of the conditions of functioning of contemporary economies makes the attempts to propose an adequate concept of economic policy, based solely on one theory of economic order, doomed to failure. Both analyzed concepts show shortcomings that make it impossible to select only one of them as the intellectual basis for creating economic policy. This problem, especially in the context of the complex challenges of socio-economic life, can be solved by means of a new, eclectic theory of socio-economic order, synthesizing the main assumptions of both concepts. This approach is possible due to the demonstrated complementary nature of two approaches identified in the areas of sources of order and type of institutional change,

and competition and the role of the state. Both theoretical considerations and empirical studies show that there is a feedback between the spontaneous and designed order, which is necessary for the economic and social functioning of the market economy.

Considerations about the application of theory of economic order to tackle problems of modern market economies can be reduced to the following points.

Firstly, by assuming the thesis about the necessity to prevent the decay of the socio-economic order of this phase of capitalism, Hayek's concept of spontaneous emergence of order turns out to be useless for economic policy, mainly for two reasons. First and foremost, as historical experience teaches, with the spontaneous formation of law, almost always and everywhere "the law of a stronger one" applies. Consequently, the overwhelming advantage of oligopolies and monopolies occurs, which is detrimental for a competitive market economy. Moreover, the concept of spontaneous order is characterized by a long or even very long time horizon. Due to the unprecedented dynamics of change, acceptance of the *laissez-faire*, classical approach of liberalism, assuming that everything on the market is spontaneous, poses a threat of catastrophic failures and loss of any control over the process of institutional change. The advantage of Eucken's approach is the ability to quickly shape the elements of order by political decisions. The newly introduced principles can in the short term begin to affect the behaviour of economic entities and the way the economy operates, although the possibility of side effects and delay in the desired results should be expected. A prominent representative of constitutional economics, James M. Buchanan (2005, p. 35), warns that: "It is much easier to change the social and economic rules of the game than to influence the character of its participants."

Secondly, with the exception of some radical Marxist thinkers, the thesis of competition as the fundamental driving force of the market economy is widely accepted. Analysis of the approach to competition in the field of ordoliberalism and the Austrian school allows one to note that both schools give it priority, indicating its ethical and moral values. For both factions of liberal thought, it is not only important to optimize the allocation processes and generate innovation, but above all, to secure the freedom of the individuals. In the face of fast processes of concentration, oligopolization, and monopolization in such areas as international finance or the e-economy, the latter task seems to be of utmost importance. The legendary investor, George Soros, critically evaluates this expansion, perceiving it as a threat to the freedom of human beings, parliamentary democracy, and, ultimately, civilization as a whole. Soros demands to include it in the framework of in-

stitutional rules of economic games created by state or transnational authorities. “Only applicable regulations and taxation may break their previous domination.” (Soros, 2018, p. 72).

Thirdly, as regards the role of political authorities in the economic process, the Austrian school of economics from the perspective of Hayek and other more radical thinkers of this school (such as Mises and Rothbard) has a major problem with the state. While in the case of normative approaches, some elements of political and economic rationality can still be recognized in the idea of the state as the night watchman of John Stuart Mill, the ideas of a total displacement of the state from the sphere of economy (both at the level of order and process) should be assessed as unrealistic but also inadequate due to the fact that such a state would not be able to protect a competitive market. This issue is better addressed by the judgment of Eucken’s top-down competitive economic order than by Hayek’s spontaneous order.

The concepts of Eucken’s designed order and Hayek’s spontaneous order are assumed to be holistic, taking into account the entire economy. Given the holistic character of these concepts prompts one to study their complementarity to the reversal of the cognitive perspective, i.e. the transition from analytical approach with the aforementioned three scopes of analysis to the synthetic approach, allowing for a more unambiguous evaluation. It turns out that it occurs in two out of three applied criteria of complementarity analysis (points 3.1 and 3.2). At the same time, the proverbial “Achilles’ heel” of the concept of spontaneous evolution of the economic order is revealed, i.e. unrealistic and dangerous striving to oust political authorities beyond the regulation sphere (point 3.3). Paradoxically, this postulate was partially implemented in the first decade of the 21st century, when large international financial concerns operated on a global scale in a poorly regulated space by the organs of political power.

The question arises here: what can social science and economic policy do in the face of signalled challenges of modern times? The formulated thesis that one must not succumb to historical determinism and the resulting faith in change that humanity can not influence may be an attempt at a general answer. At this point, a liberal philosopher, Karl R. Popper, may be referred to: “Although history has no ends, we can impose these ends of ours upon it; and although history has no meaning, we can give it a meaning” (1947, p. 265).

To give the future a sense of purpose, we must use the opportunities offered by liberal economic policy through the complementarity of both concepts of economic governance. The concept of spontaneous order exposes the freedom, strength, and dynamics of a free society functioning within the

market economy. For a free society not to destroy the libertarian foundation of its existence, it is necessary to place it within the framework of a competitive economic order, as understood by the governing bodies of political power in Eucken's concept. Full of strength and spontaneous dynamics, the free market in Hayek's approach is an indispensable but insufficient condition for an economically and socially functioning market. In addition, a vital condition in the form of institutional rules for the functioning of the market established by the political authorities must be met. The market cannot survive without the rules of an economic game, and these rules without a market would be meaningless.

N O T E S

¹ Thus presented, the essence of "full" (or "workable" in the meaning of J. M. Clark) competition "vollständiger Wettbewerb" is similar to the static concept of perfect competition, which, due to numerous unrealistic assumptions, has been criticized by Hayek (Wohlgemuth, 2013, p. 159). It should be noted that Eucken rejected one of the conditions of perfect competition in the form of product homogeneity. Hayek further concluded that a perfect competition model based on the assumption of a large number of homogeneous products and services as well as excellent information cannot be used, when the needs and knowledge of participants in the economic process as well as the diversity of their skills and capabilities are constantly changing: M. Streit, M. Wohlgemuth, *The Market Economy and the State. Hayekian and Ordoliberal Conceptions*, [in:] Kosłowski P. (ed.), *The Theory of Capitalism in the German Economic Tradition*, Springer, Berlin-Heidelberg 2000, p. 243.

² Similar restrictions on the role of the government were pointed out by W. Lippmann, who was familiar with ordoliberals and Hayek and emphasized (1943, p. 29) the limited possibilities to control social processes. Although the development of science and technology facilitates management processes, it is simultaneously complicated by the matter itself, which is to be subject to interference – hence the "illusion of control".

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