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Callison, William Andrew

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Political Deficits:
The Dawn of Neoliberal Rationality and the Eclipse of Critical Theory

By

William Andrew Callison

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

Political Science

and the Designated Emphasis

in

Critical Theory

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Wendy Brown, Chair

Professor Pheng Cheah

Professor Kinch Hoekstra

Professor Martin Jay

Professor Hans Sluga

Professor Shannon C. Stimson

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Abstract

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By

William Andrew Callison

Doctor of Philosophy in Political Science

and the Designated Emphasis in Critical Theory

University of California, Berkeley

Professor Wendy Brown, Chair

This dissertation examines the changing relationship between social science, economic governance, and political imagination over the past century. It specifically focuses on neoliberal, ordoliberal and neo-Marxist visions of politics and rationality from the interwar period to the recent Eurocrisis. Beginning with the *Methodenstreit* (or “methodological dispute”) between Gustav von Schmoller and Carl Menger and the subsequent “socialist calculation debate” about markets and planning, the dissertation charts the political and epistemological formation of the Austrian School (e.g., Ludwig von Mises, Friedrich A. von Hayek), the Freiburg School (e.g., Walter Eucken, Wilhelm Röpke, Alexander Rüstow), the Chicago School (e.g., Henry Simons, Milton Friedman, Gary Becker), and the Frankfurt School (e.g., Max Horkheimer, Theodor W. Adorno, Jürgen Habermas). Combining archival research, textual interpretation, and theoretical reflection on these schools, it shows how critical theorists and political economists battled over the future of capitalism and socialism by redefining state, economy, and subjectivity in terms of their (ir)rationality. It also demonstrates the significance of the Austrian, Freiburg, Chicago and Frankfurt Schools’ free appropriation of Max Weber’s binary typologies, including markets vs. planning, formal calculation vs. substantive values, and rationality vs. irrationality. In turn, the dissertation argues that these and related approaches to political and economic rationalization displaced more radical visions of the political as collective struggle and self-rule—with profound implications for the “anti-political” crises of democracy today.

Table of Contents

Acknowledgements	ii
Introduction Political Rationality in the Twentieth Century	1
Chapter 1 The Politics of the Rational: The Austrian School, Max Weber, and the Socialist Calculation Debate	35
Chapter 2 Constructions of Ordoliberal Rationality: The Freiburg School, the Competitive Order, and the Social Question	68
Chapter 3 Mutations of Neoliberal Rationality: The Chicago School, Market Rule, and Crisis Management	104
Chapter 4 The Rational Administration of Things: The Frankfurt School, Weberian Dialectics, and Political Deficits	124
Conclusion Political Deficits in the Twenty-First Century	167

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Introduction: Political Rationality in the Twentieth Century

We have to start by trying to define the political sensibility of the period.
Or rather, the absence of a political sensibility. – Stuart Hall¹

For over a half century, the Western political imagination has turned on the “rationality” and “stability” of liberal democracy, or what Marxists called the unhappy marriage of democracy and capitalism. Briefly shaken by the 2008 financial crisis, faith in the durability of (neo)liberal capitalism was seemingly restored by the dramatic measures taken by governmental and monetary institutions. The recent success of rightwing forces, however, has proven more difficult to explain using established notions of politics and the theories built around them. The postwar consensus is dying off, its neoliberal transformation is sputtering along, and a Janus-faced phoenix—reactionary ethno-authoritarianism and market techno-futurism—is rising from the smoke and ashes. Striving to respond to these new configurations, critical and political theorists relying on once foundational assumptions stand on increasingly shaky ground.

Witnessing liberalism’s subversion, both its faithful defenders and longtime critics have entered the battle against rightwing forces. But how did we arrive at this struggle, and what exactly is at stake? How did *neoliberalism* emerge as a governing rationality, and why has the right proven more capable of inducing its ostensible crisis than the left? How might a genealogy of select twentieth-century transformations—including in liberalism’s relationship to capitalism, capitalism’s relationship to democracy, and the relationship between political and economic power more generally—provide critical orientation to our embattled present?

To explore these questions, *Political Deficits* charts theoretical constructions of neoliberalism and neo-Marxism from the crises of interwar Europe to the recent Eurocrisis. The dissertation specifically examines the dueling politics of rationality in different branches of neoliberalism (the Austrian, Freiburg, and Chicago Schools) and a dominant current of neo-Marxism (the Frankfurt School). Through textual and contextual readings of these adversarial traditions, the dissertation seeks to rethink the shifting relations between social science, governmental strategy, and democratic possibility over the past century. When read as interventions into historic crises, I suggest, these traditions recast pressing questions of knowledge and power, economics and politics, and liberalism and authoritarianism today.

By linking these historical developments to contemporary transformations, the dissertation observes how conventional conceptions of capitalist (ir)rationality have not only failed to apprehend competing modes of “crisis management” that occasioned the rise of far-right political forces. They have also blinded critical theorists to the specificity of neoliberalism as a particular *form* of rationality that cuts through dialectical binaries of capitalism and democracy, market and state, reason and unreason, and materiality and ideology. “Systematic” approaches to understanding political and economic rationalization have, in this way, unwittingly mirrored the

¹ Stuart Hall, “Political Commitment,” in *The Great Moving Right Show: Select Political Essays* (Durham: Duke University Press), p. 85.

logic of the processes they are studying. Specific processes of rationalization tracked by this dissertation, such as ordoliberalization, neoliberalization and financialization, have displaced alternative visions of collective struggle and self-rule—with profound implications for current crises of liberal democracy and the “anti-political” reactions they are eliciting. From the “value neutral” self-representations of neoliberal programs through the totalizing conception of “state capitalism” in the first-generation Frankfurt School to the recent debate between Jürgen Habermas and Wolfgang Streeck about “democratic capitalism” in the EU, the dissertation tracks the limitations of Weberian-inflected paradigms that imagine politics as a rationally delimited sphere of formal or functionalist legitimation.

Against these and other common accounts, the dissertation also shows that neoliberalism—when read against the *naturalism* of classical liberalism—was radically *constructivist* in both its epistemic principles and political strategies. Like many other interwar social scientists, the neoliberal intellectuals and critical theorists believed that a proper understanding of both the promise and limits of human rationality—whether as scientific planning, technological manipulability, or market calculability—would help resolve the manifest *irrationality* of interwar capitalism. Though this Enlightenment-inflected ideal of rationality was hardly new, its relationship to both scholarly and popular conceptions of politics changed during and after WWI. It was the rise of socialism in particular that helped initiate the epistemic and political constructivism of this era, though Keynes and the neoliberals quickly became even more constructivist than the socialists themselves. By constructivist I mean that, rather than seeking to realize the inner truth or rationality of Man, these schools of thought and practice understood the task to be one of actively (re)constructing social institutions and individual subjects in and through *their own* form of rationality. Through an analysis of socialism’s counterhegemonic struggle, neoliberal strategists like Friedrich von Hayek identified a model for their own paradigm shift: “chang[ing] the meaning of the words describing political ideals is not a single event but a continuous process, a technique employed consciously or unconsciously to direct the people.”² At the time, Hayek warned, “planning” and “collectivism” were overtaking “liberalism” and “individualism” as common-sense categories and ideals. It was thus against the practical success of socialist movements and scholars that neoliberalism—variously called “constructive liberalism,” “neocapitalism” or “the neoliberal offensive”—arrived at a strategy based on constructivist rather than naturalist premises.³

Thus at its basis, my project argues, neoliberalism began as an epistemological program aimed at restricting the political imagination and at institutionally delimiting the openings for political action. To this end, I trace the genesis and mutation of neoliberal rationality from the Austrian School’s socialist calculation debate through the West German “social market economy” up to the divergence between ordoliberal and neoliberal approaches to the Eurocrisis one decade

² Hayek, *The Road to Serfdom*, p. 175. Hayek criticized Karl Mannheim’s “misleading” use of the word “collective freedom,” leading people to believe that there is such a thing as freedom beyond the economic choices of individual subjects and thus lending greater legitimacy to the “planners” of socialism.

³ See Louis Rougier, “Le libéralisme constructif” (conference paper at the *Union pour la Vérité*, May 28, 1938), 1-2; and CIRL, *Compte rendu des séances du Colloque Walter Lippmann*, 7, cited in François Denord, “Aux origines du néo-libéralisme en France: Louis Rougier et le Colloque Walter Lippmann de 1938,” *Le Mouvement Social* (195) 2001/2; Louis Rougier, “L’offensive du néo-libéralisme,” *Le Figaro*, October 29, 1938. See also Milton Friedman, “Neo-Liberalism and its Prospects,” *Farmand*, 17 February 1951, p. 3. Though based upon a very different theory of socio-historical development, Karl Polanyi made a similar point about paleoliberalism: the state was always involved in constructing and propping up capitalist dynamics. See the discussion below and in the Conclusion.

ago. In examining texts and contexts through which neoliberalism emerged, the individual chapters suggest that neoliberal rationality was one “form of rationality” among others—rather than, say, an “ideology” that can be equated with neoclassical economics or with capitalism as such.⁴ Its construction aimed at redrawing the line between the rational and the irrational—a *political* transformation premised on an *epistemological* transformation, and not the other way around. Not *despite* but precisely *because* of neoliberalism’s political deficits (about which more shortly), I contend, could its counterhegemonic strategies become so effective in the postwar era.

At the heart of our current predicament, *Political Deficits* suggests, is the problematic of the political itself—or rather, a lack thereof, as Stuart Hall submitted long ago. My analysis of this problematic differs from conventional accounts of “depoliticization” and “economization,” which often target the “naturalization” of economic inequalities and inequalitarian arrangements.⁵ Though apt for interpreting the effects of specifically *neoliberal* policies—defunding welfare state programs, privatizing public goods, quantifying once qualitative spheres of life according to economic (as opposed to cultural, social, or political) value—these accounts barely scratch the surface of the twentieth-century struggles that produced their conditions of possibility. For the “political” in depoliticization and the “economic” in economization presuppose but do not problematize the constitutive oppositions constructed by neoliberal rationality, including economy-state, market-planning, rationality-irrationality, and other conceptual pairs. An account of their transformative functions is thus imperative if they are to be the objects rather than the assumptions of critical analysis today.

When speaking of “the political,” this project draws from at least three different theoretical traditions.⁶ First, the Western tradition of political thought, as exemplified by thinkers like Aristotle and Machiavelli, has long understood the political as an artificial construct of belonging and rule, such as a polis or a state, through which a community constitutes shared principles, procedures, and values.⁷ Second, neo-Marxist cultural theorists like Antonio Gramsci and Stuart Hall have conceived the political as encompassing discursive strategies that contest hegemony over state and non-state institutions, rearticulate existing identities, and reconfigure common sense.⁸ And third, democratic theorists like Hannah Arendt and Sheldon Wolin have conceived the

⁴ As Jamie Peck has illustrated, neoliberal rationality has no pure form, but has been differently constructed and materialized across time and space. See Jamie Peck, *Constructions of Neoliberal Reason* (Oxford: Oxford University Press, 2010).

⁵ Traditionally, Marxist theory criticized political liberalism’s naturalization of economic inequality *via* formal equality and economic liberalism’s naturalization of class domination *via* social subordination. Tellingly, much of recent scholarship tends to understand *neoliberalism* as an intensification of the same dynamics once attributed to liberal capitalism.

⁶ For a discussion of the concept, see below. For a broader examination of Stuart Hall and Sheldon Wolin’s accounts of the political in relation to neoliberal currents of the contemporary far right, see the Conclusion. As I explain later, these accounts, like the one I develop in the dissertation, are *not* derived from the well-known formulation of Carl Schmitt, which bases the political on the friend-enemy distinction. See Carl Schmitt, *The Concept of the Political* (Chicago: University of Chicago Press, 1932/2007).

⁷ See Aristotle, *Politics*; Niccolò Machiavelli, *Discourses on Livy*, Harvey C. Mansfield and Nathan Tarcov, eds. (Chicago: University of Chicago Press, 1996).

⁸ See Antonio Gramsci, *The Prison Notebooks*; Stuart Hall, *The Great Moving Right Show*; see also Oliver Marchart, *Post-Foundational Political Thought: Political Difference in Nancy, Lefort, Badiou and Laclau* (Edinburgh: Edinburgh University Press, 2007); and James Wile, *Politics and the Concept of the Political: The Political Imagination* (New York: Routledge, 2016).

political in terms of the background conditions and public practices—above all, cooperation and conflict over the common—without which democracy is impossible.⁹ Each of these approaches poses unique questions of politics, power and freedom to any critical political theory of the present. While contemporary theorists describe neoliberalism as “depoliticizing,” *Political Deficits* draws from these three traditions to interrogate what is at stake in understanding our current political deficits and the eruption of an “anti-politics” that is immanent to them.

What would it mean to speak of a *lack* or *deficit* of the political in particular orders of governmental rationality? By “political deficits” I refer to different *restrictions* on the political as theorized by the three traditions described above. In this sense, political deficits signify the subordinate position or diminished place of the political in larger orders of power, knowledge, and action. Such restrictions can be implicit or explicit in their articulation and can be epistemological or ontological in their form; this is because their construction not only takes hold in social practices and institutions, but in the conceptual schemas, philosophical anthropologies, and scientific strategies that program them. In short, the notion of political deficits offers a starting point to examine how the political is constituted *and* curtailed in theory *and* in practice. If the political designates dynamics of world-making and power-sharing, of conflict and negotiation over the common, then the notion of political deficits registers the deferral, denial, or severe delimitation of such practices.

To speak of “deficits,” however, is not to speak of an absolute or irresolvable condition. Definitionally, a deficit is relational in form; it is registered *in terms of* and *in relation to* something else. The question, then, is not just how popular discourses or scientific disciplines figure various dimensions of the political for their own purposes but how, in so doing, they also reconfigure its relation to other concepts and spheres, such as the social and the economic, rationality and morality, or technology and democracy. By charting the methodological strategies behind such processes, this dissertation reconsiders the politics of knowledge production and the logics of governmental practice, or what I will call political rationality. Let us define this third and final term in the dissertation’s frame.

If contemporary conditions are shaped by the *political deficits* of twentieth-century epistemic formations, as the following chapters argue, then *political rationality* signifies orders of knowledge and power that drew on and operated through them. Following Michel Foucault, this dissertation uses the concept of political rationality to examine particular modes of government with distinct forms of legitimation, techniques of rule, and principles of limitation. According to this critical method, as elaborated below, orders of knowledge and power presuppose a particular kind of subject that they govern in turn. Several lines of questioning are involved here: What are the assumed conditions of subjective conduct on which power must work? How are these conditions and subjects conceptualized, and with what techniques are they modified? In the name of what are knowledge and power wielded, and to what end? Together these questions will provide an initial analytic prism to conceptualize political rationality.

⁹ See Sheldon Wolin, *Fugitive Democracy and Other Essays*, edited by Nicholas Xenos (Princeton: Princeton University Press, 2016); and Hannah Arendt, *The Human Condition* (Chicago University of Chicago Press, 1958/1998).

In the remainder of this introductory chapter I discuss in greater detail the historical and theoretical stakes of understanding neoliberalism as a form of political rationality. The first section presents an overview of the thinkers and schools examined in the following chapters, identifies their shared heritage in strands of Weberian methodology, and explains why my account represents a novel way of conceptualizing their formation. The second section sketches the historical backdrop of neoliberalism's genesis as an epistemology and discourse of (political) economy, underscoring its double impetus as a scientific creed and anti-socialist strategy. In the third section I elaborate the neoliberal, Keynesian, and neo-Marxist reconceptualization of "reason" and "rationality" against the backdrop of capitalist crisis and socialist ascendance; in particular, I show how the neoliberal assault on "socialist planning" provided the occasion for epistemological and methodological innovations that were essential to neoliberalism's rollout in the postwar era. The fourth section maps different approaches to the critique of political rationality (as opposed to the critique of capitalist irrationality) and explains how critical theory attempted (and largely failed) to apprehend neoliberal rationality apart from totalizing accounts of state capitalism and the culture industry. Here I also elaborate Foucault's notion of political rationality and contrast it with the Frankfurt School's critique of instrumental reason. Although Foucault's account provides this dissertation with a mode of genealogical critique attuned to the programming of neoliberal rationality in theory and practice, this section concludes by considering the limitations of Foucault's own mode of conceptualizing the *political* dimensions of political rationality. In turn, the next section supplements Foucault's account with notions of the political found in both cultural theory (Hall) and democratic theory (Wolin). After discussing the dissertation's unique approach the question of political rationality with a more robust notion of the political, the final section offers a brief overview of the individual chapters.

Inspired in part by Foucault's lectures on neoliberalism, this dissertation uses and problematizes particular features of his method. In doing so, it addresses different stakes and yields divergent conclusions from Foucault's own genealogy and recent historical scholarship on neoliberalism. Among the central concerns of my project is the shift, largely passed over by Foucault and other scholars, *from* liberalism *to* neoliberalism. The concept of *neoliberalism* is significant, I suggest, because it designates a form of rationality that crystalized a half century before the policies now attributed to it—privatization, deregulation, austerity, price stability, regressive taxation—were implemented around the globe. Depending on how we understand its formation, the concept may help illuminate more complex questions about the relationship between liberalism and capitalism, politics and economy, and science and technology today. It may also explain the political deficits that captured not only rightwing formations but critical theory and the left more broadly. A wealth of insights and lessons are buried in the formation of neoliberal rationality, I argue, yet where and how they are excavated can make a world of difference for how we understand our political present.

The Dawn of Neoliberal Rationality and the Eclipse of Critical Theory

In contrast to both Foucault's genealogy and recent historical scholarship, this dissertation traces the birth of neoliberalism to interwar Europe and, in particular, to Red Vienna and Weimar Germany. The beginning of my project focuses specifically on the significance of Austrian marginal utility theory, the so-called socialist calculation debate in economic theory, as well as the

constructivist programs that emerged from the existential crisis of interwar liberalism. It shows how, in the wake of WWI's radical political transformations, neoliberalism as well as other (Keynesian, state socialist, revolutionary Marxist) intellectual formations pursued "rationality" as common conceptual ideal. After the short-lived experiments of revolutionary workers' councils were crushed by brand new liberal democratic states, intellectual currents increasingly displaced the ideal of radical democracy to overcome the "irrationality" of state politics and capitalist economies.¹⁰ For (neo)liberals and (neo)Marxists alike, the ills of political-economic order had *technically* rational (that is, evaluatively neutral and technocratically resolvable) cures. Despite its different valences, "rationality" was widely perceived as the solution to economic crisis and to the problem of politics itself; a shared vision was formed around the *rationalization* of the political itself. Put another way, the turbulence of interwar Europe created a panoply of constructivist currents which, captured by the modern promise of technology and rationality, sought to control or overcome various dimensions of the political (state, conflict, and democracy); in doing so, each new formation created their own kinds of political deficits, which disseminated in the postwar era and which continue to contour our institutions and imaginations to this day.

The protagonists of this story include neoliberal theorists (the Austrian, Freiburg and Chicago Schools) as well as the socialist and critical theorists against whom they did battle (such as the Frankfurt School), whether implicitly or explicitly. Why speak of neoliberal theory in the same breath, much less the same dissertation, as critical theory? To be sure, each would cringe at the suggested proximity. Yet all of these "schools" formed in response to capitalist crisis and socialist ascendancy during the interwar years.¹¹ While interwar and wartime developments led the Frankfurt School to revise "historical materialism," the same developments led the Austrian, Freiburg and Chicago Schools to revise what they called "historical liberalism." At stake for each circle was not only the (ir)rationality of economic liberalism, but the relationship between knowledge and politics more generally, not to mention the worldly powers their combination can produce. Before blazing influential trails into the latter half of the century, all of these schools were involved in a debate over the (ir)rationality of "market competition" and "socialist planning."

Frankfurt School critical theory was among the first and most creative currents in the Marxist tradition to examine the revolutionary failures of the interwar period by combining core tenets of Marxism with supplements from Weber, Freud, Nietzsche, and others. Members of this tradition—Max Horkheimer, Friedrich Pollock, Theodor Adorno, Herbert Marcuse, and others in later generations like Jürgen Habermas—pursued "Critical Theory" as a collective project of interdisciplinary knowledge production about existing political struggles. From the beginning, then, this approach to critique established a reflexive link between theoretical and political activity. Critical theory was distinct from what Horkheimer called "traditional theory" because it rejected any claim to "value neutral" knowledge and affirmed that its activity carries a practical, even *emancipatory* intent. Defined by reflexivity and partiality [*Parteilichkeit*], critical theory was thus forced to account for the historical conditions of its own activity in existing struggles over intellectual and material production. Its core commitment was to a more free, equal, and "rational" social order beyond liberal capitalism. Originally inspired by the Weimar workers' movement, the Frankfurt School fused a Marxian-inspired critique of capitalism with a Weberian-inspired critique

¹⁰ On the significance of corporatism and fascism in this history, such as Mussolini's Italy, see Charles Maier, *Recasting Bourgeois Europe* (Princeton: Princeton University Press, 1975).

¹¹ The revolutionary threat that connected the Soviet Union to Red Vienna, as discussed in Chapter 1, was decisive for Ludwig von Mises' anti-socialist activities and the birth of neoliberalism more generally.

of rationality to argue that new fusions of the economic, the political, and the cultural had dissolved the requisite conditions for revolutionary change.

Neoliberal theory, by contrast, began as an interwar counter-movement to delegitimize state socialism and to reprogram economic liberalism. Its earliest practitioners included scholars of the Austrian School (Ludwig von Mises, Friedrich von Hayek), the Freiburg School (Walter Eucken, Franz Böhm, Wilhelm Röpke, Alexander Rüstow), and the Chicago School (Henry Simon, Frank Knight, Aaron Director, Milton Friedman, Gary Becker), as well as scholars from France (Louis Rougier, Jacques Rueff) and Britain (Lionel Robbins, John Jewkes). Mises and Hayek did not found the Austrian School, but were the first generation of Austrians to be considered “neoliberal.” The early Freiburg School composed a loose network of German social scientists that formed in the late 1920’s, joined the Mont Pelerin Society in 1947, and founded the journal *Ordo* (which yielded the concept of ordoliberalism) in 1948. Finally, the Chicago School also began in the interwar period, though its early thinkers like Simons and Knight more closely resembled “ordoliberal” positions than those of postwar scholars like Friedman and Becker, who are more commonly associated with the term “neoliberal” today. Epistemologically, each of these groups coalesced around a formalist theory of market rationality, marginal utility, and price formation.¹² Politically, their reinvented liberalism was pitted against the “Marxist or Keynesian planning sweeping the globe.”¹³

Between the neoliberal and neo-Marxists camps lay one figure—Max Weber—whose vision of science and politics set the terms of the century. The Weberian notion of instrumental rationality and value neutrality is what enabled their respective modes of theorizing the (ir)rationality of capitalism and totalitarianism.¹⁴ The Weberian schema not only offered novel ways to draw a line between “the rational” and “the irrational”; it also informed how each group would form the political deficits in their own theory. In the neo-Marxist case, the political deficits included an inability to go beyond an antimony of “instrumental” and “value” rationality, to conceive of political identity and collectivity after the dissolution of the proletariat, and to analyze political strategy beyond a totalizing concept of “state capitalism.” In the neoliberal case, the political deficits ranged from a “value neutral” binary between science and politics that delegitimated socialist discourse to a broader epistemological and institutional strategy that delimited *the political* (in the second and third sense discussed above) by *political* means (in the first sense discussed above). Beyond highlighting these Weberian legacies, my project draws lessons from the formation and trajectory of neoliberal and critical theory.

¹² In examining specific forms of “epistemology,” I will at times reference the classical meaning of the term as *Erkenntnistheorie*, which encompasses the theory of the knowing subject, the possibility of knowledge, and the cultural, psychic and material condition of this subject and this knowledge. My own use of the term, however, will often hew to meanings employed by Michel Foucault and recent scholars of science and technologies who reference the epistemological, institutional, discursive and performative features of knowledge production.

¹³ Hayek in Mont Pelerin Society Inventory of the General Meeting Files (1947–1998), Ghent, Liberaal Archief, 2005.

¹⁴ As will become clear, I am primarily referencing Weber’s writings on social scientific method and economic sociology. The focus on and incorporation of certain “Weberian” typologies effectively bowdlerized Weber’s own concern with both the autonomy of the political and the potential violence of politics, which appear in his “Vocation” essays and in his account of political power later in *Economy and Society*. It is also worth noting that an alternative substantive idea of “objective reason,” largely Hegelian in inspiration, made possible the Frankfurt School’s critique of this Weberian category of instrumental rationality.

To arrive at our current political deficits through the twentieth-century processes that produced them, it is also necessary to consider their conditions of possibility in the development of political economy. Particularly significant to this development are the epistemic transformations that turned “political economy” into “economics” (unmodified by the “political”) as it is known today. The term *epistemic* refers to the theory of knowledge, that is, to the theoretical predicates that form and legitimate particular modes of knowledge. In the human sciences, the theory of knowledge, or *epistemology* is intertwined with background presuppositions about methodological procedure, philosophical anthropology, historical development, and other related matters. Because they are intertwined with specific historical conditions, epistemic principles can be altered by internal as well as external transformations. Before a series of changes unfolded in the twentieth century, for example, nineteenth-century presuppositions about science and rationality were rooted in a distinctly historical logic, as Timothy Mitchell argues:

Nineteenth-century Europe learned to understand the modern world as the outcome of history. People came to believe that the pattern of human affairs manifested neither the working of a divine will nor the self-regulating balance of a natural system, but the unfolding of an inner secular force. There were several ways of accounting for this inner dynamic, all of them referring to the increasing power of human reason to order social affairs. The movement of history could be ascribed to the growing control that reason acquired over the natural and social world, to the power of reason to expand the scope of human freedom, or to the economic forms that were said to flow from the spread of rational calculation—the exchange relations of modern capitalism.¹⁵

Like other forms of knowledge, nineteenth-century political economy sought to identify the laws that govern socio-historical processes and to formulate universal principles “true in every country,” including those colonized by European nation states.¹⁶ Political economy designated “the knowledge and practice required for governing the state and managing its population and resources.”¹⁷ Moreover, as a scientific discourse, political economy emerged as “the intellectual instrument, the type of calculation or form of rationality that made possible the self-limitation of governmental reason.”¹⁸

In the eighteenth and nineteenth-century centuries, political economy was a historical and empirical mode of inquiry that informed the “art” of government. Political economy was concerned with power, and was directly implicated in it. The discipline joined political philosophy in criticizing the “rationality” of the state; but political economy, by contrast, criticized so as to strengthen political power or *raison d’État*.¹⁹ Possessing the ear of the sovereign, political

¹⁵ Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity* (University of California Press, 2002), p. 1.

¹⁶ See Chapter 2 in Mitchell, *Rule of Experts*.

¹⁷ Timothy Mitchell, “Rethinking Economy,” *Geoforum* 39 (2008), p. 1116.

¹⁸ Foucault, *Birth of Biopolitics*, p. 13.

¹⁹ See Foucault, *Security, Territory, Population*; see also Meinecke, *Die Idee der Staatsräson in der neueren Geschichte* (1924); translated as Meinecke, *Machiavellism: The Doctrine of Raison d’État and Its Place in Modern History* (New York: Praeger, 1962).

economy prescribed principles, objectives, and limits for governmental practice. In German-speaking territories, political economy (*Nationalökonomie*) was a branch of knowledge parallel to the scientific study of the state (*Staatswissenschaft*) and the scientific practice of the police state (*Polizeiwissenschaft*).²⁰ Meanwhile, in France, the physiocrats (from *physis*, meaning “nature”) offered governmental principles in accord with “natural” economic processes. Economic liberalism soon emerged as a critique of mercantilist political rationality, challenging the premise that a state’s power rested in its trade surplus. Yet liberal political economists like Turgot, Smith, and Ricardo also used political economy to criticize wide-ranging practices from international trade to strategic warfare. Significantly, economic rationality *qua* “natural” self-interest established grounds for this criticism. As challenges to state power, they emerged “from below,” as it were, through working-class movements, colonial resistance, and socialist scholars. With his critique of classical political economy, for instance, Karl Marx formulated a counter-science of capitalist development that pointed to its immanent contradictions and to future upheavals.

In the twentieth century, increasingly specialized scientific disciplines divided up the study of society while inheriting the assumption that a logic specific to their own domain provided the unseen dynamic of social life. Some disciplines sought to isolate the law-like features of their own logic; some sought to borrow the methods and examine the logics of others.²¹ This was the general movement through which *political* economy shed its “political” skin and birthed the increasingly formal, mathematical science of “economics.” In the process, many economic theorists walled themselves off from neighboring disciplines like economic sociology.²² Aspiring to the status of the natural sciences, this approach to economics was no longer a form of historical knowledge, much less an “art” of governmental practice.²³ Rather, with the help of marginal utility theory and Robbins’ Weberian definition of the discipline, economics epistemologically bracketed messy matters of social and political “values,” and thus allowed the discipline to climb, if not to the level of the natural sciences, then at least to the summit of the social sciences.²⁴ Atop its perch, the discipline narrowed its focus to the formal rationality of price formation and economic behavior. “In earlier times,” as Schumpeter explained in 1908, “economics was conceived as doctrinal art, a way of teaching practical economics and politics.”²⁵ By the early twentieth century, however, “the

²⁰ Located between “political economy” and “state science,” German scholar Adam Müller considered *Staatswissenschaft* “the most important art of all” because it showed officials how to *apply* certain principles in the practice of government and how to *defend* the form of government that existed in his own country: “Die Staatengeschichte kann freilich dargestellt werden als die Entwicklung der Mißgriffe, deren sich die Menschen in Entwerfung der Gesetze haben zu Schulden kommen lassen: wir gewinnen auf diesem Wege gewisse Grundsätze über den Bau der Staaten. Das ist schön und gut. Aber wo lernen wir denn die viel wichtigere Kunst, die Grundsätze anzuwenden? — Gegen alle Regeln, die Ihr mir aus der Weltgeschichte über Regierungsformen ableiten könnt, will ich Euch die Regierungsform meines Landes, welche aus den Umständen dieser bestimmten Letalität entstanden und gewachsen ist, vertheidigen.” Adam Müller, *Die Elemente der Staatskunst: Oeffentliche Vorlesungen vor Sr. Durchlaucht dem Prinzen Bernhard von Sachsen-Weimar und einer Versammlung von Staatsmännern und Diplomaten* (Berlin: J. D. Sander, 1809), p. x.

²¹ Mitchell, *Rule of Experts*, pp. 1-2.

²² Exceptions could of course be found in variety of institutionally oriented economists, though even scholars of this kind, like Thorstein Veblen, were driven by deeply technocratic visions of science and society.

²³ See Philip Mirowski, *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics* (Cambridge University Press, 1989).

²⁴ See Marion Fourcade, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s* (Princeton University Press, 2009).

²⁵ Joseph A Schumpeter, *Das Wesen und der Hauptinhalt der theoretischen Nationalökonomie* (Leipzig: Duncker & Humblot, 1908), p. 607 (translation mine). Schumpeter, Weber, Polanyi, Drucker and other major figures in the

classical system of political economy lay in ruins,” and could thus be “surpassed” by a “pure economics” (*reine Ökonomie*) that uses “the procedure of an exact discipline” similar to “technics” (*Technik*). Each field, after all, concerned the “objective” question of economic and technical efficiency.²⁶ With the birth of marginal utility theory, a formalist and “value neutral” practice of economics would rise from the ruins political economy.

It was no accident that scientific transformations of the early century unfolded alongside political upheavals. A new kind of double movement was emerging *between* science and politics, “rationality” and “irrationality,” technological and demotic struggle. “Rationality” and its others were no longer the same old Enlightenment concepts, however. Taken together, scientific specialization and political uncertainty left the substantive layers of Reason [*Vernunft*] behind. Through this movement the majestic concept of reason “lost its mind” even *before* rational choice theory and game theory arose to reprogram the political strategy of the postwar world.²⁷ In turn, worldly forms of knowledge and rationality promised to revolutionize state capacities; WWI’s death toll made the promise and perils of state technology devastatingly clear.²⁸ While the Great War stoked the flames of both nationalist and socialist identification, it also endowed the centralized state with powerful technologies of calculation and measurement that only expanded into peacetime.

In the wake of the war, democratic reforms and radical movements challenged the legitimacy of state power, subjecting capitalist economies to popular decision-making like never before.²⁹ On the one hand, doctrines of political economy, along with extant political rationality, fell into crisis. On the other hand, the “irrationality” (or unpredictability) of the masses only bolstered the “rationality” (or legitimacy) of technopolitical solutions. As market crashes and hyperinflation shook the Euro-Atlantic, elites sought solutions in objective, not democratic solutions. From the technocratic point of view, the “irrationality” of the masses became both a threat and a necessary object of manipulation, if only to the end of “neutralization.” Such political-economic turbulence increasingly allowed “a certain form of reasoning—that of economic calculation—to occupy the space of democratic debate.”³⁰

Socialism was no longer a mere specter haunting Europe; it was now a transnational force contending for state power. Revolutionary ideas spread rapidly across tongues, texts, and borders. Their largest wellspring was German-language socialist discourse, including writers like Otto

social sciences stood somewhere between the historicism of the German Historical School and the formalist universalism of the Austrian School.

²⁶ To which he added: “We want to try to find answers here. Not through general arguments that would be true but ultimately lead us nowhere, nor through ‘dialectics’ with which one can prove *anything*, but rather out of our own work. We will try to clarify what each of our theorems mean, to be clear about what their value and nature are. From this we will develop something like an *epistemological theory of economics* (Erkenntnistheorie der Ökonomie), or at least try to move in that direction.” Joseph A. Schumpeter, *Das Wesen und der Hauptinhalt der theoretischen Nationalökonomie* [1908], pp. xi–xii (translation mine).

²⁷ For accounts of this development in the postwar and Cold War period, see Sonja Amadae, *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (University of Chicago Press, 2003); Judy L. Klein, Lorraine Daston, Michael Gordin, Paul Erickson, Rebecca M. Lemov, and Thomas Sturm, *How Reason Almost Lost Its Mind: The Strange Career of Cold War Rationality* (Chicago: Chicago University Press, 2013).

²⁸ For one example, see Walther Rathenau, *Der neue Staat* (Berlin: S. Fischer, 1919).

²⁹ On the rise of the “social question” in this context, see Anson Rabinbach, *The Human Motor: Energy, Fatigue, and the Origins of Modernity* (Berkeley: University of California Press, 1992).

³⁰ Mitchell, *Carbon Democracy*, p. 11. For a reading of interwar liberalism in crisis, see Jens Hacke, *Existenzkrise der Demokratie: Zur politischen Theorie in der Zwischenkriegszeit* (Berlin: Suhrkamp, 2018).

Bauer, Eduard Bernstein, Rudolf Hilferding, Karl Kautsky, Wilhelm Liebknecht, Rosa Luxemburg, and Clara Zetkin. One year after the Russian Revolution, workers' councils swept across Central Europe. Council and unionist movements were briefly institutionalized in Red Vienna, but were stomped out by a newly democratic state in major cities like Berlin and Munich, helped by reactionary paramilitary forces like the *Freikorps*. Nonetheless, the tidal wave of socialist demands rolled on; calls for full socialization, economic democracy, and rational planning increased until the fascist right, suddenly surging thanks to the Great Depression, redeployed them to counterrevolutionary ends.³¹ Yet even then the greatest critics of socialism still believed it might inherit the future. Witnessing the “disintegration of capitalist society” and the “crisis of the tax state,” one hostile economist remarked that the “march to socialism” was all but certain.³² “Socialism,” another decried, “is the slogan of our day.”³³ “Socialism,” yet another observed, “has displaced liberalism as the doctrine held by the great majority of progressives.”³⁴

Enter neoliberalism: a transnational movement to challenge socialism at the moment of its ascendance and to reinvent liberalism at the moment of its demise. While historians have recently identified the origin of neoliberalism at the Walter Lippmann Colloque in 1937 or the founding of the Mont Pèlerin Society in 1947,³⁵ it should be located at an earlier time and place: the interwar years of Weimar Germany and Red Vienna. Neoliberalism began as an explicitly anti-socialist program of avowedly “value-neutral” scholars who understood, in the spirit of their time, that the authority of *scientific* knowledge could be used to reprogram political forms. Theirs was a *constructivist* project to reshape society, economy, and subjectivity—and to restrict the political by political means.

Interwar Constructions of Political Rationality

To trace the transformation of neoliberal and critical theory, I will examine marginal utility theory, the socialist calculation debate, and the constructivist programs of the interwar period. My account begins with the *Methodenstreit*, a dispute in nineteenth-century political economy that created the Austrian School around Carl Menger and his students, including Eugen von Böhm-Bawerk, Friedrich von Wieser, Ludwig von Mises, and Friedrich von Hayek. The Austrians'

³¹ The right-wing shift was ascendant in Italy well before the crash, however. See Charles Maier, *Recasting Bourgeois Europe* (Princeton: Princeton University Press, 1975).

³² Despite his personal preferences for the future, Schumpeter divined the triumph of state socialism. Colleagues who disagreed with this view were so few, he remarked, in a nod to the neoliberals, that their isolation only further supported his case: “I believe that there is a mountain in Switzerland on which congresses of economists have been held which have expressed disapproval of all or most of these things. But these anathemata have not even provoked attack.” Joseph Schumpeter, “The March to Socialism” (1950), p. 449.

³³ Ludwig von Mises in 1922. And Keynes agreed: “The battle of Socialism against unlimited private profit is being won in detail hour by hour.” John Maynard Keynes, “The End of Laissez-Faire” (1926).

³⁴ Friedrich von Hayek, *The Road to Serfdom*, p. 76.

³⁵ See for example, Philip Mirowski and Dieter Plehwe, eds: *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*. (Cambridge, Mass.: Harvard University Press, 2009); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, (Princeton NJ: Princeton University Press, 2012); Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, Mass.: Harvard University Press, 2012).

influence rested not only in a formalist theory of marginal utility and a critique of Marxist economics, but also in polemic strategies of scientific intervention.

The Austrian tradition began with Menger's attack on Gustav von Schmoller and his German Historical School in the form of sixteen "letters to a friend."³⁶ The "Austrian School" was an insult that stuck after Schmoller responded to Menger in their *Methodenstreit*, a dispute between "historicist" and "formalist" methodology.³⁷ At the time Schmoller enjoyed institutional hegemony over German-speaking economics as head of the *Verein für Socialpolitik* and the so-called "Socialists of the Chair."³⁸ But as the reign of the Historical School declined by WWI, its feud with the Austrian School ironically offered an anti-socialist blueprint for the early neoliberals. The lesson of this Austrian intervention, I argue in the following chapter, represents an overlooked point of origin in neoliberal historiography; another overlooked point in this history was Max Weber himself, who became an unlikely Austrian School ally at the end of his life. By promulgating typological accounts of subjective instrumentality, value neutrality, and socialist irrationality, Weber played a key politico-methodological role in the early neoliberals' critique of socialism.

The dawn of neoliberal rationality can be dated to this critique of socialism, better known as the "socialist calculation debate" popularized by Hayek. The debate was a neoliberal retort to the momentum of socialism after the first World War. Mises officially commenced the debate in a widely-read essay, "Economic Calculation in the Socialist Commonwealth," which appeared in the 1920 issue of Weber's journal.³⁹ In it, Mises made a scientific case for the impossibility of socialist planning due to its inherent irrationality. Based on Austrian conceptions of marginal utility and the price mechanism, Mises defined market competition as "rationality" and collectivist alternatives as "irrationality." Here Mises twisted an already widespread binary in economic theory to new ends: the market or exchange economy (*Marktwirtschaft* or *Verkehrswirtschaft*) vs. the communal or planned economy (*Gemeinwirtschaft* or *Planwirtschaft*) were not just types, in Mises' view, but [mutually exclusive] opposites.⁴⁰ Previously, economists and sociologists explored a range of different "types" of economic order, including "mixed" economies that combined features of each type; now, such mixtures were deemed irrational, scientifically null and void.⁴¹ For socialism implies, in Mises' famous line, "the abolition of rational economy."⁴² Or, in a more direct translation of the German original, "*socialism is the abolition of the rationality of the economy.*"⁴³ Having equated "economic rationality" with the price mechanism, itself premised on market competition, the early neoliberals insisted that socialism, when implemented, would

³⁶ See Carl Menger, *Die Irrthümer des Historismus in der deutschen Nationalökonomie* (Wien: Hölder, 1884). See also, Carl Menger, *Untersuchungen über die Methode der Socialwissenschaften und der politischen Ökonomie insbesondere* [1883] in F. A. Hayek (ed.), *Carl Menger: Gesammelte Werke* (Tübingen: J. C. B. Mohr, 1969).

³⁷ Working through institutions like the *Verein für Socialpolitik*, their success illustrated the power of formalistic scientism in establishing new paradigms and infiltrating political institutions. In many ways, this debate anticipates the feud between rational choice theory and historical institutionalism three-quarters of a century later.

³⁸ On these school and the *Methodenstreit*, see the first section in Chapter 1 of this dissertation.

³⁹ Mises' essay, "Economic Calculation in the Socialist Commonwealth," appeared in *Archiv für Sozialwissenschaft und Sozialpolitik*, the journal Weber founded and in which Weber's "Protestant Ethic" first appeared as two essays. Mises' essay appeared in the 1920 issue, the same year of Weber's death. Weber acknowledged Mises' article in the second chapter of *Economy and Society*. See Chapter 1 of the dissertation.

⁴⁰ For an overview of Central European economics, see Joanna Bockman, *The Socialist Origins of Neoliberalism*.

⁴¹ Earlier formulations of the binary can be found, for example, in Carl Menger, *Collected Works*, p. 170.

⁴² Ludwig von Mises, "Economic Calculation in the Socialist Commonwealth," p. 23.

⁴³ "*Sozialismus ist Aufhebung der Rationalität der Wirtschaft*" (emphasis mine).

collapse on its own irrationality. Thus the calculation debate became a methodological centerpiece from Freiburg and Chicago to London and Paris—even if the neoliberals were split over just how to build upon it. On one side was Mises of the Austrian School, a skeptic of all “interventionism”; on the other was the Freiburg School, which proposed a “Third Way” between *laissez-faire* and socialism.

Mises’ was in many senses a classical liberal move: the political and the economic must be kept apart, he insisted. But the conditions in which he made his move were new: state and economy were mixed like never before, increasingly organized by interventionist technologies guided by constructivist epistemologies. Liberal *laissez-faire*, as Keynes himself declared, was no more.⁴⁴ The questions now were: Will capitalism be abolished by communism or evolve into socialism? Or could it still, perhaps, be saved from itself and thus preserved? Any answer amounted to a tacit acknowledgement that the “natural laws” of the market were neither natural nor laws at all—or, if they were, they included a death drive. In any case, it was conceded, analysis must confront their “production” through different legal, cultural, and institutional forms.

This double movement between science and politics yielded another seeming paradox. At the same time that interwar “economics” constituted “the economy” as the central object of inquiry, “the primacy of the political” was increasingly acknowledged.⁴⁵ In 1921, Walter Rathenau could still claim that “Economy is destiny.” But by 1932, German neoliberal Alexander Rüstow was not alone in observing that “the economy is not our destiny; the state is our destiny, and the state is also the destiny of the economy.”⁴⁶ Keynes, too, believed that capitalism could be altered by “the agency of collective action”—by which he meant political technology, not radical democracy.⁴⁷ Frankfurters like Horkheimer and Pollock likewise observed “the transition from a predominantly economic to an essentially political era.”⁴⁸ The question, as ever, was: What is to

⁴⁴ More elaborately, Keynes wrote: “I was brought up, like most Englishmen, to respect free trade not only as an economic doctrine which a rational and instructed person could not doubt but almost as a part of the moral law. I regarded departures from it as being at the same time an imbecility and an outrage... But today one country after another abandons these presumptions. Russia is still alone in her particular experiment, but no longer alone in her abandonment of the old presumptions. Italy, Ireland, Germany have cast their eyes, or are casting them, towards new modes of political economy. Many more countries after them will soon be seeking, one by one, after new economic gods. Even countries such as Great Britain and the United States, though conforming in the main to the old model, are striving, under the surface, after a new economic plan. We do not know what will be the outcome. We are—all of us, I expect—about to make many mistakes. No one can tell which of the new systems will prove itself best.”

John Maynard Keynes, “The End of Laissez-Faire” (1926).

⁴⁵ “[E]conomics established its claim to be the true political science. The idea of ‘the economy’ provided a mode of seeing and a way of organizing the world that could diagnose a country’s fundamental condition, frame the terms of its public debate, picture its collective growth or decline, and propose remedies for its improvement, all in terms of what seemed a legible series of measurements, goals, and comparisons.” Timothy Mitchell, *Rule of Experts*, p. 272.

⁴⁶ In the same year as Rüstow, Werner Sombart, the renowned historian of capitalism and socialist-turned-*proto-Nazi*, also argued “the economy is not our destiny.”

⁴⁷ “These reflections have been directed towards possible improvements in the technique of modern capitalism by the agency of collective action. There is nothing in them which is seriously incompatible with what seems to me to be the essential characteristic of capitalism, namely the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine.” John Maynard Keynes, “The End of Laissez-Faire” (1926).

⁴⁸ Friedrich Pollock, “State Capitalism: Its Possibilities and Limitations” [1941] in *Critical Theory and Society: A Reader*, Bronner and Kellner, eds. (London: Routledge, 1989), p. 101. See also Franz Neumann, “Über die Voraussetzungen und den Rechtsbegriff einer Wirtschaftsordnung” in *Wirtschaft, Staat, Demokratie: Aufsätze 1930-1954* (Frankfurt: Alfons Söllner, 1978).

be done? The answers each offered can be gleaned from their philosophical anthropologies and their political rationalities, whether implicit or explicit as propositions.

The “primacy of the political” was theoretically inimical but strategically essential for the neoliberals’ vision. That the political had overtaken the economic already revealed the historical failure of classical liberalism. For the neoliberals, then, the state became a means to an end: cultivating the “competitive” or “spontaneous” order of the market and constructing “entrepreneurial” and “economizing” individual subjects. The neoliberal program sought to inscribe a modified form of economic rationality *into* political rationality. The subject to be fashioned by this rationality was, under *neo-liberalism*, not *political* or *social* but *economic* Man. This was not the *homo oeconomicus* of yesteryear, however, but an alternate mold of subjectivity more immune to “politicization” and “collectivization.” *Contra* “paleoliberalism,” neoliberalism did not seek to *realize* the hidden truth of Man, but to *construct* a new kind of subject. If the task of “construction” was undoubtedly part of a political project, it did not necessarily aim at spreading the ethos of democracy or the political more generally. In fending off socialism, Röpke used the word “depoliticization” before it entered popular usage: the worker, he warned, must be “spiritually and materially deproletarianized,” just as “the economy must be depoliticized.”⁴⁹ Neither Lockean nor classically liberal in their justification of private property, theirs was a strategic move to blunt the very *desire* for revolution.⁵⁰ Political technique, in their eyes, could combine economic science with psychological engineering.⁵¹

If the “world of to-day is nothing but interventionist chaos,”⁵² as Hayek declared, Röpke offered the first step toward an alternative: “constructing in our imagination an economic order built on principles which are exactly the opposite of those of our present economic order.”⁵³ Such a deliberate act of imagination, they realized, would first need to be a scientific creed, then a political rationality, and only then a global order and way of life. The neoliberal task, as articulated by Hayek and his colleagues, amounted to “the dethronement of politics” *by political means*.⁵⁴

In opting to save liberal capitalism from itself through political means, Keynes joined the neoliberals and parted ways with those like Schumpeter and Polanyi who believed the future

⁴⁹ Röpke evaluated widespread socialist proposals for socialization: “*den Arbeiter seelisch und materiell zu entproletarisieren*.” Wilhelm Röpke, “Sozialisierung,” in *Handwörterbuch der Staatswissenschaften*, 4. Auflage, 7. Bände (Jena 1926), p. 577 (translation mine).

⁵⁰ “The misery of ‘capitalism,’ we must point out to the socialists, is not due to some men owning capital, but rather to others not owning any, and thus being proletarians.” Röpke, *Social Crisis*, p. 178. “As distinct from income which everybody wants as a matter of course, property requires a certain exertion on the part of the will and a particular attitude of mind, things which are anything but matters of course.” Röpke, *Moral Foundations*, p. 156.

⁵¹ “We have before us a very fertile field of co-operation between the social sciences and the science of engineering,” Röpke argued. For a technological development could ensure that the “most rational organization” of enterprises coincides with “the balance of society itself.” A “countermounted socio-political effort” [*widergelagerte Gesellschaftspolitik*] must stabilize the market economy, and a “structural policy” must “no longer assume the social preconditions of the market economy... as given, but modify them with a specific intent.” Röpke, *Civitas Humana* (1944/1946), p. 146.

⁵² See Friedrich von Hayek (ed.), *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism* (1935).

⁵³ Wilhelm Röpke, “Socialism, Planning, and the Business Cycle” in *Journal of Political Economy*, Vol. 44, No. 3 (June, 1936), p. 318.

⁵⁴ Friedrich von Hayek, *Law, Legislation and Liberty, Volume 3: The Political Order of a Free People* (1979), p. 128. For the far-reaching history of this project, see Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge: Harvard University Press, 2018).

belonged to socialism.⁵⁵ This interventionist solution to liberalism's crisis is why some at the time called Keynes himself a "neoliberal."⁵⁶ And from this perspective, Keynes did share more with the neoliberals than is commonly recognized. For he too saw liberalism as a political *technique* and institutional *form* of capitalism, albeit one on life support. Keynes was neither a socialist nor an egalitarian, but perceived the creative means socialist planners had at their disposal. Popular anxieties and "animal spirits," Keynes observed, induced reckless speculation and harmful hoarding. To reign in the irrationality of capitalism while securing its great achievements, as he saw them, new methods and techniques were required. Here the state represented a tool and interventionism a technique, though an underlying rationality was needed to guide to their application. Conducting the conduct of animal spirits from above meant reprogramming economic psychology down below; to this end, Keynes proposed counter-cyclical strategies of state spending to foster consumer demand, secure full employment, and power the economic engine into the future. Keynes' method worked "both as a description of the human condition and as an ethos aimed at optimizing humanity's potential."⁵⁷ Keynes' philosophical anthropology was not one of competitive entrepreneurialism, utilitarian hedonism, or class solidarity, but one of aristocratic leisure;⁵⁸ this form of life was already practiced by the elite but was tendentially available to each and all—if only they desire it and behave accordingly.

Before Keynesianism became *the* political rationality of the postwar Euro-Atlantic (with the important exception of West Germany), the approach to political economy had high ambitions indeed. Long after Marx and long before Fukuyama, Keynes likewise sought the *end of history*. Keynesian rationality intended to (re)rationalize subjective conduct away from the classical *homo oeconomicus* and toward a different kind of *jouissance*: it aimed at "setting the proper conditions for the slow and painless death, the 'euthanasia,' not only of the 'rentier,' but of the subject of interest" that was classical *homo oeconomicus*.⁵⁹ A new form of political rationality would produce a new form of subjectivity. But here Keynes' vision of a harmonious "end state" more closely resembled the dream of social democracy than that of neoliberal technocracy.

As Keynesianism took the reins of economic theory and governmental practice, the neoliberals observed jealously from the sidelines. Most of them believed that a "rule-bound" and "market-conforming" approach to state intervention would be necessary, though only if placed within a legal and technocratic straightjacket. In the neoliberal diagnosis, Keynes' solution was no solution at all: rational saving was a virtue, deficit spending a vice. The chief causes of interwar

⁵⁵ "These reflections have been directed towards possible improvements in the technique of modern capitalism by the agency of collective action. There is nothing in them which is seriously incompatible with what seems to me to be the essential characteristic of capitalism, namely the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine." John Maynard Keynes, "The End of Laissez-Faire" (1926).

⁵⁶ For one example, see Röpke's mocking remark in his essay on Keynes: "It really seems grotesque that recently a French author, J. Cros, in a study entitled 'Le Néo-Libéralisme,' contrasted Keynes as 'le véritable néo-libéral' with such muddle-headed writers as Lippmann and Röpke." Wilhelm Röpke, *Against the Tide*, p. 176. Röpke is referring to Jacques Cros, *Le Néo-libéralisme: étude positive et critique* (Librairie de Médicis, Editions M. Th. Génin, 1951).

⁵⁷ Michel Feher, "Hastening the Decline of Deferred Gratification: Notes on Keynes' Moral Anthropology" (forthcoming).

⁵⁸ See Geoff Mann, *In the Long Run We Are All Dead. Keynesianism, Political Economy, and Revolution* (New York: Verso Books, 2017).

⁵⁹ *Jouissance* is not Keynes' own terminology, of course, but a psychoanalytic way of reading his orientation to desire and pleasure beyond mere instrumentality. See Feher, "Hastening the Decline of Deferred Gratification" (forthcoming).

crisis, moreover, involved reckless monetary and fiscal policies, the dissolution of the social fabric, the irrationality of the proletarian masses, and the democratic state's kowtowing to expansive social demands.⁶⁰ For the Freiburg School ordoliberals, only a "strong state" could prove capable of securing a "free economy" on the basis of an "economic constitution" and a "market police." Theirs would be an *independent* state, in other words, with technocratic, monetary, fiscal, and constitutional safeguards against democratic and corporate influence. Keynes may have struck first, but Ludwig Erhard and the ordoliberals ensured the British paradigm would never enter West Germany. "The competitive market order," the interwar Germans argued, could be instituted and governed from above—and, in 1948, so it was. Upon the rubble of WWII, a new state would be constructed with a rationality of their making—the first "neoliberal" government, properly so called.

Having considered neoliberal rationality and Keynesian rationality, what, we might ask, about socialist rationality? Was Foucault right to claim that socialism had failed to create an "autonomous governmental rationality," that its future task lay in "inventing" one?⁶¹ What did neo-Marxists, and the Frankfurt School in particular, have to say about this kind of struggle—that is, the struggle not only to *resist* the status quo but to *produce* an alternative rationality that would transform it? Marx and Engels, after all, never longed for state power in the way Keynes and the neoliberals did. For them, the state was the guarantor of merely formal equality, the site of a false universality, and the violent instrument of capitalist interests.

While a "truth" of radical democracy animated Marx's critique of political and economic liberalism,⁶² his radical historicism came with epistemological modesty about the details of any future ontology. For if all modes of thought and organization are conditioned by specific historical and material relations that make them possible, who can say what future forms of subjectivity and sociality would look like under socialism, much less communism? Marx articulated his most concrete aspirations for political (*qua* social) organization in his reflections on the Paris Commune, and his most general vision of collective freedom came in the third and last volume of *Capital*. Here he pointed to a possible future of "socialized man, the associated producers, rationally regulating their interchange with Nature, bringing it under their common control."⁶³ Collective

⁶⁰ "The solution, we hope, is gradually taking more definite shape: the problem of an anti-collectivist alternative program... The non-collectivist world will only be able to deal with the dangers of collectivism successfully *when it knows how to deal in its own way with the problems of the proletariat, large scale industrialism, monopolism, the multitudinous forms of exploitation and the mechanizing effects of capitalist mass civilization*. Economic freedom as an essential form of personal liberty and as a premise of everything that follows belongs undeniably to the total picture of a society which is diametrically opposed to collectivism." Wilhelm Röpke, *The Social Crisis of Our Time*, p. 177.

⁶¹ Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978-79* (New York: Picador, 2008), p. 194.

⁶² Many meditations on political theory can be found in Marx's own writings, but none better articulated the animating insight of radical democracy than his early observation that "all forms of the state have democracy for their truth, and for that reason are false to the extent that they are not democracy." Karl Marx, *Critique of Hegel's 'Philosophy of Right'*, trans. James O'Malley (Cambridge, 1970), p. 31. Marx's most sustained and complex treatment of this subject is found, of course, in his early essay, "On the Jewish Question."

⁶³ "Just as the savage must wrestle with Nature to satisfy his wants, to maintain and reproduce life, so must civilised man, and he must do so in all social formations and under all possible modes of production. With his development this realm of physical necessity expands as a result of his wants; but, at the same time, the forces of production which satisfy these wants also increase. Freedom in this field can only consist in socialised man, the associated producers, rationally regulating their interchange with Nature, bringing it under their common control, instead of being ruled by it as by the blind forces of Nature; and achieving this with the least expenditure of energy and under

ownership, in short, would produce a new form of subjectivity and collective rationality. This was less a *political* rationality, however, than a *social* rationality.

It was an honest observation of Horkheimer's, then, when he said that Marx had left the question of design and implementation—that is, what would be done *after* the revolution—to August Bebel, the first head of the German socialist party.⁶⁴ To acknowledge that Marx and Engels birthed a tradition of thought for which state power was but a means to an end beyond it is not a matter of immediate judgment, but rather the beginning of a sustained reflection on the meaning of the political itself. As a locus of class power, the state was to be seized by the proletariat. Yet the epistemological premise of this movement was that the state could be ontologically overcome—that it could “wither away,” in Engel's famous phrase, perhaps dissolving the conflictual realm of the political along with it.⁶⁵ The process of transcending class conflict through the first truly universal class, and thus achieving a “harmonious” form of sociality and a higher level of truth, at least tendentially implied the overcoming power and conflict as such.⁶⁶ The promise to materialize Man's *social* or *communal* nature provided the foundations, after all, of social-ism and commun-ism ever since its so-called “utopian” beginnings. At their best, these traditions offered a vision of collective freedom secured by cooperative need provision, materializing a new human condition beyond narrow self-interest; at their worst, they sought to realize this vision through scientistic techniques and a distinct political rationality in which the New Man functioned more like a machine than a subject of democratic freedom.

My depiction of these traditions is meant to register the potential for political deficits in socialist thought as well⁶⁷—lest we assume that (neo)liberalism and Keynesianism alone had a vision in which political power was a means to delimit or eliminate democratic action and disharmony, or what I called restricting “the political” by political means. In accounting for the nature of these deficits, it is important to ask of the Marxist and socialist traditions: What becomes of the *political* ideal of radical democracy—of *democratic* self-determination—when *society* is the (universal) subject that consciously regulates itself? If the state and the political are irreducible to one another, what becomes of the latter through seizing the former? If a “universal class” were realized, could other forms of collective identification potentially spell danger for a socialized body of free and equal subjects?

conditions most favourable to, and worthy of, their human nature. But it nonetheless still remains a realm of necessity. Beyond it begins that development of human energy which is an end in itself, the true realm of freedom, which, however, can blossom forth only with this realm of necessity as its basis. The shortening of the working-day is its basic prerequisite.” Marx, *Capital, Volume III*.

⁶⁴ See Max Horkheimer, “The Authoritarian State,” *The Essential Frankfurt School Reader*, Arato and Gebhardt, eds. (New York: Continuum, 1990).

⁶⁵ The phrase appears in Engels, *Anti-Dühring* (1878) and Lenin, *The State and Revolution* (1917). For the contention that such a “withering away” of the state is based on a misreading of Marx and Engels' original understanding of universality, and that the positive features of bureaucracy could be preserved in a Marxist notion, see Paul Thomas, *Alien Politics: Marxist State Theory Retrieved* (Routledge, 1994).

⁶⁶ Or, if not overcoming conflict, then at least resolving collective (*qua* class) conflict while personal conflicts persist.

⁶⁷ Even if, in the Italian context, thinkers like Gramsci were actively theorizing the political as a revolt against capital and a war of position.

At the heart of socialism lay a tension between the political and the social, one that many approached as a question of reconciliation.⁶⁸ Along with the questions above, this core tension will remain important in considering twentieth-century theories of state rationality, which (with the exception of fascism) originally aimed at transcending the concentrated forms of power that plagued the interwar period. This was true despite the “technical” problems that haunted various kinds of programs. Their means included rationalizing, regulating, and automatizing the political; their ends foresaw a process in which the “society” or the “market” could become a (potentially) universal, self-reflective, self-regulating subject—a constructivist ideal, though not entirely unlike the naturalist organicism found in strands of classical liberalism and German idealism.⁶⁹ In any case, a tension between the social and the political ran through Frankfurt School, too, whose approach to politics I will consider before treating their approach to critique below.

A tension between the social and the political ran through Frankfurt School, too. If, for Keynesians and neoliberals, *rationality* represented the new puzzle and lasting solution of capitalist crisis, the same could be said, from the inverse angle, for the Frankfurters. For the latter, if capitalist rationality was the disease—and indeed, a form of irrationality itself—then a *social* rationality promised the only cure. The means of *politically* realizing a *social* rationality, however, has been a more ambiguous matter, long deferred by Marxist theory and socialist practice. The revised approach that emerged out of Frankfurt was neo-Marxist *and* neoWeberian at the same time.

If a political theory can be found in critical theory, it would likely stem from its founders’ double inspiration: workers’ councils and state socialism. Both political forms were found in WWI’s aftermath. In 1918 Munich was among the largest sites of revolutionary activity, where the workers’ council placed Otto Neurath in charge of a wartime-inspired system of rational planning. Meanwhile, at the university, Max Weber lectured on the typologies of workers’ councils and, more famously, the tension between science and politics as vocations. Though Weber’s lecture hall brimmed with revolutionary energy, young students in attendance like Max Horkheimer and Friedrich Pollock were left disappointed by his “value-neutral” analysis. After a close encounter with the Munich police, the leftist students fled to continue their studies in Frankfurt, where they would eventually build an interdisciplinary Marxist research center, the *Institut für Sozialforschung*.

As thinkers of their moment, the Frankfurt circle first approached the problem of political rationality through the same socialist calculation debate which Mises and Hayek had launched and in which other socialists, like Karl Polanyi and Oskar Lange, were taking part. When implemented, these theorists asked, what higher form of rationality would socialism possess? The answer offered by the Frankfurt circle’s more orthodox members, which Horkheimer and Pollock found appealing at first, was a form of centralized rational planning on the model of state socialism.⁷⁰ This gave the Soviet experiment even greater import for the neo-Marxist group: the technical problem of planning would determine the political possibilities of socialism, and a world historic case study

⁶⁸ In their consideration of council communism, Antonio Gramsci, Karl Korsch, Henriette Roland-Holst and others did not understand the question of political organization in terms of reified opposites. Georg Lukács was also an early proponent of council communism before discarding this ideal for a more Leninist vanguardism.

⁶⁹ For an account of the latter—the nation as organism in German idealism, see Pheng Cheah, *Spectral Nationality: Passages of Freedom from Kant to Postcolonial Literatures of Liberation* (Durham: Duke University Press, 2003).

⁷⁰ For a discussion, see the first section of Chapter 4.

was already underway to the east.⁷¹ In the Frankfurters' discourse, "society" comprised an agent of great spontaneity, while "politics" largely meant the Revolution or the Party. Meanwhile Marxist political economy was bifurcated into the science of socialist planning and the study of the workers' movement: the former formulated schemes of rationalized need-provision for the revolution-to-come; the latter studied the obstacles and openings that workers would encounter along the way. For having seized the state, political rationality would be a technical means to a liberatory end: the realization of the first truly universal class, the harmonization of human relations, the self-regulation of society according to the principle of need rather than profit.

The transition, however, did not come to pass. Early on the Frankfurters realized "[i]t is not capitalism but its liberal phase that has come to an end."⁷² The political was not just dominating the economic; their pernicious fusion in Nazism, Stalinism and Keynesian capitalism was spelling a definite end to proletarian consciousness.⁷³ Once the highest hope of socialist politics, *rational planning* had become the means of unceasing domination. For the exiled Frankfurt circle, this was not only an overlooked impetus for their totalizing philosophy of history in *Dialectic of Enlightenment*; it also became a totalizing truth equally applicable to the Soviet Union, the United States, and the entirety of their historical moment.⁷⁴ Accordingly, critical theory became as dark and totalizing as wartime itself.

The typical narrative about the postwar Frankfurt School underscores their increasing pessimism and conservatism, and for good reason.⁷⁵ In this project I will instead focus on their vision of the political, their lapsed faith in worldly rationality, and their changing relationship to liberalism and capitalism. It is with these concerns that I will parse similarities and differences between its members, with the goal of offering a broader perspective on the insights and limitations of their project. Beyond the usual dialectic of pessimism and utopianism, this may better grasp how their visions of politics and instrumentality conditioned their perspectives on revolutionary and socialist (im)possibilities.⁷⁶

A loss of faith in "objective" or "emphatic" reason [*Vernunft*], I argue, mirrored a loss of faith in socialist political rationality. If the socialist conversion began in Munich for Horkheimer

⁷¹ For this reason Pollock traveled to the Soviet Union for a multiyear study of "rational planning" in practice. For the results, published as his 1928 Habilitation, see Friedrich Pollock, *Die planwirtschaftlichen Versuche in der Sowjetunion 1917-1927* (Leipzig, 1929) [*Attempts at a Planned Economy in the Soviet Union 1917-1927*]. See also Pollock, "Die gegenwärtige Lage des Kapitalismus und die Aussichten einer planwirtschaftlichen Neuordnung," in *Zeitschrift für Sozialforschung* 1 (1932).

⁷² Thus the broad and influential appellation of "State Capitalism" that Pollock gave to each. See Friedrich Pollock, "Bemerkungen zur Wirtschaftskrise" in *Friedrich Pollock: Studien des Kapitalismus*, ed. Helmut Dubiel (Munich: C.H. Beck, 1933/1975), p. 68. See also Rolf Wiggershaus, "Friedrich Pollock: der letzte Unbekannte der Frankfurter Schule," *Die Neue Gesellschaft/Frankfurter Hefte* 8 (1994), pp. 750-56.

⁷³ The question of whether consciousness or structure "came first" was central to the ordoliberalists, examined in Chapter 2. But it was also important to thinkers like Erich Fromm who argued—like Arendt, Gasset, Canetti, and others—that this dissolution was a product of massification, whereas the Frankfurt School sought to hold onto the distinction between mass culture and mass society. For the first-generation Critical Theorists, the latter preserved the existence of class, thus one could still speak of a class society.

⁷⁴ Pollock understood this concept as "a Weberian ideal type." See the first footnote in Pollock, "State Capitalism." Pollock's understanding of state capitalism and Nazism more specifically different from Franz Neumann, member of the Frankfurt School and author of *Behemoth: The Structure and Practice of National Socialism* (1942).

⁷⁵ See the discussion toward the end of Chapter 4.

⁷⁶ The "Culture Industry" may have become the focus of Horkheimer and Adorno's critique, but this was possible because of a *prior* account of "State Capitalism" that led them down this road of analysis.

and Pollock, it had lapsed by the end of their stay in the United States. The idea that rational planning was shot through with instrumental rationality fundamentally altered Horkheimer's notion of political possibility—and even his notion of critical theory.⁷⁷ It also motivated Marcuse and Habermas to return to Max Weber, as both a target and an inspiration, to think through questions of technology, ideology, and “political rationality” (though the latter carried a different valence than Foucault's approach).

Even at the most radical moments of Marcuse and Habermas's theorizing, the political was hardly perceived as a realm of collective creativity irreducible to the cultural or as a site of historical change irreducible to the economic. The political was rather seen a kind of hardware programmed by seemingly inscrutable “ultimate values”; the coercive apparatus of the state, Marcuse suggested, was a “neutral technology” that could be seized and “inverted” by socialist revolution. If this was a materialist vision of politics, it was one that called for turning the apparatus of instrumental rationality on its head—by appropriating and using, no less, the very same instrumental apparatus for truly human ends. Before critical theory took a normative turn toward political liberalism, then, its slogan was “the administration of things without the administration of men.” Such a theory of power and politics set limits on their political theorizing well into Habermas' nuanced adoption of systems theory. And among its central features, I argue, was a Weberian vision of instrumentality and a dialectic of ideal types. This form of critique put into dialectical motion a set of sociological categories and ideal types that did not ossify into positivist facticity. Neither did these categories and types yield strategic insights into existing fields of political power and collective struggle, however. What they ultimately constructed was a critique of rationality absent the political, in the robust sense of the term.

The Critique of Political Rationality

“Since the nineteenth century,” observed Foucault, “Western thought has never stopped laboring at the task of criticizing the role of reason—or the lack of reason—in political structures.”⁷⁸ Forged for this task, reason wielded a double-edged sword that struck at its own overreach. While philosophy aimed to prevent reason from going beyond the limits of experience and knowledge, it simultaneously sought to keep watch over the excesses of political rationality. Around this task emerged a critical disposition that submitted political power—*de facto* and *de jure*—to the tribunal of reason. This was not the sole purview of philosophy, as we saw above, but of political economy, public law, and other discursive formations as well.⁷⁹

In the Kantian tradition, the concept of reason underwrites critique, though it also comprises critique's target. Despite his rejection of dialectical reason, Kant's idea of critique

⁷⁷ See Chapter 2 of the dissertation as well as Abromeit's argument that “Horkheimer's adoption of the state capitalist argument – an earlier and different version of which had already been developed by Friedrich Pollock – was the primary cause of the shift in his thought during this time. Once Horkheimer had worked out his new position, many of Adorno's arguments, which he had viewed skeptically until then, began to seem more appealing.” John Abromeit, “State Capitalism: The End of Horkheimer's Early Critical Theory” (Cambridge: Cambridge University Press, 2012).

⁷⁸ Michel Foucault, “Omnes et Singulatim: Towards a Criticism of ‘Political Reason,’” p. 58.

⁷⁹ In this respect different parts of Habermas' *Structural Transformation of the Public Sphere* and Foucault's *Security, Territory, Population* could productively be paired together to theorize the different valences of politics and critique from the eighteenth and nineteenth centuries into the twentieth century.

already presupposes some kind of *contradiction* or *crisis* in the world, some kind of *limit* or *breach* of reason itself. In the *Critique of Pure Reason*, Kant dispelled traditional approaches to metaphysical questions and offered a general outline for the critical procedure. In doing so, he used reason to draw a line around the limits of reason and to delineate the structural conditions that make knowledge possible. At the basis of Kantian reason, in other words, is a reflexive principle connecting the method of critique to the object of critique. In turning to the “impure” realm of history, or what could be called “historical reason,” however, Kant ran up against the *non-rational* basis of reason. Here he found it necessary to supplement the perspective of the reasoning Subject with a liberal teleology of Nature and a progressive arc of History.⁸⁰ As we will see, the Kantian dilemmas—rational critique and (ir)rational history—would prove enduring.

In examining different approaches to “political rationality” it is useful, I think, to distinguish between two currents of the critical tradition that followed in Kant’s wake. Schematically, these could be called the Kantian-Weberian and Hegelian-Marxian modes of analysis. The former is characterized by formal antinomy and value critique, the latter by dialectical logic and ideology critique. Each will prove significant for the various approaches to politics and rationality examined in this project, and for the Frankfurt School and Foucault in particular.

By the end of the nineteenth century historicism had broken from Hegelianism, as neo-Kantianism became the dominant scientific [*wissenschaftlich*] paradigm in and beyond the German-speaking world.⁸¹ The problem of “pure reason” vs. “historical reason” remained as each discipline increasingly treated it in neo-Kantian fashion. Thus did neo-Kantian disciples like Durkheim, Simmel, and Weber continue to grapple with antinomies of rationality-irrationality, order-chaos, and fact-value. For Durkheim, society is a *form* and system of constraints that gives shape to individual drives, which in turn animate the social form writ large.⁸² For Simmel, thought and life itself are externalized through cultural *forms*, which in turn set constraining conditions on individual freedom. For Weber, a *form* of rationalization departs from a particular (social, religious, or political) perspective but does not circle back to where it began; viewed within a historical process, it is not reflective in the critical sense but creates islands of rationality in an otherwise chaotic sea of irrationality. The (neo-)Kantian schema thus sets formal limits but confronts them in aporetic turns. The disciplinary founders of modern social science could offer pathbreaking studies of specific forms of rationality; yet stripped of an emphatic concept of reason, they could not claim a transcendent tribunal from which to judge them. While the scientific heritage of this tradition posits an unbridgeable gap between rationality and value, its normative heritage is driven by the desire to unite them through moral justification.

The dialectical procedure seeks to move beyond Kantian aporias through a different perspective on contradiction and change. In dialectical methods, binary entities and opposing forces do not exist in a static relation; they develop in dynamic tensions that yield their own

⁸⁰ For a rich and more nuanced reading of Kant’s essays on history, see Chapter 2, “Kant: Reason as Critique; the Critique of Reason,” in Martin Jay, *Reason After Its Eclipse: On Late Critical Theory* (Madison: University of Wisconsin Press, 2016).

⁸¹ Neo-Kantianism came in many forms, and not all were universal or positivist notions of science. Thinkers like Windelband and Rickert, who juxtaposed the natural and the human sciences, profoundly influenced Weber. For a discussion, see Chapter 1.

⁸² There are different readings of Durkheim’s debt to Kantianism vs. Comteanism. In any case, for Durkheim, there is no Kantian, transcendental mind; transcendental conditions are the effects of the social, which can in turn be investigated by positivist social scientific methods.

rearticulation or sublation, implying the emergence of new forms that embody and overcome each side of the prior contradiction. For Hegel, this is the work of Reason itself, whose operation is not outside but inscribed into history. History is here thought's own dialectical movement, Reason's own progressive realization. Once historicized, reason is no longer pure in the Kantian sense, but must account for its own conditions of possibility in past forms of reason. While Marx praised Hegel for being the first to present the dialectic's "general forms of motion in a comprehensive and conscious manner," he insisted the Hegelian method be "de-mystified" and "stood on his head" with a new, materialist foundation.⁸³ Historical development is not driven by thought and ideas, Marx argued, but by the forces and relations of material production through which humans reproduce their means of subsistence. To counter speculative critique, Marx also placed theory and practice in a dialectical relationship, designating the theorist as the historical visionary, the proletariat as the historical subject, and the revolution as the historical process through which capitalist contradictions could be overcome.

In the twentieth century, Marxist currents like the Frankfurt School held tightly to the Hegelian-Marxian method while also drawing selectively from the Kantian-Weberian reservoir. In this way the Frankfurters creatively fused the dialectical critique of capitalism with the critique of instrumental rationality. The Frankfurt School retained the central concepts of Marxist theorizing—ideology, reification, and commodity fetishism—but twisted other parts of the model. Traditionally, Marxist critique diagnosed socio-economic or material conditions as *primary* and political or ideological features as *secondary* in determining the course of historical development. That capitalism had not only found political and cultural reinforcement but blended the so-called "base" and "superstructure" meant ideology critique needed to be reconsidered, as already implied by their concepts of "culture industry" and "state capitalism." To this end the Frankfurt School took a modified and potentially totalizing concept of instrumental rationality from Max Weber and György Lukacs. This concept would later be modified into what Marcuse and Habermas would call "political rationality," a fusion of instrumentality and politics based on a conception of "technology as ideology." Here as before, critical theory held out for emphatic reason, substantive value, or spontaneous revolution that could overturn a world of totalizing instrumentality.⁸⁴ The insights and blind spots in this account, as we will see, open up new avenues into Marxist and Weberian questions, including the relationship between ideational and material production, between scientific and practical rationality, and between political and economic order.⁸⁵

Foucault entered an explicit, if ambivalent, relation to Weber and the Frankfurt School for the first time when he embarked on a genealogy of *political* power midway through his career.⁸⁶

⁸³ See Karl Marx, *Capital: Volume 1*, pp. 102-103.

⁸⁴ "Neither science nor technics have values in themselves; they are 'neutral' with respect to value or ends that might have been attributed to them from outside... Being assumes the ontological character of *instrumentality*; by its very nature this rationality is susceptible to any use and to any modification... The absence of an ultimate purpose in technology manifests itself equally in politics, where it becomes open to suspicion and contestation... pure instrumentality, deprived of its ultimate purpose, has become a universal means for *domination*." Herbert Marcuse, "From Ontology to Technology," p. 124.

⁸⁵ That is, until Habermas rejected the first generation's "philosophy of consciousness," adopted in part the perspective of systems theory, and asserted critical theory would henceforth dispense altogether with the critique of ideology and political economy.

⁸⁶ In the late 1970's and early 1980's Foucault spoke about his relationship to Weber and the Frankfurt School on multiple occasions. See Foucault, "Introduction" in Canguilhem, *The Normal and the Pathological*, pp. 11-12; Foucault, "'Omnes et Singulatim': Toward a Critique of Political Reason" (p. 299) and "Space, Knowledge, and Power" (pp. 357-58) in *Essential Works of Foucault, 1954-1984, Vol. 3: Power*, ed. James D. Faubion (New York:

This relation compelled Foucault to recast the stakes of his previous writings: “I have tried to analyze forms of rationality: the different foundations, creations and modifications with which rationalities engender, oppose and pursue one another.”⁸⁷ In doing so, Foucault carved new paths within and alongside the two critical traditions discussed above. While “materialist” concerns consistently contoured Foucault’s work,⁸⁸ his modified conception of “forms of rationality” is better read in relation to the critical procedure of Kantian-Weberianism. Thus his claim that the ever-changing objects of his research—truth, power, and the subject—turned on questions of “form” rather than “value.” And hence his insistence, guided by Nietzschean and Deleuzian tactics, on a “strategic logic” rather than a “dialectical logic” in matters of method.⁸⁹ Tracking specific *forms* of rationality allowed Foucault, much like Weber and Habermas at their best, to pluralize practical reasoning into diverse domains of knowledge and power. Yet despite these Kantian-Weberian problematics, Foucault eschewed the moralistic tendency of Kantianism to equate rationality (qua practical reason) and value and the formalistic tendency of Weberianism to work through ideal types.⁹⁰ That Foucault’s modified method centered on historical or “impure”⁹¹ forms of rationality illuminates how concepts are translated and practices are transposed between different knowledges, institutions, and spheres of life.

Foucault thus began thematizing his relation to both the Frankfurt School and his mentors, Gaston Bachelard and Georges Canguilhem.⁹² “In the French history of science as in German critical theory,” he explained, “the same kinds of questions... are addressed to a rationality which makes universal claims while developing in contingency, which asserts its unity and yet proceeds only by means of partial modification when not by general recastings.”⁹³ At stake in each case is

The New Press, 2000); Foucault, “Structuralism and Post-structuralism,” *Essential Works of Foucault, 1954-1984, Vol 2: Aesthetics, Method, and Epistemology*, ed. James D. Faubion (New York: The New Press, 1998), pp. 440-443; Foucault, *Remarks on Marx: Conversations with Duccio Trombadori*, trans. R. James Goldstein and James Cascaito (New York: Semiotext(e), 1991), pp. 115-20 (interview held in 1978); Foucault, “Qu’est-ce que la critique?” pp. 42-43; Foucault, “Critical Theory/Intellectual History” in *Politics, Philosophy, Culture*, p. 27; Foucault, “Questions of Method” in *The Foucault Effect*, p. 79.

⁸⁷ Foucault, “Critical Theory/Intellectual History” (translation altered), p. 79.

⁸⁸ Elsewhere I call this Foucault’s “materialist” alternative to ideology critique. See “Michel Foucault’s Materialist Methods: On the Way to Political Rationality” (in preparation for publication).

⁸⁹ “Heterogeneity is never a principle of exclusion; it never prevents coexistence, conjunction, or connection. And it is precisely in this case, in this kind of analysis, that we emphasize, and must emphasize a non-dialectical logic if we want to avoid being simplistic. For what is dialectical logic? Dialectical logic puts to work contradictory terms within the homogeneous. I suggest replacing this dialectical logic with what I would call a strategic logic. A logic of strategy does not stress contradictory terms within a homogeneity that promises their resolution in a unity. The function of strategic logic is to establish the possible connections between disparate terms which remain disparate. The logic of strategy is the logic of connections between the heterogeneous and not the logic of the homogenization of the contradictory.” Foucault, *Birth of Biopolitics*, p. 42.

⁹⁰ On the question of “Weberianism,” see Foucault, *Essential Works of Foucault, Vol. 3: Power*, p. 229.

⁹¹ See Gary Gutting, *Michel Foucault’s Archaeology of Scientific Reason* (Cambridge: Cambridge University Press, 1989); and Thomas McCarthy, “The Critique of Impure Reason: Foucault and the Frankfurt School” in *Ideals and Illusions: On Reconstruction and Deconstruction in Contemporary Critical Theory* (Cambridge: MIT Press, 1991).

⁹² For methodologically relevant works of the latter, see Gaston Bachelard, *The New Scientific Spirit*, trans. Arthur Goldhammer (Boston: Beacon, 1934/1985); Bachelard, *The Formation of the Scientific Mind: A Contribution to a Psychoanalysis of Objective Knowledge*, trans. Mary McAllester Jones (Manchester: Clinamen, 1938/2002); Georges Canguilhem, *Ideology and Rationality in the History of the Life Sciences*, trans. Arthur Goldhammer (Cambridge, MA: MIT Press, 1988); and, on the development of Bachelard’s core concept, see Étienne Balibar, “From Bachelard to Althusser: The Concept of the Epistemological Break” in *Economy and Society* 7:3 (1978).

⁹³ Foucault adds that, despite their differences, for each tradition “what we are to examine essentially is a reason whose autonomy of structures carries with itself the history of dogmatisms and despotisms—a reason which,

the historical transformation of rationality and power. The transformation of existing forms is characterized by displacement rather than sublation, contingency rather than necessity, epistemic breaks rather than natural progression. This in turn informs the task of critique more generally:

What reason perceives as *its* necessity, or rather, what different forms of rationality claim as their necessary existence, can perfectly well be shown to have a history; and the network of contingencies from which it emerges can be traced. Which is not to say, however, that these forms of rationality were irrational. It means that they reside on a base of human practice and human history; and that since they have been made, they can be unmade—assuming, of course, that we know how they were made.⁹⁴

The difference between the critique of ideology and the critique of forms of rationality, then, is that the latter does not yield truth by revealing untruth; emphatic reason [*Vernunft*] is not required to show a particular form of reason to be unreason. In tracking a given rationality—that is, forms and norms of practical reason that come to dominate in particular periods—critique excavates its own imbrication with knowledge and power. Critique likewise opens up strategic visions for making a given form of rationality otherwise.⁹⁵ Because it is immanent to a particular historical formation, this is perhaps the greatest strength of Foucault’s notion of political rationality. But as we will see, it may also indicate the limitations of his own approach to the political.

Methodologically, Foucault is reconfiguring the Hegelian-Marxian and Kantian-Weberian architectonics at one and the same time. Following the Weberian more than the Marxist line of critique, Foucault focuses on the *material* production of “form” rather than “value.”⁹⁶ Likewise, his approach to economic and political forms of rationality prioritizes a non-dialectical logic that runs against fundamental Frankfurt School assumptions. Take, for instance, his distinction between Marxist and Weberian models of analysis:

If Marx tried to define and analyze what could be summed up as the contradictory logic of capital, Max Weber’s problem, and the problem he introduced into German sociological, economic, and political reflection at the same time, is not so much the contradictory logic of capital as the problem of the irrational rationality of capitalist

consequently, has the effect of emancipation only on the condition that it succeeds in freeing itself of itself.”

Foucault, “Introduction” in Canguilhem, *The Normal and the Pathological*, pp. 11-12.

⁹⁴ Foucault, “Critical Theory/Intellectual History” (translations altered).

⁹⁵ For an overview and assessments of the debate between Foucault and Habermas about whether critique requires a normative basis or a “better” form of rationality, see Michael Kelly (ed.), *Critique and Power: Recasting the Foucault/Habermas Debate* (Cambridge: MIT Press, 1994).

⁹⁶ “One readily believes that a culture is more attached to its values than to its forms; that the latter can be easily modified, abandoned, reworked; that it is only meaning that is deeply rooted. This would be to misunderstand how much forms, when they come apart or when they are born, can provoke astonishment or hate; it is to misunderstand that people hold dearly to their ways of seeing, of saying, of doing and of thinking, more than what one sees, says and does. The battle of forms in the West has been hard fought, if not more than that of ideas and values. This battle has taken a singular shape in the twentieth century: it is ‘the formal’ itself, it is the reflective work on the system of forms that has become the stakes of the battle. Form has become a remarkable object of moral hostilities, aesthetic debates and political confrontations.” Michel Foucault, cited in Paul Rabinow, *Unconsoleable Contemporary: Observing Gerhard Richter* (Durham: Duke University Press, 2017), p. 1.

society. I think, again very schematically, that what characterizes Max Weber's problem is this movement from capital to capitalism, from the logic of contradiction to the division between the rational and the irrational.⁹⁷

The division of the rational and the irrational is the paradigmatically Weberian problem around which critical theory also revolved—a division understood dialectically, a logic of *both/and* rather than *either/or*. What Foucault is suggesting, though, is that the division should be examined “strategically” rather than “dialectically.” In other words, he does not ask how rational technique or instrumentality produce irrationality as their opposite. Instead he asks: How does this specific form of rationality split the rational and the irrational in this particular way, and what are its historical effects?

In this way, the critique of capitalism can be recast and reconfigured as a critique of forms of rationality. For Foucault's displacement of a “dialectical” for a “strategic logic” retains central concerns of the Marxist tradition—e.g., the critique of the science of political economy, the materiality of power, and the oppressive effects induced by their inequalitarian institutionalization. The critique of political rationality does not displace the critique of capitalism, then; it identifies specific *forms* of power through which the former (e.g., a political rationality like liberalism) institutes and transforms the latter (e.g., an economic order like capitalism). Seen from this angle, liberalism and neoliberalism may have “ideological” dimensions in the Marxist sense, but are not simply or primarily ideologies. A critique of political rationality would thus pursue its construction and effects at levels other than mystification and false consciousness; it opens a different theoretical angle into how modes of conduct are “rationalized” and sets of practices are “programmed” such that various forms of power possess a *materiality* of their own—a materiality that intersects the modes of production that Marxism has seen as “mattering” the most. Understanding political technologies and economic orders as intertwined, this mode of critique can offer greater appreciation for the world-making effects of paradigms of scientific *qua* rational knowledge. By discarding the epistemological baggage of ideology critique, I am suggesting, Foucault provides critical theory a path (back) to political power and political economy.⁹⁸

The historical arc of Foucault's own study runs from the ancient Athens and the Roman Empire, to St. Thomas and Machiavelli, through *raison d'État*, *Polizeiwissenschaft*, classical liberalism and to the precipice of neoliberalism.⁹⁹ At each turn Foucault marks a shift in the theory and practice of “rational” government, or the fusion of thought and action in a more expansive conception of *techne*. Ultimately, Foucault is interested in understanding epistemologies and practices that legitimate the powers of modern states. “Rather than wonder whether aberrant state

⁹⁷ Michel Foucault, *Birth of Biopolitics*, p. 105. Though Foucault parses the difference through a range of twentieth century economic and social theorists, including the neoliberals, the distinction implies just as well to his own procedure. However, he also notes that the two are not necessarily mutually exclusive; see Foucault, *Birth of Biopolitics*, p. 70. See also Foucault's discussion: “Basically, all of these economists, Schumpeter, Röpke, or Eucken, all start... from the Weberian problem of the rationality or irrationality of capitalist society. Schumpeter, like the ordoliberals, and the ordoliberals like Weber, think that Marx, or at any rate, Marxists, are wrong in looking for the exclusive and fundamental origin of this rationality/irrationality of capitalist society in the contradictory logic of capital and its accumulation. The differences begin at this point.” Foucault, *Birth of Biopolitics*, pp. 176-77.

⁹⁸ For a discussion of the difference between ideology critique and political rationality, see my “Michel Foucault's Materialist Methods.”

⁹⁹ I am specifically referencing Foucault, *Security, Territory, Population*; Foucault, *The Birth of Biopolitics*, and Foucault, “Omnes et Singulatim.”

power is due to excessive rationalism or irrationalism,” Foucault advised, “it would be more appropriate to pin down the specific type of political rationality the state produced.”¹⁰⁰ This move complicates the internal and external rationale of state power; for it reveals that “political practices resemble scientific ones: it’s not ‘reason in general’ that is implemented, but always a very specific type of rationality.”¹⁰¹ One of Foucault’s core contributions, then, is marking the relation between different *forms* of rationality in historically specific orders of power.

As a mix of material and ideational dynamics, the modern state neither rose from the earth nor fell from the sky. Its objectives and its limits were constructed in relation to changing objects and activities. Reason of state, for instance, was considered a technique of government that was different than but could conform to the art of political economy. Yet Foucault traces another “art” of government to the ancient practice of “pastoral power,” which consists in “fostering the life of a group of individuals” rather than “forming and assuring the city’s unity.” So while “the *political* problem is the relation between the one and the many in the framework of the city and its citizens... the *pastoral* problem concerns the lives of individuals.”¹⁰² In *modern* political rationality, however, “a series of complex, continuous, and paradoxical relationships” paired pastoral power and political power together. The modern state, Foucault submits, was both “individualizing and totalizing right from the start.”¹⁰³

Modern political rationality not only comprises technologies of overt violence but also a Kantian-Weberian kind of reflexivity; in it, the rationality of “method” intersects with the “object” of rationality. For reason of state, in particular, “the art of governing is rational if reflexion causes it to observe the nature of what is governed—here, the state.”¹⁰⁴ Following Foucault, critical analysis thus targets the legitimating interstices—or “regime of veridiction”—between political economy and political rationality. This would mean examining how “a particular form of reflection, analysis, and calculation” is incorporated into existing practices of political reasoning. Critical analysis would likewise excavate out of these conditions the possibility of “a different type of calculation, a different system of thought, and a different practice of power.”¹⁰⁵ The question at hand is thus “how forms of rationality inscribe themselves in practices or systems of practices, and what role they play within them, because it’s true that ‘practices’ don’t exist without a certain regime of rationality.”¹⁰⁶

¹⁰⁰ Foucault, “Omnes et Singulatim.”

¹⁰¹ Foucault, “Omnes et Singulatim.”

¹⁰² Foucault adds: “The idea that the political leader was to quiet any hostilities within the city and make unity reign over conflict is undoubtedly present in Greek thought.” Foucault, *Politics, Philosophy, Culture: Interviews and Other Writings, 1977-1984*, ed. Lawrence D. Kritzman (Routledge, 1990), p. 67 (emphasis mine).

¹⁰³ Foucault, *Politics, Philosophy, Culture*, p. 84. The title and conclusion of his last lecture on political rationality, “Omnes et Singulatim,” suggest all the ambiguities and concerns of Cold War liberalism: totalization and individualization. Before a shift in focus around 1980, the arc of Foucault’s reflections on political rationality pointed toward a study of totalitarianism. The totalitarian dimensions of state power was a timely topic being examined by others at the time, including Poulantzas, Castoriadis, and Lefort. It was also the planned theme for a research seminar Foucault was to co-organize, though it ultimately never crystalized.

¹⁰⁴ “Nowadays, the expression reason of state evokes ‘arbitrariness’ or ‘violence.’ But at the time, what people had in mind was a rationality specific to the art of governing states. From where does this specific art of government draw its rationale? The answer to this question provokes the scandal of nascent political thought. And yet it’s very simple: the art of governing is rational, if reflexion causes it to observe the nature of what is governed – here, the state.” Foucault, “Omnes et Singulatim.”

¹⁰⁵ Foucault, *The Birth of Biopolitics*, p. 59.

¹⁰⁶ Foucault, “Questions of Method” in *The Foucault Effect*, p. 79.

Through scientific discourse and governmental *techne*, political rationality constitutes normative modes of reasoning about political-economic “reality.” Part of what Foucault’s genealogy shows is how different forms of economic rationality have informed political rationality in constituting particular objects as “real,” in circumscribing modes of apprehension deemed “legitimate,” and in shaping “conduct” that corresponds to each. Drawing from this account, the following chapters argue that epistemological formations themselves comprise enabling conditions for different ontological orders. For epistemology and ontology cut both ways: epistemology may be conditioned by historical experiences and material developments, but epistemic shifts also provide an impetus for ontological transformations. The political deficits that contour contemporary reflection and imagination are thus themselves an important object of critique.

Did Foucault, in his study of political rationality, follow his own imperative to “cut off the head of the king in political theory and analysis?”¹⁰⁷ Did he finally drain the mythical fount from which all power allegedly flows, the *sovereignty* of the people, the monarch, the state? Certainly, Foucault’s nominalist approach troubled the conventional notions of the state as a more or less stable, ontological entity across time and space. His analysis pointed to the “rationalization” of governmental practice, the “governmentalization” of the state, and the processes of “statification” that produce a “state effect.”¹⁰⁸ Sovereignty was not the outcome of a social contract, and state power did not result from the mechanisms of sovereign legitimation. The state came into being as an art of government and practice of (self-)reflection on its own power. Thus beyond political rationality, Foucault explored the intertwined notion of *governmentality*, defined as “the conduct of conduct” or “governing at a distance.”¹⁰⁹ His distinction between “sovereignty” (which has *the people* as its subject/object) and “government” (which considers *the population* as its object/subject) helps chart a history in which practices of government displace representations of sovereignty as the central object of analysis.¹¹⁰ Such a displacement is necessary, according to Foucault, to rethink liberalism as a practice and rationale of the government of economic subjects and objects rather than an outcome of natural rights, communal agreement, or individual consent. It also incorporated a fleeting critique of socialism, which Foucault claimed failed to create “an autonomous governmental rationality” *as opposed to* liberalism and neoliberalism.¹¹¹

When read against traditional political theory, “regicide” would seem a plausible result of Foucault’s analysis.¹¹² Yet so would “democide”: the killing of “the people.” Political rationality displaces sovereignty—“popular” sovereignty included. For though political rationality concerns

¹⁰⁷ See Foucault, *History of Sexuality Volume I: An Introduction*, p. 89.

¹⁰⁸ Foucault, *Birth of Biopolitics*, p. 77.

¹⁰⁹ See Foucault, *The Birth of Biopolitics*; Wendy Brown, *Undoing the Demos: Neoliberalism’s Stealth Revolution* (New York: Zone Books, 2015); Thomas Lemke, *Eine Kritik der politischen Vernunft: Foucaults Analyse der modernen Gouvernementalität* (Hamburg: Argument Verlag, 1997); Mitchell Dean, *Critical and Effective Histories: Foucault’s Methods and Historical Sociology* (New York: Routledge, 1994); and Andrew Barry, Thomas Osborne and Nikolas Rose (eds.), *Foucault and Political Reason: Liberalism, Neo-Liberalism, and Rationalities of Government* (Chicago: University of Chicago Press, 1996).

¹¹⁰ “In contrast to sovereignty, government has as its purpose not the act of government itself, but the welfare of the population, the improvement of its condition, the increase of its wealth, longevity, health etc... it is the population itself on which government will act either directly or indirectly.” Foucault, *Security, Territory, Population*, p. 100.

¹¹¹ Foucault, *Birth of Biopolitics*, pp. 92-93.

¹¹² See also Hans Sluga, *Politics and the Search for the Common Good* (Cambridge: Cambridge University Press, 2014); Jon Simon, *Foucault and the Political* (Routledge, 1995); and Barry Hindess, “Politics as Government: Michel Foucault’s Analysis of Political Reason,” in *Alternatives* 30 (2005), pp. 389-413.

both power and its limitations, both the expansion and delimitation of the political field, the heuristic may come with limits of its own. Foucault's use of the "political" in these lectures, for example, largely modifies only the productions and entailments of the modern state. Thinking the political today, however, requires more than an account of politics as power beyond sovereignty. What, we must ask, is the political, if not the state?

The Political in Political Deficits

"A method is a path," and though one method may help blaze through a certain terrain, the same one may prove less pathbreaking when exploring another.¹¹³ Above I marked the difference between the Kantian-Weberian and Hegelian-Marxian paths and followed them into the Frankfurt School and Foucault's reformulation of political rationality. Now I briefly turn to the difference between the Foucauldian notion of the political and an alternative conception at the basis of this dissertation that also helps reveal its limitations. Together with the discussion above and the extended meditation in the Conclusion, this will fill out the meaning of the titular concept, "political deficits," and clarify how and why the historical stakes of the dissertation pertain to the task of thinking the present.

State power, cultural hegemony, radical democracy—the introduction began with these three dimensions of the political to clarify a key objective of the dissertation: to register the constitution *and* the delimitation of the political in particular epistemic and governmental formations. As I suggested above, Foucault's work foregrounds the question of power, and thus the potential for power's politicization, in every part of human relations.¹¹⁴ In turn, Foucault's methods may appear pertinent to all three dimensions of the political. Yet as Foucault's critique of political rationality moved toward the present, it yielded some antinomic and totalizing turns—not entirely unlike those of the Frankfurt School. At times, Foucault's critique targeted political (*qua* state) rationality as a seeming totality, or rather pointed to "the roots" that produced the double character of modern state power.¹¹⁵ At other times, Foucault individualized the political to questions of ethics and aesthetics,¹¹⁶ or rather turned critique into a question of counter-conduct, i.e., "how not to be governed *like that*, by that, in the name of principles such as that, in view of

¹¹³ I borrow this from Rancière but twist his meaning. "A method is a path," Rancière wrote, "and examining a method means examining how idealities are materially produced." My "method" here suggests that ideality and materiality cut both ways. In exploring the social scientific origins of neoliberal rationality that preceded the political and economic crises with which they are commonly associated, I hope to complicate the conventional concept of "ideality" in Marxist critiques. At the liminal space of epistemological production, where forms of scientific and practical reason generate embodied and institutional practices, different forms of power and politics may come into view.

¹¹⁴ It should be added that though power is "everywhere," because of its relational character, the political is neither constitutive nor omnipresent in the same way.

¹¹⁵ See for example the last sentence in Foucault, "Omnes et Singulatim."

¹¹⁶ When asked about his views on the Arendtian version of the political, Foucault responded: "I would more or less agree with the idea that in fact what interests me is much more morals than politics or, in any case, politics as an ethics." Foucault, "Politics and Ethics: An Interview," in *The Foucault Reader*, p. 375.

From these tendencies Hans Sluga identifies Foucault's abandonment of any conception of the pursuit of the common good: "The late Foucault thus appears to have been drifting towards a liberal, individualistic mode of conception of human existence with a non- or even anti-political conception of the good." Sluga, *Politics and the Search for the Common Good*, p. 200.

such objectives and by the means of such procedures.”¹¹⁷ In each case critique kept to a largely individualist, limited or *negative* function as in the Kantian-Weberian tradition, where the critic sheds light on the historical present by setting limits on the legitimate operation of power within it. Yet in neither case is Foucault primarily concerned with broader senses of the political, such as the second or third dimensions discussed above.

Foucault’s limited notion of the political could be explained in various ways. Typical reasons include his well-known allergy to psychoanalysis, the above discussion of sovereignty, his well-documented interest in the constitution of subjectivities rather than collectivities, and his association of politics with the Maoist left of which he had grown exhausted. Another reason may be philosophical consistency, which is to say, his effort to keep to the immanent limits of his (genealogical and archaeological) methods, including the explicitly nominalist character of his later work.¹¹⁸ Foucault did not focus on *political* relations of power between collectivities—whose very existence he wanted to track rather than presuppose—as part of his methodology for examining *political rationality*. In this way, his method could even be said to mirror the *political deficits* of twentieth-century epistemological formations discussed thus far—perhaps above all, the German strains of the Frankfurt and Freiburg Schools. After all, Foucault’s definition of liberalism as a political technology relies on the same terms—rationality *qua* calculability—deployed and popularized by the neoliberals in the socialist calculation debate. Among his most famous statements in these lectures concerned the absence of an “autonomous” socialist governmental rationality, as well as the desire to invent one à la neoliberalism. If Foucault’s genealogies used the historical archive to disrupt subjective experience in the present,¹¹⁹ then, they did not necessarily intervene at the level of political sensibilities or emergent collectivities.¹²⁰ Though the latter may be foreclosed by Foucauldian methods, his work remains indispensable for any (critical) political theory of the present.¹²¹

Stuart Hall and Sheldon Wolin help to chart the outline of this problematic, as the Conclusion of this dissertation explains in greater depth. The challenge is to take Foucault’s path to its limits and to supplement it with perspectives that transgress and point beyond them. Such a combination would cross multiple axes of the political, grasping its state-centered features while also following discursively strategic and radically democratic paths that evade narrower notions of politics and rationality. To this end, Hall had already begun to note that one of Foucault’s limits lay in a hesitation to connect historical processes of subject-constitution to related processes of collective (dis)identification.¹²² If Foucault’s later work revealed the double-sided character of

¹¹⁷ Michel Foucault, “What is Critique?” in *The Politics of Truth*, Lotringer and Hochroth, eds. (New York: Semiotext(e), 1997), p. 28.

¹¹⁸ In his later work Foucault attempted to rework and stitch together these two approaches to inquiry, recasting them as mutually informing rather than precluding one another.

¹¹⁹ For an elaboration of genealogy’s effective (and affective) methodologies, see Martin Saar, “Understanding Genealogy: History, Power, and the Self” in *Journal of the Philosophy of History* 2 (2008), pp. 295-314.

¹²⁰ For a counterexample, see Martin Saar, “Spinoza and the Political Imaginary,” *Qui Parle: Critical Humanities and Social Sciences*, 23.2 Spring/Summer 2015: pp. 115-133.

¹²¹ Foucault was a *political* thinker, and his work remains indispensable to political theory. Whether or not he was a political theorist himself is best left open. In any case, I am suggesting, his notion of the political falls short of what a critical political theory of the present requires. For an account of the transdisciplinary nature of this question, see Wendy Brown, “The Future of Political Theory,” *Edgework: Critical Essays on Knowledge and Politics* (Princeton: Princeton University Press, 2005).

¹²² “In the area of the theorization of the subject and identity, however, certain problems remain... It has never been enough—in Marx, in Althusser, in Foucault—to elaborate a theory of how individuals are summoned into place in

subjectification—the subjection of and by the subject herself (*assujettissement*)—his methods did not link such dynamics to broader questions of political action *qua* collective self-constitution, strategy, and struggle.¹²³ For similar reasons Sheldon Wolin asserted that, from a political theoretical perspective, “Foucault has no place for action, only practice,” which in turn led him to “consistently confuse politics with the political.”¹²⁴ Irrespective of whether this contention accurately characterizes Foucault’s work, Wolin’s distinction remains crucial for grasping the multiple valences of the political, and of political deficits, in a way that Foucauldian methods alone cannot.¹²⁵

What Hall and Wolin help us see is how “the political” pertains not just to the circulation of power as diagnosed by Foucault, but also to the cultivation of shared power as a form of collective freedom. Whereas *politics* inflects the powers that govern individual and collective life, according to Hall and Wolin, *the political* concerns the conditions of possibility for both reshaping and sharing in these powers collectively. As I will discuss at greater length in the Conclusion, both of these thinkers conceptualize the political as a collective disposition and practice of making a world-in-common. Contra the state-centric visions of the political, which are normally identified with Max Weber and Carl Schmitt, Hall and Wolin center their notions on forms of discourse and modes of action that (re)frame the common (including but not limited to the state) as a shared domain—a domain, as I will suggest, that is poorly conceived, and perhaps easily constrained, when understood in terms of its (ir)rationality.

From Schmitt to Laclau and Mouffe, many theorists of the political have proven themselves prone to “substantialize” and “existentialize” collective identities and evaluative conflicts in ways that reinforce an imaginary of sovereign finality and closure, and that are thus easily reduced to a decisionistic horizon of state power.¹²⁶ By contrast, Hall and Wolin’s respective formulations

the discursive structures. It has always, also, required an account of how subjects are constituted... Foucault has gone a considerable way in showing this, in reference to historically-specific discursive practices, normative self-regulation and technologies of the self. The question which remains is whether we also require to, as it were, close the gap between the two: that is to say, a theory of the mechanisms by which individuals as subjects identify (or do not identify) with the ‘positions’ to which they are summoned; as well as how they fashion, stylize, produce and ‘perform’ these positions, and why they never do so completely, for once and all time, and some never do, or are in a constant, agonistic process of struggling with, resisting, negotiating and accommodating the normative or regulative rules with which they confront and regulate themselves.” Stuart Hall, “Who needs ‘Identity’?,” pp. 12-13.

¹²³ Or, if and when he did, Foucault’s gestures were of a political yet fleeting character. See for example his discussion of Abeille’s notion of the “collective political subject” between “the population” and “the people” in Foucault, *Security Territory, Population*, pp. 65-66 (I am grateful to Zeynep Gambetti for bringing this passage to my attention); see also the notion of a “collective will” in the Iranian Revolution in Foucault, “Iran: The Spirit of a World without Spirit” in *Politics, Philosophy, Culture*, p. 215.

¹²⁴ “Action is not identical with practice. Practice signifies doing things competently according to the appropriate received canons. Action is often role-breaking or custom-defying, for frequently it seeks to defend the collectivity against evils that are sanctioned by rules and traditions. Action can only play this role if it is free to respond to experience and is guided by theory only to a limited extent.” Wolin, *Fugitive Democracy*, p. 299. A full exploration of Foucault on this question would return to the distinction between the population and the people, where the latter traditionally includes citizens and excludes non-citizens, while the former makes neither this distinction nor posits any particular form of (non-biopolitical) belonging.

¹²⁵ For a related critical treatment of Foucault’s notion of politics, see Santiago Castro-Gómez, *Historia de la gubernamentalidad: Razón de estado, liberalismo y neoliberalismo en Michel Foucault* (Bogotá: Siglo del Hombre Editores, 2010).

¹²⁶ For an excellent volume on decisionism that follows parallel histories of social science to those examined in this dissertation, see Daniel Bessner and Nicolas Guilhot, eds., *The Decisionist Imagination: Sovereignty, Social Science and Democracy in the 20th Century* (New York: Berghahn Books, 2018).

underscore the necessary ephemerality of even the most robust and participatory political forms, such as radical democracy or democratic socialism. The latter are understood, however, as particularly dependent on robust versions of the political, including mass mobilization and public deliberation directed at principles of collective rule and problems shared in common.

Hall and Wolin's accounts of the political are not easily defined in brief form, as they are both diagnostic rather than formalistic in character and are both concerned with the conditions of possibility for collective freedom. For this reason, their notions of the political—and particularly that of Wolin—often equivocate with the meaning of democracy or the democratic “form” of politics. However distinct they might be conceptually, “the political” and “the democratic” refer to the articulation of collectivities and the negotiation of the common, with the latter more specifically designating “the people” or “the many” as the subjects of (self-)rule. What Hall and Wolin ultimately help us to understand, as I argue in the Conclusion, is not just the importance of harnessing historical and contemporary analysis to a robust notion of the political. They also demonstrate the necessity of forging “theoretical” and “popular” visions of the common, one the one hand, and of accounting for the *effects* of such visions in their more robust or anemic forms. Neoliberalism not only represents the latter (whence the concept of political deficits). It also comprised a political project—commencing with epistemological constructions of rationality—that aimed to subdue the political itself: that is, to constrain robust forms of commonality beyond its own form of rationality, particularly those contoured by democratic values and socialist aspirations. Thanks to this double valence of “political,” Hall and Wolin could account for Thatcherism and Reaganism as *political* and even *populist* programs in ways Foucault could not—despite the fact that *depoliticization* was one of their core objectives. Through this same frame, the Conclusion will suggest that contemporary far-right forces are better understood as an *anti-political product* of than as a *political reaction* to the forms of neoliberal rationality and political deficits examined in this dissertation.

Both the Foucauldian approach to political rationality *and* Hall and Wolin's approach to the political, I am suggesting, are crucial to grasp the historical construction of political deficits that are not being radically challenged but instead continue to shape our collective imagination today. In the following four chapters I take cues from each of these thinkers in charting the formation of neoliberal rationality prior to its dissemination through both left- and right-wing trajectories. My primary reason for placing critical theorists alongside neoliberal theorists in this genealogy is not just a matter of historical empirics or leftist polemics. It rather resembles Hall's own explanation for interrogating “the crisis of the left” in his own time as “a sort of mirror-image of Thatcherism.” For a diagnostic account and strategic response to the political deficits of the twentieth- and twenty-first century is impossible, as Hall suggested, “if we go on thinking the same things we have always thought and doing the same things we have always done—only more so, harder, and with more ‘conviction.’”¹²⁷ In reconsidering the Frankfurt School's interwar origins—specifically, its foundational link between social science and political struggle—I hope to provide this tradition greater critical purchase the present, however disorienting it may be. Supplemented

¹²⁷ “[W]hat I want to say about the crisis of the left is a sort of mirror-image of what I say about Thatcherism. The only way of genuinely contesting a hegemonic form of politics is to develop a counter-hegemonic strategy. But this cannot be done if we go on thinking the same things we have always thought and doing the same things we have always done—only more so, harder, and with more ‘conviction.’ It means a qualitative change: not the recovery of ‘lost ground’ but the redefinition, under present conditions, of what the whole project of socialism now means.” Hall, “Introduction,” *The Hard Road to Renewal*, p. 11.

by approaches to the political *qua* discursive strategy and democratic commonality, the critique of political rationality may offer an apt method for reconceptualizing crises past and present.

Chapter Overview

The first chapter follows the dawn of “neoliberal rationality” through scientific and political struggles that preceded the well-known gatherings in Paris and Mont Pèlerin that are commonly understood as the birth of neoliberalism. It begins by examining the *Methodenstreit*, a late nineteenth-century dispute over economic methodology between the German Historical School and the Austrian School. The Austrian School founder Carl Menger’s attack on the German “socialists of the chair,” like Eugen Böhm-Bawerk’s critique of the Marxist labor theory of value, taught the younger generation of Austrians an important lesson: scientific methods can be also wielded as political weapons. The chapter then offers a close reading of an overlooked part of Max Weber’s work in *Economy and Society*, which based its typological study of capitalism (“market economy”) and socialism (“planned economy”) upon the epistemic foundations of Austrian marginalism and a conception of “formal rationality” *qua* market calculability. I then turn to Mises’ influential essay on “Economic Calculation in the Socialist Commonwealth,” which radicalized the Mengerian and Weberian concept of formal rationality, reducing rationality to market calculation and declaring socialist planning impossible. Amidst the post-WWI threat of socialist revolution, Mises sought to redefine the rationality of markets against the irrationality of socialists who wished to abolish them—a strategy that Hayek successfully popularized by coining “the socialist calculation debate” in the 1930’s. The concepts and strategies of the socialist calculation debate helped frame a “counter-revolutionary” program shared by the Freiburg School and the Chicago School and an ideal of “rational politics” shared even by members of the early Frankfurt School. By turning *homo oeconomicus* “inward” through marginalist analysis and equating social science with “value neutral” knowledge, the early neoliberals not only made a seemingly strange bedfellow of Max Weber; they also split “the economic” from “the political” in order to cultivate the former and circumscribe the latter. Before this neoliberal strategy—or what I call the politics of the rational—shaped the theory and practice of postwar governance, it grew embryonically in the discourses of the early century.

The next chapter examines Freiburg School ordoliberalism’s theoretical foundations in the same interwar crises and debates, and follows its development through Ludwig Erhard’s 1948 liberalization reforms—the first ever “neoliberal” experiment, properly so called. Though just as anti-socialist as the Austrians, the Freiburgers more actively embraced the primacy of the political as a means to realize their own form of rationality—i.e., the rationality of entrepreneurial subjects in what they called the “competitive market order.” While drawing on various aspects of Menger, Weber, Mises and others to make their own methodological interventions, the ordoliberals developed a political program that approached the calculation debate in a different way—namely, a “Third Way” or “social market economy” *between* *laissez-faire* capitalism and rationally planned socialism. The ordoliberals specifically called for a “strong state” with a technocratically designed “economic constitution” such that politics would be insulated from the so-called irrationalities of concentrated corporate power and democratic decision-making. After contrasting the Austrian and Freiburg approaches to state intervention, the chapter explores the ordoliberals’ philosophical anthropology of the “economizing” subject, their racially-inflected typology of non-Western

societies, their appropriation of leftist discourse about “the social question,” and what I call the “inverted Marxism” of their theory of history. Rooted in principles of stability, growth, competitiveness, and austerity, the ordoliberals constructed a distinct form of rationality that continues to animate the political imagination in and beyond Germany today.¹²⁸

The third chapter explores the shared theoretical foundations of the Freiburg School and the early Chicago School, and then follows their divergence as the latter evolved into a more deregulation and monetarist-oriented program from the 1950s onwards. Increasingly shaped by Friedman’s “positive” economic methodology and Aaron Director’s approach to “law and economics,” the Chicago School was more open to speculative free-market finance and less concerned about monopoly and balanced budgets than the Freiburg ordoliberals. The chapter argues that placing these divergences in context can help elucidate an epistemic incongruity that emerged between their respective approaches to the European sovereign debt crisis. The latter half of the chapter focuses on this crisis as an exemplary scene of ordoliberal vs. neoliberal governance in practice, the key features of which were overlooked by many critics. Their disagreements on both principles and styles of governance become particularly acute in the conflict between the U.S. Treasury Secretary under the Obama administration, Timothy Geithner, whom I describe as a bearer of neoliberal rationality, and the German Finance Minister, Wolfgang Schäuble, whom I interpret as a practitioner of ordoliberal rationality. While Geithner condemned Schäuble and other EU officials for disrespecting the speculative “truth” of financial markets and an “Old Testament faith” in balanced budgets, the latter saw Geithner as the walking, talking embodiment of “moral hazard” (taking risks without suffering the consequences). What Geithner’s account unwittingly reveals, I suggest, is the distinctly ordoliberal framework underpinning the EU’s economic governance. Budgets balanced by debt breaks, an inflation-focused central bank, a disregard for structural inequalities, a Union built upon principles of “stability,” “growth” and “competitiveness,” and yet dominated by a single export-oriented economy—there is an order and a rationality to this “economic constitution” that is greater than the sum of its parts. By showing the dueling rationalities of “crisis management” shaped by ordoliberal and neoliberal legacies, this chapter also serves a link between the account of the Freiburg School in Chapter 2 and the Frankfurt School’s approach to the EU’s “legitimation crisis” in Chapter 4.

The final chapter tracks the evolving critique of instrumental rationality and subsumption of the political in the Frankfurt School tradition. It begins by recapitulating the recent Habermas-Streeck debate about the crisis of the EU to register the political deficits that underwrite this post-crisis analysis and to place it within a longer methodological legacy. Like the Austrian, Freiburg and Chicago Schools, the Frankfurt School was founded upon political and methodological reorientations to critique amidst interwar crisis. The chapter tracks the origins of the group in an orthodox Marxist rejoinder to the socialist calculation debate—commenced by Ludwig von Mises, as examined in Chapter 1—and in Critical Theory’s practical relation to collective liberation movements, linking theoretical activity to proletarian struggle and rational socialist planning. It then follows Horkheimer and Pollock’s discovery of “the primacy of the political” amidst WWII, a phenomenon they increasingly equated with the instrumental logic of “state capitalism.”

¹²⁸ Thus Biebricher’s term, the “ordoliberalization of Europe” and Slobodian’s history of the “ordoliberalization of the world.” See Thomas Biebricher, “Zur Ordoliberalisierung Europas – Replik auf Hien und Joerges,” in *Leviathan*, 46(2) (January 2018), pp. 170-188; Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge: Harvard University Press, 2018). See also William Callison and Quinn Slobodian, “Ordosocialism” (forthcoming).

Inasmuch as “politics” referred to collective ambitions to control state institutions, the concept gradually came to represent a problem rather than a solution to ideals of freedom and rationality. The chapter locates the slippage between politics and rationality in Critical Theory’s methodological reconfiguration in what I call a Weberian dialectics of “instrumental” vs. “substantive” rationality—that is, a kind of fusion of Weberian ideal types with neo-Marxist dialectics. I follow this approach to the critique of “irrational rationality” through select essays by Adorno and Marcuse on culture and technology. Deriving “planning” from a logical rather than political operation, Critical Theory’s postwar ideal manifested what they called “a rational administration of things.”

Next this chapter examines Habermas’ reconstruction of rationality and politics through an evolving Weberian dialectics and a growing faith in economic and political liberalism understood in terms of systemic and deliberative legitimation. No matter of the relative success of his theory of discourse ethics, his incorporation of systems theory reconstituted the same Weberian binaries used by the neoliberals and first-generation Critical Theorists: formal (procedural) vs. substantive rationality, instrumental (administrative) vs. normative reason, which Habermas imported into a theoretically untenable distinction between “the system” and “the lifeworld.” The narrowing of his later political vision was largely limited to the dual aims of securing normative legitimation for law “between facts and norms” and of domesticating systemic irrationality through institutional stability. Each of these goals were in turn projected onto the EU’s supranational institution-building process, which he called the birth of a political union through “the cunning of economic reason.” That the Frankfurt tradition subsumed politics – viz. collective struggles among evolving identities yielding contingent outcomes – to modest goals of system rationalization qua legitimation and of taming irrationality does not make it an outlier in postwar intellectual history. The Frankfurt School’s trajectory can instead be read as a kind of *effect* of the technocratic imagination produced, *inter alia*, by the Austrian, Freiburg and Chicago Schools: the gradual detachment from political struggles in the name of formal rationality qua liberal democratic stability. Such political deficits do not condemn this or other traditions of critical thought *tout court*, but rather compel greater reflection on the misadventures of a tradition that was founded on an expressly *political* connection between critique and crisis and that remains deeply relevant today.

**The Politics of the Rational:
The Austrian School, Max Weber, and the Socialist Calculation Debate**

Socialism is the abolition of the rationality of the economy.

–Ludwig von Mises, “Economic Calculation in the Socialist Commonwealth” (1920)

Like Professor Mises, [Max Weber] insisted that the *in natura* calculations proposed by the leading advocates of a planned economy could not possibly provide a rational solution... and might make it impossible to maintain alive the present populations of the more densely populated countries.

– Friedrich August von Hayek, *Collectivist Economic Planning* (1935)

Capitalism will survive the current depression as it did the Great Depression of the 1930s. It will survive because there is no alternative that hasn't been thoroughly discredited, which wasn't as clear in the 1930s. It is clear now.

– Richard Posner, *A Failure of Capitalism* (2009)¹²⁹

Whence neoliberalism? In the decade-long shadow of the global financial crisis, this question has been posed with understandable urgency. In the precise sense of the term, neoliberalism began as a movement to revive and reinvent liberalism amidst its twentieth-century crises. Most intellectual historians have located its birthplace in the gathering of key figures—Ludwig von Mises, Friedrich von Hayek, Wilhelm Röpke, Alexander Rüstow, among others—at the 1937 Walter Lippmann Colloque and the 1947 founding of the Mont Pèlerin Society.¹³⁰ Yet in examining the political-epistemological constructions of *early* neoliberalism, even deeper roots come into view. This chapter argues that the Austrian School crafted a set of social scientific concepts and anti-socialist strategies, first articulated in the interwar “socialist calculation debate,” which formed the trunk for different branches on neoliberalism’s family tree. Initiated by Mises in 1920 and popularized by Hayek in the 1930’s, this debate concerned the nature and function of economic value in a (hypothetical) socialist state that would, to greater or lesser extent, socialize the means of production, plan the distribution of goods, and either fix prices or abolish money

¹²⁹ Richard Posner, *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression* (Cambridge: Harvard University Press, 2009), 234.

¹³⁰ See for example Philip Mirowski and Dieter Plehwe (eds.), *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA: Harvard University Press, 2009); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberalism* (Princeton: Princeton University Press, 2013); Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge: Harvard University Press, 2015).

altogether.¹³¹ At the end of WWI, these were pressing questions for ascendant workers' councils and socialist parties, which hoped to construct a "rational" economy using wartime planning—to establish a *Planwirtschaft* using techniques of a *Kriegswirtschaft*. Yet the terms of debate were not set by socialists, but by their free-market critics.

Mises and Hayek premised the possibility of socialism on a strict set of binaries, such as formal rationality vs. substantive rationality, economics value vs. political values, market exchange vs. state planning, capitalism vs. socialism. The underexplored roots of these binaries come not only from the formalist methods of Austrian School founder, Carl Menger, but also from Max Weber's lesser-known examination of the "real types" [*Realtypen*] of the market economy vs. the planned economy. For Menger and Weber, like the younger Mises and Hayek who followed them, the marginalist model of "market calculation" was the most *formal* and effective type of rational calculation, as opposed to the *value-laden* (ir)rationality of economic planning. Long before the Cold War and "rational choice theory," then, the political battle between capitalism and socialism was framed, at the social scientific register, as an economic battle between rationality and irrationality. What much of the recent scholarship on *neoliberalism* overlooks is the significant role played by the nascent disciplines of sociology and economics—and the "politics of the rational" within them—in recasting the scientific precepts that later underwrote its institutional agenda. Seen in this light, the neoliberal attempt to reinvent liberalism depended on taming the political "irrationality" of socialism and on refounding the "rationality" of markets via the radical subjectivism and formalism found in Austrian epistemologies and Weberian typologies.

This chapter begins by sketching an overview of the *Methodenstreit*, the late nineteenth-century dispute between Gustav Schmoller's German Historical School and Carl Menger's Austrian School. Through this decades-long methodological grudge match, Menger not only laid the epistemic foundations for Weber, Mises and Hayek's construction of "rationality" *qua* market calculability. His attack on the German "socialists of the chair," like his student Eugen Böhm-Bawerk's critique of the Marxist labor theory of value, also taught the younger generation an important lesson: scientific methods can be wielded as political weapons.¹³² The next two sections of the chapter respectively examine Weber's typological study of capitalism and socialism in the second chapter of *Economy and Society* and Mises' influential essay on "Economic Calculation in the Socialist Commonwealth," both of which appeared in 1920. While Weber offered a putatively value-neutral and explicitly Austrian-inspired study of the "types" of rationality employed by capitalist and socialist economies, Mises radicalized both the Mengerian and Weberian concept of formal rationality, reducing rationality to market calculation and declaring socialist planning impossible. Although other early neoliberals understood state and market as a spectrum rather than a binary, the Austrian School's intervention worked through methodological moves that, as following chapters will show, made allies of the Freiburg School ordoliberals and the Chicago School neoliberals. Before their meetings in Paris and Mont Pèlerin, the neoliberals had already

¹³¹ Though championed by contemporary libertarians, historians have largely treated his debate as a minor dispute of little import. Exceptions can be found in the work of Johana Bockman and Julia Elyachar, who underscore the importance of early-century debates in central Europe, and of the calculation debate in particular, for neoliberal intellectuals and the economic discipline more generally. The argument of this chapter, however, importantly differs from each. See Johanna Bockman, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism* (Stanford: Stanford University Press, 2011); and Julia Elyachar, "Before (and After) Neoliberalism: Tacit Knowledge, Secrets of the Trade, and the Public Sector in Egypt," *Cultural Anthropology*, Vol. 27, Issue 1 (2012).

¹³² For a reflection on this topic in Weber's own work, see Sheldon S. Wolin, "Max Weber: Legitimation, Method, and the Politics of Theory" in *Political Theory* 9/3 (1981): 401-424.

begun to identify the threat of “socialist irrationality” through a “value-neutral” conception and justification of market rationality.

Nearly a century later, neoliberal notions of rationality traverse scientific inquiry, institutional practice, and everyday conduct. Yet buried within such “value neutral” concepts are deeper assumptions about the character of human conduct, the nature of “the economy,” and the alleged impracticality of alternative arrangements. Their normative assumptions and political underpinnings are revealed not simply by careful historical analysis. They also come to light when, in times of crisis, commentators like Richard Posner and Gary Becker justify the same principles and policies using the same argumentative strategies. Seemingly undisturbed by the 2008 crash, Posner and Becker sought to rehabilitate the “rationality” of financial markets. And they did so by doubling down on a “politics of the rational” which began, as Posner notes in the epigram, with the interwar struggles between liberal capitalism and its socialist adversaries.¹³³ Such scientific strategies of “depoliticization” have continuously delegitimized socialist programs by casting all but minor reforms as “irrational” and “impossible.” The socialist calculation debate could thus be understood not only as an early intervention and lasting rallying cry of neoliberalism, but also as its first declaration of TINA: there is no alternative. For this reason alone, we would do well to consider the question *whence neoliberalism* once more.

The German Historical School, the Austrian School, and the Politics of Method

The outward sign of the emergence of the concept of Economic Man as the basis of society was the emergence of economics as a science. As soon as the concept of Economic Man had been accepted as representing the true nature of man, the development of a science of economics became not only possible but imperative and essential. Economics as a social or ‘moral’ science dealing with the social behavior of man and with institutions devised by him, can only claim to be a science if the economic sphere is regarded as autonomous, if not as supreme, and economic aims as desirable over and above all others.

– Peter Drucker, *The End of Economic Man* (1939)¹³⁴

A child of Wilhelmine and Bismarckian Germany, Max Weber was trained in law, philosophy and economics. Already decades after Hegel’s death, this was a new era shaped by neo-Kantianism and historicism. The post-Hegelian paradigm shift took hold across the human sciences, and Weber was particularly drawn to neo-Kantians like philosopher Heinrich Rickert and economic historians Wilhelm Roscher and Karl Knies. It was through Rickert that Weber

¹³³ Posner’s post-crisis support for Greenspan’s monetary policy comes in similar form: “Alan Greenspan’s monetary policy offered prospects of great wealth to smart people willing to take large risks. Such people are not irrational... It is risky but not irrational to follow the herd. (It is also risky to abandon the safety of the herd—ask any wildebeest.) That is why buying a stock because others are buying it and thus forcing up its price is not irrational.” Posner, *A Failure of Capitalism*, 84-5.

¹³⁴ Peter Drucker, *The End of Economic Man: The Origins of Totalitarianism* (1939), 46-7.

encountered the concept of the “ideal type”¹³⁵ and, as H. Stuart Hughes observed, it was from Roscher and Knies that he first encountered

a brand of economics that embraced virtually the whole field of social science and that was energetically committed to ethical judgments and practical applications. For in Germany the study of economics was intimately involved in social reform, and the professors who were facetiously called ‘socialists of the academic chair’ devoted their talents to the problems of the relations between capital and labor in their newly industrialized nation.¹³⁶

Weber would soon become one of the leading methodologists of the *fin de siècle*, making his most famous interventions in debates about social scientific objectivity. And it was through the German Historical School and *Verein für Sozialpolitik* that he encountered the deeply political valences of scientific method.¹³⁷

At the time it was commonplace to blend academic arguments with policy prescriptions, and the *Verein für Sozialpolitik* openly advocated social policies meant to curb the revolutionary prospects of the Socialist Party. These scholars considered political economy an inherently normative mode of inquiry based on the combined study of philosophy, history, and state policy.¹³⁸ Out of deep disagreement with the group, Weber eventually sought to separate science from politics to the greatest extent possible. To this end he elaborated the meta-doctrine of *Wertfreiheit*. Various translated as “value freedom” or “value neutrality,” the concept drew an epistemological line between the domains of fact and value and a practical line between the vocations of science and politics.¹³⁹ For Weber, “value neutrality” characterized an approach to scholarship and pedagogy that acknowledges the inescapable role of values for choosing an initial set of research

¹³⁵ See Rickert, *Die Grenzen der naturwissenschaftlichen Begriffsbildung*. Volume 1 appeared in 1896 and Volume 2 in 1902.

¹³⁶ “In 1873 they had founded the *Verein für Sozialpolitik*, of which Weber became an active and enterprising member. Thus at the very start of his academic career he was prepared for the inevitable confrontation with Marx: to achieve by more conservative means the social justice at which the Marxists aimed had become the major purpose of the *Verein*.” Hughes, *Consciousness and Society*, 293–4.

¹³⁷ This is also where Weber explored what he saw as the troubling intersections of economics (science) and politics (values). See also Wilhelm Hennis, “The pitiless ‘sobriety of judgment’: Max Weber between Carl Menger and Gustav von Schmoller—the academic politics of value freedom” in *History of the Human Sciences*, 4/1, 1991, p. 34; and Patrick Mardellat, “Max Weber’s critical response to theoretical economics,” *The European Journal of the History of Economic Thought* (Volume 16, Issue 4, 2009). For an account and defense of the Austrian position, see also Peter Boettke, *Calculation and Coordination: Essays on Socialism and Transitional Political Economy* (New York: Routledge, 2001).

¹³⁸ “The historical emphasis in German economics was almost as old as the German historical tradition itself. Adam Müller and Friedrich List, the historical jurist F.K. Savigny, and even Hegel and Ranke may be counted among its precursors during the early nineteenth century.” Fritz Ringer, *The Decline of the German Mandarins: The German Academic Community, 1890–1933* (Wesleyan University Press, 1990), 144. See also Kenneth Dyson, *The State Tradition in Western Europe* (Oxford: Oxford University Press, 1980).

¹³⁹ See Max Weber, “Science as a Vocation” in *On Max Weber*. On Weber’s fatalism, see also Stefan Eich and Adam Tooze, “The Allure of Dark Times: Max Weber, Politics and the Crisis of Historicism” in *History and Theory* 56 (2), 2017, 197–215.

questions but that in turn completely brackets values from science's methodological makeup and argumentative conclusions.¹⁴⁰

Long before Weber's rise to prominence, the Historical School had made its name by using historical and statistical sources in order to understand variables that determined human action, institutional design, and economic development. Under the broad umbrella of *Staatswissenschaften*, the scholars produced culturally-specific knowledge applicable to the practice of state administration.¹⁴¹ Despite its reign over the scholarly kingdom,¹⁴² political economy (or national economics, *Nationalökonomie*) existed to serve state power—or, more precisely, the “police” and “reason” of state (*Staatsräson* and *Polizeiwissenschaft*).¹⁴³ In the 1870s the German Historical School became embroiled in a disciplinary debate with their Eastern equivalent, the Austrian School. This conflict between dueling approaches to the study of history, society and economics was dubbed the *Methodenstreit*, or “the dispute over method.”

The *Methodenstreit* commenced when Austrian School founder Carl Menger attacked Schmoller's historicist methodology for its unsystematic character. Schmoller responded with a defense of the historical paradigm and a jab at Menger's axiomatic approach to economic action, which he dismissed as a simplistic revision of the classical fiction: ahistorical “Economic Man.”¹⁴⁴

¹⁴⁰ Among Weber's most pointed formulations of *Wertfreiheit* is the following: “Whenever the person of science introduces his personal value judgments, a full understanding of the facts *ceases*.” Max Weber, “Science as Vocation.”

¹⁴¹ *Staatswissenschaften* was the dominant theory and practice of statecraft before liberalism was “imported” from “the West.” According to Tribe, *Staatskunst* (the art of governing) was replaced by *Staatswissenschaft* (the science of governing in the early eighteenth century). “The science was taught in universities to prospective state officials, and was at first dominated by a purely descriptive approach. The teachings of Natural Law soon modified this towards the inherent regularities in society and economy, and it was here that Cameralism, as the science of governing with respect to economic processes, play an important part. In so far as the reform of administrative practice represents an attempt to establish an effective symbiotic relationship between these economic processes and the activity of governing, the ‘Cameralistic sciences’ play a strategic role in the constitution of Prussian bureaucratic rule and, by extension, in the modern bureaucratic state.” Keith Tribe, *Governing Economy: The Reformation of German Economic Discourse, 1750-1840*, 9.

¹⁴² Schmoller's *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche* was arguably the most prestigious journal in the German-speaking social sciences at the time.

¹⁴³ Namely, in the broadest, now antiquated sense of each concept. In a speech for Kaiser Wilhelm's birthday in 1896, Schmoller describes the principles as follows: “The objective of the King's entire policy is perfectly evident in the instruction [the *Political Testament* of 1722]: the internal and external strength of the state.” The parts of state power Schmoller lists next are a large army, orderly administration, flourishing management, money, increasing population and manufacture, and lively traffic between town and country. See Schmoller, cited in Keith Tribe, *Governing Economy*, 9. On *Staatswissenschaft* in Germany, see also Keith Tribe, *Strategies of Economic Order*; and Foucault, *Security, Territory, Population*; and Foucault, *The Birth of Biopolitics*.

¹⁴⁴ The vast majority of German economists objected to the utilitarian methods and laissez-faire prescriptions of classical English political economy. In a way that also sheds light on Max Weber's private, scientific and political endeavors, Ringer explains that Germans believed the English “enshrined the accumulation of wealth by selected individuals as the ultimate goal of mankind. They subordinated social and political concerns to the requirements of industry and commerce, and they gave no place at all to the intellectual and cultural, the ‘nonproductive,’ aspects of human endeavor. All this was heresy to the mandarins, not because they agreed with the Marxist critique of capitalism, but because they refused to regard economic activity as anything but a means to higher ends. Their viewpoint was neither that of the entrepreneur nor that of the worker. To them, the whole productive sector of industry and commerce was just one of several parts of society's machinery, and a relatively subordinate one at that. This accounts for their noneconomic emphasis upon the noneconomic context of economic life. It also helps to explain why they would not allow ‘the economic man’ to impose his preferences upon the rest of the nation... and the

Menger replied in turn with pamphlets titled *Errors of Historicism in German Economics* (1884), written in the form of letters to a friend. In what today would be called “trolling the enemy,” these papers belittled the Historical School and—if Hayek is to be believed—“ruthlessly demolished Schmoller’s position.”¹⁴⁵

Menger’s writings won him disciples like Eugen Böhm von Bawerk and Friedrich von Wieser, who helped pioneer a distinctly “Austrian” method against Schmoller’s circle of influence. Theirs was a non-historical, formalist approach to economic theory with a “revolutionary” thesis about the origin of economic value.¹⁴⁶ Menger’s *Principles of Economics* (1871) introduced the radical approach, later called “marginal analysis,” that laid the groundwork for the Austrian School to this day. Through logical axioms or “principles,” Menger explained how formerly “non-economic” objects take on an “economic” character. Beyond a distinction between “the economic” and “the non-economic,” his theoretical apparatus was built on a series of interconnected assumptions: a philosophical anthropology of the “economizing” individual; a logical division between “higher” and “lower” order goods;¹⁴⁷ and a civilizational history of ever-increasing economization.¹⁴⁸ This *subjectivist* and *economistic* philosophical anthropology, inscribed within a larger philosophy of history, underwrote the book’s most significant contribution: a redefinition of economic value.¹⁴⁹

general objectives of the legal and cultural state.” Fritz Ringer, *The Decline of the German Mandarins: The German Academic Community, 1890–1933* (Wesleyan University Press, 1990), 145–6. See also Tribe, *Governing Economy*, 74.

¹⁴⁵ Friedrich Hayek, “Introduction” in Carl Menger, *Principles of Economics*, 24.

¹⁴⁶ “They cleared the ground for a general departure from the notion of the inherent value of an economic good, since they based their analysis of prices directly upon the quantitative ratios at which any two commodities are actually exchanged. They thus focused attention upon market relationships which might or might not be expressed in monetary terms. One could say that the marginal method prepared the ground for modern equilibrium analysis, for the emphasis upon exchange functions, and for the use of mathematical models of such functions.” Ringer, *The Decline of the German Mandarins*, 151.

¹⁴⁷ “We have defined an economic good as a good whose available quantity does not meet requirements completely, and thus we have the principle that the existence of requirements for goods of higher order is dependent upon the corresponding goods of lower order having economic character.” Menger, *Principles of Economics*, 78–9. See also: “Initially, man experiences needs for goods of first order... while he finds no practical inducement to bring the other goods into the sphere of his economic activity. Later, thought and experience lead men to ever deeper insights into the causal connections between things, and especially into the relations between things and their welfare. They learn to use goods of second, third, and higher orders. But with these goods, as with goods of first order, they find that some are available in quantities exceeding their requirements while the opposite relationship prevails with others. Hence they divide goods of higher order also into one group that they include in the sphere of their economic activity, and another group that they do not feel any practical necessity to treat in this way. This is the origin of the economic character of goods of higher order.” Menger, *Principles of Economics*, 107–9.

¹⁴⁸ That is, a distinction between the relative level of rationality of the “civilized” and “uncivilized”: “Even an Australian savage does not postpone hunting until he actually experiences hunger. Nor does he postpone building his shelter until inclement weather has begun and he is already exposed to its harmful effects. But men in civilized societies alone among economizing individuals plan for the satisfaction of their needs, not for a short period only, but for much longer periods of time. Civilized men strive to ensure the satisfaction of their needs for many years to come. Indeed, they not only plan for their entire lives, but as a rule, extend their plans still further in their concern that even their descendants shall not lack means for the satisfaction of their needs.” Menger, *Principles of Economics*, 78–9, 107–9.

¹⁴⁹ “Value is the importance that individual goods or quantities of goods attain for us because we are conscious of being dependent on command of them for the satisfaction of our needs. Value is therefore nothing inherent in goods, no property of them, but merely the importance that we first attribute to the satisfaction of our needs, that is, to our

Contra the German Historical School, Marxist economics, and classical English political economy, Menger argued that there is nothing particularly historical, material, or *objective* about economic value. Rather, there is something radically *subjective* about it. “Value is nothing inherent in goods, no property of them,” he wrote. Value is simply the importance subjects attribute to satisfying their needs and desires. “Man,” asserts Menger, “is himself the point at which human economic life both begins and ends.” And economizing [*Wirtschaften*] is the orderly activity of human *desiring* that imputes value onto a world of *scarce* objects. For Menger, the logic of subjective desire and objective scarcity [*Knappheit*] are thus two sides of the same coin, the double requirement for *economic* rationality as well as *monetary* calculation. Together these tenets formed a methodological line that ran through Mises, Hayek, and even Weber, eventually altering the discipline of economics. Lionel Robbins’s formalist reconceptualization later recast the discipline in Mengerian-Weberian terms: “Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”¹⁵⁰

With his subjectivist and formalist turn, Menger was in the vanguard of a “marginalist revolution” alongside Léon Walras, William Stanley Jevons, and Alfred Marshall. Separately but concurrently, they opened paths for statistical and mathematical applications, filling the tributaries of neoclassical economics. Wieser coined the concept of “marginal utility” (*Grenznutzen*) to characterize Menger’s theory of value as *the* basis of the Austrian School.¹⁵¹ Böhm-Bawerk, for his part, used Menger’s psychologicist formalism as weapon of combat against Marx’s labor theory of value.¹⁵² Wieser and Böhm-Bawerk also popularized Menger’s work in seminar rooms, scientific publications, and the Austrian Ministry of Finance. The torch was then passed to younger generations from Mises, Hayek, and Schumpeter through Fritz Machlup, Oskar Morgenstern, and Karl (son of Carl) Menger.¹⁵³

By turning the philosophical anthropology of *homo oeconomicus* in on itself and the objective theory of economic value against itself, new forms of knowledge and discourse emerged, reprogramming what Keith Tribe described as “strategies” and “styles” of economic reasoning;¹⁵⁴ what Michel Foucault called as the “circuit” between political economy and the art of government;¹⁵⁵ and what Timothy Mitchell characterized as a twentieth-century effort “to simplify the world, attempting to gain for itself the powers of expertise by resolving it into simple forces

lives and well-being, and in consequence carry over to economic goods as the exclusive causes of the satisfaction of our needs.” Menger, *Principles of Economics*.

¹⁵⁰ Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (1932), 15. The footnote appended to this sentence is a citation of Menger and Mises.

¹⁵¹ See Wieser, “The Austrian School and the Theory of Value,” *The Economic Journal*, Volume 1, 1891.

¹⁵² This intervention ran parallel to Cambridge economist Alfred Marshall’s work at the same time. It should also be noted that, although the Historical and Austrian Schools rejected Marxist materialism, their respective economic theories departed from an engagement with Marx’s critique of political economy, one that left discernable traces in their own conceptual architectures. See Eugen Böhm von Bawerk, *Karl Marx and the Close of his System* [1896] and Rudolf Hilferding *Böhm-Bawerk’s Criticism of Marx* [1904], Paul Sweezy (ed.), (New York: Augustus M. Kelley, 1949). See also Bockman, *Markets in the Name of Socialism*; Biddiss, *Age of the Masses*, 131.

¹⁵³ All three scholars studied in Vienna in the 1890’s though, unlike Mises and Hayek, Schumpeter still shared some commitments with the Historical School. His influential *Theory of Economic Development* can be seen as bridging them by using the Historical School’s perspective on historical development, the Austrians’ methodological individualism, and a Weberian approach to rationalization and ideal types. The Austrian lineage lives on in the present with figures like Israel Kirzner, Hans-Hermann Hoppe and other radical libertarians centered in the Mises Institute in the United States and the Adam Smith Institute in Britain.

¹⁵⁴ Tribe, *Strategies of Economic Order: German Economic Discourse, 1750-1950*, 94.

¹⁵⁵ See Michel Foucault, *The Birth of Biopolitics*.

and oppositions.”¹⁵⁶ The turn also affected the opposition between “the economic” and “the political” which, as I argue in this and subsequent chapters, became constitutive for interwar and postwar currents of thought. In many ways, the marginalist reformulation of “the economic” both preceded and coincided with deeper structural shifts in capitalism and with its institutional transformation in the twentieth century. Transformations of political and economic power, then, not only result from “material” processes like industrialization, but are also reprogrammed by forms of rationality and knowledge and immanent within them.

Weber’s Calculation: The Irrational Rationality of Economic Order

If Marx tried to define and analyze what could be summed up as the contradictory logic of capital, Max Weber’s problem, and the problem he introduced into German sociological, economic, and political reflection at the same time, is not so much the contradictory logic of capital as the problem of the irrational rationality of capitalist society. I think, again very schematically, that what characterizes Max Weber’s problem is this movement from capital to capitalism, from the logic of contradiction to the division between the rational and the irrational.

– Michel Foucault, *The Birth of Biopolitics*¹⁵⁷

Max Weber “never observed boundaries that social scientists usually draw,” Schumpeter once recalled.¹⁵⁸ Though Weber is now understood as a founding figure in the discipline of sociology, all his academic appointments were in economics. And as an avid reader and teacher of economic methodology, he followed his discipline toward Menger through the *Methodenstreit*.¹⁵⁹ Austrian methods informed Weber’s views on economic theory, making appearances in his writings on formal rationality and scientific universality.¹⁶⁰ For despite his famously ambivalent

¹⁵⁶ Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity* (Berkeley: University of California Press, 2002), 34. In the same spirit, these scientifico-political interventions codified relations of power through a new set of terms and binaries for the *fin de siècle* formalization of state administration and (post)colonial governance. This was particularly the case in Germany where, as Giocoli notes, “changing requirements in the organization of scientific work... called for a new kind of scientist to support the country’s industrial and technological development: no longer the typical 19th-century ‘comprehensive’ scientist interested in the whole of physics, chemistry, mathematics and so on, but rather a specialized professional capable of thoroughly mastering a very restricted field.” See Nicola Giocoli, *Modeling Rational Agents: From Interwar Economics to Early Modern Game Theory* (Edward Elgar, 2003), 15.

¹⁵⁷ Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978-79*, p. 105.

¹⁵⁸ Joseph A. Schumpeter, “Max Weber’s Work” in Richard Swedberg, ed., *Joseph A. Schumpeter: The Economics and Sociology of Capitalism* (Princeton: Princeton University Press, 1991), 220.

¹⁵⁹ Weber’s first full appointment was in Freiburg and his second was in Heidelberg. Although Weber is often associated with the “youngest” generation of the German Historical School, Tribe correctly notes that his letters, lectures and manuscripts betray an ever-increasing devotion to the Austrian School. See Tribe, *Strategies of Economic Order*, 80.

¹⁶⁰ Before Mises held his own weekly seminars, Menger and Böhm-Bawerk’s seminars were attended by both socialist and (neo)liberal economists, such as Otto Bauer, Otto Neurath, Rudolf Hilferding, Joseph Schumpeter, Ludwig von Mises, and Friedrich von Hayek. And before receiving its anchor in Mengerian methodology, and later in Mises’ and Hayek’s pro-market perspectives, “the initial formation of the Austrian School was a loose collective of social scientific thinkers with little more in common than an interest in the latest economic theory and its potential for social

metaphor of the “iron cage” or “steel-hard casing” [*stahlhartes Gehäuse*] of modernity, Weber stoically affirmed the “progressive” character of knowledge production and what he considered its cultural conduit, Western science. Weber considered the crown jewel of science to be its *formal* rationality—i.e., the rational *qua* abstract, generalizable or quantifiable character of its knowledge.¹⁶¹ The logic of scientific research, in other words, assumes the same *form* as the “technical” and “economizing” form of rationality outlined by Menger. Put another way, economic, technical and scientific rationality are of the same *type*: “‘Rational’ technique is a choice of means which is consciously and systematically oriented to the experience and reflection of the actor, which consists, at the highest level of rationality, in scientific knowledge.”¹⁶²

Weber was a brilliant historical sociologist and a founder of that discipline, but his typological construction of formal rationality, as Walter Mignolo has noted, unwittingly erected an epistemic hierarchy in which the West prevails over “peoples without history”—a developmental vision premised on the universal value of distinctly Occidental scientific knowledge.¹⁶³ “In Western civilization, and in Western civilization only,” Weber wrote, particular “cultural phenomena have appeared which lie in a line of development having universal significance and value.” What characterizes these phenomena, he suggested, is the specifically *formal* type of rationality that guides them. Despite the “knowledge and observation of great refinement that existed elsewhere, above all in India, China, Babylonia, Egypt,” he continued, “only in the West does science exist at a stage of development which we recognize today as valid.” Although sciences like astronomy developed “elsewhere,” admitted Weber, they nevertheless lacked “the mathematical foundation which it first received from the Greeks.” In India, moreover, geometry “had no rational proof” and the natural sciences “lacked the method of experiment.”¹⁶⁴ A fundamental difference characterizes scientific and cultural development, then, and the relative “stage” of scientific rationality is what makes possible “universal history”—not just potentially universalistic “forms of rationality” but also the (knowledge) claim to universality itself. The same logic applies to capitalist rationality, too, though Weber did not make this as explicit.¹⁶⁵ Seen from the perspective of ideal types, the universality of history and rationality alike are *formal* in character, aspirationally insulated from (non-scientific, non-economic) matters of “substantive value.”¹⁶⁶

and political application.” Janek Wasserman, “Building a Movement: Eugen Böhm-Bawerk, Friedrich Wieser and the Quest for Influence in Fin-de-Siècle Vienna” (Duke History of Political Economy Workshop Draft, 2017).

¹⁶¹ The malleable character of the term “formal” makes it scientifically problematic and powerful at the same time. With his economic-sociological typologies in Chapter 2 of *Economy and Society*, examined below, Weber equates “formal rationality” with the instrumental, economic, calculative and technical forms of conduct; in his other studies of state administration, however, “formal law” carries different meanings, referring to the abstracted, general, and rule-bound character of political structures.

¹⁶² Weber, *Economy and Society*, 65.

¹⁶³ On Weber, science and colonialism, see Walter D. Mignolo, *Local Histories/Global Designs: Coloniality, Subaltern Knowledges, and Border Thinking* (Princeton: Princeton University Press, 2012), 3; Antonio Vazquez-Arroyo, *Political Responsibility*, 234-37; and Pankaj Mishra, “How colonial violence came home: the ugly truth of the first world war” in *The Guardian* (November 10, 2017).

¹⁶⁴ See Weber, *Protestant Ethic* (1904/1992), 13.

¹⁶⁵ “[T]his traditionalistic attitude had to be at least partly overcome in the Western World before the further development to the specifically modern type of rational capitalistic economy could take place.” Max Weber, *Economy and Society*, 71.

¹⁶⁶ In this way they could be said to parallel the twentieth century’s great adjective-turned-noun, “the economic” and “the economy,” in contrast to the revolutionary vision of global communism.

Weber's scientifico-civilizational distinctions already were indebted to both the neo-Kantian epistemology and economic theory of his day, which, like most social sciences, both treasured the status and mimicked the methods of the *natural* sciences.¹⁶⁷ At the turn of the century, economics was increasingly ascribed such a privileged status, thanks in no small part to the Austrians' advocacy. Weber affirmed the Austrian model himself in "Marginal Utility Theory and 'The Fundamental Law of Psychophysics'" (1908),¹⁶⁸ an influential essay praised by Eugen von Böhm-Bawerk, F. A. Hayek, Lionel Robbins and George Stigler, among others.¹⁶⁹ In this long forgotten methodological intervention, Weber distinguished marginal value theory from other methods that rooted "economic rationality" in biological traits or "psychophysical" laws.¹⁷⁰ But even if Weber was more "reluctant to attribute universality to the assumptions of economic theory, including rationality," than Austrians economists, as Milan Zafirovski observed, this was true in a fundamental but not a practical sense.¹⁷¹ For though Weber believed, as Schumpeter later echoed, that economic life is "ontologically irrational,"¹⁷² he considered it the mission of economic theory to apply ideal types *as if* the opposite were the case.

Although Weber countered interpretations of economic rationality as a biological fact, he nonetheless made it a typological "pole" against which all existing practices can be measured. In this sense Weber concurred with Menger that economic theory must accept and operate upon an assumption of economizing and instrumentalizing rationality, even if he also saw it as the role of economic sociology to inquire into the cultural and historical variability of this construct. He likewise favored Menger's praxeological (or aprioristic) approach to "the human economy" over Schmoller's "national economy." "Specifically economic motives," Weber wrote, "operate wherever the satisfaction of even the most immaterial need or desire is bound up with the application of scarce material means."¹⁷³ By linking together methodological individualism, value neutrality, and a revised concept of *homo oeconomicus* as the paradigmatic foundations of the discipline, Weber thus stood firmly on the Austrian side of the *Methodenstreit*.¹⁷⁴

¹⁶⁷ Philip Mirowski, *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics* (Cambridge: Cambridge University Press, 1989).

¹⁶⁸ Max Weber, "Marginal Utility Theory and 'The Fundamental Law of Psychophysics,'" translated by Louis Schneider, *Social Science Quarterly* 56 (1), 1908/1975, pp. 21-36.

¹⁶⁹ See Stefan Kolev, "The Weber-Wieser Connection: Early Economic Sociology as an Interpretative Skeleton Key," *The Center for the History of Political Economy Working Paper Series* No. 22 (2017).

¹⁷⁰ "[B]y and large, the most general hypotheses and assumptions of the 'natural sciences' (in the usual sense of the term) are the most irrelevant ones for our discipline. But further, and above all, precisely as regards the point which is decisive for the peculiar quality of the questions proper to our discipline: In economic theory ('value theory') we stand entirely on our own feet." Max Weber, "Marginal Utility Theory and 'The Fundamental Law of Psychophysics,'" 31. Nicolo Giocoli does not mention Weber but describes this movement as the "escape from psychology." See Giocoli, *Modeling Rational Agents*.

¹⁷¹ Milan Zafirovski, "Max Weber's Analysis of Marginal Utility Theory and Psychology Revisited: Latent Propositions in Economic Sociology and the Sociology of Economics" in *History of Political Economy*, 33/3, Fall 2001.

¹⁷² Joseph A. Schumpeter, "The Meaning of Rationality in the Social Sciences" in Richard Swedberg, ed., *Joseph A. Schumpeter: The Economics and Sociology of Capitalism* (Princeton: Princeton University Press, 1991), 337.

¹⁷³ Weber, *The Protestant Ethic*, 65.

¹⁷⁴ Weber was among the most active "young rebels" in his open confrontation with the preceding generation, initiating the "Werturteilsstreit" at the 1909 Vienna Meeting. Here he also found common cause with Austrian economists like Wieser. Having taught "at the first university of the Empire, the university of my hometown," [Wieser] initiated the application of marginal utility theory to monetary theory [at the 1903 Meeting]. Wieser proceeded and extended this endeavor in his presentations at the Verein für Socialpolitik's Meeting in Vienna 1909 – the same Verein Meeting which would prove of utmost importance not only for Max Weber's career, but also for

While teaching at the University of Vienna in 1918, Weber became good friends with the younger Austrian economist Ludwig von Mises. Having already placed “value neutrality” (*Wertfreiheit*) at the center of German-language debates, Weber led the charge in a battle over value judgements (*Werturteilstreit*) that nearly tore the *Verein* apart. And Mises stood firmly on his side. Together in Vienna, Weber instructed Mises: “You do not like the *Verein für Sozialpolitik*; I don’t like it much either. But the only remedy is for us to take an active part in the work of the society.” Mises took the message to heart, took the group under his wing, and took the lead in discussing “problems relating to the theory of value” with members of the *Verein*.¹⁷⁵

Weber was also party to less amicable exchanges during his stay in Vienna. The Russian revolution—and the prospect of European socialism—was the subject of a coffeehouse quarrel with Schumpeter. Much like Schumpeter’s view of the Soviet experiment, Weber believed that “the road will lead over unparalleled human misery and end in a terrible catastrophe.” But when Schumpeter responded as an (ironic) practitioner of value neutrality, bracketing normative considerations from his assessment, Weber flipped, in an instant, from scientific sobriety to moral passion.¹⁷⁶ Months later, while teaching in Munich, Weber tried to sublimate his bleak political outlook into the abstract economic models of his massive manuscript. Guenther Roth, the co-editor of *Economy and Society*, detailed this development as follows:

In the last months of his life Weber withdrew in utter perplexity from politics. Reluctantly he accepted an economics chair at the University of Munich, since he could no longer live as a capitalist rentier and needed a job. A few months before his death at fifty-six he vented his frustration by telling his seminar students in Gustav Stolper’s presence: ‘I have no political plans except to concentrate all my intellectual strength on one problem, how to get once more for Germany a Great General Staff.’ That was hyperbole. In reality, Weber calmed his political nerves by writing the abstract casuistry of *Economy and Society*... He poured most of his energies into the longest chapter of the new (unfinished) version, the ‘Sociological Categories of Economic Action’ (Chapter 2), a chapter that despite its abstractness reflects the economic policy issues of the day... [T]his chapter

the further development of the social sciences well beyond Vienna or German-language economics. The Verein’s Meeting in Vienna 1909 has been widely studied in the context of the ‘Werturteilstreit’ debate on value judgments which, after some precursor clashes, openly unfolded there, and has occupied the social sciences ever since.” See Stefan Kolev, “The Weber-Wieser Connection: Early Economic Sociology as an Interpretative Skeleton Key,” p. 6.
¹⁷⁵ Recalling his conversation with Weber, Mises notes that “I followed his advice. Beginning in 1919, I was on the board of directors, and from 1930 I also served on the board of governors. I promoted the discussion of problems relating to the theory of value.” Ludwig von Mises, *Monetary and Economic Policy Problems Before, During, and After the Great War* (Indianapolis: Liberty Fund Inc., 2012).

¹⁷⁶ “Schumpeter remarked how pleased he was with the Russian Revolution. Socialism was no longer a discussion on paper, but had to prove its viability. Max Weber responded in great agitation: communism, at this stage in Russian development, was virtually a crime, the road would lead over unparalleled human misery and end in a terrible catastrophe. ‘Quite likely,’ Schumpeter answered, ‘but what a fine laboratory.’ ‘A laboratory filled with mounds of corpses,’ Weber answered heatedly. ‘The same can be said of every dissection room,’ Schumpeter replied. Every attempt to divert them failed. Weber became increasingly violent and loud, Schumpeter increasingly sarcastic and muted. The other guests listened with curiosity, until Weber jumped up, shouting ‘I can’t stand any more of this,’ and rushed out... Schumpeter, left behind, said with a smile: ‘How can a man shout like that in a coffeehouse?’” Karl Jaspers, *Karl Jaspers on Max Weber* (Paragon House, 1989), 172.

belongs to the least read and least utilized parts of the oeuvre, but it is in a sense Weber's economic testament.¹⁷⁷

In the posthumously published material in *Economy and Society* (1921), which soon shaped the trajectory of entire disciplines, Weber's contribution to contemporary economic theory was concentrated in the second chapter. Though comparatively little known, it became the neoliberals' chapter of choice. Mises and Hayek found in Weber's scientifically hypostatized "real types" [*Realtypen*] fitting concepts for their critiques of planning. As revolutionary movements sprouted up across Europe, a binary choice seemed to be at hand: capitalism vs. socialism or, in Weber's terminology, "market economy" vs. "planned economy."

For Weber, ideal types are revisable heuristics, not axiomatic principles or assumed realities. But if ideal typologies are the method to study the (relative) rationality of individual conduct, any interpretation will depend on how the line between the rational and the irrational is drawn. Here is one of Weber's definitions:

For the purposes of a typological scientific analysis it is convenient to treat all irrational, affectually determined elements of behavior as factors of deviation from a conceptually pure type of rational action... The construction of a purely rational course of action in such cases serves the sociologist as a type (ideal type) which has the merit of clear understandability and lack of ambiguity. By comparison with this it is possible to understand the ways in which actual action is influenced by irrational factors of all sorts, such as affects and errors, in that they account for the deviation from the line of conduct which would be expected on hypothesis that the action were purely rational.¹⁷⁸

But what kind of conduct would be (however hypothetically) "purely rational"? All roads lead back to Weber's four-part typology of social action in the first chapter of the manuscript: *tradition-oriented*, *affectually-oriented*, *value-oriented*, and *instrumentally-oriented* action.¹⁷⁹ Yet implicit in Weber's taxonomy is a "hierarchy of increasing voluntarism," and it clear to all readers that "purely rational" action lay at the top of this pyramid—that is, in an ideal type of instrumentality [*Zweckrationalität*].¹⁸⁰ Like the introduction to his *Protestant Ethic*, cited

¹⁷⁷ Roth continues: "On various occasions he opposed the moves toward *Gemeinwirtschaft*, that is, socialized or collectivized economy. He objected to efforts to socialize key industries primarily because Germany needed to attract foreign capital and secondarily because nationalized industries could be seized more easily by the Allies. He wanted to see the war economy end quickly and the currency stabilized as soon as possible. This included the reintroduction of a functioning gold standard." Guenther Roth, "The Near-Death of Liberal Capitalism: Perceptions from Weber to the Polanyi Brothers," *Politics and Society*, Vol. 31 Number 2 (2003), 270.

¹⁷⁸ "For example a panic on the stock exchange can be most conveniently analysed by attempting to determine first what the course of action would have been if it had not be influenced by irrational affects; it is then possible to introduce the irrational components as accounting for the observed deviations from this hypothetical course." Weber, *Economy and Society*, 6.

¹⁷⁹ Weber, *Economy and Society*, 108.

¹⁸⁰ See Levine (2005), 14-5. This taxonomy can be read against Weber's own ideal. For as Levine points out, Weber advocated "a heroic ethic of self-awareness and self-determination." Yet "in the great majority of cases," as Weber notes himself, "actual action goes on in a state of inarticulate half-consciousness or actual unconsciousness of its subjective meaning... In most cases his action is governed by impulse or habit." Weber, *Economy and Society*, 21.

above, *Economy and Society* also depicted rationality in such a developmental prism, with Western (capitalist) modernity at the peak.

The manuscript's second chapter follows the example of Menger, Wieser and Mises. Here Weber explained that economic action is the primary and most conscious form of "rational social action," and that "the definition of economic action must be as general as possible." Weber likewise provided a tautological definition of the "economic" as a rational *desire* for utilities, based only on a *subjective* meaning which "alone defines the unity of the corresponding [economic] processes."¹⁸¹ Ideal types may span a typological spectrum of the rational and the irrational, but "in economic theory they are always rational."¹⁸² "Economic action' (*Wirtschaften*)," Weber elaborated, "is any peaceful exercise of an actor's control over resources which is in its main impulse oriented towards economic ends. 'Rational economic action' requires instrumental rationality in this orientation, that is, deliberate planning."¹⁸³ Yet following Austrian price theory, *conscious, deliberate* and *rational* "planning" is already [and only] subjective rather than collective, already individual rather than institutional. It is less on a classical basis of self-interest than one of *subjective desire* that actors calculate value and order preferences in a "rational" way.¹⁸⁴ Economic rationality and market rationality are equivalent; political and socialist rationality fall outside the gambit of scientific exposition.

The second chapter of *Economy and Society* took the premises of marginalist theory for granted and spelled out their entailments via a binary typology of formal rationality (*formelle Rationalität*) and substantive rationality (*materielle Rationalität*). While the former is inherently "economic" and "technical," the latter is "non-economic" and "political" in orientation.¹⁸⁵ Formal rationality is specifically defined as *quantitative calculation or capital accounting*.¹⁸⁶ Money and profit are, according to Weber, based on such formal calculability—not the substantive rationality of a particular (socialist) worldview. By definition capitalist exchange is likewise formal rather than substantive because it relies on purely monetary "means" without predetermined "ends."¹⁸⁷

By itself, Weber explained, formal rationality "does not tell us anything about the actual distribution of goods."¹⁸⁸ Substantive rationality, by contrast, is based on "value-postulates" that determine the distribution of goods and resources. Based on criteria other than capital accounting and market calculation, *substantive* rationality is thus inherently political, and possibly even

¹⁸¹ "Action will be said to be 'economically oriented' so far as, according to its subjective meaning, it is concerned with the satisfaction of a desire for 'utilities' (*Nutzleistungen*)." Weber, *Economy and Society*, 63-4.

¹⁸² Weber, *Economy and Society*, 21.

¹⁸³ "We will call autocephalous economic action an 'economy' (*Wirtschaft*), and an organized system of continuous economic action an 'economic establishment' (*Wirtschaftsbetrieb*)." Weber, *Economy and Society*, 63.

¹⁸⁴ There are profound, unbridgeable differences between the Marxist conception of desires, needs and values as socially conditioned and the Austrian understanding of desire (or interest) and value (or price). For the latter, economic rationality does not depend on desires being rational, much less subject to rational deliberation, but logically connects subjective desire to the "spontaneous order" of the world through the information-gathering and scarcity-registering functions of the "price mechanism."

¹⁸⁵ "Economic theory, the theoretical insights of which provide the basis for the sociology of economic action, might (perhaps) be able to proceed differently." Weber, *Economy and Society*, 69.

¹⁸⁶ Weber juxtaposes "the formally most perfect rationality of capital accounting" with all "substantive postulates." Since money is the "most rational" means to "steer" economic activity, formal rationality is "optimized" by this calculable medium of exchange.

¹⁸⁷ For the definition of profit as non-substantive, see Weber, *Economy and Society*, 90.

¹⁸⁸ Weber, *Economy and Society*, 108.

metaphysical.¹⁸⁹ Individuals or groups may value social justice and equality, or state and military power, for instance, and thereby act upon substantive rationality. Yet these criteria are only significant as “bases from which to judge the *outcome* of economic action,” since their “approaches may consider the ‘purely formal’ rationality of calculation in monetary terms as of quite secondary importance or even as fundamentally inimical to their respective ultimate ends.”¹⁹⁰ Revolutionary movements are substantive in orientation, too, because political (non-economic) *values* are placed above market (economic) *value* in assessing and determining possible courses of action. Whether due to Böhm-Bawerk’s marginalist critique of Marx or his own methodological differences,¹⁹¹ Weber does not countenance the idea—discussed in Chapter 4 on the Frankfurt School—that an emphatic or collective form of reason would be embodied by a centralized, planned, or self-organized economy.¹⁹²

The division between formal and substantive rationality parallels Weber’s more famous distinction between instrumental rationality (*Zweckrationalität*) and value rationality (*Wertrationalität*). But whereas these are defined as “ideal types” (*Idealtypen*), the second chapter posits “real types” (*Realtypen*) to construct capitalism and socialism as opposing economic orders.¹⁹³ Each type comprises its own “rational” features; and each produces its own kinds of “irrational rationalities.”¹⁹⁴

Capitalism prioritizes *Zweckrationalität* through private ownership of property and private management of “free” labor. In the production process, Weber explains, these conditions yield the “most technically rational” organization of training, supervision, incentives, and standardization (e.g., Taylor system). As structures of power, they also provide “the most rational” way of adjusting to shifts in market situations.¹⁹⁵ Analytically, “market rationality” is “a force which promotes the orientation of the economic activity of strata interested in purchase and sale of goods on the market to the market situations.”¹⁹⁶ Historically, the capitalist “voluntary market organization” is set against “the primitive, irrational forms of regulation,” where status and tradition have the “rationality-impeding effect” of limiting “market freedom” and “the

¹⁸⁹ Depending on context, these ideal type concepts are analytically independent yet empirically intertwined: “Formal and substantive rationality, no matter by what standard the latter is measured, are always in principle separate things, no matter that in many (and under certain very artificial assumptions even in all) cases they may coincide empirically.” Weber, *Economy and Society*, 108. Weber defines the “formal” (*formell*) in terms of the “technical” (*technisch*), and each become more or less synonymous with the “rational” and “calculable” (*rational, zweckrational rechnen, rechenhaft, moderne Rechnungsart*). “‘Material’ ist hier also auch selbst ein ‘formaler’, d.h. hier: ein abstrakter Gattungsbegriff.” Max Weber, *Wirtschaft und Gesellschaft*, 45.

¹⁹⁰ Weber, *Economy and Society*, 86.

¹⁹¹ Weber critically engaged aspects of Marx’s materialism in his 1918 lectures in Vienna: “1918 übernahm Weber probeweise den Lehrstuhl für Nationalökonomie an der Universität Wien. Er hielt Vorlesungen über ‘Wirtschaft und Gesellschaft’ mit dem erläuternden Untertitel ‘Positive Kritik der materialistischen Geschichtsauffassung’ (Sommersemester).” Kaesler, Dirk (ed.) *Klassiker des Soziologischen Denkens: Zweiter Band von Weber bis Mannheim* (München: Verlag C.H. Beck, 1978), 53.

¹⁹² For a reading of Marx that focuses on this aspect in his work, see Alan Megill, *Karl Marx: The Burden of Reason (Why Marx Rejected Politics and the Market)* (New York: Rowman and Littlefield, 2002).

¹⁹³ Weber, *Economy and Society*, 109.

¹⁹⁴ Weber, *Economy and Society*, 84; on the influence of “outside interests,” see 140.

¹⁹⁵ Weber, *Economy and Society*, 138.

¹⁹⁶ Weber, *Economy and Society*, 84. Unsurprisingly, Weber does not coin a “socialist rationality” to mirror “market rationality.” Nor does he nor designate any rationalities that would match quantitative considerations with principles of value such as common interest.

marketability of goods.”¹⁹⁷ Once again, Weber’s distinction is constructed around the “pure” or “modern” type of economic order embodied by Western capitalism.

Socialism, by contrast, entails the “appropriation of jobs or the existence of rights to participate in management.” This comes with significant costs, Weber claimed, as “it is generally possible to achieve a higher level of economic rationality if the management has extensive control over the selection and the modes of use of workers.” Private ownership is more rational, in other words, even if market rationality may “produce technically irrational obstacles as well as economic irrationalities.”¹⁹⁸ Weber offered two examples for how market orders can engender irrationalities of their own: the domination of workers and the “substantive” effect of “outside” interests. “The fact that the maximum of *formal* rationality in capital accounting is possible only where the workers are subjected to domination by entrepreneurs,” wrote Weber, “is a further specific element of *substantive* irrationality in the modern economic order.”¹⁹⁹ The domination of workers is thus irrational only if one presupposes a “substantive” perspective rather than a purely “formal” (and thus scientific) approach to the matter—or, as the Frankfurt School later put it, from the perspective of particular groups rather than “the whole.” If and when management or “speculative interests” become “sources of the phenomena known as the ‘crises’ in the market economy,” observed Weber, then market rationality may also drive capitalism to more systemic irrationalities. His point, however, is not nearly as Marxist as it might seem. For here Weber only meant: “The fact that such ‘outside’ interests can affect the mode of control over managerial positions, even and especially when the highest degree of *formal* rationality in their selection is attained, constitutes a further element of *substantive* irrationality specific to the modern economic order.”²⁰⁰ As Mises later noted himself, formal rationality can only be deemed irrational from a *moral* perspective external to its own logic. On its own terms, this kind of rationality is simply achieving its purpose. Functionalist interpretations of Weber in the postwar era could thus assert “systems theory” as a meta-account, but not a critique, of rationalization qua formalization and modernization.

Given the methodologically self-imposed constraints on “value neutral” analysis, it is unclear what criteria Weber and fellow economists could use to *scientifically* designate the “irrationality” of domination.”²⁰¹ Within a formalist, functionalist or Austrian framework, Weber’s point about “irrational rationality” is not critical, but mundane: political actors with “value postulates” can only assert the *irrationality* of market rationality from their own (non-scientific, non-economic) *point of view*. If economic liberals chose to do so, however, theirs would be a technical and scientific, not a moral assessment of the matter.

As will become clear, Weber was ahead of the neo-liberal curve in *scientifically* flanking socialist opponents like Otto Neurath.²⁰² Having studied under members of the Austrian School, like many other socialists and Austro-Marxists of the time, Neurath was an idiosyncratic thinker: a Vienna Circle positivist, a physicalist, a believer in “the essential rationality of ‘modern man’

¹⁹⁷ Weber, *Economy and Society*, 84.

¹⁹⁸ Weber, *Economy and Society*, 138.

¹⁹⁹ Weber, *Economy and Society*, 138. Most interpreters attribute this to the influence of *Capital* for Weber’s analysis of capitalism as a “pure type.” That is, Weber appears to offer a critique of the “irrational” conditions of workers under a formally rational economic order.

²⁰⁰ Weber, *Economy and Society*, 140.

²⁰¹ Prefiguring the German ordoliberalists’ critique of monopoly power elaborated upon in just five years’ time, the issue will rear its head again at the top of a list of concerns debated by the Mont Pèlerin Society. See chapter three of the dissertation.

²⁰² For Weber’s personal letter to Neurath, see Tribe, *Strategies of Economic Order*.

and his ability purposefully to order the world in a socially optimal fashion.”²⁰³ For Neurath, it was not market calculation but centralized planning—a distinct form of political rationality—that would secure optimal conditions for social and economic life. Neurath outlined his own “rational economic theory” to provide technocratic administrations with a detailed plans, with the hope of achieving the results of socialist revolution without the strain of class conflict.

As WWI came to a close, Weber rejected supposedly rational schemes for socialization, nationalization, or wartime provision of “money in kind.” Like Mises and later neoliberals, he believed that “a limit to the possible degree of socialization would be set by the necessity of maintaining a system of effective prices.”²⁰⁴ Neurath was thus blind to the identity of formal rationality and market calculability. “Nothing is gained by assuming that, if only the problem of a non-monetary economy were seriously enough attacked, a suitable accounting method would be discovered or invented. The problem is fundamental to any kind of complete socialization. We cannot speak of a *rational* ‘planned economy’ so long as in this decisive respect we have no instrument for elaborating a rational ‘plan.’”²⁰⁵

Whereas Weber’s text renders *political rationality* inherently “substantive,” *economic rationality* turns into liberalism’s “non-substantive” measuring stick. Assuming this economic schema, socialist rationality is substantive, whereas (neo)liberal rationality is formal, scientific, functional, and calculative in character. From any “*formally* rational” standpoint, then, socialism is an *irrational* order. Such distinctions between economic *value* and political *values* was not new to the world; but the neoliberals would make a new world out of it. Weber’s typology became a means to this end. For one, Weber helped separate out socialism as a *political* project premised on (non-economic) value postulates—a worldview, if you will, inapplicable to economic questions—from liberalism as a form of (economic) rationality that makes this its foundational premise. (Neo)liberalism, in this way, could soon cast itself as a worldview that is not one.²⁰⁶ In addition to serving as custodian of market liberalism’s alleged non-worldview, Weber affected a discursive equivalence between economics, markets and rationality *tout court*.

As we observed, the task of Weber’s chapter in *Economy and Society* was to “determine the optimum conditions for the *formal* rationality of economic activity and its relation to the various types of *substantive* demands which may be made on the economic system.”²⁰⁷ Yet its conclusions are more or less fixed by the axioms from which it starts. “Economic theory, the theoretical insights of which provide the basis for the sociology of economic action, might (perhaps) be able to proceed differently,”²⁰⁸ Weber wrote. But by affirming Austrian methodology against “particularistic” projects in the political sphere, the market is made the “formally most rational” and “most scientific” order of things from the start. Even if he only partially adopted their principles in this chapter, Weber reached more radical conclusions about socialism than the

²⁰³ See Otto Neurath, *Economic Writings: Selections 1904-1945*.

²⁰⁴ Weber, *Economy and Society*, 104.

²⁰⁵ Weber, *Economy and Society*, 103. Read alongside Foucault’s claim that socialists never established an “autonomous” socialist governmental rationality, these lines are particularly intriguing. See Foucault, *The Birth of Biopolitics*.

²⁰⁶ Put another way, though Weber would not have agreed with Hayek in principle that “The world of today is just interventionist chaos,” he nonetheless helped establish a binary framework for Hayek’s claim—namely, that “capitalism in its pure form [is as far as possible from] any system of central planning.” Hayek, *Collectivist Economic Planning*.

²⁰⁷ Weber, *Economy and Society*, 118.

²⁰⁸ Weber, *Economy and Society*, 69.

Viennese founders (Menger, Wieser and Böhm-Bawerk) themselves.²⁰⁹ In a word, Mises and the Austrian School *both* influenced *and* took their formal typological division from Weber.

From Liberal to Neoliberal Rationality

So far as [socialist calculation] has a genuinely economic character—that is, so far as it takes account of alternative ends and not only of means for a given end—it is restricted to what is, from the standpoint of careful monetary calculation, a relatively primitive level of calculation on the marginal utility principle. – Max Weber²¹⁰

Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. – Lionel Robbins²¹¹

“Socialism is the slogan of our day,” decried Mises in 1922. “The battle of Socialism against unlimited private profit,” echoed Keynes in 1926, “is being won in detail hour by hour.”²¹² Mises wrote these lines in Red Vienna, surrounded by revolutionary activity and under the first democratic government in Austrian history. Keynes, by contrast, was referring less to an imminent socialist takeover than to ever-increasing interest in state mechanisms for provisioning and planning under peacetime. Rational state planning was emerging as *the* solution to the so-called “irrational” forces and crises—war, inflation, poverty, revolution—that plagued the Euro-Atlantic.²¹³ While Keynes welcomed “the end of laissez-faire capitalism” and penned his *General Theory* to address these woes with a new welfare state strategy, Mises sought to flip the script. By inverting the terms of debate—the (ir)rationality of the market vs. the state—Mises aimed to destroy socialism and Keynesianism in a single, scientific blow.

²⁰⁹ In the Austrians and other Eastern European economists Bockman claims to discover “the socialist origins of neoliberalism,” a historical account that is instructive and intriguing but whose argument, in my reading, ultimately proves flawed. See Bockman, *Markets in the Name of Socialism*.

²¹⁰ Weber, *Economy and Society*.

²¹¹ Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (1932), 15. The footnote appended to this sentence cites Menger and Mises.

²¹² Of this dilemma Keynes wrote: “I was brought up, like most Englishmen, to respect free trade not only as an economic doctrine which a rational and instructed person could not doubt but almost as a part of the moral law. I regarded departures from it as being at the same time an imbecility and an outrage... But today one country after another abandons these presumptions. Russia is still alone in her particular experiment, but no longer alone in her abandonment of the old presumptions. Italy, Ireland, Germany have cast their eyes, or are casting them, towards new modes of political economy. Many more countries after them will soon be seeking, one by one, after new economic gods. Even countries such as Great Britain and the United States, though conforming in the main to the old model, are striving, under the surface, after a new economic plan. We do not know what will be the outcome. We are - all of us, I expect - about to make many mistakes. No one can tell which of the new systems will prove itself best.” See John Maynard Keynes, “The End of Laissez-Faire” (1926).

²¹³ See for example, August Müller, *Sozialisierung oder Sozialismus?: eine kritische Betrachtung über Revolutionsideale*. Ullstein, 1919; David E. Barclay, “A Prussian Socialism? Wichard von Moellendorff and the Dilemmas of Economic Planning in Germany, 1918-19,” *Central European History* 11.1 (1978): 50-82; Fabio Degli Esposti, “Kriegswirtschaft, Übergangswirtschaft, Friedenswirtschaft: Post-War Economic Arrangements in Germany, 1914-1920” in *Economy & Work* 42 (2008), 45-64.

Mises' work was part of a trans-disciplinary sea change in social scientific epistemology. In contrast to theories that once employed interdisciplinary knowledge of historical dynamics, the task of science was now to formalize (so as to potentially stabilize) human conduct. Scientific models were placed above research questions and the detailed knowledge relevant to answer them; for only the former, not the latter, could secure "success" in any measurable and quantifiable sense. This differentiated "classical" from a self-proclaimed "modern" approach to economics that now goes by the label of "neoclassical." But like all umbrella concepts, this label tends to obscure the great variety of positions sheltered under it—particularly the methodological pluralism that preceded the grand consolidation of just a few tenets (marginal utility, perfect information, and general equilibrium).²¹⁴

One of the first to base economic science on the idea of scarcity, Carl Menger had pursued a uniform theory of price under which phenomena like interest, wages, and rent would fall. In doing so, Menger displaced the structural analysis of historical dynamics and recentered it on subjective valuations of scarce economic goods. Subjective preferences are ranked according to their relative importance for a given individual; in turn, the value (price) of goods and labor are derived from their overall desirability and scarcity. Less a philosophical anthropology of "maximization" than one of "economization," Menger recast human behavior in terms of *methodological subjectivism*.²¹⁵ To this day, economists of various stripes maintain that Menger's "Law" of marginal utility "resolved" the paradox of value in classical political economy.

Austrian and neoclassical theory discarded the labor theory for the marginalist or price theory of value. This came at the moment when capitalism faced its most powerful challenge yet: an increasingly organized socialist opposition reaching for state power. The methodological shift thus resulted less from the inevitable contradictions of capital than from the threat of emergent collective struggles. The Austrian economic theorists interrogated the theoretical validity of both classical and Marxist theories, and they probed the relationship between the state and a realm that was only beginning to be called "the economy." Previously, in the classical tradition, the capitalist division of labor "naturally" entailed free trade, so long as state rationality was limited by the rule of *laissez faire*. In neoclassical theory, however, economic rationality was no longer "a certain propensity in human nature" that Adam Smith posited as *homo oeconomicus*'s natural drive, namely "to 'truck, barter, and exchange.'" With Menger and his disciples, economic rationality became more formal and less "natural" than Smithian philosophical anthropology. The "economic" was now attached to all goods deemed desirable but scarce, and "economical" conduct to all action, conscious or subconscious, that evaluated these goods by preference. The subjective or "inner" features of economic rationality linked up with its structural or "outer" manifestations. The former, rooted in desire, was translated and externalized into the former via market exchange and price formation. The "mechanism" of valuation—the market form itself—was seen as the sole bearer of "rationality." With this as its truth, the subjectivist turn rendered *an inherently political question* in formalistic, scientific terms. The question for its rivals was whether this *form* of rationality is the sole province of capitalism, or whether the market is compatible with other kinds

²¹⁴ Put another way, today's axiomatic assumptions were proliferated by scholars—Menger, Jevons, Walras, Marshall, Pareto, among others—whose methodological and "substantive" commitments diverged radically at the time.

²¹⁵ And it was from Menger, surely, that Schumpeter took inspiration in writing his book on *Methodological Individualism*. For excellent studies of the role of this idea, see Colin Bird, *The Myth of Liberal Individualism* (Cambridge: Cambridge University Press, 2007); and Annie McCalahan, "Methodological Individualism and the Age of Microeconomics" (forthcoming).

of organization as well. Are markets inherent to capitalist order, or are markets more universal and thus compatible with other kinds of order?

The neoclassical rupture in classical economic theory thus refigured the “politics of the rational,” preparing the interwar transformation from liberalism to *neoliberalism*. Neoliberalism, itself an umbrella concept encompassing various methodological and theoretical frameworks, should not be equated with any of its unique iterations. Put another way, though marginalist “economization” planted the seeds for what we have called “neoliberal rationality,” neoliberalism is not reducible to neoclassical economics, rational choice theory, game theory, public choice theory, or other methodological programs associated with the concept.²¹⁶ For none can claim to represent “neoliberalism” in its entirety or across its diversity of forms. Aside from the family resemblances that give solidity to the term, its validity lay in a certain historical and theoretical capaciousness: the historical effort to reinvent classical liberalism and the theories that underwrote it, and the theoretical effort to grasp the new ways of ordering the world and understanding ourselves engendered along the way.

Though not autonomous from “material” conditions, *methodological* and *epistemic* shifts, I am suggesting, formed the conditions of possibility of neoliberal rationality. These shifts also engendered other philosophical anthropologies and modes of reasoning, many of which never materialized into governing rationalities. In theory and practice, socialism proposed more than one such form of rationality or “counter-rationality.” Within and without economics, socialism was also a discourse that believed itself scientific. According to its adherents, Scientific Socialism offered a counter-program—a socialist rationality whose truth could contest and overcome that of liberal rationality.

Rejecting the labor theory of value in both its classical and Marxist forms, a new generation of “modern” economists asked whether socialism might indeed contain ideal conditions for market exchange *within itself*. Many of them did so by separating the market *form* from different institutional orders (e.g., liberalism and socialism) with which it was more or less (in)compatible. If only as a scientific experiment, many of the early marginalists implanted markets *within* their models of state socialism. In this way socialist institutions—e.g., “state or social ownership of certain parts of the economy, worker ownership of firms, workers’ self-management, cooperative ownership, and various forms of democracy, as well as antimonopoly laws and company autonomy”²¹⁷—might *establish* rather than *abolish* ideal conditions for market competition.

Leon Walras, for instance, believed that neoclassical assumptions, mathematical models, perfect competition, and a socialist state “did not just complement each other, but in fact made each other possible.”²¹⁸ In 1893 Friedrich von Wieser likewise used a perfect “communist state” as a model for the kind of economic value that would be “recognized by a completely organic and most highly rational community.”²¹⁹ Vilfredo Pareto and Enrico Barone, too, fused similar

²¹⁶ Here my reading contrasts with the excellent work of Sonja Amadae. See S.M. Amadae, *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (Chicago: University of Chicago Press, 2003); and See S.M. Amadae, *Prisoners of Reason: Game Theory and Neoliberal Political Economy* (Cambridge: Cambridge University Press, 2015).

²¹⁷ Bockman, *Markets in the Name of Socialism*, 9.

²¹⁸ See Bockman on Walras, *Markets in the Name of Socialism*, 22.

²¹⁹ Wieser, cited in Bockman, *Markets in the Name of Socialism*, 23.

assumptions with socialist models of economic order.²²⁰ Using the Weberian type-concept, Swedish economist Gustav Cassel modeled the “theoretically simplest Socialist economy, a *pure type*.”²²¹ Built upon neoclassical rather than Marxist precepts, a young guild socialist, Karl Polanyi, advanced his own “positive economic doctrine” for rational planning.²²² Because the wage levels and distribution of goods determined by monopoly and free market mechanisms are “*unjust and irrational*,”²²³ Polanyi argued that a scientific effort must base socialism on an alternative economic theory in order to counter capitalism—a scientific omission he traced back to Marx and Engels themselves. “We offer here to the dogmatists of the economy without markets, such as those of the Kautsky-Neurath-Trotsky tendency,” Polanyi wrote, “just as little that is fundamentally new as we offer to the dogmatists of the pure exchange economy.”²²⁴ One of Polanyi’s addressees, fellow Austrian and scientific socialist Otto Neurath, was already under attack by “calculation debate” forerunners, Max Weber and Ludwig von Mises.²²⁵ A former student of Böhm-Bawerk, Neurath not only wrote scientific texts but also implemented economic socialization schemes himself. During the *Räterepublik* of 1919, he served as the director the Bavarian *Zentralwirtschaftsamt* that helped plan workers’ councils in the “soviet” phase of the German revolution.²²⁶ After these movements were overthrown on a national scale by the Social Democrats themselves, now atop the newly democratic yet still repressive state, Neurath continued to argue for a centralized, moneyless regime of rational state planning.²²⁷ Neurath soon lost favor, however, and became a favorite target of scholars and politicians on both the left and right—including a group of the earliest “neoliberals.”

²²⁰ Enrico Barone, “The Ministry of Production in the Collectivist State,” in Hayek, *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism* (New York: Augustus Kelley, 1935).

²²¹ Gustav Cassel, writing in 1922, cited in Bockman, *Markets in the Name of Socialism*, 28 (emphasis mine).

²²² Polanyi, “Socialist Accounting” (1922).

See also Johanna Bockman, Ariane Fischer, and David Woodruff, “‘Socialist accounting’ by Karl Polanyi: with preface socialism and the embedded economy” in *Theory and Society*, 45 (5) 2016; see also Karl Polanyi, “Die funktionelle Theorie der Gesellschaft und das Problem der sozialistischen Rechnungslegung eine Erwiderung an Pr. L. von Mises und Dr. F. Weil” (1924).

²²³ “Even this income distribution, however, is fluctuating: crises, unemployment, illness, and so on cause the loss of incomes, which leads to an agonizing uncertainty in the distribution of goods.” Polanyi, “Socialist Accounting,” 16–17.

²²⁴ Polanyi, “Socialist Accounting,” 1.

²²⁵ “Even before the First World War had begun, the philosopher Otto Neurath had been touting the doctrine of ‘war economy’ in Eugen von Böhm-Bawerk’s economics seminar in Vienna, much to the chagrin of seminar participant Ludwig von Mises. Neurath claimed that central planning under wartime conditions provided an exemplar for how to run an economy in peacetime. His and others’ proposals for the socialization for the postwar economy provoked Mises to formulate his initial critique of socialist planning.” Caldwell, “Introduction” in Hayek, *The Road to Serfdom*, 11.

²²⁶ “When he was brought to trial after the suppression of the revolution, Weber testified in his defense.” See Mitchell, *Revolution in Bavaria 1918-1919* (Princeton, 1965), 293; and Marianne Weber, *Max Weber* (Tubingen, 1926), 673.

²²⁷ See the essays collected in Part 2 of Otto Neurath, *Economic Writings: Selections 1904-1945*. For discussions of Neurath, see also Elisabeth Nemeth, Stefan W. Schmitz, Thomas E. Uebel, *Otto Neurath’s Economics in Context*; and Nancy Cartwright, Jordi Cat, Lola Fleck, Thomas E. Uebel, *Otto Neurath: Philosophy Between Science and Politics*.

Like Weber, Mises gave Neurath the honor of being the representative socialist for his critique. But Mises took his critique to an entirely different level. Neurath's proposal for a planned socialist economy called for the abolition of money, a prevalent but by no means unanimous position among socialist thinkers and politicians, as we saw above. Though Neurath's idiosyncratic model could not have been more different from those of the debate's actual interlocutors, Mises let it stand in for "socialism" of every kind. With Neurath's socialism as the "pure type" against which to do battle, Mises rolled out a series of rhetorical equations, or equivocations, between "planning," "socialism," "intervention" and other underspecified terms of art.²²⁸ It was through this maneuver that Mises, like Hayek after him, initiated a semantic slide that became a century-long signature of neoliberalism.

Mises' essay on "Economic Calculation in the Socialist Commonwealth" appeared in the 1920 issue of *Archiv für Sozialwissenschaft und Sozialpolitik*, the journal Weber founded and in which "The Protestant Ethic" first appeared as two essays. Unlike Mises' later libertarian screeds, this early essay garnered wide interest and serious discussion from friends and foes alike. And because Mises struck his unsuspecting adversary first, he was afforded some latitude in his framing definitions. His essay simply assumed the axiomatic principles and "value neutral" veneer of the Austrian School. But now Mises pushed its *formal* features to their logical and political limits: a *scientific* demonstration of socialism's *practical* impossibility. Proceeding from Mengerian distinctions, Mises' essay differentiated goods of higher and lower order; distinguished "the economic" from the "extra-economic"; equated marginal value theory with calculation *tout court*; asserted money as necessary for economic calculation and exchange; and questioned whether socialism could function absent these conditions. Answering the latter question in the negative, Mises radicalized Mengerian epistemology. At the core of human behavior, he claimed, lay a formally rational constant: the *economic* orientation and *economizing* capacities of "man." In other words, individuals "economize" by evaluating the real and imagined objects of their action according to their *subjective* value. To deny this would be to not act at all. Though possible *in principle*, Mises explained, the "non-acting man" effectively suspends human rationality, thereby reducing humankind to a "plant-like" status and portending its "suicide" [*Selbstmörder*].²²⁹

Mises' axiomatic equations of socialism with irrationality paralleled those of Max Weber, albeit with far less subtlety and qualification. But as a disciple of Menger and an a priori rationalist of his own kind, Mises did not believe such principles actually needed much hermeneutic or contextual qualification. "Historically," as Mises had already suggested in *Theory of Money*

²²⁸ As Caldwell notes, outside of a surprisingly warm scholarly reception, *The Road to Serfdom*'s critics focused on this equivocation: Hayek's unwillingness to specify just where the line is to be drawn between state planning and market mechanisms. Such critics included Keynes, and Caldwell suggests that Hayek took the criticism so seriously that he later wrote a book in response: *The Constitution of Liberty*.

²²⁹ "Der nichthandelnde Mensch: Wer das Nichthandeln zum höchsten Zweck des Lebens machen will, wer es als das Letzte und Beste ansieht, nicht zu handeln, ganz duldend zu sein wie die Pflanze, mit einem Worte: pflanzenhaft dahin zu leben (zu vegetieren), hat sich das Auslöschen des Menschentums zum Ziele gesetzt, wie es auch - in anderer Art - der Selbstmörder macht. Kritisieren kann die Wissenschaft von ihrem Standpunkte diese Zielsetzung nicht, sie kann sie nur verzeichnen und dazu bemerken, dass sie sich nur mit dem handelnden Menschen befasst und nicht mit einem zur Pflanze gewordenen." See Mises, *Nationalökonomie* (1940), 74.

(1912), “*human rationality is a development of economic life.*”²³⁰ Having equated the rational and the economic, Mises asked if, absent “the economy,” there could be “any such thing as rational conduct at all, or, indeed, such a thing as rationality and logic in thought itself?” Not in the strict sense, he replied, since rationality and economy are co-constitutive. Rational conduct is rooted in economic calculation, and “without economic calculation there can be no economy.”²³¹ By “economy” Mises meant monetary economy, and by monetary economy he meant *market* economy.²³² If Neurath’s model for central planning and *in natura* exchange represented socialism’s typological core—as Weber and Mises assumed—then a socialist economy is in fact no economy at all.²³³ “Socialism” implies, in Mises’ famous line, “the abolition of rational economy.”²³⁴ Or, in a more direct translation of the German original: “Socialism is the abolition of the rationality of the economy.”²³⁵

So began the so-called “socialist calculation debate,” a term Hayek popularized a decade later. Though hardly “value neutral,” Mises’ scientific strategy was well designed for his purposes. The “modern” theory of rationality qua instrumental or market calculation was already half a century in the making. By the turn of the century, both orthodox scientific socialists and reform-minded social democrats had foregrounded the *rationality* of their programs as well. The discourse of rationality simultaneously operated at the level of *functionality* and *legitimacy*, and it named pressing questions as socialists set their sights on state power. The question was what kind of rational framework could be designed and institutionally implemented so as to achieve particular ends, such as meeting basic needs, securing freedom and equality, and overcoming the “irrational rationality” of capitalism.

In the 1920’s the debate attracted a variety of perspectives—(neo)liberal capitalist, Keynesian welfarist, market socialist, guild socialist, orthodox communist—each of which prescribed their own form of rationality. Yet in doing so, nearly all of these interventions, including that of Neurath, focused their prescriptions on *technocratic* rather than democratic cures for the

²³⁰ Mises’s 1912 book on monetary theory, praised by Weber as the finest treatment of its subject, only suggested this in passing, however: “Because the market enables any commodity to be turned into money and money into any commodity, objective exchange value is expressed in terms of money. Thus money becomes a price index, in Menger’s phrase. The whole structure of the calculations of the entrepreneur and the consumer rests on the process of valuing commodities in money. Money has thus become an aid that the human mind is no longer able to dispense with in making economic calculations.” Mises, *The Theory of Money and Interest*, 48. It was in his 1920 essay, as well as the 1922 sequel *Socialism*, that Mises asserts the mutual constitution of rationality and economy while also positing historical development as its quasi-evolutionary basis.

²³¹ Mises, “Economic Calculation in the Socialist Commonwealth,” 18.

²³² The Austrians, like the ordoliberals after them, believed that economies were historically characterized by the *market form* long before the emergence of capitalism. See chapter 2 of the dissertation.

²³³ “In a socialist state, wherein the pursuit of economic calculation is impossible, there can be—in our sense of the term—no economy whatsoever.” Mises, “Economic Calculation in the Socialist Commonwealth.”

²³⁴ Ludwig von Mises, “Economic Calculation in the Socialist Commonwealth,” 23.

²³⁵ The original reads: “*Sozialismus ist Aufhebung der Rationalität der Wirtschaft.*” Timothy Mitchell has argued that “[t]he idea of the economy in its contemporary sense did not emerge until the middle decades of the twentieth century.” It would appear that the invention of the idea came somewhat earlier, however. “Between the 1930s and the 1950s, economists, sociologists, national statistical agencies, international and corporate organizations, and government programs formulated the concept of the economy, meaning the totality of monetarized exchanges within a defined space. The economy came into being as a self-contained, internally dynamic, and statistically measurable sphere of social action, scientific analysis, and political regulation.” Mitchell, *Rule of Experts*, 4. It is also notable Mises’ use of the word as a substantive noun—“the” economy—was connected to a transformation in the concept of “rationality,” a concept whose significance Mitchell has also compellingly documented.

ills of political-economic order. Even decentralized programs for workers' councils, or "soviets," for instance, presupposed a political epistemology with "rational" and scientific solutions of their own, though they did not dare to avow "value neutrality." These included policies like abolition of money, propounded by Trotsky and many others, and the model of distribution provided by the German post office, which comprised Lenin's famous model for efficient planning. In contrast to the "organismic" visions of earlier eras—from naturalistic liberalism and Physiocracy to Owenite socialism—these solutions were *rationalist*, *modernist*, and *constructivist* to their core. The world would *become* rational when it reflected the design of the rational mind. But for most of these twentieth-century movements, this was not a matter of *laissez faire*, of letting history or (human) nature "*be*." It was a matter of *making* the world rational through rationally-designed reforms and plans.

By putting a radically subjectivist spin on such questions, Mises put socialists on the defensive. Hailing from a newly conceived discipline of economics,²³⁶ market socialists mounted powerful responses, with scholars like Oskar Lange, Carl Landauer, H. D. Dickinson and Fred Taylor leading the way.²³⁷ To disprove Mises' charge of socialism's *necessary* failure, market socialists sought to model an alternative order upon the very same "modern" or "neoclassical" assumptions as the marginalists. Such programs would not abolish "the" economy, they argued, but secure a more stable and rational basis for functional markets *within* a socialist order. Woken from their dogmatic slumber (to use Kant's acknowledgement of Hume), market socialists saw Mises' work as a genuine inspiration, a scientific call to arms. Perhaps a better parallel than Kant's awakening is Marx's dialectical appropriation of Hegel. For if Mises posed the question and method from which they departed, the market socialists answered with what they deemed the most *advanced* and *scientific* means of their day. While teaching at the University of Chicago, before becoming the head of central planning in Poland, Lange showed his monumental appreciation for Mises by proposing to place his form at the very center of the socialist future:

Socialists have certainly good reason to be grateful to Professor Mises, the great *advocatus diaboli* [sic] of their cause. For it was his powerful challenge that forced the socialists to recognize the importance of an adequate system of economic accounting to guide the allocation of resources in a socialist economy. Even more, it was chiefly due to Professor Mises' challenge that many socialists became aware of the very existence of such a problem... [T]he merit of having caused the socialists to approach this problem systematically belongs entirely to Professor Mises... Both as an expression of recognition for the great service rendered by him and as a memento of the prime importance of sound economic accounting, *a statue of Professor Mises ought to occupy an honorable place* in

²³⁶ On the historical and theoretical distinction between political economy and economics, see the Introduction of the dissertation.

²³⁷ See Oskar Lange, "On the Economic Theory of Socialism, Part One" in *Review of Economic Studies*, 4/1 (1936); Carl Landauer, *Planwirtschaft und Verkehrswirtschaft* (München: Duncker & Humblot, 1931); Dickinson, "Price Formation in a Socialist Community" in *The Economic Journal* (1933); and Dickinson, "The Problems of a Socialist Economy" in *The Economic Journal* (1934); and Fred M. Taylor "The Guidance of Production in a Socialist State," *American Economic Review*, 19(1), 1-8 (1929), reprinted in Oskar Lange and Fred Taylor, *On the Economic Theory of Socialism* (1938).

the great hall of the Ministry of Socialization or of the Central Planning Board of the socialist state.²³⁸

It could thus be said, with some hyperbole, that Mises' polemical interventions spawned early neoliberalism *and* market socialism.

But these were not the only positions in the socialist calculation debate. The young Karl Polanyi, shaped by the Austrian School and Historical Schools, instead proposed "guild socialism." This he understood as a critique of liberalism that provided a mid-level solution between workers' councils and central planning.²³⁹ Orthodox Marxists were satisfied with none of the above. For instance, Felix Weil, a co-founder and financial sponsor of Frankfurt's *Institut für Sozialforschung*, argued that such "half way" solutions were just as bad as the (neo)liberal analyses, as they denied the necessity (and inevitability) of proletarian revolution. In Weil's eyes, Mises was right about one thing, and one thing only: the political path ahead was a binary, *either* free market capitalism *or* rationally planned socialism. Thus rather than target Mises, Weil concentrated his critique on Polanyi's "attempt to abandon real [*wirklichen*] socialism."²⁴⁰

Mises provided early neoliberalism with a scientific strategy for subduing socialism—impose a binary frame on his opponents. But it was Hayek who would soon perfect the maneuver. In 1931 Hayek joined the LSE economics faculty at Lionel Robbins' invitation.²⁴¹ Upon arrival, Hayek was surprised to find that British students were largely market socialists working on neoclassical assumptions. The young Ronald Coase, for instance, melded neoclassical methods with a strong political predilection for socialism.²⁴² It seemed the question of formal calculation was alive and well in Britain, though this repeat of the *Methodenstreit* was farcically tilting in the socialists' direction. Hayek thus took it upon himself to show his students and colleagues the

²³⁸ Oskar Lange, "On the Economic Theory of Socialism" (emphasis mine).

²³⁹ In "Sozialistische Rechnungslegung" [1922], Polanyi developed a future model of a socialism in which the economy is subordinated to society. See Johanna Bockman, Ariane Fischer, and David Woodruff, "Socialist accounting" by Karl Polanyi: with preface "socialism and the embedded economy" in *Theory and Society*, 45 (5) 2016, 385-427. Two years later he responded to Mises and Weil. See also Karl Polanyi, "Die funktionelle Theorie der Gesellschaft und das Problem der sozialistischen Rechnungslegung eine Erwiderung an Pr L. von Mises und Dr F. Weil" (1924).

²⁴⁰ Felix Weil, "Gildensozialistische Rechnungslegung: Kritische Bemerkungen zu Karl Polányi: 'Sozialistische Rechnungslegung'" in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 52 (1924), 202. See Chapter 4 of the dissertation for a discussion of Weil's position in the debate.

²⁴¹ "Well, what converted me is that the social scientists, the science specialists in the tradition of Otto Neurath, just were so extreme and so naive on economics that it was through [Neurath] that I became aware that positivism was just as misleading as the social sciences. I owe it to his extreme position that I soon recognized it wouldn't do... It was only after I had left Vienna, in London, that I began to think systematically on problems of methodology in the social sciences, and I began to recognize that positivism in that field was definitely misleading. In a discussion I had on a visit to Vienna from London with my friend [Gottfried] Haberler, I explained to him that I had come to the conclusion that all this Machian positivism was no good for our purposes." Hayek, "The UCLA Interviews with Friedrich Hayek" (1978); 17-18 [[link](#)].

²⁴² In 1930 the future Chicago School economist Ronald Coase took a class on price theory with Arnold Plant at the LSE. Coase did not find a way to pair his socialist sympathies with Plant's approach, but he did come to realize that a corporate firm was a "little planned society." Bockman notes that, "[e]merging from the debates in Vienna about centralized planning versus the market, Hayek found the socialist students at LSE espousing free markets and socialism, which sounded familiar to the contemporary German market socialists," such as Landauer and Heimann. "In response to their embrace of market socialist, Hayek repacked older Central European debates for his new audience." Bockman, *Markets in the Name of Socialism*, 30.

light—and logical conclusions—of *market* rationality, to show the road to socialism was the road to irrationality, and ultimately the road to Western civilization's own undoing.

Hayek's first move was telling. In 1933 he penned a memorandum, "Nazi-Socialism," which argued, as the title indicates, that Nazism represents a "genuine socialist movement." Hayek's reasoning returned to the epistemic roots of the Austrians, but added a concern about the *political* and *cultural* character of the problem. "Socialism and Nazism," he explained, "both grew out of the antiliberal soil that the German Historical School economists had tended."²⁴³ The significance of Menger's methodological battle had thus always been more than an insular debate in the pursuit of objective scientific truth. "[T]hough the German Historical School economists were conservative imperialists, cheerleaders for a strong German Reich and opponents of German social democracy," as Caldwell explained of Hayek's thinking, "they also were the architects of numerous social reform policies."²⁴⁴ From Hayek's perspective, the socialist calculation debate was *Methodenstreit* 2.0, a scientific dispute with "civilizational" stakes.

Beyond his extension of Menger, Hayek also borrowed from Weber and Mises' strategy: frame the question of "the rational" through a market-planning binary. Weber's unacknowledged influence on Hayek has been described as a "curious relation": though Hayek had missed much of Weber's time in Vienna between 1917-18 due to the former's participation in WWI, he "intended to follow Weber to Munich as a student after the war"—a plan that did not ultimately materialize.²⁴⁵ Now Hayek advanced a modified form of Weber and Mises' argument about socialist irrationality. State planning may not collapse *by necessity*, he suggested, but will almost surely fail due to its inherently inferior economic rationality. Hayek made this argument in an edited volume entitled *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism* (1935), which he edited, introduced and concluded himself.²⁴⁶ Though designed to dissuade true believers, the volume included both proponents and critics of market socialism, all of whom assumed the market (price) mechanism as the necessary condition of economic rationality. In defense of position, Hayek leveraged the second chapter of Max Weber's *Economy and Society*, discussed above, as well as another unlikely ally in Russian economist Boris Brutzkus:

Like Professor Mises, [Max Weber] insisted that the *in natura* calculations proposed by the leading advocates of a planned economy could not possibly provide a rational solution... and that the wastes due to the impossibility of rational calculation in a

²⁴³ Caldwell, "Introduction" in Hayek, *The Road to Serfdom*, 6.

²⁴⁴ Caldwell rightly adds that "Bismarck embraced these reforms while at the same time repressing the socialists; indeed, the reforms were designed at least in part to undermine the socialist position and thereby strengthen the empire." Caldwell, "Introduction" in Hayek, *The Road to Serfdom*, 4.

²⁴⁵ "It has been adequately portrayed as a riddle and as a 'curious relation [between Weber's Viennese influence and Hayek's Munich plans] to the negligence with which Hayek later ignored Weber.' Regarding Hayek's cursory references to Weber, a prominent Weber scholar has characterized Hayek's refusal to acknowledge Weber's understanding of emergence and of spontaneous orders as 'absurd' and 'polemical.' Thus the fact that Weberian notions like the interdependence of orders are omnipresent in the Hayek-Eucken-Röpke generation's works may well also be attributed to the role of intermediaries and transmitters like Wieser and Mises." Stefan Kolev, "The Weber-Wieser Connection," 19-20.

²⁴⁶ N.G. Pierson, "The Problem of Value in the Socialist Society"; and Georg Halm, "Further Considerations on the Possibility of Adequate Calculation in a Socialist Community" in Hayek (ed.), *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism* (New York: Augustus Kelley, 1935).

completely socialized system might be serious enough to make it impossible to maintain alive the present populations of the more densely populated countries.²⁴⁷

Alongside Mises,²⁴⁸ Hayek claimed, Weber and Brutzkus had *independently* arrived at the same conclusion: “the impossibility of a rational calculation in a centrally directed economy from which prices are necessarily absent.”²⁴⁹

The formative role of this “debate” for the trajectory of Hayek’s thinking has been overlooked by most scholars of Hayek. Beyond its clear relation to *The Road to Serfdom* (1944), Hayek admitted the debate also shaped his arguments in “Economics and Knowledge” (1936) and “The Use of Knowledge in Society” (1945) for which he won the Nobel Prize in economics three decades later.²⁵⁰ The capacity for economic rationality—not alone as an a priori cognitive capacity but *together* with the culture and knowledge-bearing activities of dispersed individuals—underwrote Hayek’s theory of decentralized information, market discovery, and in the “spontaneous” or “extended” order. Hayek not only credited the calculation debate, but also the political arguments and intellectual mentorship of Mises himself. As Hayek explained later in life,

²⁴⁷ Friedrich August von Hayek, *Collectivist Economic Planning* (1935).

²⁴⁸ “Hayek’s battle was a lonely one... But he did have some companions besides Mises and Robbins, and he participated in a number of initiatives to stem the tide. One of his allies was the American journalist and critic Walter Lippmann... [who] offered arguments similar to those of Hayek about planning, collectivism, and totalitarianism, and praised both Hayek and Mises in his book for their insights. A French translation of *The Good Society* appeared the next year, and in August 1938 a five-day colloquium organized by Louis Rougier was held in Paris to honor Lippmann and to inquire into the prospects for democratic liberalism. Hayek, Mises, and Robbins were among those in attendance, as well as a number of Continental liberals, including Wilhelm Röpke, Raymond Aron, and Jacques Rueff. The meeting led to the creation of the short-lived Centre International des Etudes pour la Rénovation du Libéralisme, which lasted only until 1940, another victim of the war. Another compatriot was Michael Polanyi, who attacked the science planning movement in his book *The Contempt for Freedom*, which Hayek reviewed. In the early 1940s Hayek attempted to raise funds to finance the publication of an outlet for liberal thought, one that he thought should be named *Common Affairs*, but the project was not realized. Hayek’s organizational effort did not bear fruit until April 1947, when the Mont Pèlerin Society was founded.” Bruce Caldwell, “Introduction” in Hayek, *Socialism and War*, p. 47.

²⁴⁹ Hayek, *Collectivist Economic Planning*, 35. See also Bruce Caldwell, “Introduction” in Hayek, *Socialism and War*, p. 47.

²⁵⁰ Friedrich Hayek and Gunnar Myrdal won The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 1974 “for their pioneering work in the theory of money and economic fluctuations and their penetrating analysis of the interdependence of economic, social and institutional phenomena.” The Committee noted that “Hayek’s analysis of the functional efficiency of different economic systems is one of his most significant contributions to economic research in the broader sense. From the mid-thirties he embarked on penetrating studies of the problems of centralized planning... He presented new ideas with regard to basic difficulties in ‘socialistic calculating’, and investigated the possibilities of achieving effective results by decentralized ‘market socialism’ in various forms. His guiding principle when comparing various systems is to study how efficiently all the knowledge and all the information dispersed among individuals and enterprises is utilized. His conclusion is that only by far-reaching decentralization in a market system with competition and free price-fixing is it possible to make full use of knowledge and information.”

The Nobel Prize, “Press Release” (October 9, 1974); <https://www.nobelprize.org/prizes/economic-sciences/1974/press-release/>. See also “‘My central problem’: Friedrich A. Hayek interviewed by John O’Sullivan” in *Hayek: His Life and Thought* (Films for the Humanities, Inc., 1985). Bruce Caldwell has noted the significance of this debate for Hayek’s famous essays. See Caldwell, “Hayek’s Transformation” in *History of Political Economy* (1988) 20 (4), 513-541. Bockman observed similar points in passing: “Hayek created the socialist calculation debate... and thus provided a strategy for right-wing and libertarian groups for decades to come.” Bockman, *Markets in the Name of Socialism*, 31.

“[Mises] wrote that article, and then particularly a book [*Socialism*] which had the decisive influence of curing us [of our infatuation with socialism], although it was a very long struggle... The question of why Mises’ argument hadn’t persuaded most other people became important to me, so I became anxious to put it in a more effective form... without accepting his apriorism.”²⁵¹ Hayek thus followed the general principle and argumentative strategy of Weber and Mises—that the rationality of the market stands in contradiction with that of state planning—without sharing the full scope of their respective epistemologies.²⁵²

Weber may have ultimately been a pawn in the long-game of neoliberalism. But his skeptical position on capitalist and socialist (ir)rationality gave inspiration and leverage to the early project. Ultimately it was Mises and Hayek who epistemologically programmed an anti-socialist perspective into neoliberal discourse, with legacies that run into the present.²⁵³

The Economic Constitution of Political Deficits

It may well be that there may exist differences as regards ultimate ends in modern society which render some conflict inevitable. But it is clear that many of our most pressing difficulties arise, not for this reason, but because our aims are not coordinated... As public citizens we sanction

²⁵¹ “At first we all felt he was frightfully exaggerating and even offensive in tone. You see, he hurt all our deepest feelings, but gradually he won us around, although for a long time I had to – I just learned he was usually right in his conclusions, but I was not completely satisfied with his argument. That, I think, followed me right through my life. I was always influenced by Mises’s answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn’t persuaded most other people became important to me; so I became anxious to put it in a more effective form.” Hayek, “The UCLA Interviews with Friedrich Hayek” (1978), 12 [\[link\]](#). See also: “Frequently, I find in my own explanations that he was right in the conclusions without his arguments completely satisfying me. In my interests, I’ve been very much guided by him: both the interest in money and industrial fluctuations and the interest in socialism comes very directly from his influence... Being for ten years in close contact with a man with whose conclusions on the whole you agree but whose arguments were not always perfectly convincing to you, was a great stimulus.” [\[link\]](#) See also: “ROSTEN: ... if you look back over your own background, your own reading, which five or ten books would you say most influenced your thinking? HAYEK: There is no doubt about both [Carl] Menger’s *Grundsetze* and [Ludwig von] Mises’s *Socialism*. Menger I at once absorbed; Mises’s was a book with which I struggled for years and years, because I came to the conclusion that his conclusions were almost invariably right, but I wasn’t always satisfied by his arguments. But he had probably as great an influence on me as any person I know.” Hayek, “The UCLA Interviews with Friedrich Hayek” (1978), [\[link\]](#).

²⁵² See also: “you can’t claim, as Mises does, that the whole theory of the market is an a priori system, because of the empirical factor which comes in that one person learns about what another person does. That was a gentle attempt to persuade Mises to give up the a priori claim, but I failed in persuading him. [laughter] LEIJONHUFVUD: And you would not share his reliance on introspection? HAYEK: Well, up to a point, yes, but in a much less intellectual sense. You see, I am neither a utilitarian nor a rationalist in the sense in which Mises was. And his introspection is, of course, essentially a rationalist introspection.” Hayek, “The UCLA Interviews with Friedrich Hayek” (1978), [\[link\]](#).

²⁵³ The debate’s multiple legacies are beyond the scope of this chapter. For its central importance to current Alt-Right libertarians associated with the Mises Institute, such as Rothbard and Hoppe and, see Murray N. Rothbard, “Ludwig von Mises and Economic Calculation under Socialism” in *The Logic of Action One: Method, Money, and the Austrian School* (Glos, UK: Edward Elgar Publishing Ltd., 1997), 397-407; Murray N. Rothbard, “The End of Socialism and the Calculation Debate Revisited,” *The Review of Austrian Economics*, 5 (1991); Hans-Hermann Hoppe, *A Theory of Socialism and Capitalism: Economics, Politics, and Ethics* (Kluwer Academic Publishers, 1988); and Joseph Salerno, “Ludwig von Mises as Social Rationalist,” *Review of Austrian Economics* 4 (1990).

arrangements which frustrate the achievement of this distribution. We call for cheap money and lower prices, fewer imports and a larger volume of trade. The different ‘will-organisations’ in society, although composed of the same individuals, formulate different preferences. Everywhere our difficulties seem to arise, not so much from divisions between the different members of the body politic, as from, as it were, split personalities on the part of each one of them. To such a situation, Economics brings the solvent of knowledge... [and] provides a technique of rational action. This is the sense in which Economics can be truly said to assume rationality in human society. – Lionel Robbins²⁵⁴

The interwar politics of rationality shaped the postwar social scientific imagination. And the socialist calculation debate was the first *neoliberal* intervention to connect (and reduce) economic theory to a pro-market framework. Before it became a political project of its own, then, neoliberalism worked to impute methodologically “substantive” political projects with “irrationality.” This strategy was extended by other early neoliberals like Lionel Robbins, an anti-Keynesian economic theorist at the LSE and an avid reader of German and Austrian political economy.²⁵⁵ In 1930, as a member of Britain’s powerful Economic Advisory Council, Robbins opposed state spending on public works and import restrictions as means to counter economic depression. In 1932, he wrote what soon became a definitive text in the discipline, *The Nature and Significance of Economic Science*, which implanted a host of Weberian and Austrian assumptions into the “nature and significance” of economic science.

A touchstone of the discipline to this day, Robbins’ concise definition of economic science as the formalist study of behavior “as a relationship between ends and scarce means” cited Menger’s book on method and Mises’ book on socialism.²⁵⁶ “Without economic analysis it is not possible rationally to choose between alternative *systems* of society,” Robbins explained, since “it is not possible to regard [a particular system] as rational unless it is formulated with a full consciousness of the nature of the sacrifice which is thereby involved.”²⁵⁷ Throughout his magnum

²⁵⁴ Robbins, *The Nature and Significance of Economic Science*, 139-40.

²⁵⁵ Whereas most economists found some kind of flaw in Mises’ critique of socialism—only the eventual members of the Mont Pèlerin Society were truly compelled by his conclusions—there is a sense in which the debate was “won” over a longer period of time, with the help of Cold War science and geopolitics, as evidenced by socialism’s relative disappearance as an object of discursive focus and popular enthusiasm. Importantly, the terms and assumptions of the debate were disseminated not only in the Mont Pèlerin Society, but in the work of scholars as various as Peter Drucker, Henry Simon, and Daniel Bell. See for example Henry A. Simon, Chapter 2 in *The Sciences of the Artificial*; Daniel Bell, *The Cultural Contradictions of Capitalism* (Basic Books, 1976); and Drucker, *The End of Economic Man* (1939), as well as numerous discussions of the debate in Drucker’s later books. For a biographical note about Drucker’s childhood experience of Mises, Hayek and Schumpeter in Vienna, see Richard Brem, “Wien als Lebensprinzip und Erfolgsgeheimnis”; <http://www.druckersociety.at/index.php/peterdruckerhome/commentaries/richard-brem?start=2>.

²⁵⁶ Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (1932), 15. This definition was widely embraced and operationalized by economists like Paul Samuelson in *Foundations of Economic Analysis* (1947).

²⁵⁷ “And we cannot do this unless we understand, not only the essential nature of the capitalistic mechanism, but also the necessary conditions and limitations to which the type of society proposed as a substitute would be subject. It is not rational to will a certain end if one is not conscious of what sacrifice the achievement of that end involves. And, in this supreme weighing of alternatives, only a complete awareness of the implications of modern economic analysis can confer the capacity to judge rationally.” Robbins, *The Nature and Significance of Economic Science*, 138-9. For a similar formulation, see the following: “Faced with the problem of deciding between this and that, we are not entitled to look to Economics for the ultimate decision. There is nothing in Economics which relieves us of

opus, he established formal rationality and value neutrality as the bedrock of economics. Whereas Robbins subtly parsed out economics from politics in Weberian spirit, Mises pressed the distinction even harder: “we may say that economics is apolitical or nonpolitical, although it is the foundation of politics and of every kind of political action. We may furthermore say that it is perfectly neutral with regard to all judgments of value, as it refers always to means and never to the choice of ultimate ends.”²⁵⁸

At the basis of early neoliberalism, we find an economic theory that programs a pro-market political rationality at the same time it undercuts the scientific legitimacy of political theory and of politics itself. On the one hand, Mises and Robbins avowed the neutrality of “rational” policies that followed the “economic point of view.” On the other hand, they were forced to admit that economics may contain an “ultimate value” or “substantive end” of its own. “The affirmation that rationality and ability to choose with knowledge is desirable,” Robbins wrote, is the *substantive* value presupposed by economic science. “If irrationality, if the surrender to the blind force of external stimuli and uncoordinated impulse at every moment is a good to be preferred above all others, then it is true the *raison d’être* of Economics disappears.”²⁵⁹ According to Robbins, the rationalist can look Weber’s “polytheism of values” in the face so long as economics provides scientifically *neutral* criteria for individuals to choose—a criteria *of* choice, not *for* choice. But the question then becomes how to most rationally (i.e., consistently) order “our” individual and collective ends. The early neoliberal answer entailed a governmental imperative: the *market form*, as the most rational and generalizable mode of human interaction, must be privileged above all others. The crucial difference with classical liberalism was the frank dependence on state intervention to support the market and the entrepreneurial rationality it requires.

Robbins explained that “our most pressing difficulties” do not stem from conflicting political visions, but from insufficient recourse to the panacea of Economics—to economic rationality as defined by Mises. “Is it not the burden of our time that we do not realise what we are doing,” Robbins asked on the final page of his famous treatise. “Are not our difficulties due to just this fact, that we will ends which are incompatible, not because we wish for deadlock, but because we do not realise their incompatibility?”²⁶⁰ Economics, he contended, resolves this question with the neutrality of social scientific technique, with economic rationality *qua* scientific rationality. Contra Keynes, Robbins and his Austrian colleagues thus argued that the irrational crises of the interwar period resulted from the fact that “our aims are not coordinated” in an economically rational, consistent fashion. They concluded, via the calculation debate, that though “historical”

the obligation to choose. There is nothing in any kind of science which can decide the ultimate problem of preference. But, to be rational, we must know what it is we prefer. We must be aware of the objective implications of the alternatives of choice. For rationality in choice is nothing more and nothing less than choice with complete awareness of the alternatives rejected.” Robbins, *The Nature and Significance of Economic Science*, 36.

²⁵⁸ Ludwig von Mises, “Economics and Judgements of Value” in *Human Action: A Treatise on Economics* (Indianapolis: Liberty Fund, 1949), 881. As works like *The Road to Serfdom* make clear, “contradiction” between theory of practice here was of relatively little concern. See, for example, Hayek’s comment after winning the Nobel: “After *The Road to Serfdom*, I felt that I had so discredited myself professionally... I wanted to be accepted in the scholarly community. To do something purely scientific and independent of my economic view.” Hayek, cited in Gabriel Söderberg, Avner Offer and Samuel Bjork, “Hayek in Citations and the Nobel Memorial Prize” in Robert Leeson (ed.), *Hayek: A Collaborative Biography (Part 1: Influences from Mises to Bartley)*, Palgrave Macmillan, 65.

²⁵⁹ Robbins, *The Nature and Significance of Economic Science*, 141. Note also the subtle difference between this formulation and Hayek’s notion of “spontaneous order.”

²⁶⁰ Robbins, *The Nature and Significance of Economic Science*, 141.

liberalism may be part of the problem, a revised liberalism is the only solution. Reinvented on a more “rational” basis, (neo)liberalism was the only cure for interwar irrationality. “There is no alternative” did not mean “socialism or barbarism,” as Rosa Luxemburg would have it, but “neoliberalism or totalitarianism.”²⁶¹

The problem solved by economic reason, then, is nothing less than *conflict* or *disagreement* itself. From the Dewey-Lippmann debate in the U.S. to the critique of “the masses” across Europe, the *fact* of political disagreement, and the lack of “coordination” it implies, were seen as the constitutive dilemma of early-century capitalist democracies. According to many scholars of the time, “irrational” solutions to the problem arose from the nature of modern democracy itself. Lest value pluralism and non-coordination spell the downfall of democracy—or, worse still, capitalism—states needed recourse to a more “rational” and “automatic” order, not to mention governmental principles and techniques for securing it. To address the seemingly intractable problems inherent to democratic politics, interwar and wartime intellectuals thus prepared rational fixes for the postwar era—from neoliberal theories examined here to its relatives in game theory, rational choice theory, systems theory and cybernetics. The irrationality of state planning and the myth of a common “will” needed to be replaced by rational knowledge and governmental expertise. This is why the American liberal and public intellectual Walter Lippmann was embraced by the international cohort that met in Paris in 1937. And it’s why Hayek believed the Austrian strategy provided the surest path to victory. It was Carl Menger, after all, “who did more than any other writer to carry beyond [Adam] Smith” the most significant question of the social sciences: “how is it possible that institutions which serve the common welfare and are most important for its advancement can arise without a common will aiming at their creation?”²⁶² The different branches of neoliberals, as the following chapters will show, provided a plethora of new answers using the foundational strategies examined here.

Milton Friedman, for example, built his method upon the formal rationality of “value free” inquiry. The Chicago School’s intervention will be examined in Chapter 3, though it is worth noting one related, Weberian-inflected issue here. In his 1953 essay on “The Methodology of Positive Economics,” now considered one of the most influential methodological tracts of the century, Friedman also doubled down on the distinction between *positive* and *normative* social science:

Positive economics is in principle independent of any particular ethical position or normative judgments. As Keynes says, it deals with ‘what is,’ not with ‘what ought to be.’ Its task is to provide a system of generalizations that can be used to make correct predictions about the consequences of any change in circumstances. Its performance is to

²⁶¹ As one of the first indications of non-necessity of communism, this phrase was coined in 1916 in Luxemburg’s “Junius Pamphlets.” Luxemburg’s formulation, as well as Cornelius Castoriadis and Claude Lefort’s “tendency” and journal modeled upon it, *Socialisme ou barbarie* (1949-1967), was that there is an even worse order to which capitalism can give birth: barbarism.

²⁶² “As it was put a hundred years after Smith by Carl Menger, who did more than any other writer to carry beyond Smith the elucidation of the meaning of this phrase, the question ‘how it is possible that institutions which serve the common welfare and are most important for its advancement can arise without a common will aiming at their creation’ is still ‘the significant, perhaps the most significant, problem of the social sciences.’” Hayek, “‘Purposive’ Social Formations” in *Studies on the Abuse and Decline of Reason: Text and Documents* (The Collected Works of F. A. Hayek, Volume 13, Bruce Caldwell, ed., 2010), 145.

be judged by the precision, scope, and conformity with experience of the predictions it yields. In short, positive economics is, or can be, an ‘objective’ science, in precisely the same sense as any of the physical sciences.²⁶³

Friedman’s essay propelled an existing trend toward marginalist assumptions, axiomatic definitions, and mathematical formalization in the social sciences.²⁶⁴ Compatible with the technocratic strain of neo-Keynesianism up to its 1970’s crisis, such trends helped secure economics’ place atop the value-free pyramid.²⁶⁵

Prior to establishing any set of neoliberal policy prescriptions—austerity, debt brakes, tax cuts, privatization, marketization—these self-proclaimed “modern” theorists turned classical liberalism on its head. The relation between nature and artifice, or *physis* and *techné*, had been inverted by interwar transformations. The market was no longer ontologically embedded in nature, but had to be rationally constructed and institutionally secured. Unlike the classical liberals, the neoliberals recognized market rationality as a cultural product and a political construct. Market competition and entrepreneurial conduct had to be cultivated by scientific and governmental principles, they argued, if they were to survive hostile conditions and existential threats.²⁶⁶ Neoliberalism birthed an economic *qua* political theory that disavowed its own political character.

Conclusion

Something is not of itself ‘irrational,’ but rather becomes so when examined from a specific ‘rational’ standpoint... This essay, if it can make any contribution at all, aims to expose the multifaceted nature of a concept—the ‘rational’—that only appears to be a simple one.

– Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (1905)²⁶⁷

²⁶³ Milton Friedman, “The Methodology of Positive Economics” [1953] in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1966), 4.

²⁶⁴ Unhinged from any substantial notion of “truth” or any interrogation of its formalistic assumptions, the criteria of success for positive economics, Friedman argued, were its “simplicity” and “fruitfulness.” For a reading of Friedman that discusses the tensions between different moments and models in his philosophy of science, see Thomas Biebricher, *The Political Theory of Neoliberalism*.

²⁶⁵ See Friedman’s 1976 Nobel speech: “One of my great teachers, Wesley C. Mitchell, impressed on me the basic reason why scholars have every incentive to pursue a value-free science... Positive scientific knowledge that enables us to predict the consequences of a possible course of action is clearly a prerequisite for the normative judgment whether that course of action is desirable. The Road to Hell is paved with good intentions, precisely because of the neglect of this rather obvious point. The point is particularly important in economics... because of erroneous judgments about the consequences of government measures: errors that at least in principle are capable of being corrected by the progress of positive economic science.” Milton Friedman, “Nobel Lecture: Inflation and Employment” in *Milton Friedman on Economics: Selected Papers* (Chicago: University of Chicago Press, 2007), 3.

²⁶⁶ Thus the aim of scientifically delimiting a field of political possibility before entering it through intellectual, philanthropic, corporate, and political allyships. See Richard Cockett, *Thinking the Unthinkable: Think Tanks and the Economic Counter-Revolution, 1931-1983* (London: Fontana Press, 1995).

²⁶⁷ Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (Lodon: Routledge, 1905/1992), 140.

[T]he line between the rational and the irrational is at best unclear, and this is one reason for not placing much weight on the irrational aspect of economic behavior. A more important reason is that the current depression can be explained without hypothesizing irrationality, though not without assuming a certain amount of randomness (fortuity, ‘bad luck’).

– Richard Posner, *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression* (2009)²⁶⁸

This chapter located the genesis of “neoliberal rationality” in an epistemic formation, or a political epistemology, that preceded and guided the intellectual gatherings in Paris and Mont Pèlerin. It suggested that the *Methodenstreit* laid the basis for interwar Austrian interventions which sought, amidst the threat of socialist revolution, to redefine the rationality of markets against the irrationality of socialists who wished to abolish them. Turning *homo oeconomicus* “inward” through marginalist analysis and equating social science with “value neutral” knowledge, the early neoliberals not only made a seemingly strange bedfellow of Max Weber; they also split “the economic” from “the political” in order to cultivate the former and circumscribe the latter. But before this neoliberal strategy—or what I have called the politics of the rational—shaped the theory and practice of postwar governmentality, it grew embryonically in the scientific and political discourses of the early century.

As the following chapters show, the concepts and strategies of the socialist calculation debate helped frame a “counter-revolutionary” program shared by the Freiburg School and the Chicago School and an ideal of “rational politics” that was also embraced by the Frankfurt School.²⁶⁹ In contrast to the naturalism of classical liberalism, this was a quasi-constructivist project that radicalized Menger’s subjectivist philosophical anthropology of “economizing” conduct. With the help of Weber’s concepts, the neoliberals deployed marginal value theory to split *formal* economic value from *substantive* political values, with the intended effect of delegitimizing the rise of “Keynesian and Marxist planning.”

The Austrian neoliberals did not practice what *Wertfreiheit* preached.²⁷⁰ They rather used Weber’s doctrine of value neutrality, together with his typology of (ir)rationality, in their efforts

²⁶⁸ Richard Posner, *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression* (Cambridge: Harvard University Press, 2009), 85. This chapter has suggested not only that there are lines of continuity between Weberian and neoliberal analyses, but that Weber shaped the methodological conditions of possibility for Posner’s logic. Recall that Weber’s first example of the scientific use the ideal type of rationality was the study of financial crises: “For example a panic on the stock exchange can be most conveniently analysed by attempting to determine first what the course of action would have been if it had not be influenced by irrational affects; it is then possible to introduce the irrational components as accounting for the observed deviations from this hypothetical course.” Weber, *Economy and Society*, 6.

²⁶⁹ In 1919, Mises harkened back to the rationalistic ideals of 1789, not in the name of a socialist revolution but one that aimed at a form of “rational politics” and “rational economy” [*die rationale Politik und die rationale Wirtschaft*]. See Ludwig von Mises, *Nation, Staat und Wirtschaft* (Wien: Manzsche Verlag, 1919), 175.

²⁷⁰ This was also true of Schumpeter, who embraced a technocratic social-democratic or “Third Way” conception of science in politics long before its postwar dominance: “Schumpeter unconditionally endorsed Weber’s stance, as he understood it, on the issue of value-judgements. He reminded his readers that the principle of avoiding value-judgements had never been disputed by the classical economists. By sweeping away obscurantist German notions of science as an arbiter in matters of practical life, Weber had simply restored an almost trivial classical convention. Schumpeter showed little interest in the Neo-Kantian intricacies of Weber’s position on value-orientation, and he chose to disregard the epistemological and ethical implications involved. To him, refraining from value-judgements

to reprogram the form and direction of twentieth-century capitalism.²⁷¹ Through their interwar interventions, they scientifically reconstructed economics such that *politics itself* was modeled upon economic epistemology and market rationality. This was not only an economic theory that sought to restructure so as to “dethrone” politics, as the following chapters will show, but also a *cryptopolitical* project with a (comparably superior) grasp of the contingent and performative dimensions of knowledge, science and technology. While contemporaneous critics of neoliberalism like Horkheimer and Schumpeter wrote off the neoliberal challenge at the moment it was being mounted,²⁷² these thinkers built their own theory of history upon the success of interwar socialists, which acknowledged the political significance of scientific knowledge and elite action.

The uniquely *political* features of human existence—struggle and conflict, plurality and judgment, deliberation and action—are not opposed to “modern” philosophy and science. The strict separation of politics and science bequeathed to the postwar period was an effect of, not a solution to political struggle. Politics is not a foreign if structurally necessary intruder into a more rationally pure domain, as Weber’s neoliberal disciples contended, but woven into how social science perceives and affects a shared world.

merely meant objectivity of reasoning and political neutrality of action. He rejected the notion that the scholar had any public responsibility or political role. When he joined the cabinet of Chancellor Karl Renner as a non-party minister of finance in 1919, he apparently regarded himself as a mere expert and mouthpiece of undiluted economic logic. This self-conception contrasted sharply with the highly controversial policies that he introduced or recommended. In the end, he was forced to resign, having antagonized almost all the relevant political forces in Austria. Schumpeter’s self-image of being a neutral financial technician in the midst of party politics and social antagonisms was sometimes regarded as the cause of an unprincipled opportunism. Professor Schumpeter, as the great satirist Karl Kraus remarked, was a man ‘with more different views than were necessary for his advancement.’ Putting aside both the ethic of responsibility and the ethic of conviction and ignoring the tension-ridden nature of politics, Schumpeter predicated his practice of Werturteilsfreiheit on threadbare Weberian credentials.” Jürgen Osterhammel, “Varieties of Social Economics: Joseph A. Schumpeter and Max Weber” in Wolfgang J. Mommsen and Jürgen Osterhammel (eds.), *Max Weber and his Contemporaries* (London: German Historical Institute, 1987), 109.

²⁷¹ “While certainly the majority of researchers working in the tradition of Mises and Hayek would not deny that their work is decidedly market-oriented... they would also argue that their critique of government interventionism and socialism was completely value-free... The value-free posture and the search for ‘objective’ knowledge within the Austrian camp (or any school of economics for that matter) may be an epistemological chimera, but that does not mean that the fiction fails to serve a useful purpose. Classical liberalism and libertarianism, as an underlying vision, in turn provide the questions on which Austrian economists tend to focus. Analysis is not invariant to the underlying vision which the analyst adopts. That does not mean that we should not make honest efforts at ideologically untainted assessments of the economic world. The analytical propositions of the Austrians can be employed as part of a critical theory framework for assessing the effectiveness of chosen means for given ends.” Peter J. Boettke, *Calculation and Coordination Essays on Socialism and Transitional Political Economy* (New York: Routledge, 2001), 16-19.

²⁷² “The bureaucracy has taken control of the economic mechanism, which slipped away from the control of the bourgeoisie’s pure profit principle. The specialist concept of economics, which in contrast to its critics deals with the decline of the market system, contains no further objections to the capability of the existence of state capitalism than the objections which Mises and his associations raised against socialism. These people live on today for the fight against social reforms in democratic countries, and they have completely lost their influence. The essence of liberal criticism consists of economic-technical considerations.” Max Horkheimer, “The Authoritarian State” (1940) in *Essential Reader*, 110. See also: “I believe that there is a mountain in Switzerland [Mont Pelerin] on which congresses of economists have been held which have expressed disapproval of all or most of these things. But these anathemata have not even provoked attack.” Joseph Schumpeter, “The March to Socialism” (1950), 449. I am grateful to Michel Feher for bringing this essay to my attention.

**Constructions of Ordoliberal Rationality:
The Freiburg School, the Competitive Order, and the Social Question**

Even the best ideas only bear fruit when they are put into practice. One could perhaps say that it was a stroke of luck in German history that, after the Second World War, the right principles of Walter Eucken met the right politician in Ludwig Erhard. The economic model sketched by Eucken also proved itself to be a firm pillar in practice while the Federal Republic of Germany was still in its infancy. Indeed, Erhard came upon the genius idea to set prices free, thereby also sending signals of scarcity and kicking economic initiatives into gear. This principled decision to turn from an economy of distribution and rationing to one of free activities proved to be a groundbreaking paradigm shift. The miracle occurred: the success of the social market economy did not take long. The shelves filled themselves with commodities, the economy's circulatory system was set in motion, and the German economic miracle, as we call it today, took its course.

– Angela Merkel (CDU), German Chancellor and former Party Chair²⁷³

The great promise of Ludwig Erhard and of the social market economy was 'prosperity for all.' This promise has been broken... The neoliberalism of that time was the opposite of the mindless faith in the blessing of deregulated markets associated with the term today. Economists like Wilhelm Röpke, Walter Eucken and Alfred Müller-Armack were convinced that the market cannot fix everything; the state has to set the rules and the regulatory framework... The ordoliberals' central thesis was that concentrated economic power cannot be controlled, though it can be prevented from emerging in the first place. Once it's there, it buys off politics. And then it's all over—for the market economy and for democracy.

– Sahra Wagenknecht (Linke), German Bundestag Party Co-Leader²⁷⁴

The entire political problem is that the state... is controlling areas that should be governed by rational economic policy: the social market economy. As I mentioned, Ludwig Erhard stood in the tradition of the Freiburg School and the ordoliberalism of Walter Eucken. And in postwar Germany, Eucken said as much himself: If economic policy is to be rational, it needs to work through a legal framework that creates the conditions for economic activity, which is then the condition for social policy. This is the politics we need to offer the working population. It requires offering them relief—relief for both employee and employer.

– Alice Weidel (AfD), German Bundestag Party Leader²⁷⁵

²⁷³ Angela Merkel, "Rede beim Walter Eucken Institut in Freiburg" (Jan. 13, 2016, my translation).

²⁷⁴ Sahra Wagenknecht, "Wir brauchen Märkte," Interview in *Spiegel* (Dec. 31, 2012, my translation).

²⁷⁵ Alice Weidel, "Wirtschaft und Soziales," AfD Vortrag Fürth Neustadt Aisch (Dec. 8, 2017, my translation).

A good idea does not belong in the antique shop; it must remain alive and assert itself in praxis. And that's why it's important what—Mr. Salomon, in this case not Jesus, but Walter Eucken—tells us about the challenge of today.

– Sigmar Gabriel (SPD), former Economy Minister & Party Chair²⁷⁶

We need to make it crystal clear once more that we stand in the tradition of German ordoliberalism.

– Christian Lindner (FDP), Party Chair²⁷⁷

I see my party entirely in the tradition of Ludwig Erhard.

– Cem Özdemir (Grüne), former Party Co-Chair²⁷⁸

If ordoliberalism is “Germany’s Iron Cage,” as *Le Monde Diplomatique* described it in 2015, few observers were able to perceive, much less name, the steely entrapment that surrounded them—that is, until the “return” of the term with the 2008 financial crisis.²⁷⁹ From the far-right *Alternative für Deutschland* to the leftwing *Linke*, the leaders of Germany’s five major political parties have publicly embraced the ordoliberal tradition over the past decade. In academic and public discourse, the term has been used by left critics who denounce the EU’s German-style economic policy and by proponents who contrast the allegedly time-tested principles of Freiburg School *ordoliberalism* with the crisis-prone policies of Chicago School *neoliberalism*. Yet these post-crisis affirmations and trans-Atlantic juxtapositions not only conceal the complex genealogy of the Freiburg School vis-à-vis the Austrian School, as examined in the previous chapter, and the Chicago School, as explored in the following chapter; they also effectively write off the political deficits on which this technocratic mode of reasoning was founded—a governmental mode of reasoning, claiming effective and affective support of the governed.

To examine these political deficits, this chapter interrogates the theoretical and epistemological constructions of the early Freiburg School, a group of German social scientists that formed in the late 1920’s, joined the Mont Pelerin Society in 1947, and founded the journal *Ordo* in 1948 from which the concept of *ordoliberalism* is derived. Properly understood, ordoliberalism is a “branch” or a “variety” of neoliberalism. Beginning in the interwar period, these ordoliberal intellectuals—Walter Eucken, Franz Böhm, Wilhelm Röpke, Alexander Rüstow,

²⁷⁶ Sigmar Gabriel, “Ordnungspolitik auf der Höhe der Zeit,” Rede beim Walter Eucken Institut in Freiburg (June 23, 2015, my translation). See also Sigmar Gabriel, “Sozialmarktwirtschaft,” Rede in der Plenarsitzung (Feb. 13, 2014).

²⁷⁷ Christian Lindner, “Interview” in *Frankfurter Rundschau* (January 10, 2010, my translation).

²⁷⁸ Cem Özdemir in Margarete van Ackeren and Olaf Opitz, “Vielleicht landen wir in Jamaika” in *Focus* (July 3, 2017).

²⁷⁹ See François Denord, Rachel Knaebel and Pierre Rimbart, “Germany’s Iron Cage,” *Le Monde Diplomatique* (August 2015); Thomas Biebricher, “The Return of Ordoliberalism in Europe – Notes on a Research Agenda,” in: *illex*, 21, 2014, pp. 1-24; and Thomas Biebricher (interviewed by William Callison), “Return or Revival: The Ordoliberal Legacy,” *Near Futures Online* Issue 1 “Europe at a Crossroads” (March 2016). I am grateful for Thomas Biebricher’s comments on the first draft of this chapter in fall of 2016 and for conversations with Quinn Slobodian about historical and contemporary strands of ordoliberalism.

Alfred Müller-Armack, Leonhard Miksch and others—sought to use social scientific knowledge capable of reconstructing institutions to secure what they called the “competitive market order.” Their vision for a new order sought, *inter alia*, to privilege the price mechanism; maintain conditions of competition; establish the legal order upon formalized “rules of the game”; promote entrepreneurial subjectivity through “de-proletarianization”; insulate technocratic monetary authorities who secure price stability against the ever-present threat of inflation; and base the larger order, in the first and last instance, upon on a strong and independent state. In turn, the strong state would function as a “market police” to minimize monopoly and suppress the irrational influence of “pluralist” interests. Premised on a critique of *both* laissez-faire capitalism and socialist collectivism, ordoliberalism called for a “Third Way” pro-market alternative.

In the next chapter I will consider the Freiburg School’s evolving relationship with the Chicago School and their importance in governmental responses to the 2008 financial crisis. In this chapter I will focus on the Freiburg School’s theoretical foundations from the interwar period to its 1948 implementation by Ludwig Erhard—the first ever “neoliberal” experiment, properly so called.

The chapter situates the origins of ordoliberalism in what Foucault called a “field of adversity.” Out of this field the ordoliberals made their opening wager for the “Third Way” and “social market economy,” a strategic approach to both the *Methodenstreit* and the socialist calculation debate examined in Chapter 1. The chapter then examines ordoliberalism’s notion of the “competitive order”; its philosophical anthropology of the “economizing” subject; its racially-inflected typology of non-Western orders; its appropriation of leftist discourse on “the social question”; and what I call the “inverted Marxism” of its theory of history. Interrogating the theoretical construction of ordoliberalism is not only necessary to understand how the Freiburg School produced a distinctive if mutable political rationality. It is also necessary for a politically-oriented critique of the EU’s “economic constitution,” which has been rooted in the principles prescribed by ordoliberal rationality: stability, growth, competitiveness, austerity, and technocratic governance.

Out of the Abyss: Ordoliberalism between Interwar and Postwar Strategy

The task before us may be defined as one involving critical analysis. We need only to turn our criticism into a positive force in order to identify clearly the lines along which we must work if we are to return law and economics to their proper place... [W]e wish to bring scientific reasoning, as displayed in jurisprudence and political economy, into effect for the purpose of constructing and reorganizing the economic system.

– Böhm, Eucken, Grossmann-Doerth, “The Ordo Manifesto of 1936”²⁸⁰

²⁸⁰ This co-authored piece was originally entitled “*Unsere Aufgabe*” (“Our Task”) in *Ordnung der Wirtschaft* 2 (Stuttgart and Berlin: W. Kohlhammer, 1936), and translated as “The Ordo Manifesto of 1936.” Franz Böhm, Walter Eucken and Hans Grossmann-Doerth, “The Ordo Manifesto of 1936.” in Alan T. Peacock and Hans Willgerodt (eds.), *Germany’s Social Market Economy: Origins and Evolution* (Basingstoke: Palgrave, 1989), pp. 22-23.

Whether we shall be able to rebuild something like a common European civilization after this war will be decided mainly by what will happen in the years immediately following it... [T]he future of Europe will largely be decided by what will happen in Germany.²⁸¹

– Friedrich Hayek, speech on February 28, 1944

“[I]n the second half of the twentieth century, liberty, or more accurately, liberalism, is a word that comes to us from Germany.”²⁸² It is with this curious claim that Michel Foucault concluded the first of his twelve influential lectures at the *Collège de France* in 1978-79. Foucault’s opening gesture toward Germany highlighted a political and economic *reprogramming* of liberalism which, by the 1970’s, had begun to displace the “rationality” of Keynesianism. Like Angela Merkel in her speech commemorating Walter Eucken’s 125th birthday, cited in the epigraph at the beginning of this chapter, Foucault saw *the* transformational moment of postwar liberalism in the 1948 decrees designed and implemented by Ludwig Erhard and the German ordoliberals. With these reforms (*Leitsätze-gesetz* and *Währungsreform*)—the economic and currency reforms that introduced the *Deutsche Mark* and lifted nearly all price controls—Erhard not only bucked the dominant trend toward social-welfare-oriented “state planning,” but did so by almost single-handedly overruling his social democratic colleagues and the Keynesian-influenced Allied authorities who oversaw the British and American occupied zones.²⁸³

At the time, this was a non-sovereign, divided, and occupied territory. Split into two by the Allies and the Soviet Union, Germany had no single body that could stake a claim to sovereignty—much less, as Foucault pointed out, any historical, legal, or moral grounds on which one could be legitimately made. And so Erhard and his ordoliberal comrades approached the puzzle of political founding—the well-documented paradox of initiating sovereignty in the history of political thought—in a novel way. Theirs was not a *social contract* forged by deliberatively-engaged citizens, but an *economic constitution* established by what they called a juridico-political “event” or “decision.”²⁸⁴ Like the later “shock doctrine” of Pinochet’s dictatorship in Chile, these West German decrees were made with minimal democratic inputs or checks, without any popular legitimation, before the institution of the Basic Law, and justified solely on criteria of *economic* “success,” or what political scientists now call “output legitimacy.”

Before the *Grundgesetz* (Basic Law), then, West German liberalism began with an anti-Keynesian economic and monetary policy. Amidst dire economic conditions, the ordoliberal decrees abolished the rationing of even the most basic goods needed for survival, liberalized

²⁸¹ Friedrich Hayek, quoted in Ronald M. Hartwell, *A History of the Mont Pèlerin Society* (Indianapolis: Liberty Fund, 1995), 27-8.

²⁸² Michel Foucault, *The Birth of Biopolitics*, p. 22 (translation modified).

²⁸³ The following exchange between Erhard and General Clay was recorded the same month of 1948 when Erhard made his unapproved decree: “General Clay: ‘Herr Erhard, my advisers tell me what you have done is a terrible mistake. What do you say to that?’ Ludwig Erhard: ‘Herr General, pay no attention to them! My advisers tell me the same thing.’” Alfred C. Mierzejewski, *Ludwig Erhard: A Biography*, p. 67. See also Nichols, *Freedom and Responsibility: The Social Market Economy in Germany, 1918-1963* (Oxford: Oxford University Press, 1994).

²⁸⁴ In their early conception of the “economic constitution,” Eucken and Böhm wrote: “The treatment of all practical politico-legal and politico-economic questions must be keyed to the idea of the economic constitution. In this way relativist instability and fatalist acceptance of facts are overcome... [T]he economic constitution must be understood as a general political decision as to how the economic life of the nation is to be structured.” Böhm, Eucken and Grossmann-Doerth, “The Ordo Manifesto of 1936,” pp. 23-4. See also Böhm, *Die Ordnung der Wirtschaft als geschichtliche Aufgabe und rechtsschöpferische Leistung* (1937); Nichols, *Freedom and Responsibility*, p. 206.

commodity prices, and “unleashed” the market forces of competition. The defeat of the Nazi regime was not just the *Stunde Null* (“hour zero”) of postwar history, as commonly narrated, but also provided the ordoliberals a *tabula rasa* for a new competitive market order.²⁸⁵ Disbarred of sovereignty due to wartime atrocities and total surrender, postwar West Germany’s economic legitimation *prefigured* political self-determination. In 1948, this was a real discursive and institutional transformation that used the economic means of the market toward the political ends of a post-Nazi liberal era.²⁸⁶

However controversial and economically disastrous in the months after they were introduced,²⁸⁷ the liberalization measures soon proved effective at generating market competition and growth. Though historians continue to debate to what degree the mythical origin story of the “economic miracle” can be credited to *Ordnungspolitik* rather than a great deal of remaining industrial infrastructure or the U.S. Marshall Plan, contemporary narratives on the left and the right—as the epigraphs make clear—embrace the “thirty glorious years” of the German *Wirtschaftswunder* as a matter of national pride.

Whether supranational and forward-looking or nationalist and backward-looking—two perspectives represented in the debate between Jürgen Habermas and Wolfgang Streeck, examined in Chapter 4—what these postwar narratives tend to erase is how profoundly constitutive ordoliberal rationality was for postwar Germany. What they also erase is how, beyond its rightly exalted Basic Law, postwar West Germany emerged from a technocratic, anti-Keynesian and pro-market mode of governance, one that instituted an economic, monetary and banking framework under conditions of economic and social crisis.

After the West German elections, Erhard became the first Minister of the Economy and second Chancellor of West Germany, and he leveraged the “miracle” narrative in the CDU’s anti-Soviet and anti-social democratic propaganda.²⁸⁸ Hailing (and using) the market economy as a means for Western integration, he became known for the “social market economy” and principles

²⁸⁵ Their strategy was not centered on political parties but on networks of influence. Having elaborated their theory at length in publications and personal letters over the past decade, the public dissemination commenced: they met with German business groups, organized seminars, co-founded the Mont Pelerin Society, served on local and federal policy committees, and struck close ties with political figures in the CDU and the FDP. Some of the ordoliberals, like Miksch, even joined the SPD. Before representing the CDU in the Bundestag from 1953-65, Böhm worked as the minister of cultural affairs in Frankfurt and served on the *Institutsrat* at the Frankfurt School’s *Institut für Sozialforschung*. For a discussion, see Chapter 4.

²⁸⁶ See Foucault, *Birth of Biopolitics*, p. 84. See also Frieder Vogelmann, “Michel Foucault’s Reading of Ordoliberalism” (forthcoming).

²⁸⁷ “In den ersten Monaten nach der Währungsreform schien es, als würden die Skeptiker recht behalten, die Erhards Kurs für falsch hielten. Solche gab es auch in den Reihen von CDU und CSU... In den ersten Tagen waren die Läden leer gekauft worden, dann reagierten die ratlosen Konsumenten erbost gegen die Hektik, mit der die Preise in die Höhe kletterten. Ein großer Teil der Presse verlangte den Abbruch des marktwirtschaftlichen Experiments und die Entfernung des allem Anschein nach unfähigen Politikers Erhard. Im Frankfurter Wirtschaftsrat stellte die Opposition im Sommer und Herbst 1948 zweimal Misstrauensanträge gegen ihn. Die Gewerkschaften der britischen und amerikanischen Zone - die viereinhalb Millionen organisierte Arbeiter repräsentierten - riefen schließlich im November 1948 zum Generalstreik ‘gegen die Anarchie auf den Warenmärkte und gegen das weitere Auseinanderklaffen von Löhnen und Preisen’ auf. Etwa neun Millionen Arbeiter folgten der Aufforderung am 12. November 1948 und demonstrierten mit einer 24-stündigen Arbeitsniederlegung gegen die Marktwirtschaft.” Bundeszentrale für politische Bildung, “Wirtschaftsentwicklung von 1945 bis 1949” (July 13, 2005).

²⁸⁸ Ralf Ptak, “Neoliberalism in Germany: Revisiting the ordoliberal foundations of the social market economy” in Mirowski and Plehwe (eds.), *The Road from Mont Pelerin* (Cambridge: Harvard University Press, 2009), p. 121.

of economic liberty, competition, growth, prosperity, and security.²⁸⁹ These postwar corporate and governmental campaigns proved so successful that, by the the Social Democratic Party's Bad Godesberg conference in 1959, the party turned from a program of rational state planning to one that embraced key tenets of the social market economy. After Godesberg, the socialist party's goal was no longer to overthrow and replace liberal capitalism, but to reform it according to principles of social justice.²⁹⁰ But prior to its emergence from WWII—that is, from the mythical *Stunde Null* or “zero hour” of 1945²⁹¹—where exactly did this ordoliberal strategy come from?

Before the Freiburg School became associated with the journal *Ordo* and the concept of ordoliberalism,²⁹² their movement began with an interwar group called “the German Ricardians.” A series of personal exchanges and collaborative projects established the intellectual firmament for this group of scholars in law, economics, and sociology. The first meeting was held in 1926, attended by Walter Eucken, Franz Böhm, Wilhelm Röpke, Alexander Rüstow and others. Led by Rüstow, a lapsed Marxist, the German Ricardians aimed at overcoming the dominance of the German Historical School by lending “greater validity and influence to the doctrine of free trade within economic theory.”²⁹³ It is unsurprising that their later analysis of interconnected orders of law, state, society bears the markings but resists the methods of the Historical School.²⁹⁴ While

²⁸⁹ “In my opinion, the historic task of the Federal Republic in the second half of the 20th century that we have just entered upon is to underpin, to strengthen and to defend the free economic order of Europe with the full weight of German trade. The successful rehabilitation of my country must serve as clear documentary evidence to put before the still vacillating and doubting peoples, of the fact that *only by firmly rejecting socialist dogmas*, of whatever complexion, and by *affirming a free economic order* can mounting prosperity and genuine security be achieved.” Ludwig Erhard, *Prosperity Through Competition* (1957), emphasis mine.

²⁹⁰ “When Willy Brandt took office in 1969 as the first postwar SPD chancellor,” as Tooze notes, “he did so in coalition with the liberal, free-market FDP.” Adam Tooze, “Which is worse?” in *London Review of Books*, Vol. 41 No. 14 (July 18, 2019), pp. 19-22.

²⁹¹ For a treatment of this subject beyond the German case discussed here, see Elizabeth Carter, “From Myths to Markets: Power, Institutions, and the Reification of Imagined Histories” in *European Journal of Sociology / Archives Européennes de Sociologie* (2019). See also Jens Beckert, *Imagined Futures* (Cambridge, Mass.: Harvard University Press, 2016).

²⁹² Founded by Walter Eucken and Franz Böhm in 1948, the journal is still in print, linked to Freiburg University and the *Walter Eucken Institut*. Its full title is *ORDO: Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*.

²⁹³ Once a student of Franz Oppenheimer, who famously preached the “third way” between socialism and capitalism, Rüstow was a “radical socialist and Marxist” and a member of Paul Tillich's circle of “Religious Socialists” before he made an official break with the group in 1925; see Hauke Janssen, “Zwischen Historismus und Neoklassik: Alexander Rüstow und die Krise in der deutschen Volkswirtschaftslehre,” *HWWI Research Paper* (2009), 104. See also Alexander Rüstow, “Freie Wirtschaft – Starker Staat (Die staatspolitischen Voraussetzungen des wirtschaftspolitischen Liberalismus)” in Franz Boese (ed.), *Deutschland und die Weltkrise, Schriften des Vereins für Socialpolitik*, Bd. 187 (Dresden, 1932), 62-69. For their personal letters, see Hans Otto Lenel, “Walter Euckens Briefe an Alexander Rüstow,” 42 *Ordo* (1991), 11-14. On the name “German Ricardians,” see the following: “The reference to Ricardo evokes a model theoretic, deductive approach to economic theory that would have made him an obvious adversary of the German Historical School,” from “Introduction” in Friedrich August von Hayek, *Business Cycles: The Collected Works of F.A. Hayek, Part I*, ed. Hansjoerg Klausinger (Chicago: University of Chicago Press, 2012), 3.

²⁹⁴ As a point of comparison, see the following overview of Simon Clark, *Keynesianism, Monetarism and the Crisis of the State*: “For the Historical School the role of the state was still to be defined in liberal terms, as an essential condition for the wellbeing of the individual, and it was in such terms that it developed its analysis of the role of the state in the reproduction of capitalist social relations... Roscher, Hildebrand and Knies, the older generation of the Historical School, all took up List's emphasis on the national economy, formulated within an evolutionary theory that sought empirical laws of development, in order to situate German economic and social development within a national and historical context. However, their fear that the subordination of economic activity to self interest would give rise to growing class polarisation led them to criticise more sharply the economists' preoccupation with purely

they shared the Historical School's opposition to socialism, they saw its *methodological* approach as unwittingly abetting socialist forces. While Röpke and Rüstow developed an analysis that has been called "sociological neoliberalism," Eucken and Böhm developed legal-economic program for "re-ordering" the economy. All four shared a culturally conservative diagnosis of the "social crisis" of interwar Europe, a desire to combat the extension of the modern welfare state, and a commitment to the competitive market order.²⁹⁵

In comparison to the *Methodenstreit* of the Austrian School (Menger, Böhm von Bawerk, Wieser) and the Historical School (Schmoller, Knies, Sombart), ordoliberalism was a different kind of methodological endeavor. It also differed from perspectives like those of Joseph Schumpeter and Karl Polanyi, who shared the interwar consensus that capitalism would not survive emergent social democratic forces, and that socialism was in one form or another the way of the future.²⁹⁶ On the one hand, the ordoliberals agreed with Schumpeter and Polanyi on the significance of entrepreneurial subjectivity and the relative market embeddedness of individuals.²⁹⁷ On the other hand, they concurred with Mises and Hayek that "chaotic" state intervention into market developments would lead down the road to socialism.²⁹⁸ Rejecting socialism as a historical *necessity*, they argued that, with human action and economic wisdom, another "Order" is possible.

This "order," which they called the "Third Way" between *laissez-faire* capitalism and socialist collectivism, was pronounced the *only* programmatic alternative. To resolve the perpetual crisis of interwar Europe, they argued, economic policy cannot be subjected to "de-stabilizing" corporate cartels and "irrational" democratic input—lest liberal capitalism collapse into totalitarianism or (what, for them, was the same) socialism. In addition to the *Methodenstreit*, the interwar "socialist calculation debate"—which the previous chapter described as *Methodenstreit* 2.0—formed part of the group's discursive backdrop and anti-socialist impetus. In particular, they partly rooted their theories in Max Weber, Ludwig von Mises, and Friedrich von Hayek's early formulations of market *order* – which is to say, in the new conceptual fault lines of "rational" vs. "irrational" political-economic forms and of the market economy vs. the "collectivist" planned economy. The ordoliberal field of adversity demanded, as Röpke put it in 1936, "constructing in

economic motives. 'Industrial feudalism' and the growth of an agricultural proletariat would foster the growth of socialism and so had to be restricted by the State. They therefore laid an increasing emphasis on the need to consider the pursuit of economic goals within a broader social context, within which self-interest would be subordinated to morals, religion, custom and standards of propriety. The development of society could not be reduced to its economic development, for its moral development was equally important." See also Peukert, Helge, "Walter Eucken (1891–1950) and the Historical School" in Koslowski (ed.) *The Theory of Capitalism in the German Economic Tradition: Historism, Ordo-Liberalism, Critical Theory, Solidarism* (Springer, 2000).

²⁹⁵ As Ralf Ptak and Mark Blyth observe, ordoliberalism itself was responsible for the lack of domestic reception and interest in Keynesian economics – a legacy that continues in contemporary higher education, journalism and politics. See Blyth, *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press, 2013).

²⁹⁶ See also Michel Feher, "The Age of Appreciation: Lectures on the Neoliberal Condition"; and Michel Feher, "Self-Appreciation; or, The Aspirations of Human Capital," translated by Ivan Ascher, *Public Culture*, Volume 21, Number 1 (2009), pp. 21–41.

²⁹⁷ For Röpke's critique of liberal rationalism's way of attempting to *construct* the disembedded yet freely associating individual [*freischwebendes und beliebig sich assoziierendes Individuum zu konstruieren*], see Röpke, *Civitas Humana*, p. 110. For a comparative account of Polanyi and ordoliberalism, see Woodward, "Polanyi and Ordoliberalism" (forthcoming).

²⁹⁸ For the direct influence of Mises and Hayek, see Röpke (1936); Eucken (1939); and Nichols, *Freedom and Responsibility*, p. 135. For the predictions of their rivals, contrast Hayek, *The Road to Serfdom* (1944) with Schumpeter, *Capitalism, Socialism, Democracy* (1944) and Polanyi, *The Great Transformation* (1944).

our imagination an economic order built on principles which are exactly the opposite of those of our present economic order.”²⁹⁹

The calculation debate filled their arsenal against the “centralization,” “collectivism” and “planning” of state socialism and Keynesianism. But their critique was not confined to political economy alone. As Ralf Ptak observes, the focus on cultural theory in the work of Röpke, Rüstow, and Müller-Armack “reflected their search for a philosophical foundation and for additional legitimacy in social theory for the economic orientation of ordoliberalism.”³⁰⁰ Inspired in part by the intersecting paradigms of cultural critique, mass psychology, and objectivist social science—that is, by Ortega y Gasset, Nietzsche, Le Bon, Pareto and others—they identified the “illnesses” of the age in massification, proletarianization, statification, spiritual collectivization, and civilizational decline. They also criticized features of Weimar parliamentarism³⁰¹ and what they called “the tangle of historicism, relativism and fatalism,”³⁰² to which they opposed an aristocratic, non-democratic disposition and an elitist, technocratic alternative.³⁰³

First coined by Müller-Armack and later championed by Erhard, the “social market economy” became Germany’s postwar empty signifier *par excellence*.³⁰⁴ Müller-Armack was a careerist member of the Nazi Party with administrative, advisory and academic roles in the Third Reich, who quickly became a key ordoliberal theorist and one of Erhard’s “most trusted lieutenants.”³⁰⁵ After completing his dissertation under Eucken on *Competition as Task* (1938), Leonhard Miksch was once a member of the Nazi Party who later joined the SPD, wrote for the *Frankfurter Allgemeine Zeitung*, and served as a key advisor to Erhard in economic policy and public relations.³⁰⁶ Franz Böhm, Walter Eucken, and Grossmann-Doerth were among the other ordoliberals who remained in Germany during the Third Reich.³⁰⁷ But thanks to Röpke and

²⁹⁹ Röpke, “Socialism, Planning, and the Business Cycle” in *Journal of Political Economy*, Vol. 44, No. 3 (June, 1936), p. 318.

³⁰⁰ Ralf Ptak, “Neoliberalism in Germany: Revisiting the ordoliberal foundations of the social market economy” in Mirowski and Plehwe (eds.), *The Road from Mont Pelerin* (Cambridge, MA: Harvard University Press, 2009), 116.

³⁰¹ See Ptak, “Neoliberalism in Germany,” p. 111; Bonefeld, “Ordoliberalism as Political Theology”; Biebricher, “Sovereignty, Norms and Exception in Neoliberalism,” in *Qui Parle* 23, No. 1 (2014).

³⁰² Böhm, Eucken and Grossmann-Doerth, “The Ordo Manifesto of 1936,” p. 17.

³⁰³ “The collectivist state is rooted in the masses (to which professors can belong as well as workers) and it can only exist under conditions which, sociologically speaking, we term spiritual collectivization, that is, conditions of society for which precisely the extreme democratic development is an excellent preparation but which is the direct opposite of the liberal as well as the conservative-aristocratic ideal.” Röpke, *The Social Crisis of Our Time*, p. 86.

³⁰⁴ Although similar terminology was used throughout the 1930’s and 40’s, most scholars cite Müller-Armack’s *Wirtschaftsordnung und Wirtschaftspolitik*, first published in 1946, as the first usage of the term. Müller-Armack’s arguments were made public earlier and the manuscript of the book, Nichols notes, was clearly written during the war: “The typescript... bears the handwritten date ‘May 44.’ It contains references ... to the autarkical economy in Hitler’s Europe (*Großraumwirtschaft*) which ‘is today a reality.’ In the version published in 1946 this became ‘was a reality during the war.’” Nichols, *Freedom and Responsibility*, p. 120. When Müller-Armack’s Münster institute for textile research was bombarded in the summer of 1943, he was forced to flee Germany and found security at a monastery in Vreden-Ellwink near the Dutch frontier where he continued his work on the post-war economy. With the help of the facilities, a rotaprint machine at the monastery, and his Dutch Protestant friends, he circulated his views to colleagues in Germany. See Nichols, *Freedom and Responsibility*, p. 136.

³⁰⁵ Nichols, pp. 144-45. Müller-Armack’s acquaintance with Erhard dates back to 1931; see Nichols, *Freedom and Responsibility*, p. 104.

³⁰⁶ Miksch, *Wettbewerb als Aufgabe* (1938). His Nazi affiliation was likely unbeknownst to Eucken, as forthcoming research by Hermann Kocyba shows.

³⁰⁷ In 1938 Franz Böhm published *Die Ordnung der Wirtschaft als geschichtliche Aufgabe und rechtsschöpferische Leistung* [*The Order of the Economy as Historical Task and as Constructive Legal Achievement*], but was removed

Rüstow's reputation as exiled anti-Nazis and stories of Böhm and Eucken's internal opposition, most interpreters have passed over ordoliberalism's compromised beginnings.³⁰⁸ After reuniting in Germany and at the Mont Pelerin Society after the war, the group mobilized in full force. Erhard worked with Rüstow, Röpke and Miksch to fuse ordoliberal imperatives with Cold War electoral strategy; tens of millions of Deutsche Marks were poured into propaganda for the social market economy; and Rüstow and Röpke became particularly influential in the CDU and FDP party platforms.³⁰⁹

"Whilst the ordoliberal concept provides a concrete program for the political caste," Starbatty observes, "Müller-Armack's concept of Social Market Economy can, in a nutshell, be understood as a methodological principle."³¹⁰ "The fundamental principles of this social market economy," Nichols adds, "formed the basis of Erhard's policy from 1948 onwards."³¹¹ The concept came to exemplify the West German embrace of market integration and the flurry of new commercial goods that arrived in the 1950's and 1960's. Despite the fact that few ordoliberals were enthusiastic about the "social" modifying "market," the term served as an effective substitute for the idea of *Wohlstand*, the German word "prosperity," "wellbeing" or "welfare" with the same root as the "welfare state" (*Wohlfahrtstaat*). In a private conversation with Hayek, Erhard clarified further: "I hope you don't misunderstand me when I speak of a social market economy. I mean by that the market economy as such is social, not that it needs to be made social."³¹² The rhetorical surplus of this signifier was more important and effective than Hayek seemed to realize.³¹³ Well aware of this, Rüstow understood "the Social Market Economy as the realization of the neoliberal program."³¹⁴

Long before Tony Blair, Bill Clinton and Gerhard Schröder popularized the term with neoliberal policies in the 1990's, the ordoliberals coined the "Third Way" as a correlate for the

from his university post in 1940 when he opposed an instance of anti-Semitism. Grossmann-Doerth was conscripted in 1939 and died in 1944 as military lieutenant.

³⁰⁸ Remarkably, Röpke and Rüstow, the renowned anti-Nazis, hardly ever mentioned the Nazi regime during the war, and they wrote astonishingly little on it afterwards – a fact all the more striking when compared to German exiles like Hannah Arendt, the Frankfurt School, among so many others. The two also displayed little to no interest in analyzing the roots of this fascist cultural and political transformation.

³⁰⁹ Erhard's actions and the concept of the social market economy were officially endorsed in the CDU's first party platform (1949), just before the parliamentary elections. See Nichols, *Freedom and Responsibility*, pp. 145-50, 154; see also Ptak, "Neoliberalism in Germany," pp. 120-21. For Rüstow's active role as a propagandist and spokesperson of the social market economy, see Nichols, *Freedom and Responsibility*, p. 154 and Ptak, "Neoliberalism in Germany," p. 123.

³¹⁰ Joachim Starbatty, "Die Soziale Marktwirtschaft aus historisch-theoretischer Sicht" in Hans Pohl (ed.), *Entstehung und Entwicklung der Sozialen Marktwirtschaft* (Stuttgart, 1986), p. 16. Starbatty is a German economist and was a co-founder of the AfD.

³¹¹ Nichols, *Freedom and Responsibility*, pp. 144-45. Müller-Armack's acquaintance with Erhard dates back to 1931. See Nichols, *Freedom and Responsibility*, p. 104.

³¹² Hayek, cited in Ptak, "Neoliberalism in Germany," 107.

³¹³ Hayek considered the term both meaningless and dangerous: "A weasel was once said to be able to empty an egg without leaving a mark, and 'social' is in this sense a 'weasel word': a phonetic husk with only an echo of meaning." Hayek, *The Fatal Conceit: The Errors of Socialism* (Routledge, 1988), p. 117.

³¹⁴ Rüstow, "Die geschichtliche Bedeutung der Sozialen Marktwirtschaft" in Erwin von Beckerath, Fritz W. Meyer, and Alfred Müller-Armack (eds.), *Festschrift für Ludwig Erhard, Wirtschaftsfragen der freien Welt* (Frankfurt am Main: Knapp, 1957), p. 76.

social market economy.³¹⁵ Like their engagement with “the Social Question,” discussed below, the “Third Way” was appropriated from leftist discourse as alternative to both capitalism and communism. The term originated with Franz Oppenheimer’s interwar work and was in the title of an essay by Rüstow’s in the 1949 issue of *Ordo*.³¹⁶ From Rüstow’s days as a Marxist student of Oppenheimer to his postwar advocacy of a vitalist free economy, he pursued the quasi-religious mission of “reproducing interconnectedness between individuals.”³¹⁷ For Röpke, the Third Way represented a comprehensive alternative and a means to reactivate the “life energies” of individuals, communities, and the economy.³¹⁸ The concept opposed the state “planning” involved in “collectivism,” but also the law-like assumptions of *laissez-faire* liberalism.

Against the “interventionist chaos” of state spending and “full employment” prescribed by Keynesianism, the ordoliberals called for a “market-conforming” system of formal rules and technocratic bodies. Here they found key allies in Austrian economist Friedrich von Hayek, British economist Lionel Robbins, and Chicago economist Frank Knight.³¹⁹ Economic order, they claimed, emerges vis-à-vis the governmental framework and “the rules of the game,” and only a principled approach to intervention would allow for price stability, sound money, controlled inflation, and economic freedom.³²⁰

Together the Third Way and the Social Market Economy established a “firm frame” to “give the necessary support to the freedom of the market.”³²¹ It was one of first test cases for what became key tactics in neoliberal strategy: discursive cooptation, political triangulation, and fantastical projection. Making enemies of socialists while pulling the center-left in their direction, claiming possession of the “true” program and the “only” solution for social ills and economic crises – these techniques proved indispensable for the “new” forms of postwar liberalism inside and outside of Germany.

³¹⁵ See Röpke, *The Social Crisis of Our Time*, p. 176; Rüstow, “Soziale Marktwirtschaft als Gegenprogramm gegen Kommunismus und Bolschewismus” in Albert Hunold (ed.) *Wirtschaft ohne Wunder* (Erlenback: Rentsch), pp. 97-127.

³¹⁶ Franz Oppenheimer was Rüstow’s professor and Erhard’s dissertation adviser. He was a proponent of Marx’s social analysis but not in his economic analysis. See Franz Oppenheimer, *Weder so, noch so: der dritte Weg* (Potsdam: Alfred Protte Verlag, 1933). See Jan Hegner, *Alexander Rüstow: Ordnungspolitische Konzeption und Einfluß auf das wirtschaftspolitische Leitbild der Nachkriegszeit in der Bundesrepublik Deutschland* (Stuttgart: Lucius und Lucius Verlagsgesellschaft, 2000), p. 18. See also Koslowski (ed.), *The Theory of Capitalism in the German Economic Tradition: Historism, Ordo-Liberalism, Critical Theory, Solidarism* (Springer, 2000).

³¹⁷ Rüstow, “Die gesellschaftliche Lage der Gegenwart in Deutschland: drei Vorträge gehalten in der Hochschule für Politik” (Berlin, 24. 10. 1925) in *Blätter für religiösen Sozialismus*, Bd. 7, Berlin 1926, 51-72.

³¹⁸ “[Men will allow collectivism] as long as they see no other positive goal, firm and tangible, before them; in other words, as long as they know of no counter-program to collectivism over which they can really wax enthusiastic. ... what is still lacking today are the proper counter-arguments of an inspiring alternative program which will release new energies.” Röpke, *Social Crisis*, p. 142.

³¹⁹ The translation of Hayek’s essay “Individualism: True and False” was the first contribution in the first issue of *Ordo*. Hayek was asked to serve on the journal’s editorial masthead, a proposition he accepted.

³²⁰ See also the following passage from Hayek: “If we are to judge the potentialities aright it is necessary to realize that the system under which we live choked up with attempts at partial planning and restrictionism is almost as far from any system of capitalism which could be rationally advocated as it is different from any consistent system of planning. It is important to realize in any investigation of the possibilities of planning that it is a fallacy to suppose capitalism as it exists to-day is the alternative. We are certainly as far from capitalism in its pure form as we are from any system of central planning. The world of to-day is just interventionist chaos.” Hayek, *Collectivist Economic Planning*, pp. 23-24.

³²¹ For a list of policy recommendations, see Röpke, *Social Crisis*, p. 179.

The Critique of “Capitalism” and the Rationality of the “Competitive Order”

Economic freedom – to be more exact, competition – is indeed the *conditio sine qua non* of any recovery for our sick society.³²² – Röpke

The will to the competitive order is tightly entwined with the will to freedom.³²³ – Eucken

For ordoliberal theorists, properly conceptualizing capitalism does not mean grasping the material or structural logic of capital (*pace* Marx) or releasing the natural laws of the market (*pace* “paleoliberalism”). Instead, this task rather means understanding the relationship between markets and the politico-juridical framework that structures them. It is only by “thinking in orders,” as Eucken called it, that an entrepreneurial ethos can be cultivated, socio-economic conditions can be stabilized, and irrational “collectivist” forces can be curtailed. The ordoliberals claim that the ideal of an “interdependence of orders” is not best conceived as a singular economic form called “capitalism”; this is not *the* capitalist mode production, *der Kapitalismus*, because no such thing exists. Because the market form is universal and transhistorical, there are a *variety* of possible arrangements, and thus a range of ways government can configure economic, social, and cultural transformation.³²⁴ In this way, ordoliberalism could be seen as studying the “varieties of capitalism” and offering a “systems theory” *avant la lettre*. “[T]here exist widely differing national types of capitalism,” explains Röpke, “a circumstance which provides us at the same time with an index of the possibilities of reform.”³²⁵ Like Eucken, Rüstow also insists that “all ‘monist’ explanations of a historical period must be deliberately avoided.”³²⁶

From a philosophical perspective, then, the ordoliberals rejected, or placed in scare quotes, a number of inherited categories from “capitalism” to “socialism.”³²⁷ Eucken, for instance, called “capitalism” an abstract hypostatization, which is to say, the act of giving a concept the status of an independent and causally significant entity in the world.³²⁸ From a more sociological perspective, Röpke understood “capitalism” as just another word for “historical liberalism” or “paleoliberalism,” that is, “nothing other than the rotten and clogged form that the market economy took over the past one hundred years.”³²⁹ Rüstow likewise rejected the “corrupt” theologico-metaphysical underpinnings of this “paleoliberal” capitalist intellectual tradition, which he

³²² Röpke, *Social Crisis*, p. 180 (translation altered).

³²³ Eucken, *Grundsätze*, p. 250 (translation mine).

³²⁴ See also Foucault’s discussion in *Birth of Biopolitics*, p. 167.

³²⁵ Röpke, *Social Crisis*, p. 144.

³²⁶ Rüstow, cited in Eucken, *Foundations*, p. 293.

³²⁷ For the political, methodological and even theologico-metaphysical reasons, see Rüstow, *Das Versagen des Wirtschaftsliberalismus*.

³²⁸ On capitalism and the general tendency toward hypostatization, see Eucken, *Grundlagen*, p. 252-3. See also: “The influence of economics on the study of economic history [*die Wirtschaftshistorie*] has often not been favourable because a system of concepts has been applied which does not do justice to historical reality. The very valuable works of Strieder are among those which suffer from a very extensive use of the term ‘Capitalism.’” Eucken, *Foundations*, p. 342.

³²⁹ Röpke, *Civitas Humana*, p. 57.

examined in *The Failure of Economic Liberalism as a Theologico-Historical Problem*. To overcome such fraught conceptual and scientific legacies, they believed, a more adept theoretical apparatus is required. New methodological perspectives were necessary to correctly *conceive* and practically *institute* a more “rational” or “natural” economic order. This question of theory *and* practice had obvious resonance with the socialist and Marxist tradition – as communism, too, confronted the epistemological riddle of bridging the what and the how, the *is* and the *ought*. “What possibilities exist,” Eucken asked, “for the organization [*Ordnung*] of economic processes in the industrialized world?” Addressing the question to his favorite foe, he replied:

This question cannot be resolved by saying, like Marx, that history will spring from the realm of necessity into the realm of freedom. Talk of this kind of freedom brings us nowhere. One makes the matter all too comfortable by simply speaking of new possibilities without offering an exact presentation of how orders should be built up and how they function. We need to ask the important question of what we find in history and what we do not find in history. That is not to say, however, that we could develop the new order only by looking backwards, as if progressing with our backs against the future. It is rather to say the exact opposite: Just as previously and currently realized forms of order depend on economic policy, so do *possible* forms of order. A new possibility must be found, one that is offered up by scientific inquiry.³³⁰

Eucken’s initial reflections underscore the import of political economic knowledge and governmental technique for grasping or anchoring the historical plurality of (as yet unrealized) forms of order. In the name of sober, scientific analysis – “not the ideologies of capitalism, socialism, etc. but ordered thought [*das ordende Denken*] is what guides politically ordered action [*ordnungspolitische Handeln*]” – such forms are not determined by history or economy on their own. “A new possibility must be found,” explains Eucken, a possibility that is not simply a transitional form but that possesses stability and staying power.³³¹

Eucken’s argument came with a twist. For his emphasis on a great “plurality of forms” ultimately yields the peculiar though “essential” conclusion that “*the number of possibilities is few*.” The number, in fact, is precisely three – the same conclusion drawn by Röpke, Rüstow and other ordoliberalists.³³² (The number three looms large in ordoliberalism, though it remains an open question whether this should be understood in a Christian or a phenomenological light.³³³) In Eucken’s account of “economic reality,”³³⁴ the *only* possible ways of guiding industrial economic

³³⁰ Eucken, *Grundsätze*, pp. 242–43 (translation mine).

³³¹ Eucken, *Grundsätze*, pp. 242–43 (translation mine).

³³² See Röpke, *Civitas Humana*; Ernst Wolfram Dürr, *Wesen und Ziele des Ordoliberalismus* (Keller, 1954), p. 56; and Egon Edgar Nawroth, *Die Sozial- und Wirtschaftsphilosophie des Neoliberalismus* (Heidelberg: F.H. Kerle Verlag, 1961).

³³³ Oppenheimer’s Third Way socialism was influential as a politico-methodological tactic. For the philosophical dimensions of the concept of “Ordo,” see Franz Böhm, “Die Idee des ORDO im Denken Walter Euckens,” in *ORDO*, Bd. 3 (1950), pp. xv–lxiv.

³³⁴ “[T]he apparently unlimited range of economic forms ... can be reduced to a limited number of typical economic orders, each with its particular variants, and that this provides a basis for understanding economic reality.” Eucken, *Foundations*, p. 274.

processes, we learn, are “through centralized state controls, through groups, and through competition.”³³⁵ The first two have been tested and failed, Eucken claims; the Third Way will be a charm.

Eucken’s methodological sparring match with Marxist and socialist economics thus took a Weberian turn: the “essential” question of method ultimately turns on the correct usage of “real” and “ideal” types. With few exceptions, Weber’s role in the formation of ordoliberalism—and as Chapter 1 observed, neoliberalism more generally—has been overlooked by interpreters. Weber is cited in all of their major works, but his most important influence on ordoliberalism is subtler, appearing between the lines. In contrast to other common sources of inspiration – such as Ludwig von Mises – Eucken pays his due respect to Weber only when necessary. In his 1939 theoretical treatise, *The Foundations of National Economy*, for example, Eucken reserves a three-page footnote on typological method for his critical appraisal of Weber. Here, alongside typological thinkers from Aristotle to his father Rudolf Eucken, Eucken distinguishes his approach from Weber’s “ideal” and “pure” types.³³⁶ Like others in the Freiburg and Austrian Schools, Eucken references Weber’s *Economy and Society* to underscore the superior rationality of market societies versus centrally planned societies in the socialist calculation debate.

Beyond the Austrian parallels, the ordoliberal approach is informed by a number of philosophical and political-economic currents. As Foucault noted, Eucken’s methodology could be located at the intersection of “neo-Kantian philosophy, Husserl’s phenomenology, and Max Weber’s sociology.”³³⁷ Eucken’s was an era of Kantian revival with a distinctly historicist disposition. Economic history and economic sociology were in close dialogue with philosophy about questions of methodology.³³⁸ Of equal importance for ordoliberal political economy, and particularly for Eucken’s methodological interventions, was the *Methodenstreit* rivalry between

³³⁵ Eucken, *Grundsätze*, p. 243 (translation mine).

³³⁶ For Eucken’s reading of Weber’s methodology of real and ideal “types,” see Eucken, *Grundlagen*, 251-53 and 268-70. At the time, Neo-Kantian and Weberian approaches to political economy were prevalent. For one impressive and strikingly similar tract to Eucken’s “morphology,” see Herbert Schack, *Wirtschaftsformen: Grundzüge einer Morphologie der Wirtschaft* (Jena: Herbert Verlag/Gustav Fischer, 1927).

³³⁷ Foucault, *Birth of Biopolitics*, p. 322.

³³⁸ Though trained as an economist, Eucken possessed a remarkable philosophical acumen—not least because of the influence of his father, Rudolf Eucken. The elder neo-Kantian and Christian “philosopher of life” won the 1908 Nobel Prize for Literature as well as widespread recognition for his tracts on the nature of social scientific inquiry, the history of philosophy, and the philosophy of religion. Such religious and philosophical influences on the younger Eucken’s work can be found in his constant reference to Kant; his Husserlian definition of science in the *Foundations*; and his open battle with the dismissive secularism of his liberal colleagues at the 1947 meeting of the Mont Pelerin Society, which Eucken countered with an argument for the centrality of Christianity in the history and future of liberalism. For Eucken’s exchange at the MPS meetings, see R. M. Hartwell, *A History of the Mont Pelerin Society* (Indianapolis: Liberty Fund, 1995). For Eucken’s use of Husserl and Weber’s conceptions of science, see the following two passages: “The science of economics must be systematic. ‘This is not simply in order to give expression to the aesthetic element in our nature. The subject-matter of science is not the material for an architectural game. The systematic character of a science, if genuine, is not something invented, but lies in the facts, and its existence therein has to be discovered. A science must be the means by which the realm of truth is extended, and this realm is no disordered chaos but governed by uniformity and regularity.’” Husserl, cited in Eucken, *Foundations*, pp. 303-4. “Particular problems and the specific instruments required for their solution limit the field of each science, as Max Weber pointed out. All sciences, including economics, grow up not by discovering a subject that has first to be delimited by definitions, and then more closely described, but by the emergence of their problems and the development of the methods of solving them.” Eucken, *Foundations*, pp. 303-4.

the German Historical School and the Austrian School.³³⁹ Eucken's "morphological" method in *Foundations* can be read as a "synthesis" between these schools—a Kantian-Husserlian synthesis that seeks to resolve questions by juxtaposing "thesis" and "antithesis." From the outset Eucken's philosophical concerns revolved around rectifying the then dominant historiographical and conceptual approaches to political economy. This discipline, he suggested, should not be what the German Historical School proposed, a historicist analysis of economics that denies the existence of trans-historical laws and allows for unprincipled and chaotic forms of state intervention. Nor should it hold to the level of analysis advocated by the Austrian School, a theoretical science based on a methodological dualism that discards history and privileges a form of abstract economic reasoning to arrive at universally valid propositions and prescriptions.³⁴⁰ A "new orientation is needed," Eucken argued – a Third Way, if you will.³⁴¹ Neither approach to economic science will do by itself: the competitive order can only be achieved by making principled and productive use of history *and* theory.³⁴²

This yielded a legally and sociologically informed approach to the significance of *the institution* in economic history and reality. "Capitalism" must be conceived in terms of institutional "forms," methodological "styles," and systemic "types" of economic order. For the ordoliberal, the problem of order (*Ordnungsproblem*) does *not* inhere in capitalism's intrinsic contradictions. Rather, it is a problem of balancing, stabilizing and rationalizing conflictual processes of in different spheres of life. Economic, political, legal, social, and cultural orders act on one another in more or less "rational" ways.³⁴³ Their interactions are not a matter of a dialectical unfolding, but a series of "ordered" constructions, which must be conceptualized in terms of the "interdependence of orders."³⁴⁴ That the governmental, legal, and social orders *hang together* with the economic order is a claim often accompanied by a direct swipe at the formulaic base-superstructure model of orthodox Marxism. "It would be wrong," Eucken argued, "to view the economic order as the base upon which the social, governmental, legal and other orders are based. Modern history teaches us just as clearly as earlier history that the governmental or legal orders also influence the formation of the economic order."³⁴⁵ The agglomeration of economic interests, for example, can capture and pervert the political order: "The state first encourages the formation

³³⁹ For an excellent study of Eucken and the Historical School, which strangely does not mention the role of the Austrian School, see Helge Peukert, "Walter Eucken (1891-1950) and the Historical School" in Koslowski (ed.) *The Theory of Capitalism in the German Economic Tradition: Historism, Ordo-Liberalism, Critical Theory, Solidarism* (Springer, 2000).

³⁴⁰ See Menger, *Untersuchungen*; see also Eucken, *Grundlagen*.

³⁴¹ Neither Historical School nor Austrian School alone can solve the problem, Eucken declared: A new orientation is needed ("Eine Neuorientierung ist nötig"). Eucken, *Grundlagen*, p. 248.

³⁴² In this respect Eucken is in the same camp as Joseph Schumpeter, Karl Polanyi, Peter Drucker, and others on the German-Austrian fence.

³⁴³ Eucken distinguished "economic processes" from "economic orders"; the former is a general concept used to describe any and all kinds of economic activity, and the latter is a foundational concept essential to grasp economic "reality" [*wirtschaftliche Wirklichkeit*] as such – not only in modern times, but in *all* times: "Whether it is the economy of ancient Egypt or of Augustan Rome or of medieval France or modern Germany or anywhere else, *every economic plan and every economic action* of a peasant, landlord, trader, or craftsman takes place within the framework [*Rahmen*] of an economic order [*Wirtschaftsordnung*], and *only within this framework of the respective order does it have a meaning*. The economic process goes on always and everywhere within the framework of a historically given economic order. The order may be a bad one, but without an order no economy is possible." Eucken, *Foundations*, 80 (translation altered, italics mine); Eucken, *Grundlagen*, p. 50.

³⁴⁴ This 'interdependence of systems' is an important fact of life, particularly of modern life." Eucken, "What Kind of Economic and Social System?" p. 33 (English translation of "Das ordnungspolitische Problem," *Ordo* I, p. 72).

³⁴⁵ Eucken, "What Kind of Economic and Social System?" p. 33 (translation altered).

of private economic power and then becomes partially dependent on it... [and] not only do the methods of economic control mold the social structure, but the social structure also influences economic control.”³⁴⁶ More systematic than the Chicago School neoliberals treated in the following chapter, the Freiburg School insists that sociological, legal and historical study is necessary to comprehend and construct different economic orders. This German conception of order was built like a philosophical system, constructed through an idiosyncratic conceptual apparatus that aims at grasping and changing economic “reality” [*Wirklichkeit*].

But how exactly does the competitive order result from this meta-doctrine? As a rule-bound institutional framework, the competitive order is the *real type* that the market economy takes when the “foundational principles” structure and delimit state intervention. Competition is both a means and an end of this framework; securing competition, however, means solving the riddle of state interventionism and corporate monopoly.³⁴⁷ The Freiburg solution to the complex question of the “when” and “how” of state intervention distinguishes them from Austrian absolutism and Chicagoan radicalism.³⁴⁸ This is both an epistemological and ontological question, a matter of the knowable and the touchable within “economic reality,” and each political rationality approaches the question differently.³⁴⁹ For the neoliberals, non-intervention is generally necessary in order to give full play to competition and the price mechanism. Here the ordoliberals overlap both with the “as if” full competition policy advocated by the marginalists and later by the American neoliberals, on the one hand, and with an already long-standing legal tradition of German anti-monopoly regulation, on the other. The latter, however, requires a new approach to the politico-juridical framework—the *Ordnungsgefüge* or the *Ordnungsrahmen*³⁵⁰—that structures economic processes.

What constitutes “non-intervention,” and what are potential exceptions? Whereas Ludwig von Mises’ offered an absolutist answer – no intervention, period³⁵¹ – the ordoliberals refused such an unqualified and, in their view, dangerous position. The topic of anti-monopoly regulation led to two heated exchanges between Mises and the ordoliberals – first with Rüstow at the 1937 Colloque Walter Lippmann, and then with Eucken at the Mont Pelerin Society.³⁵² Röpke got along with Mises better than Rüstow, who in a personal letter described Mises as “an old liberal ultra... who belongs behind glass in a museum.”³⁵³ According to the ordoliberals, an institutional framework is necessary to cultivate the optimal balance of forces and to prevent possible disruptions to the dynamic of competition. In order to “play the role of general regulator, of

³⁴⁶ “This ‘interdependence of systems’ is an important fact of life, particularly of modern life.” Eucken, “What Kind of Economic and Social System?,” p. 33.

³⁴⁷ For the way this “agenda” characterized the actual economic policies of West Germany from 1948 to the late 1970’s, see Peter J. Katzenstein, *Policy and Politics in West Germany: The Growth of a Semisovereign State* (Philadelphia: Temple UP, 1987), pp. 89-96.

³⁴⁸ See the next chapter.

³⁴⁹ See Foucault, *Birth of Biopolitics*; see also Wendy Brown, “The Powers of the Visible and Invisible in Marx and Foucault” (forthcoming).

³⁵⁰ The *Duden* Dictionary defines the concept: “Das Wort *Ordnungsrahmen* stammt vom lateinischen „ordo“ (Reihe, Rang, Ordnung, Stand) sowie dem mittelhochdeutschen „rame“ beziehungsweise dem althochdeutschen „rama“ (Einfassung, Stütze, Gestell)... Ein Ordnungsrahmen strukturiert ein System, indem es seine einzelnen Elemente umfasst und anhand ihrer Beziehungen zueinander anordnet. In der angloamerikanischen Literatur wird synonym der Begriff „business model“ oder der allgemeinere Begriff „framework“ verwendet.”

³⁵¹ See Ludwig von Mises, *Liberalism* (1927/1962); and Mises, *A Critique of Interventionism* (1929/1997).

³⁵² See R. M. Hartwell, *A History of the Mont Pelerin Society* (Indianapolis: Liberty Fund, 1995).

³⁵³ Rüstow in a letter to Röpke, cited in Nichols, *Freedom and Responsibility*, p. 102.

principle of political rationality,” Foucault observes of the Germans, “the market must be possible in the first place.”³⁵⁴ In effect, the framework is what first gives form to a market economy and what then sustains, secures, and rationalizes it as an order of competition. “The economic order consists of the unity of forms in which the control [*Lenkung*] of everyday economic processes ensues *in concreto*... The activity of the state should be directed at the formation of ordered forms in the economy, not at the control of economic processes themselves.”³⁵⁵

Interventions are not ruled out *a priori*; they must operate in principled and disciplined fashion. As the “ordering power” [*ordende Potenz*], the state must link its activity to predetermined principles.³⁵⁶ The problem, Röpke wrote early on, is that “the welfare state has no built-in self-limiting capacity.”³⁵⁷ The state must learn from political economy that “an interventionist economic policy has its Rubicon.”³⁵⁸ Which is to say: governmental administrators and experts must discern “the many intermediary forms of economy policy which can neither be termed liberalism nor collectivism.” The central distinction, defined by Röpke and used by Eucken, is between “compatible and incompatible” intervention or “market conforming and market non-conforming” intervention.³⁵⁹ “There are not two, but three possibilities,” Röpke and Eucken insist: “laissez-faire, compatible state intervention, and incompatible state intervention (planned economy).”³⁶⁰ Harking back to the socialist calculation debate and foreshadowing Hayek’s contention in *The Road to Serfdom*, Röpke and Eucken demand that governmental agencies respect and protect the price mechanism: “the price mechanism is an essential part of the mechanism of our whole economic system and one cannot do away with it without in the end being forced down a path leading to pure collectivism.”³⁶¹

The market economy does not succeed on its own; the “natural” outcome of free markets, the ordoliberals argued, was a myth propagated by paleoliberalism. This is a shared tenet across all branches of neoliberalism: the constructivist nature of its project.

The starting point of neoliberalism is the admission, contrary to classical liberalism, that its political program will triumph only if it acknowledges that the conditions for its success must be constructed, and will not come about ‘naturally’ in the absence of concerted effort. This notion had direct implications for the neoliberal attitude toward the state, the outlines of what they deemed a correct economic theory, as well as the stance adopted toward political parties and other corporate entities that were the result of conscious organization, and not simply unexplained ‘organic’ growths. ‘The Market’ would not naturally conjure the conditions for its own continued flourishing, so neoliberalism is first and foremost a theory of how to reengineer the state in order to guarantee the success of the market and its most important participants, modern corporation. Neoliberals accept the (Leninist?)

³⁵⁴ Foucault, *Birth of Biopolitics*, p. 146.

³⁵⁵ Eucken, *Grundsätze*, p. 336.

³⁵⁶ Eucken, *Grundsätze*, p. 336.

³⁵⁷ Röpke, *Against the Tide*, p. 205.

³⁵⁸ Röpke, *Social Crisis*, pp. 159-163.

³⁵⁹ Eucken, *Grundsätze*, 305. Foucault credits Eucken with this crucial distinction, which Eucken himself actually attributes to Röpke. See also Foucault *Birth of Biopolitics*, pp. 141, 157.

³⁶⁰ Röpke, *Social Crisis*, p. 163.

³⁶¹ Röpke, *Social Crisis*, p. 161.

precept that they must organize politically to take over a strong government, and not simply predict it will ‘wither away.’³⁶²

In the ordoliberal view, it is necessary to *construct* the “economic constitution” and the strong state to secure economic growth and price stability. When the framework is in place, however, there is no need to intervene directly “since the economic process, as the bearer in itself of a regulatory structure in the form of competition, will never go wrong if it is allowed to function fully.”³⁶³ This implies that the question of intervention is always contextual, predicated on its formal nature, and aimed at securing the order from disruption and contamination. The framework uses the market as a means to achieve “optimal” and “full” levels of competition, price stability and social cohesion – that is, up to the (exceptional) point when it becomes unbalanced and disordered. This is what they call “crisis.”

Because ordoliberalism posits the existence of a “natural” order – which, when constructed, yields economic growth, social balance and thus also a form of political legitimacy – every aberration must be explained by a departure from the order’s principles or by the influence of outside factors. In the ordoliberal view, *crises* are either due to failed interventionism or to external threats.³⁶⁴ The question of interventionism – “too much” or “too little” – is typically answered with “too much.” Every instance of “direct” or “non-conforming” intervention signifies a breakdown of order or, from a Schmittian perspective, a state of exception. The ordoliberals therefore call for a strong state to reestablish order and to prevent disorder in the first place. As a multidisciplinary theory of political-economic power, ordoliberalism is in a unique place to affirm that power lies both in the political and the economic sphere, and it sees the former as a form-giver form to the latter. Or as Eucken put it: “The economic order is a tool for the implementation of power.”³⁶⁵

Here we find the principal agent of *techne*, the means for producing stable order and for reconstructing economic and social forms. In doing so, this *neo*-liberalism need not be especially *democratic*, nor need it be particularly *liberal*. To be sure, its aspiration lies more in the former than in the latter. By “erecting a bar against the state... consisting of nonpolitical spheres,” Röpke explains, “the liberal principle... is compatible with democratic as well as non-democratic political systems.”³⁶⁶ Even though they need not necessarily come together, he adds, “[w]hen liberalism advocates democracy, it can do so only on condition that democracy is hedged in by such limitations and safeguards as will prevent liberalism’s being devoured by democracy.”³⁶⁷ The layers of equivocation in this concept of liberalism allow for an elision in neoliberal thought. Democracy ought not get in the way – particularly when it comes to economic policy. This is a trans-neo-liberal position, one shared by Hayek, Friedman and Buchanan as well.

³⁶² Rob Van Horn and Philip Mirowski, “The Rise of the Chicago School of Economics and the Birth of Neoliberalism,” p. 161.

³⁶³ Foucault *Birth of Biopolitics*, p. 137.

³⁶⁴ As Bonefeld observes, “Economic crises are therefore understood as crises of interventionism.” Bonefeld, “Ordoliberalism and Political Theology,” p. 1 (forthcoming).

³⁶⁵ “Die Wirtschaftsordnung ist ein Werkzeug zur Durchsetzung von Macht.” Eucken, *Grundsätze*, p. 376.

³⁶⁶ Röpke, *Social Crisis*, p. 86.

³⁶⁷ Röpke, *Social Crisis*, p. 97. See also Biebricher, “Neoliberalism and Democracy.”

Between the lines, then, ordoliberal texts betray what ordoliberal practice does in moments of crisis. To achieve its ultimate ends—order, stability, competition and “sound money”—informal and extralegal measures are necessary—measures that have been called “liberal authoritarianism.”³⁶⁸ Long before Wolfgang Schäuble – the arch-ordoliberal practitioner discussed in the next chapter – the founders had already made this possibility quite clear:³⁶⁹

It is a permanent task of economic policy to lay down and enforce the norms and standards of economic life. There must always be certain laws and institutions which form the framework in which the economic process takes place... Within the legal and institutional permanent framework there will always produce certain frictions which are temporary by nature, changes which will bring hardship to certain groups, states of emergency, and difficulties of adjustment.³⁷⁰

This line of thought draws directly on Carl Schmitt.³⁷¹ The *strong state* is the paradigmatic producer and enforcer of ordoliberal order. The idea can be traced to Rüstow’s 1932 lecture on “Free Economy – Strong State”;³⁷² it also runs back, Bonefeld observes, to Müller-Armack’s 1933 argument that “socio-economic difficulties can only be ‘resolved by a strong state’ that ‘suppresses the class struggle’ and that thereby renders effective the free initiative of individuals within the framework of ‘decisive rules.’”³⁷³ In order to maintain the market order, this might entail what Rüstow (in 1932) and Röpke (in 1942) called “dictatorship within the bounds of democracy.”³⁷⁴ This is defined, Bonefeld observes, “as a commissarial dictatorship, which, as Schmitt argues, temporarily suspends the rule of law to restore legitimate authority in the face of an ‘extreme emergency.’”³⁷⁵ As early as 1931 Müller-Armack argued that, to “free economic activities” and “suppress the class struggle,” a strong state and a set of “decisive rules” are necessary to maintain

³⁶⁸ Dieter Haselbach, *Autoritärer Liberalismus und Soziale Marktwirtschaft: Gesellschaft und Politik im Ordoliberalismus* (1991); Moritz Krell, *Der Ordoliberalismus als autoritärer Liberalismus: Eine theoretische Legitimation der präsidialen Ermächtigungsgesetze?* (Grin Verlag, 2013).

³⁶⁹ The EU’s informal governance through the Troika and the EC made this clear, yielding Greece’s Memorandum of Understanding and similar measures for Southern European countries who do not keep to the austere diet prescribed for them. See Christian Joerges, “The Crisis of Law in the Integration of Europe” (forthcoming); Thomas Biebricher, “Neoliberalism and Sovereignty”; Biebricher, “Neoliberalism and Democracy”; Sonja Buckel, *Near Futures Online*; Bonefeld; Butterwegge, Lösch and Ptak (eds.), *Neoliberalismus: Analysen und Alternativen*; Alexander Somek, “Authoritarian Liberalism,” *Austrian Law Journal* 1/2015, 67–87; <http://alj.uni-graz.at/index.php/alj/article/view/37>.

³⁷⁰ Röpke, *Social Crisis*, p. 186.

³⁷¹ For different accounts of the ordoliberals’ relation to Carl Schmitt, see Werner Bonefeld, *The Strong State and the Free Economy* (Rowman & Littlefield International, 2017); Biebricher, “Sovereignty, Norms and Exception in Neoliberalism”; and Slobodian, *Globalists*.

³⁷² Rüstow, “Freie Wirtschaft – Starker Staat (Die staatspolitischen Voraussetzungen des wirtschaftspolitischen Liberalismus)” in F. Boese (ed.), *Deutschland und die Weltkrise, Schriften des Vereins für Socialpolitik*, Bd. 187, (Dresden, 1932), pp. 62–69; reprinted in W. Hoch (ed.), *Alexander Rüstow: Rede und Antwort*, pp. 249–258.

³⁷³ Müller-Armack (1933), p. 41; Bonefeld, Bonefeld, “Ordoliberalism and Political Theology: On the Government of Stateless Money” in *Ordoliberalism, Law and the Rule of Economics*.

³⁷⁴ Rüstow, “Freie Wirtschaft – Starker Staat.” Röpke, *International Economic Disintegration* (New York: The Macmillan Company, 1942), pp. 246–7. See also Werner Bonefeld, “Freedom and the Strong State: On German Ordoliberalism,” *New Political Economy* 17 (2012), 633–656, as well as Werner Bonefeld, “Ordoliberalism and Political Theology: On the Government of Stateless Money” in *Ordoliberalism, Law and the Rule of Economics*.

³⁷⁵ Bonefeld, “Human economy and social policy: On ordoliberalism and political authority,” p. 108.

economic order.³⁷⁶ For Hayek, too, the strong state could be conceived as an “economic planner for competition.”³⁷⁷ But if German neoliberalism aims at solving the riddle of interventionism and monopoly through a theory of crisis and its own “rational system of governmental intervention,”³⁷⁸ it also aims to construct and accord itself with the rationality of the economic subject that its political rationality presupposes.

Ordoliberal Philosophical Anthropology: The Economizing Subject

Ordering means to order in freedom. Ordering a process means framing and patterning the factors that constitute it in such a way that the process administers itself in the desired direction. Ordering can only take place – as opposed to ‘regulating’ – when man orders his own conduct with discipline. – Leonhard Miksch³⁷⁹

Just as the socialist scientist examines “diverse economic forms [*Wirtschaftsformen*],” explains Eucken, “so must we study economic men [*Wirtschaftsmenschen*] in order to see man in the economy as he was and as he is.”³⁸⁰ The history of different – i.e., more or less principled and rational – economic orders reveals that “the competitive order” does not emerge and operate on its own. Despite its non-inevitability, this “type” of order *does* accord with “reality.” A strong state, a legal framework and constitutive principles are *inter alia* necessary for its functioning. Equally necessary, however, is the corresponding rationality of the economic subject.

“It may be objected,” Eucken notes, “that even though the variety of institutions can be reduced to types of economic order, the individual subject is always changing.” Diverse appearances of economic conduct across space and time “must be understood in their special intellectual, geographical, and political surroundings.”³⁸¹ Rejecting Sombart’s “antithesis” between the *Zwecksetzung* of economic subjects in capitalist (“acquisitive”) versus pre- and post-capitalist (“needs-based”) epochs,³⁸² Eucken explains we find “in reality” that “the actions and plans of men are both uniform and varied.”³⁸³ They vary on the spectrum of “objectively” rational

³⁷⁶ Alfred Müller-Armack, *Staatsidee und Wirtschaftsordnung im neuen Reich* (Berlin: Junker & Dünhaupt, 1933), 41.

³⁷⁷ Hayek, *The Road to Serfdom* (1944), p. 31. See Bonefeld, “Human economy and social policy: On ordoliberalism and political authority,” p. 108.

³⁷⁸ Röpke, *Social Crisis*, p. 121.

³⁷⁹ “*Ordnen heißt in Freiheit ordnen*. Wenn man einen Prozeß ordnet, so bedeutet das, daß man die Faktoren, die ihn bestimmen, so gestaltet, daß er sich dann von selbst in der gewünschten Richtung vollzieht. Geordnet kann nur – im Gegensatz zu ‘geregelt’ – werden, wenn sich die Menschen diszipliniert verhalten.” Leonhard Miksch, cited in Eucken, *Grundsätze*, p. 179.

³⁸⁰ Eucken, *Foundations*, p. 292 (italics in the original, translation altered); original in Eucken, *Grundlagen*, p. 220.

³⁸¹ Eucken, *Foundations*, p. 292; Eucken, *Grundlagen*, p. 206.

³⁸² “Sombart holds that all economic life before capitalism was for meeting needs... Capitalism with its desire for profit diverges strongly from this attitude. However, capitalism is now passing and the post-capitalist socialist economic systems will victoriously reintroduce the principle of meeting needs (or ‘production for use’). Then production will not be for monetary gain, but to provide consumers’ goods. This is Sombart’s argument, which we present here as representative of a whole trend of thought. It is no mere accident that such views have found wide public acceptance.” Eucken, *Foundations*, p. 292; Eucken, *Grundlagen*, p. 206.

³⁸³ Eucken, *Foundations*, p. 293.

economic action, that is, according to the relative and “imponderable” influence of cultural ties and spiritual beliefs on economic behavior. They are uniform, however, in an important way—one that recalls Menger, Mises, and Robbins’ conception of economics examined in Chapter 1. Eucken writes:

Constant: everywhere and at all times man finds himself in the daily situation of having to adjust his needs to the means at his disposal for satisfying them, and vice versa. In this respect nothing has altered fundamentally since the beginning of history. Not only is the human situation always basically the same, but also the actions intended to overcome the problem remain essentially constant. *In their economic plans and their resulting actions men always and everywhere try to attain a certain end with as little expenditure of means and value as possible.* They always follow ‘the economic principle.’³⁸⁴

The economic principle constitutes a logical premise and universal pattern of conduct. Although there are “non-economic” characteristics important to explaining human behavior – as Eucken, Röpke, and Rüstow repeatedly aver – acting upon the economic principle is “a maxim of rational action in general.”³⁸⁵ Nor did Hayek hold a neo-classical or rational choice conception of the subject as fully rational actor. It should be further noted that this conception of the economizing and (ideally entrepreneurial) subject is neither Smith’s famous formulation of the individual pursuit of self-interest nor rational choice theory’s formulation of the strategic and instrumental pursuit of self-interested ends.

At stake in this ordoliberal conception is a broader, more malleable conception of rational self-conduct. Subjects are not fully and objectively rational, competition-oriented, profit-seeking or self-interested in the first place. Economic man is not born, but made. Eucken’s umbrella definition of the economic principle – “*men always and everywhere try to attain a certain end with as little expenditure of means and value as possible*” – presages the redefinition of economics as the analysis of “scarce means among competing ends,” a definition that Becker later called “imperial” in that it covers nearly every aspect of life.³⁸⁶

It is a *method* of analysis, not an assumption about particular motivations. Along with others, I have tried to pry economists away from narrow assumptions about self-interest. Behavior is driven by a much richer set of values and preferences. The analysis assumes that individuals maximize welfare *as they conceive it*, whether they be selfish, altruistic, loyal, spiteful or masochistic.³⁸⁷

³⁸⁴ Eucken, *Foundations*, p. 281; the original reads “*einen bestimmten Zweck mit einem möglichst geringen Aufwand an Werten zu erreichen.*” Eucken, *Grundlagen*, p. 211.

³⁸⁵ “Es ist eine Maxime des vernünftigen Handelns überhaupt.” Eucken, *Grundlagen*, p. 212.

³⁸⁶ There is not yet an idea of the *self-investing* subject of human capital, however. Roots could be found in the ordoliberals’ formulation of investment in the knowledge, skills and “mentality” of workers (and all individuals).

³⁸⁷ Becker, “The Economic Way of Looking at Behavior,” p. 1.

Though clearly less utilitarian than Becker, Eucken concurs in a significant way: at the basis of ordoliberal philosophical anthropology lay the economic schema.³⁸⁸ This provides a frame for understanding “the economizing subject” [*Der wirtschaftende Mensch*], the name of the concluding chapter in Eucken’s *Foundations of National Economy* which Hayek had translated into English after WWII.³⁸⁹ According to Eucken, the economic principle is any sort of “expenditure” of any kind of “value,” and therefore is considered a context-transcendent feature of rational conduct. For Eucken, this logic underlies the decisions of the Chinese peasant to perform sacrifice,³⁹⁰ the tribes of New Guinea to use magic, or the saint in the desert to eat locusts.³⁹¹ In each of these cases and cultures, individuals “subjectively” hold to the principle as it corresponds to their respective beliefs and institutional orders. But in contrast to the “subjectively” rational French peasant—another example of man’s “imponderable” ties to land and community—the *modern American entrepreneur* “objectively” acts upon the economic principle: “(1) he has a variable standard of unlimited needs; (2) he acts according to ‘the principle of maximum net revenue’; (3) he makes long-term economic plans; (4) he is generally little bound by traditional ties.”³⁹² Economic rationality is a universal maxim, then, even if the social-scientific question remains how subjects “objectively” or “subjectively” act upon it.

The significance of this premise was also reflected in the socialist calculation debate. While working with a similar typological schema to Weber’s *Economy and Society* – i.e., the binary of market economy vs. centrally controlled economy, examined in the Chapter One – Eucken admits historical variance in the development and “rationalization” of modern techniques of calculation.³⁹³ The implication is that the conditions have already arisen for implementing and

³⁸⁸ “[H]uman behavior is not only to be explained by the striving for the maximum profit, that is, by ‘capitalistic’ motives. Self-preservation, fear, hatred, the lust for power, love, humanitarianism, and other motives, determine in very differing degrees men’s actions. But it is not to be concluded from this that because of extra-economic objectives and motives the economic principle is disregarded. *The economic principle has nothing to do with the aims or purposes of human actions. The aims differ greatly and may be egoistic or altruistic, but it will always be according to the economic principle.* The head of a monastery may well have no notions of aiming at the maximum profit and act entirely in the service of humanity, but in cultivating his fields, using raw materials, buying goods, and spending charitable gifts, he will be planning and acting in accordance with the economic principle. That is, he will be trying to fulfill a particular purpose with the minimum possible expenditure, in order to maximize the welfare from his fields, raw materials, etc.” Eucken, *Foundations*, p. 345 (italics added).

³⁸⁹ See the translator’s note in T.W. Hutchinson, “Preface” in Eucken, *Foundations* (1950).

³⁹⁰ “His everyday life is dominated by a belief in spirits and a worship of his ancestors. But however much he is bound by beliefs, superstitions, customs, and traditions, within this framework (or it might be said, with these data as a framework), he acts in accordance with the economic principle. He makes sacrifices partly from an ethical and religious sense of duty: to that extent the sacrifices are an end in themselves. Or he makes sacrifices in order to ward off a threatened crop failure: then they are a means to an end. In both cases he is acting according to the economic principle.” Eucken, *Foundations*, p. 281; *Grundlagen*, p. 211.

³⁹¹ “Travelers report that even today in certain villages in New Guinea, when houses are being built, a magician is commissioned for a fairly high fee to cast a spell on the beams. To us such expenditure seems an uneconomic and useless expense at variance with the economic principle, but to the people of this New Guinea tribe it is a necessary cost, and follows from the economic principle. Without it, according to what they believe, the purpose, that is, the building of the house, would not be carried out at the lowest cost. The house would be destroyed by floods and storms, and further heavy but avoidable expenditure would be necessary. It would be easy to add to these examples. Saints living in the desert on locusts and wild honey acted according to the economic principle, as do children influenced by ideas of magic. It is not to be confused with the striving for maximum profits or with the principles of ‘capitalism.’” Eucken, *Foundations*, p. 282.

³⁹² Eucken, *Foundations*, p. 294; Eucken, *Grundlagen*, pp. 221-22.

³⁹³ “It does seem, however, that in certain periods a fundamental change has taken place, for example, since the Renaissance, with the much more precise fixing of weights and measures, with the business of firms and households

optimizing the “objective” pursuit of the economic principle by individual subjects as well as by the competitive order as such. “[I]n the present age,” he concludes, “the divergence between subjectively following and objectively realizing the economic principle has become relevant and important in yet another way: it applies to the centrally administered economy, a form of order of great significance today.” Both “socialists” and “liberals” miss this distinction, he suggests: “Central administration chooses the plans that should be realized with a certain arbitrariness. It gazes right through the Gordian knot, which it is unable to untangle.”³⁹⁴ Centralized planning lacks the ability to measure scarcity [*Knappheitsmesser*] and thus cannot make good on the modern calculation techniques for the most objective realization of the economic principle.

Eucken’s philosophical anthropology provides another microscope sample of the fine line between the “constructivist” and “natural order” programs underpinning ordoliberal political rationality. The objectively “rational” economic action prescribed by ordoliberalism always already resides in “man” as such.³⁹⁵ More precisely, this form of rationality exists in *and* transcends man. The former is significant for the project of an “optimal” or “natural” order; the latter is what renders this “type” accessible to the “unitary theoretical apparatus” of the social scientist. Politically speaking, it is posited as the preexisting, not yet fully realized and therefore optimizable core of the economic subject. This comprises one of the constructivist and normative elements in ordoliberal political rationality: the competitive order at once presupposes and effectively produces economizing and entrepreneurial subjects. Moreover, as Miksch implies in the epigram above, freedom and order *as such* depend on subjects conducting themselves in a “disciplined” (i.e., “rational”) fashion. Entrepreneurial risk is to be permitted, if not promoted; not playing by the rules is to be punished, directly or indirectly. Decades before Becker’s theory of human capital, the “reality principle” of economic conduct appears in a subjectivist-universalist guise.

The Racial Lining of Ordo-Typology

In contrast to more economic neoliberal currents, such as those of Mises or Friedman, the ordoliberals explicitly link their economic principles to a cultural and civilizational project. In this view, the strong state and competitive order not only make possible a particular “type” of subject, as examined above; they also allow for comparison between more or less disciplined and developed economies—a measure for postcolonial (under)development. Here again, Weber serves as a model for typologically tracking the relationship between culture, religion and economics.³⁹⁶

accounted for in writing, with simple and double-entry book-keeping, balance sheets, profit and loss accounts, and exact budgeting. Through such processes of rationalization, surely this means that a calculative economic spirit [*rechnerischer Wirtschaftsgeist*] previously unknown to mankind has been introduced into history? Historians have shown how gradual this development was and how the constant refinement of economic calculation altered the character of business management, which, in turn, influenced economic development. The knowledge of double-entry book-keeping was a precondition for the south German expansion of the beginning of the sixteenth century.”

Eucken, *Foundations*, pp. 282-3; *Grundlagen*, p. 212.

³⁹⁴ Eucken, *Foundations*, p. 285; *Grundlagen*, p. 214.

³⁹⁵ The gendered “man” stands in here for the universal “human”; the discourse frames *der Mensch* and *homo oeconomicus* as at once gendered and genderless, since the model’s universality effectively covers over questions of sex, gender and difference altogether. For studies of this in practice, see Leslie Salzinger, “Sexing Homo Oeconomicus” (forthcoming); and Brown, Chapter 3 in *Undoing the Demos*.

³⁹⁶ “We want to understand the effects which the spiritual and intellectual characteristics of individual men in different periods, classes, or nations, exercise on actual economic events... It becomes possible in this way to

But beneath their own social scientific interests and economically liberal visions ran a culturally conservative undercurrent. As was already clear in their critique of *laissez-faire* capitalism and socialist collectivism, the ordoliberals believed that bolstering the rationality of competition was central to solving the “social crisis” of the time. The latter included sustaining the cultural and religious roots of Christian communities as a basis of Western civilization.

Like Weber, Eucken, Röpke, Rüstow and Müller-Armack approached the question of religion in capitalist development as a constitutive part of their research agenda. Though the abstract contours of their philosophical anthropology covers over the Protestant roots and theological undertones,³⁹⁷ they glorified the calculative “ethic” of the entrepreneurial class – without the deeply ambivalent qualities of Weber’s study. Their narrative is not based in an account of historical “progress” or reason, but a series of formalist typological comparisons that served a different purpose: marking off “the West” from different cultures [*Kulturkreisen*] and advocating for an “Atlanticist” anti-socialist project – a post-war alliance for economic integration between Germany, England, France and the United States.³⁹⁸

The ordoliberal “art of government according to the rationality of economic agents,” which Foucault sketched only in the context of Europe, is intertwined with a Euro-Atlantic project comprising normative and wide-reaching forms of governmentality on national, transnational and global scales.³⁹⁹ Perhaps the most revealing case of the ordoliberal schema in practice is Wilhelm Röpke’s defense of apartheid South Africa. According to Röpke, “the ‘rich’ countries of today are rich because, along with the necessary prerequisites of modern technology and its industrial use, they have a particular form of economic organization that responds to their spirit [*Geist*]”—a spirit that can only be found in “sharply curtailed areas... namely the fully developed industrial countries of the world.”⁴⁰⁰ Echoing Eucken’s praise of “objectively rational economic action” that resulted from the European “calculative economic spirit” [*rechnerischer Wirtschaftsgeist*],⁴⁰¹ Röpke extends the comparative economic typology: “the South African Negro is not only a man of an utterly different race but, at the same time, stems from a completely different type and level of civilization.”⁴⁰²

Here economic typologies blend together with cultural and racial essentialism as pro-market measures are prescribed to enhance disciplined and “objective” self-conduct. “In his defense of South Africa,” Slobodian observes, “Röpke redefined ‘the West’ not as a racial or

understand the religious, spiritual, political, and moral changes of periods like that in which Christianity arose, and to link this up with an accurate insight into the effects of such changes on the daily economic process.” Eucken, *Foundations*, p. 294.

³⁹⁷ See Josef Hien, “The Ordoliberalism that never was,” *Contemporary Political Theory* Vol. 12, 4 (2013), 338-375.

³⁹⁸ For studies of postwar Atlanticism, see Slobodian, “The World Economy and the Color Line: Wilhelm Röpke, Apartheid and the White Atlantic,” *German Historical Institute Bulletin Supplement*, No. 10 (2014): 61-87; Plehwe, “The Origins of the Neoliberal Economic Development Discourse” in Mirowski and Plehwe (eds.), *The Road from Mont Pelerin* (Cambridge, MA: Harvard University Press, 2009).

³⁹⁹ Foucault, *Birth of Biopolitics*, p. 313.

⁴⁰⁰ Röpke, cited in Slobodian, “The World Economy and the Color Line,” p. 74.

⁴⁰¹ “Historians have shown how gradual this development was and how the constant refinement of economic calculation altered the character of business management, which, in turn, influenced economic development. The knowledge of double-entry book-keeping was a precondition for the south German expansion of the beginning of the sixteenth century. Where this knowledge was lacking or slow to penetrate, as in the Hansa towns, economic development was delayed. It would seem that the conclusion must be that, as the methods of economic calculation improved, a complete transformation occurred in men's attitude to economic life...” Eucken, *Foundations*, p. 283.

⁴⁰² Röpke, cited in Slobodian, “The World Economy and the Color Line,” p. 61.

civilizational space but one identified by a stable economy, market-friendly social behavior, and a welcoming investment climate. Like Adam Smith before him, Röpke would end by finding interest rates as the most reliable index for an area's level of civilization."⁴⁰³ Plehwe adds that Röpke's belief about the South Africans' "lack of punctuality, reliability, the inclination to save and to create" meant that industrialization schemes in the global South were "doomed to fail."⁴⁰⁴ Röpke and his comrades married market competition to Christian conservatism on their trips to South America and other parts of the globe. While lobbying pro-market international institutions as part of what Slobodian has called the Geneva School of neoliberalism, Röpke's popularity grew rapidly with the American New Right.⁴⁰⁵ Most of these developments preceded the neoliberal experiment in the Chilean coup of 1973 when, like in postwar West Germany, the "Chicago Boys" rapidly imposed the "price mechanism" by privatizing state industries and resources.

But the ordoliberal approach came with an idiosyncratic idea of "natural order" that entailed – if only at "home" – that the protection of agricultural communities and the adjustment of non-competitive populations through governmental mediation. Thus their qualified prescriptions of the subsidiary principle, skills-training, and local negotiations—essential elements in the West-German "class compromise." By temporarily assisting individuals and industries in crisis, the state could compel enterprises to adjust to new market conditions, with the ultimate end of instilling in them the rationality of competition, entrepreneurialism and self-help.

Such approaches to local and global "market adjustments" – like the "uneven" differences they presuppose and produce – highlight a long and ambivalent legacy of liberalism. Echoing Hayek, Röpke argues that "liberal democracy creates a safety valve that makes revolution redundant."⁴⁰⁶ He continues: "This highest form of social organization naturally presupposes that all groups are willing loyally to apply the rules of the game, which means that their attitude corresponds to the liberal philosophy."⁴⁰⁷ In the new "international order," the nation-state addresses or disciplines populations differently effected by market developments according to their relative technological development and (in)adequate levels of economic rationality. But before its postwar establishment, the project of postcolonial discipline was invented at home: namely, to counter the proletarian threat in the "irrationality" of the "collectivist" masses. For this the ordoliberals appropriated (and transformed) a concept that the socialists had long used for industrial inequality and exploitation more generally: "the social question."

On the Social Question: Deproletarianization as Government-Mentality

⁴⁰³ Slobodian, "The World Economy and the Color Line: Wilhelm Röpke, Apartheid and the White Atlantic," *German Historical Institute Bulletin Supplement*, No. 10 (2014), p. 65. Although Röpke also opposed the Marshall Plan aid because it represented the paradigm of "state planning," he did so for somewhat different reasons.

⁴⁰⁴ Cited in Slobodian, "The World Economy and the Color Line," p. 74.

⁴⁰⁵ See Slobodian, "Introduction" in *Globalists*; Slobodian, "The World Economy and the Color Line"; the Introduction in *The Conservative Tradition in European Thought* (1970); and Jean Solchany, "Wilhelm Röpke as Key Actor of Transnational Neoliberalism After 1945" in *Re-Inventing Western Civilisation: Transnational Reconstructions of Europe in the Twentieth Century*, Hagen Schulz-Forberg and Niklas Olsen, eds. (Newcastle: Cambridge Scholars Publishing, 2014).

⁴⁰⁶ Röpke, *Against the Tide*, p. 92.

⁴⁰⁷ Röpke, *Against the Tide*, p. 92.

We see the new social question with our own eyes day in, day out. The worker – and not only the worker – has become dependent on the machinery of the state and other public authorities... A new type of man [*Menschentypus*] is emerging, one that consists of massified and state-dependent men. Step by step, all of life is being statified... And as soon as the mechanics for controlling the modern economy no longer function, the social question only becomes more intense.⁴⁰⁸ – Eucken

[W]orking class problems are in the first place problems of personality.⁴⁰⁹ – Röpke

Ordoliberal political rationality aims – through the institutional framework, the strong state, and the dynamic of competition – to construct the practical reasoning of the subject within the competitive order. But another constitutive element, and “the central problem of our time,”⁴¹⁰ was derived from leftist discourse.⁴¹¹ “The social question” or “the social problem” were common phrases from the mid-nineteenth through the early twentieth century for the socio-economic inequality produced by industrial society.⁴¹² Just as Karl Marx first coined the word “capitalism” before it took on a life of its own, “the social question” emerged from the analytical and critical discourse of socialism. Each concept entered and altered the political imaginary of the time – i.e., offered a common sense way of conceptualizing the symptoms of class division and industrial immiseration for which capitalism was understood to be the cause.

“The social question,” as one sociologist put it at the turn of the century, “comes from the consciousness of a contradiction between economic development and the social ideal of liberty and equality which is being realized in political life.”⁴¹³ To which another scholar added: “The social question is always a question of the many against the few, and manifests itself invariably in a struggle over some form of institution; that is to say, a class struggle... The social question, then, has passed through two phases, the religious and the political, and is now in a third, namely, the economic. It is today, as it has always been, a question of popular freedom, a question of democracy.”⁴¹⁴ The debate was waged, in other words, around familiar revolutionary and Marxist tropes, and it framed state policy well into the twentieth century.⁴¹⁵ The social democrats and Christian socialists, like the Marxists, (largely) answered the question with the socialization of

⁴⁰⁸ Eucken, “Die soziale Frage,” pp. 115-16.

⁴⁰⁹ Röpke, *Social Crisis*, p. 223.

⁴¹⁰ Solving the social question by understanding the “interdependence of orders” is the stated task of this book. Eucken, *Grundsätze*, p. 16.

⁴¹¹ For contemporary usages of the term, see Pierre Rosanvallon, *The New Social Question: Rethinking the Welfare State*, translated by Barbara Harshav, foreword by Nathan Glazer (Princeton: Princeton University Press, 2000); Didier Fassin and Eric Fassin, *De la question sociale à la question raciale? Représenter la société française* (Paris: La Découverte, 2006).

⁴¹² See for example Ferdinand Tönnies, *Die soziale Frage bis zum Weltkriege* (1907); and Adolph Wagner “Speech on the Social Question” (abridged), in Donald O. Wagner, ed. *Social Reformers: Adam Smith to John Dewey* (New York: Macmillan, 1939), pp. 489-506.

⁴¹³ Ira W. Howerth, “The Social Question of Today” *American Journal of Sociology* Vol. 12, No. 2 (Sept., 1906), pp. 254-268.

⁴¹⁴ Howerth, “The Social Question of Today.”

⁴¹⁵ For an account of this period in Germany, see Theodore S. Hamerow, *Restoration, Revolution, Reaction: Economics and Politics in Germany, 1815-1871* (Princeton University Press, 1958).

“the economic institutions of society” or “the means of production.”⁴¹⁶ However, the approach of figures like Eduard Bernstein was more oriented to a welfare-state “reconciliation” of the social divide: “Now is the time to organize and concentrate the intelligence of all classes upon a rational solution... Intelligence is able to solve all social questions. There is only the matter of its application.”⁴¹⁷

For the Freiburg School, the social question did not signify a problem of socio-economic social justice, inequality or rights *per se*. Not unlike select members of the first-generation Frankfurt School, examined in Chapter 4, the Freiburgians understood it as an irrational *effect* of an institutional problem of order.” They saw it as a problem of massification, collectivization, proletarianization, de-personalization, and anonymization.⁴¹⁸ Its roots lay in the equally mistaken creeds of *laissez-faire* liberalism and welfare-state interventionism. The ordoliberal “critique” of modern society aimed to reconstruct the governmental framework that produces structural effects in the first place—effects seen above all in the population’s “collectivist” mentality.

For Eucken, the social question of the twentieth century was completely different from that of the nineteenth century; “it is not only a different question, but has also become much more difficult to resolve.” Back then, he explains, the social question emerged from industrialization, technologization, and great acts of liberal legislation like “freedom of contract, freedom of movement, and private property.” This split society into the “two hostile [*feindliche*] groups” of entrepreneurs and proletarians. While it appeared that political and legal rights were secured for all, industrial workers remained socially and economically unfree: “Dependent, they felt themselves at the mercy of ‘Capital,’ as it was crudely put, and this superior power was felt by the individual in the factory. Poor working conditions, insufficient compensation, long working hours, health impairment, child labor, and insecurity of existence... represented the social question of this time.”⁴¹⁹ It became “the central question” of society, politics and culture.

“Marx grasped the social question with the force and passion of his whole being,” writes Eucken.⁴²⁰ Because he saw in it “the agent of a lawful historical process [*Agens des gesetzmässig ablaufenden Geschichtsprozess*],” he interpreted “the social question and the property question as *one* question.” Engaging lengthy excerpts from *Das Kapital*,⁴²¹ Eucken explains that, because Marx thought capitalist production would engender its own negation, he expected the social question to resolve itself “with the necessity of a natural process through the disappearance of

⁴¹⁶ “How are the economic institutions of society, in which so much power and privilege are concentrated, and which are essential to the well-being of all, to be organized and conducted so that their benefits may be justly shared by all members of society, and thus the last refuge of the spirit of selfish domination be, like the Church and the State, in the hands of the people?” Howerth, “The Social Question of Today.”

⁴¹⁷ “The forces which have brought society to its present degree of civilization will in the future, if aided by higher and higher degrees of individual and social intelligence, carry us onward and upward to heights of civilization yet undreamed of.” Howerth, “The Social Question of Today.”

⁴¹⁸ See Ernst Wolfram Dürr, *Wesen und Ziele des Ordoliberalismus*; and Werner Bonefeld, “Human Economy and Social Policy: On Ordoliberalism and Political Authority” in *History of the Human Sciences* 26 (2), 2013, pp. 106–125.

⁴¹⁹ Eucken, “Die soziale Frage,” p. 113.

⁴²⁰ Eucken, “Die soziale Frage,” p. 113.

⁴²¹ “Das Kapitalmonopol wird zur Fessel der Produktionsweise, die mit und unter ihm aufgeblüht ist. Die Zentralisation der Produktionsmittel und die Vergesellschaftung der Arbeit erreichen einen Punkt, wo sie unverträglich werden mit ihrer kapitalistischen Hülle. Sie wird gesprengt. Die Stunde des kapitalistischen Privateigentums schlägt. Die Expropriateurs werden expropriert.” Karl Marx, *Das Kapital, Band I* (Berlin: DieU Verlag, 1951), 803, cited in Eucken, “Die soziale Frage,” 114.

private property and the ascendance of socialized property.” “Factually,” Eucken interjects, “workers’ conditions have improved and real wages have risen three- to four-fold in many industrial countries.” While technological developments, state regulations and reductions to the working day improved working and living conditions, “competition among firms began to benefit workers” and “trade unions altered the form of the market.” But these developments did not solve the social question. The attempt to address these problems through social policy [*Sozialpolitik*] led to “the great ‘statifications’ and ‘socializations’ of the past decades,” which in turn produced “the new social question.”⁴²²

The new social question, according to Eucken, not only threatens industrial workers but also other social classes and positions like “farmers, craftsmen, traders and other free professions.” Whereas in the nineteenth century the social question took on a private character, “today it is contrarily tied to the very disappearance of the private character of life.”⁴²³ Many countries transformed—as Eucken explains using Mises’ terms—from a predominantly market economy [*Verkehrswirtschaft*] to a centrally administered economy [*Zentralverwaltungswirtschaft*]. According to Eucken, this means that “it is not the market making decisions, i.e., through the exchange of services for money, but rather the [state’s] allocation and distribution of jobs and consumer goods.” Under central planning, society could not “build itself up from spontaneous forces” as it should because “the carriers [*Träger*] and figures [*Gebilde*] of society are created [*geschaffen*] and controlled [*dirigiert*] from above.”⁴²⁴ In this socialist order, the state and the courts are pulled into the “gearbox” of powerful groups; the function of public and state law is altered; economic and social insecurity is heightened; bureaucracy is extended; individual self-responsibility is reduced; and human freedom is threatened as “man is transformed into a segment within a great machine.” This represents “the great problem of order” [*das große Ordnungspolitische Problem*].⁴²⁵ What is to be done?

“The question cannot be solved,” Eucken explains, “if the state thoughtlessly undertakes a privatization of the economy and thus reverts to nineteenth-century conditions.”⁴²⁶ The question can only be addressed by “producing” a new, rational framework. Eucken’s solution returns to the question of *form* and the underlying dichotomy of the socialist calculation debate: “Here ‘planning’ is necessary; that is, ‘planning’ must be confined to the *forms* in which economic practices occur and must ensure that forms do not arise out of the economy that would threaten the free existence of economic actors or that would prevent a proper steering [*Lenkung*] of the overall economic process [*wirtschaftlichen Gesamtprozesses*].”⁴²⁷ Eucken declares that it is not the decision of the state to plan “economic processes”; these should result from the private plans of individuals,

⁴²² Eucken, “Die soziale Frage,” 121.

⁴²³ Eucken, “Die soziale Frage,” 117.

⁴²⁴ Eucken, “Die soziale Frage,” 117.

⁴²⁵ Eucken, “Die soziale Frage,” 123.

⁴²⁶ Since the nineteenth century, the heavy involvement of the state accelerated the process of industrial concentration, which “brings with it the danger that a mere liberation from state power would hand over many people to the domination of private entities of power.” While the nineteenth century acknowledged the necessity of political and legal freedoms through constitutional guarantees, says Eucken, it was mistaken in thinking that economic forms could be surrendered to laissez faire, that monopoly and concentrated power would resolve themselves, and that the development of sound national and international monetary orders [*die Geldordnungen*] was of any less importance. The ordoliberal credo, Eucken insists, bears repeating: “a free economic and social order cannot realize itself by itself, especially in the age of industrialization and technologization.” Eucken, “Die soziale Frage,” 118-20.

⁴²⁷ Eucken, “Die soziale Frage,” 120.

households and firms. At the same time, these actors *should not* decide on the economic “framework”; for it is “the obligation [*Pflicht*] of the state to autonomously determine the framework [*den Rahmen autonom zu bestimmen*] in which the economic process occurs,” to “guard and watch over” these processes and to “ensure that sufficient market forms [*Marktformen*] emerge in the labor and commodity markets.”⁴²⁸ Citing Hayek, Eucken argues that there is a difference between acting on the *form* of the market vs. intervening in the economic *process* itself. This distinction, which corresponds to the “antithesis” of a centrally administered economy and a market economy, can only be “transcended” through an ordoliberal “synthesis of ‘planning’ and freedom.”⁴²⁹ Only this kind of government framework—one capable of what Hayek called “planning for competition”—can deliver the ultimate end: freedom. Freedom rests in the “right forms of competitive markets,” Eucken argues, and it is only through freedom that the social problem can be solved. The ordoliberal program is “the only possible way” to grasp and solve the social question *as* the problem of freedom; and “it is precisely social reasons [*soziale Gründe*] that force us to follow this line of the competitive order.”⁴³⁰

The ordoliberals transformed as they cribbed the social question from the socialists, along with key terms like “social policy” and “socialization” from the social scientists. Properly understood, social policy is of “a universal nature” since “there is nothing that would not be social” from the ordoliberal point of view. Just another word for economic policy, social policy is thus “identical with the order of the economy or with the politics of the economic constitution.”⁴³¹ This links up with Röpke and Rüstow’s so-called “sociological neoliberalism,” which examines the symptoms Eucken mentions in greater depth. Like Eucken, Röpke and Rüstow do not believe that societal division is itself the problem. Drawing directly from Pareto, Ortega y Gasset, Le Bon and others who describe social structure as inevitably unequal and “pyramid” in form, they describe the “cure” to the “sickness” of the social question not in social equality but in harmony—or what Müller-Armack later called “social irenics.” This “cure” must strike at the very “collectivistic” *desire* to combat class inequalities by redesigning the competitive order itself.

More so than Eucken, Röpke and Rüstow analyze the *cultural, material and ideational preconditions* of the competitive order. They examine massification and proletarianization not as the inevitable result of the relations of production, but as the conditions of “mentality” and “personality” that are malleable. In response to the “spiritual collectivization of our society and the resulting ‘revolt of the masses,’”⁴³² Röpke declares, it is “imperative to retransform socialization into individualization.”⁴³³ Because irrational forms of socialization are an effect of the institutional framework, government must be re-rationalized around the basic principle and instrument of market society: private property. Theirs is neither a Lockean nor an inherently liberal justification of property ownership, however, but a strategic move to blunt the desire for revolution and to block the sociological trend of proletarianization: “The misery of ‘capitalism,’ we must point out to the socialists, is not due to some men owning capital, but rather to others not owning

⁴²⁸ Eucken, “Die soziale Frage,” 129-30.

⁴²⁹ Eucken, “Die soziale Frage,” 130.

⁴³⁰ Eucken, “Die soziale Frage,” 131.

⁴³¹ “... daß die Sozialpolitik nicht als Anhängsel der übrigen Wirtschaftspolitik betrachtet werden sollte, sondern in erster Linie Wirtschaftsordnungspolitik zu sein hat. [...] Es gibt nichts, was nicht sozial wichtig wäre. [...] Richtig verstandene Sozialpolitik ist universaler Art. Sie ist identisch mit der Politik zur Ordnung der Wirtschaft oder der Wirtschaftsverfassungspolitik.” Eucken, *Grundsätze* (1952/2004), p. 313.

⁴³² Röpke, *Social Crisis*, p. 142.

⁴³³ Röpke, *Against the Tide*, p. 162.

any, and thus being proletarians.”⁴³⁴ Because the market is not conceived in terms of exchange but as a *structure* of competition, answering the social question is not about minimizing competition, but about properly ordering it and bringing more people into it. Privatization is the name of this game, and *everyone* must be “invested” in it. To this end, individuals must be stripped from state dependency and compelled to embrace self-responsibility.

Just as “generalized dependency” must be reconfigured through a rationality of self-responsibility, so must employment be recast in an anti-socialist light: the unemployed subject is no longer a victim of injustice but “a worker in transit,” an entrepreneur-to-be who adjusts from a less to a more competitive condition. Reintegrated *in and through* the market, competition compels the worker-as-entrepreneur to reason and behave with a more “objective” mentality. But the state must ensure some degree of stability lest the social bond tear at the seams. To this end the state requires both a quantitative calculus and a qualitative governmentality. It must individualize and entrepreneurialize according to a counter-rationality with a corresponding governmentality. Rüstow discloses the ordoliberal secret as follows: this concerns “the possibility to change the ruling views and to indirectly and imperceptibly alter the decisions of individuals by influencing their mentality.”⁴³⁵ “The effect of socialization on the social-psychic habitus of the workforce,” writes Röpke, “is a point of decisive significance.”⁴³⁶

Government acts on economic forms to affect changes in “non-economic” spheres. In Rüstow’s famous formulation, the governmental approach to re-cultivating an entrepreneurial culture must be grounded in a *Vitalpolitik*, a bio-politics or politics of life: “An anthropologically founded *Vitalpolitik*, which is applied to the whole breadth of human things [*menschlichen Dinge*], administered accordingly and implemented differently from case... is the sole means by which massification can really be overcome.”⁴³⁷ For both Röpke and Rüstow, the socio-cultural sphere forms a primary site and object of governmental action. In Foucault’s notes on “individualization” in the Freiburg and Chicago Schools, he calls this a form of “environmentalism” or “environmentality” [*environnementalité*]: a technology that “rationalizes” the enforcement by modifying the terms and direction of “the rules of the game.”⁴³⁸ It is a way of acting on the “framework” and “milieu” of the population, or what the ordoliberals called the “social environment” [*die soziale Umwelt*].⁴³⁹

Both Röpke and Rüstow see this form of governmental action within a “new” set of tasks and techniques for “third way” liberalism. Previous forms of liberalism were so charged with rationalism and “so alien to everything vital” that they “turned the proletariat into a problem which goes far beyond material conditions.”⁴⁴⁰ Adam’s Smith’s conception of the invisible hand, “which

⁴³⁴ Röpke, *Social Crisis*, p. 178.

⁴³⁵ Rüstow, “Vitalpolitik Gegen Vermassung” in *Masse und Demokratie*, pp. 236-7.

⁴³⁶ Röpke, “Sozialisierung,” p. 573, translation mine. He later adds: “Es sollte aber zugegeben werden, dass die Sozialisierung – wegen ihres unvermeidlichen streng rational-zentralistischen Charakters – an der gegenwärtigen seelischen Lage der Arbeiterschaft nicht sehr viel mehr als innerkapitalistische Reformen ändern könnte, sofern sie eben nicht die im kapitalistischen Großbetrieb erreichte Rationalität opfern will.” Röpke, “Sozialisierung,” p. 574.

⁴³⁷ Rüstow, “Vitalpolitik Gegen Vermassung” in *Masse und Demokratie*, p. 236.

⁴³⁸ See the manuscript notes included in Foucault, *Birth of Biopolitics*, p. 261. The original French reads “*environnementalité*” in Foucault (2004), p. 266. I am grateful to Thomas Lemke for bringing this to my attention.

⁴³⁹ Foucault’s discussion of the ordoliberal framework notes the population, farmland, and various non-economic spheres that can be brought into the framework of the market and can be made to function as markets. See Foucault, *Birth of Biopolitics*; and Biebricher, “The Biopolitics of Ordoliberalism,” in *Foucault Studies* 12, 2011, pp. 171-91.

⁴⁴⁰ Röpke, *Social Crisis*, pp. 52-3.

in reality is nothing but the ‘divine reason’ of deistic philosophy,” denies “the necessity of sociological limits and conditions circumscribing a free market.”⁴⁴¹ “The average liberal” of the nineteenth century, remarks Röpke, “never thought of looking upon the social question as a problem of vitality – i.e., as a non-economic, spiritual problem posed by the industrial form of life.” This is where the rational design of a balanced competitive order meets the rational technique of government. Despite their critique of liberal and socialist rationalism, from Saint Simon to Karl Mannheim, this comes with its own kind of rationalism.⁴⁴² “We have before us a very fertile field of co-operation between the social sciences and the science of engineering,” Röpke argues, a technological development which could ensure that the “most rational organization” of enterprises coincides with “the balance of society itself.”⁴⁴³ A “counteractive socio-political effort” [*widergelagerte Gesellschaftspolitik*] must stabilize the market economy, and a “structural policy [must] no longer assume the social preconditions of the market economy... as given, but modify them with a specific intent.”⁴⁴⁴ “What is sought,” in Foucault’s words, “is not a society subject to the commodity-effect, but a society subject to the dynamic of competition.”⁴⁴⁵

Through these particular forms of governmental and economic “rationalization,” ordoliberalism calls for “the generalization and multiplication of the ‘enterprise’ form within the social body.” From this Foucault concludes that “what is at stake in neo-liberal policy” is making competition “the formative power of society.”⁴⁴⁶ It is what Chancellor Ludwig Erhard called the program of a “formed society.”⁴⁴⁷ “An important fact,” Röpke added, is that “the market economy as an economic order must be correlated to a certain structure of society and to a definite mental climate which is appropriate to it.”⁴⁴⁸ To this end ordoliberalism developed not only a political economy, a political theory, and a philosophical anthropology; it also developed a *theory of history* with a constructive task: “The desire [for the competitive order], or its absence, is by no means a question of the free and independent decision of the individual: it depends on the social climate in which the opinions and will of the people at the helm have developed. However, the factors which determine this climate can be described more accurately, and it is then only one step toward influencing them.”⁴⁴⁹

Ordoliberalism as Inverted Marxism, or: The Theory of Historical Lag

⁴⁴¹ Röpke, *Social Crisis*, p. 51.

⁴⁴² For his critique of Mannheim and “social engineering,” see Röpke, *Social Crisis*, pp. 158-9; and Röpke, *The Moral Foundations of Civil Society*, p. 63.

⁴⁴³ Röpke, *Social Crisis*, p. 137.

⁴⁴⁴ Röpke, *Civitas Humana* (1944/1946), p.146.

⁴⁴⁵ Foucault, *Birth of Biopolitics*, pp. 147-8.

⁴⁴⁶ Foucault, *Birth of Biopolitics*, pp. 147-8.

⁴⁴⁷ Erhard penned this phrase as Chancellor of Germany in 1965, having previously written Prosperity Through Competition. See Erhard, cited in Peter J. Katzenstein, *Policy and Politics in West Germany*; see also Peter J. Katzenstein, “Economic Management in the Federal Republic of Germany,” in *German Studies Newsletter*, No. 8, Economic Challenges and Choices (July 1986), p. 5.

⁴⁴⁸ Röpke, “Free Economy and Social Order” in *Freeman* (January 11, 1954).

⁴⁴⁹ Röpke, *Social Crisis*, p. 142 (translation altered).

The challenge of the present, Röpke wrote in 1941, lay in theorizing the historical forces behind “our great spiritual interregnum.” The question of what possibilities exist for “the incubation of the future” is also the question of whether the future can be “influenced by the weight and form of our participation in it.”⁴⁵⁰ In a chapter titled “Seed and Harvest of Two Centuries,” Röpke developed a theory of ideational production and delayed manifestation—a theory premised on the distinction between “the ripening content of ideas” and their “external development.”⁴⁵¹ The “gap” or “lag” between the two is what he calls “historical interference”:

History apparently always takes its course in two phases, a phase of internal, mental incubation and a phase of external, physical realization, and there is a great time lag between these two. The most remarkable and confusing phenomena of interference result from the coincidence of the realization of an already completed mental process of preparation with the incubation of a period that is yet to come. A second illustration will serve to make this clear: *the great waves of history reach our shores after the steamship which has caused them has long vanished over the horizon and even after another ship has passed.* Applied to our problem, this means that we are living today in a period of realization whose incubation took place in the nineteenth century, whereas the external physical and socio-political happenings of the nineteenth century are essentially the fruits of the seed sown in the eighteenth century.⁴⁵²

The same metaphor of a steamboat creating ripples of “historical lag” reappears in a 1948 essay by Eucken:

Opinions are still circulating in a world, which is no longer real [*Die Meinungen bewegen sich noch in einer Welt, die nicht mehr real ist*]. When a steamboat travels against the current, the waves often only hit the bank long after the boat has already vanished. This applies just as much to the ideas that currently dominate the economic and social policies of the day. The nineteenth century has passed, but the ideas that emerged in it are still powerful. *The anachronism of the dominant ideas is yet another essential historical fact.*⁴⁵³

⁴⁵⁰ Röpke, *Social Crisis*, pp. 54-55.

⁴⁵¹ Röpke, *Social Crisis*, p. 55.

⁴⁵² Röpke, *Social Crisis*, p. 54 (emphasis mine). Röpke adds: “We are beginning to understand what an outstanding part ideas play in historical development, the strange illusions men harbor concerning the place which they happen to occupy in history and the no less curious illusions of certain revolutionaries regarding the epochal novelty of their régime, which, far from being the first phase of a new era, is often only the last ripple of a declining one.”

⁴⁵³ Eucken, “Die soziale Frage,” pp. 120-21 (italics in the original). Eucken adds: “In order to overcome this anachronism – and thereby to create the path toward ascertaining the social question as it exists in the reality of our century – it needs to be perceived in its entirety.” Röpke’s book was first published in 1941, and Eucken’s essay appeared in 1948. Eucken does not cite Röpke, but the similarity in metaphor and argument is intriguing.

The meaning of their parable is that, though socialist ideas abound, the time of ordoliberal ideas is coming soon.⁴⁵⁴ The steamboat metaphor evokes a regular pattern of ideational movements and conceptual artifacts, which linger in the thought and language. Despite the idealism of this theory, there are some resonances with Marxist methods. The delayed historical realization of latent structures does not depend on the materiality of the productive forces and of human labor, however, but on the quasi-organic and ideational obstacles that remain before their eventual “physical” exhaustion.

Just as Marx offered a critique of reified concepts, which cover the interests of the ruling class and mystify consciousness as to their historical conditions of emergence, the ordoliberals were suspicious of flawed social scientific doctrines that originate from previous social formations. Socialist rationalism and national protectionism, Röpke explains, “have long since become part of our economic concepts.”⁴⁵⁵ Marx did not scientifically reveal the structure and trajectory of historical development, the ordoliberals argue, but was himself an ideational symptom of his historical moment’s mistaken view of socio-historical development. The ordoliberals not only repurposed the *Kapitalismuskritik* and *Ideologiekritik* of their social scientific adversaries, but sought to turn their own weapons against them. Indeed, they advanced a modified form of ideology critique against Marxism writ large—a form that mixes the material and ideological layers of the model, as they believed social scientific discourse spreads both “up” and “down.” Put another way, they claimed that Marx’s epistemology had ontological effects, which changed the historical reality it purported only to describe.

The ordoliberals thus traced the crisis of liberalism back to the late eighteenth century, focusing in particular on flawed economic, social and political theories.⁴⁵⁶ For Röpke, the roots grew from the rationalist fantasies of the French Revolution of 1789, the triumph of international free trade with the English Repeal Act of 1846, and the anti-liberal counter-movements of Friedrich List (*The National System of Political Economy* of 1841) and Karl Marx (the *Manifesto* of 1847).⁴⁵⁷ For Rüstow, the origins reside in the theologico-metaphysical underpinnings of intellectual currents from Adam Smith and the Manchester School to Friedrich List and Karl Marx.⁴⁵⁸ For Eucken, the sources are social scientific assumptions about historical progress and law-like socio-historical necessity. For all of them, social scientific and ideological developments yielded a historic crisis with manifold effects.

⁴⁵⁴ “Yet we must find comfort and encouragement in the thought that the external events of the present are part of a ‘realization phase’ of a past and closed period ... All this can afford us much enlightenment.” See also: “Many people curiously look upon today’s political *epilogue* to an old century as the *prologue* of a new one,” Röpke noted at the conclusion of Weimar, but “[t]hey do not know that there is always a great distance between concrete realization and mental preparation and that while politics today noisily thrash the sheaves of the nineteenth century, the soil has already been planted with new seeds.” Röpke, *Social Crisis*, pp. 54, 63 (translation altered).

⁴⁵⁵ Röpke, *Social Crisis*, p. 56.

⁴⁵⁶ For their theories of crisis, see Eucken, *Grundsätze*, pp. 12-16, 218-222, 309-12, 346; Röpke, *Against the Tide*; and Röpke, *Social Crisis*. Friedman’s famous theory of crisis is discussed in the following chapter: “Only a crisis – actual or perceived – produces real change. When that crisis occurs, actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable.”

⁴⁵⁷ See Röpke, *Against the Tide*, p. 105; “England literally had had to choose between revolution and free trade and took the course that had become inevitable.” Röpke, *Against the Tide*, p. 10; see also Röpke, *Social Crisis*, p. 55.

⁴⁵⁸ See Rüstow, *Das Versagen des Wirtschaftsliberalismus als religionsgeschichtliches Problem* [The Failure of Economic Liberalism as a Theological-Historical Problem].

Eucken underscores the importance of “foundational forms of political-economic thought” and argues that various notions – such as nationalism, equality, security etc. – have a significant impact on actual dispositions and developments. The most important premise in politics and the human sciences, as Hayek later argued himself, lay in the concept of history itself.⁴⁵⁹ Eucken’s examples range from the concept of reason in the *Phenomenology of Spirit* (1807) to the conceptions of history and consciousness in *Das Kapital* (1867) through the stated goal of Lenin’s *State and Revolution* (1917) “to organize the entire economy according to the model of the German post service.” Eucken’s aim is to reveal the teleological entailments of his adversaries’ overdetermined conceptual apparatuses. Because these conceptual legacies are both reflective and effective vis-à-vis “reality,” he argues, we must reconsider the philosophical trajectory of the social sciences and of political economy above all.

Like his Austrian colleagues, from Böhm-Bawerk to Mises and Schumpeter, Eucken takes aim at the Marxist claim that capitalist competition will eventually kill itself off. He suggests that this thesis – namely, that the concentration of capital in increasingly few hands will lead to its eventual expropriation by an increasing large mass of exploited workers – stems from a larger interest in law-like necessity, or what Marx called the necessity of economic crises due to “the absolute, general law of capitalist accumulation.”⁴⁶⁰ Marx’s dark picture of the present, Eucken argues, is governed by ideas of progress [*Fortschrittsidee*] and inevitability [*Zwangsläufigkeit*], notions that have retained an “essential power” [*Potenz*] in the twentieth century. The “historical lag” of this idea that the economy will inevitably develop in the direction of centralized state planning shaped the intellectual and popular imagination of the early twentieth century. But Marx alone is not to blame, Eucken claims: “Today the oldest formulations still press upon us the most forcefully: specifically, the doctrine of Saint Simon from 1829/30. Saint Simon and the Saint Simonists in fact belong to the most characteristic and most significant phenomena that have shaped our age.”⁴⁶¹

Coupled with their appropriation of ideology critique,⁴⁶² ordoliberalism’s “inverted Marxism” stems from an engagement with and inversion of alternative theories of historical transformation. Economic, material, and cultural preconditions play important roles in a given historical configuration or development, the ordoliberals argue, but it is the practical activity of *ordering* ideas that give them their form and that rationalize them in a specific direction.

⁴⁵⁹ Even those interpreters who rightly identify such strands – for example, Nils Goldschmidt sees in Eucken’s work “a consistent search for an adequate idea of historical development” – nonetheless tend to miss or understate the influence socialist philosophers had on the *formal* components of their mode of inquiry. See Nils Goldschmidt, “Gibt es eine ordoliberale Entwicklungsidee? Walter Euckens Analyse des gesellschaftlichen und wirtschaftlichen Wandels” in *Freiburg Institut für Allg. Wirtschaftsforschung, Abt. für Wirtschaftspolitik* (2012).

⁴⁶⁰ Marx, *Das Kapital*, cited in Eucken, *Grundsätze*, p. 203 (translation mine).

⁴⁶¹ The Saint-Simonian notion that “the golden age is before us, not behind us,” and that it will be realized through the perfection of the social order, had a substantial influence on the nineteenth century social sciences, particularly on the search for laws of historical development. Saint Simon, cited in Eucken, *Grundsätze*, p. 201 (translation mine).

⁴⁶² In this passage, for example, Röpke sees the goal as “liberation” from the constraints of ideology: “The mind is the ultimate and indispensable basis not only of revolutions, but also of the tyrannies which they bring down. Since they cannot rely on naked force alone, they require for their existence an uncritically accepted system of ideas (an ‘ideology’) which, extending subjugation to the soul, turns the oppressed into the willing subjects and accessories of their rulers... Every liberation must in consequence begin with that of the mind and in the process make use of the critical faculties and, accordingly, tyrannies are right in seeing in the free exercise of the mind their worst and, in the long run, invincible foe.” Röpke, *Social Crisis*, p. 40.

From their earliest writings, the ordoliberalists used categories of ideology and superstructure to criticize the blind spots of laissez-faire liberals and their socialist adversaries. “Every period of slump has its ideological superstructure,” Röpke said just days before his departure from Nazi Germany.⁴⁶³ Their critique of ideology in political economy turned on a claim to an interdisciplinary “scientific” approach to law, political economy, and society as a whole. “When science turns itself from ideology to the facts and lets the historical moment realize itself in its full validity [*voll zur Geltung kommen lässt*],” Eucken wrote, “it serves freedom in a special way.”⁴⁶⁴ Theoretical and scientific activity, properly understood, is just one step from practical resolutions: “To solve the modern problem of economic order through thoughtful preparation is the essence [*die Sache*] of science. The order to be sought is that which accords with the essence [*der Sache*], with the historical situation, and with man.”⁴⁶⁵ In his discussion of the tasks, ideals and value constraints of science, Eucken consistently cited Kant, Husserl and Weber.⁴⁶⁶ But he also saw science as a productive, constructive and creative endeavor that is connected to actual transformations—one that, despite its technocratic and elite-centered character, resonates with the early Frankfurt School’s neo-Marxist conception of praxis: interdisciplinary social science must aid the struggle to construct a more rational order.⁴⁶⁷ “Economic policy [*Wirtschaftspolitik*]” Eucken later concluded, “can give form to reality [*die Wirklichkeit gestalten*] and resist the danger of being dragged away by the current of history.”⁴⁶⁸

Beyond this idiosyncratic notion of science and praxis the “inverted Marxism” of ordoliberalism also derives from the belief, shared by Mises and Hayek, that the elite, *not* the masses, shape the modes of thought and action of an age.⁴⁶⁹ The final sentence of Eucken’s 1938 book *Nationalökonomie wozu?* makes this clear: “The chance of ordo-political thought [*ordnungspolitischen Denkens*] lies in its gradual molding of, and its permanent effect on, the

⁴⁶³ See Röpke, “End of an Era?” in *Against the Tide*, pp. 79-80. Röpke gave this lecture at the dawn of National Socialism, on February 8, 1933 in Frankfurt am Main. He began the lecture with the words “Let us forget for a moment about Hitler and Hugenberg...” He later added: “There are no objective, no material, grounds for supposing that the current world crisis heralds the decline of the existing economic and social order and the dawn of a new historical era.”

⁴⁶⁴ Eucken, *Grundsätze*, p. 225. “Only an outlook that is close to reality [*wirklichkeitsnahe Anschauung*] of the historical moment in connection with analytic thought can give an answer to the principle question of necessity or freedom. Our attempt lies in this direction.” See also: “The reader can test this out by examining any economic-political act, which he witnesses in its emergence... He will bump against the historical ‘tendency’ of the emergence out of a particular constellation of conditions [*Bedingungskonstellation*], and retrospectively against a ‘moment of crisis’ in which a series of tendencies and constellation of conditions [*Bedingungskonstellation*] began.” Eucken, *Grundsätze*, p. 222 (translation mine).

⁴⁶⁵ Eucken, *Nationalökonomie wozu?*, p. 86.

⁴⁶⁶ He cites Kant on science and wisdom on the last page of Eucken, *Nationalökonomie wozu?*, p. 88; he defines science with reference to Husserl and Weber in Eucken, *Foundations*, pp. 303-4; and he pays homage to Weber’s notion of value neutrality in Eucken, “Die Wettbewerbsordnung und ihre Verwirklichung,” in *ORDO*, Bd. 2 (1949), pp. 1-99.

⁴⁶⁷ See Chapter 4 of the dissertation.

⁴⁶⁸ He adds: “Science can only be free when ordered thought [*das Denken in Ordnungen*] represses thought in historical necessities.” Eucken, *Grundsätze*, p. 225.

⁴⁶⁹ For Mises, “The masses favour socialism because they trust the socialist propaganda of the intellectuals. The intellectuals not the masses are moulding public opinion.” Mises, *Socialism* (New Haven: Yale University Press, 1951 [1922]), p. 540. According to Hayek, “It is the beliefs which must spread if a free society is to be preserved, or restored, not what is practicable at the moment, which must be our concern. But, while we must emancipate ourselves from that servitude to current prejudices in which the politician is held, we must take a sane view of what persuasion and instruction are likely to achieve,” in Hayek, *Individualism and Economic Order* (Chicago: Chicago University Press, 1948), p. 109.

leading classes [*der führenden Schichten*].”⁴⁷⁰ Theirs was a project that required a (scientific) *vanguard*, as Röpke and Rüstow repeated time and again.⁴⁷¹ Before and alongside the Mont Pelerin Society, the Freiburg School thus saw themselves as part of this vanguard—a counter-hegemonic movement to transform not only economic policy but the meaning and experience of politics itself.

“To understand the social market economy as a *new* social market economy in the twenty-first century we must first of all reorder the priorities of politics toward an understanding of politics that is directed ahead, toward future generations.” These are the words of Angela Merkel at the Davos World Economic Forum in January 2006, just two years before a devastating economic crash shook the globe. Here Merkel offered the world a distinctive approach to the conceptualization and practice of politics in the twenty-first century. Reordering the future priorities of politics did not mean combatting catastrophic climate change. “For us in Germany,” she explained, “that means first of all clearing up our financial situation, our budgets. We have a demographic problem. We know that we have too few young people and nevertheless we live at the expense of the future by running up debts. That means that we rob future generations of their room for investment and development and that is immoral.”⁴⁷²

A decade later, on the heels of the Greek sovereign debt crisis and the so-called Syrian refugee crisis, Chancellor Merkel reflected on her guiding principles in difficult times: “A great deal of what is current and topical today is built on the work of the great pioneers of economic thought, among whom Walter Eucken undeniably plays a very special role. Time and again his ordoliberal political principles [*ordnungspolitischen Grundsätze*] help to ensure that we do not lose view of the whole [*das Ganze*]. They are comprehensible and they provide orientation.”⁴⁷³ In this 2016 speech commemorating Walter Eucken’s legacy, Merkel was not just partaking in a ritual of the German establishment, but also illustrating the centrality of ordoliberal rationality to domestic and international governance. In her speech, Merkel affirms the Freiburg School’s profound influence on the design and direction of German economic policy from 1948 to the present. She also mirrors, in her own language, the ordoliberal conceptual framework in describing a variety of current and seemingly timeless tasks. Moreover, she declares that Eucken’s *Ordnungspolitik* provides the right economic approach for Germany domestically, for the European Monetary Union more generally, and for the current refugee situation specifically.⁴⁷⁴

⁴⁷⁰ Eucken, *Nationalökonomie wozu?*, p. 87.

⁴⁷¹ Return to Röpke, *Social Crisis*, p. 54; see Röpke, *Civitas Humana*; see also the support of enlightened aristocrats in Röpke, “Die Massengesellschaft und ihre Probleme” in *Masse und Demokratie*.

⁴⁷² Angela Merkel, cited in Adam Tooze, *Crashed*, 96-7.

⁴⁷³ Angela Merkel, “Rede beim Walter Eucken Institut in Freiburg” (Jan. 13, 2016, my translation).

⁴⁷⁴ “What does this challenge presented by the refugees means for us now in Europe? We don’t just have a German internal market but also a single European market and a shared currency. The definition of the market indeed plays an exciting role in the question ‘How do I apply the ordo-political conceptions of Walter Eucken?’ [‘Wie wende ich die ordnungspolitischen Vorstellungen von Walter Eucken an?’] ... A part of the search for a European solution to the refugee question involves, when we also include economic aspects, the question of the single market, the question of the shared currency and the necessary conditions such that both can in reality to come into operation” (Merkel 2016, my translation). For an example of this in German media, see: “Jeder Zweite findet den Kapitalismus ‘nicht mehr zeitgemäß,’ aber nur jeder Vierte sagt das über die ‘Marktwirtschaft.’ Auf den ideologisch aufgeladenen Begriff kommt es also an. Ludwig Erhard, der 1948 gegen die Planwirtschaftler der CDU siegte, darf in Frieden

Beyond the full embrace of ordoliberalism, perhaps most noteworthy about this speech is the Chancellor's direct avowal of the ordoliberal theory of history—a theory of historical transformation based on the science of political economy.

In a unique theorization of the driving forces of historical change, the ordoliberals at once projected themselves into their own critical history and took hold of the political and theoretical levers they identified as most decisive. Though specific to the discipline of political economy, their discourse and governmental program exceeded it. Ordoliberalism has both served and exceeded, in other words, the restructuring of the economic “base” to serve class interests, the development of a form of political reason that sits atop yet institutionally structures economic dynamics, and the propagation of a “worldview” or “ideology” that justifies and mystifies the status quo. As a political rationality, ordoliberalism may consist of some or all of these elements – but it is not reducible to them.

Following the unstable and inflationary crisis of the Weimar period and the socialist calculation debate's reconceptualization of the “rationality” of capitalism, ordoliberalism designed an alternative method for the institution of political economic order. Theirs was the “competitive order,” the rationality of which corresponded to the subject of ordoliberalism's philosophical anthropology [*Menschenbild*] – not, that is, the existing mentality of subjects, but a type of economizing and entrepreneurial self-conduct that needs to be actively *constructed*. This guided their approach to “the social question,” a phrase they appropriated from socialist discourse and put to new use: the problem was no longer socio-economic inequality but rather centralization, collectivization, and the “mass” mentality of dependence on the welfare state.

Because the process of “civilizational decline” was engendered by both unprincipled laissez-faire liberalism and “chaotic interventionism” (socialism and Keynesianism), the solution was not a simple return to what they called “paleoliberalism,” nor was it to support any form of radically democratic decision making. Instead, the solution rested in a positive program for a “Third Way” neoliberalism, one founded upon a “strong state” that secures a competitive but stable market economy. This form of rationality entails a governmentality that propagates the logic of competition, induces entrepreneurial conduct, combats “proletarianization,” and shields the cultural, religious and moral ties of local communities. Not despite but because of this ostensible paradox, the ordoliberal project was harnessed to an expressly conservative conception of culture and a strategically pro-Western and anti-socialist strategy.

The ordoliberals' “steamboat” historiography, their notion of social science as the carrier of political-economic countermovements, their practice of ideology critique, and their self-identification as a scientific vanguard – together these formed the “inverted Marxism” of ordoliberalism. This final part of the ordoliberal program comprised a theory of crisis and top-down approach to elite influence – both of which catapulted them to the helm of postwar institutional design and economic policy. Following its transformative reprogramming of postwar liberalism, however, ordoliberalism has not comprised a fixed doctrine but a mutating set of principles, methods and strategies. Understanding the Freiburg School's distinctive theoretical trajectory—and its relation to the Austrian, Chicago, and Frankfurt Schools—is crucial to grasp both the “political deficits” and the forms of “crisis management” prescribed by ordoliberal rationality.

ruhen.” Josef Joffe, “Der böse Kapitalismus. Warum der Unmut? Das Gegenmodell DDR ist total gescheitert” in *Die Zeit*, Nr 47 (2014), 13.

**Mutations of Neoliberal Rationality:
The Chicago School, Market Rule, and Crisis Management**

[A]n economic theory of how markets operate is necessary to evaluate any significant new regulations and other government policies for financial markets... Some retreat from free market conservatism is to be expected as a result of the crisis, but it would be a serious mistake if the analysis of financial and other markets that becomes dominant in Washington gives insufficient weight to the enormous contributions of business competition in raising human welfare.

– Gary Becker⁴⁷⁵

In the wake of the 2008 global financial crash, critics announced the “crisis of neoliberalism” as the reigning paradigm of political-economic governance, expecting its imminent demise and replacement by a wholly new paradigm. What followed, however, were more of the same neoliberal measures that allegedly created the conditions for this crisis: liberalization, privatization, marketization, securitization, and austerity.⁴⁷⁶ The seeming paradox evoked different responses. To critics, this indicated that a neoliberalism lived on, albeit only as a kind of dead corpse, as a “zombie neoliberalism.”⁴⁷⁷ To Chicago School neoliberals like Gary Becker and Richard Posner, the financial collapse was no different than Hurricane Katrina where, under conditions of crisis, the state needed to step in because “the decision to abandon or not cannot be left to the market.”⁴⁷⁸ To some German onlookers, by contrast, this was indeed a crisis of caused by the Chicago School brand of neoliberalism, the solution for which was not an entirely different paradigm but a “return” to neoliberalism’s origins.

From one side of the German divide, Hans-Werner Sinn, the country’s most influential economist, argued that left critics of “neoliberalism” are dishonest since they refuse to distinguish the “radical concepts of Milton Friedman and the Chicago School” from the “true concept of neoliberalism.”⁴⁷⁹ In reality, he insisted, the *true* neoliberalism—namely, ordoliberalism—is the

⁴⁷⁵ Gary Becker, “The Future of Free Market Conservatism,” *The Becker-Posner Blog* (11/30/2008); <https://www.becker-posner-blog.com/2008/11/the-future-of-free-market-conservatism--becker.html>.

⁴⁷⁶ Among the many works that responded to the financial crisis are Gerard Dumenil and Dominique Levy, *The Crisis of Neoliberalism* (Cambridge, Mass.: Harvard University Press, 2011), and Philip Mirowski, *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown* (London: Verso, 2014).

⁴⁷⁷ For a discussion of debates over “zombie neoliberalism,” see William Callison and Zachary Manfredi, “Introduction: Theorizing Mutant Neoliberalism” in Callison and Manfredi, eds., *Mutant Neoliberalism: Market Rule and Political Rupture* (New York: Fordham University Press, forthcoming).

⁴⁷⁸ Richard Posner, “Katrina, Cost-Benefit Analysis, and Terrorism,” *The Becker-Posner Blog* (09/04/2005); <https://www.becker-posner-blog.com/2005/09/katrina-cost-benefit-analysis-and-terrorism--posner.html>; for a warning against the return of socialism, see also Posner, “Is Capitalism in Crisis?” *The Becker-Posner Blog* (02/12/2012); <https://www.becker-posner-blog.com/2012/02/is-capitalism-in-crisis-posner.html>; and Richard Posner, *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression* (Cambridge: Harvard University Press, 2009).

⁴⁷⁹ Hans-Werner Sinn, “Der wahre Neoliberalismus braucht klare Regeln,” *Die Welt* (May 15, 2010).

“exact opposite” of the Americans’ reckless de-regulation that caused the financial crisis. Just as a fair soccer game requires clear rules and a referee, true neoliberalism relies on “the self-steering of the economy within an ordered framework [*Ordnungsrahmen*], though it doesn’t believe [sic] that this ordered framework can be created by the economy itself.”⁴⁸⁰ For Sinn, a strong state and an ordered framework are what produce trust, prevent chaos, and allow market competition to develop its beneficent forces.

From the other side of German politics, Sahra Wagenknecht, a Ph.D. in economics and leading party politician in *Die Linke*, also lays claim to the ordoliberal legacy of the “social market economy.” In *Freedom instead of Capitalism: On Forgotten Ideals, the Eurocrisis and Our Future*, Wagenknecht argued that, to oppose Chicago School neoliberalism and to develop an effective alternative, the left should use draw on the powerful ideals provided by Walter Eucken and Ludwig Erhard. A left government on this model would construct a “mixed economy” using markets and re-distribution based on corporate-monopoly-crushing and financial-speculation-taming principles. “Only a *creative socialism*,” Wagenknecht concluded, can redeem Erhard’s promise of “prosperity for all.”⁴⁸¹

Sinn and Wagenknecht’s critiques of Chicago School neoliberalism and their competing appeals to Freiburg School ordoliberalism represent an intriguing German strategy for political-economic hegemony—particularly given that both branch off from the same family tree. But these traditions of thought and practice are neither static doctrines with fixed meanings nor “zombies” lurking in the post-crisis landscape. They are rather forms of a “mutant” neoliberalism subject to internally and externally induced transformations—and thus forms with different conceptions of market and political rationality. In times of crisis, both ordoliberalism and neoliberalism may reveal themselves as aggressively pro-market and anti-democratic. And yet their imagination and practice of political economy bear important differences and consequences for critique, differences that the post-crisis emergence of rightwing formations—the AfD and Trump—make clear.

Comprising three parts, this chapter first explores the shared theoretical premises of the Freiburg School and the Chicago School, marking their break as the latter evolved from the 1950s onwards. Thereafter, a newly deregulation and monetarist-oriented perspective helped to shape Chicago’s theoretical and policy framework, making it more open to speculative free market finance and less concerned with monopoly and balanced budgets than Freiburg ordoliberalism. Placing these divergences in historical and theoretical context, I suggest, can help elucidate an epistemic incongruity between them that persists to this day.

Against this mid-century backdrop, the second part of the chapter turns to the European sovereign debt crisis as an exemplary scene of ordoliberal (vs. neoliberal) governance, the key features of which were overlooked by many critics. Here I read Treasury Secretary Timothy Geithner as a practitioner of neoliberal rationality and German Finance Minister Wolfgang Schäuble as a bearer of ordoliberal rationality.⁴⁸² That neither recognized the other as such does

⁴⁸⁰ Hans-Werner Sinn, “Der wahre Neoliberalismus braucht klare Regeln.”

⁴⁸¹ Sahra Wagenknecht, *Über vergessene Ideale, die Eurokrise und unsere Zukunft* (Frankfurt a.M.: Campus Verlag, 2012), 61.

⁴⁸² During the financial crisis Geithner served as Treasury Secretary under the Obama administration. Objections to the use of “neoliberal” in this context should both consider the training and trajectory of Geithner in particular and the administration’s approach to the crisis more generally—an approach that has been called “privatized Keynesianism” for good reason. From Gary Becker’s perspective, Geithner surely followed the wisdom of his own brand of “market conservatism” to a greater or lesser extent: “I agree with Posner that the future of free market

not contradict this reading, but rather serves to elucidate their differences in practice. According to Geithner's narrative, Schäuble and other officials of German-led Europe showed dangerous disrespect for the speculative "truth" of financial markets and an "Old Testament faith" in balanced budgets, which resulted in a punitive approach to debt-ridden countries such as Greece, Ireland, Portugal, Spain and Italy. What Geithner misses throughout his account, however, is the distinctly *ordoliberal* framework underpinning the EU's economic governance. Budgets balanced by debt brakes, an inflation-focused central bank, a disregard for structural inequalities, a Union built upon principles of "stability," "growth" and "competitiveness," and yet dominated by a single export-oriented economy—there is an order and a rationality to this "economic constitution" that is greater than the sum of its parts. The final section on the *Schwarze Null* (balanced budget imperative) suggests that focusing criticism on the EU's democratic deficits or conflicting national interests alone is insufficient to grasp the political deficits of the current order.

Trans-Atlantic Bridges and Breaks: Freiburg Ordoliberalism and Chicago Neoliberalism

As the previous chapter showed, ordoliberal scholars like Eucken, Böhm, Röpke and Rüstow shared a more or less culturally conservative diagnosis of the political and economic crisis of Weimar Germany, an economically liberal desire to combat the rise of the modern welfare state, and a commitment to a strong, autonomous state that could establish and secure a competitive market order. Thereafter, a blossoming network of ideas, scholars, politicians, and business interests crystallized in the interstices of Röpke and Rüstow's "sociological neoliberalism" and Eucken and Böhm's politico-legal programme for "re-ordering" the economy.⁴⁸³ When the Nazis took power, Röpke and Rüstow fled the country while Eucken and Böhm remained and focused on the scientific elaboration and possible implementation of their "ordo" programme. But, when the war ended, they were already mobilised, with allies at their side such as Alfred Müller-Armack, Leonhard Miksch and, most importantly, Ludwig Erhard.⁴⁸⁴

policies in the United States has been damaged by the financial crisis, and by the continuing rise in unemployment and slowdown of the American (and world) economy. The degree of damage, however, will be determined by the length and severity of this recession. If the recession does not develop into a deep and prolonged depression, there will not be a sizable retreat from the market policies that have been in effect. The big victory of Senator Obama and the Democratic Party was not a referendum on free market policies. Rather it reflected the continuing unpopularity of the Iraq war and of the Bush administration, and months of growing concern about foreclosures, rising unemployment, and the weak economy. American voters seem to want greater regulation of the financial sector, not an abandonment of policies that generally have supported the private sector and competition. This is reflected in the economists Obama has appointed to top positions in his administration. These economists, such as Larry Summers and Paul Volker, have generally recognized the importance of competition as a way to regulate market behavior." Gary Becker, "The Future of Free Market Conservatism," *The Becker-Posner Blog* (11/30/2008); <https://www.becker-posner-blog.com/2008/11/the-future-of-free-market-conservatism--becker.html>.

⁴⁸³ Franz Böhm, Walter Eucken and Hans Grossmann-Doerth, "The Ordo Manifesto of 1936" in Alan T. Peacock and Hans Willgerodt (eds.), *Germany's Social Market Economy: Origins and Evolution* (Basingstoke: Palgrave, 1989), 22-23; originally published as "Unsere Aufgabe" in *Ordnung der Wirtschaft* 2 (Stuttgart/Berlin: W. Kohlhammer, 1936).

⁴⁸⁴ They met with German business groups, organized seminars, co-founded the Mont Pèlerin Society, served on local and federal policy committees, and struck close ties with political figures in the CDU and the FDP. Their strategy was not centered on political parties but on networks of influence. Some of the ordoliberals, like Miksch, even joined the SPD. Böhm became a CDU representative in the Bundestag from 1953-65.

In 1948, before the *Grundgesetz* (Basic Law) had been written and the West German state even existed, the ordoliberals assisted Erhard in constructing the now famous, but then controversial,⁴⁸⁵ economic and currency reforms that introduced the *Deutsche Mark* and lifted nearly all price controls.⁴⁸⁶ Amidst the dire economic conditions of post-war Germany, their decrees to abolish the rationing of even the most basic goods needed for survival, in order to liberalise commodity prices and “unleash” the market forces of competition, were without precedent. They were the first to buck the dominant trend across the Euro-Atlantic towards social welfare-oriented “state planning.” Erhard implemented the reforms towards social welfare-oriented “state planning” and against the Keynesian objections of the Allied authorities, the Social Democrats, and the labour unions.

In parallel with the Freiburg School, the Chicago School also emerged from the political economic crises of the interwar period. Both schools believed themselves to hold the solution for overcoming crisis; both propagated programmes with explicit anti-socialist and anti-Keynesian impetus; and both saw themselves as possessing greater scientific objectivity than their predecessors and contemporaries. This much they shared before their first meetings at the 1938 “*Colloque* Walter Lipmann” in Paris and—thanks to the co-ordinated efforts of Friedrich von Hayek and Wilhelm Röpke—the 1947 founding of the Mont Pèlerin Society. There were a number of disagreements in Mont Pèlerin, but a sense of shared mission united the trans-Atlantic intellectual vanguard.

“Neo-liberalism” began as a movement aimed at the critical revision and programmatic transformation of liberal capitalism.⁴⁸⁷ Before the concept of “ordoliberalism” became associated with the Freiburg School around 1948, Rüstow had already coined “neoliberalism” at the 1938 colloquium in Paris. Neoliberalism, in the original suggestion, was considered alongside other concepts like “neo-capitalism” and “social liberalism.” Rüstow and Röpke were conceptual entrepreneurs by nature, and they both made occasional use of “neoliberalism” in the 1950s to distinguish their program from the mistaken creeds of the past—that is, distinguishing the neoliberals (*Neuliberalen*) from old liberals (*Altliberalen*), and “neo-liberalism” from “paleoliberalism.”⁴⁸⁸ Other members of the group also tried the term on for size but, as we will see below, ultimately decided against it, with Hayek and Friedman eventually opting to carry the banner of “liberalism” unmoored by prefix.⁴⁸⁹

In this respect the little-known trajectory of Friedman’s early career is revealing. Before moving to Chicago, Friedman worked at the U.S. National Resources Committee in 1935-37 under

⁴⁸⁵ See the discussion in Chapter 2.

⁴⁸⁶ Patricia Commun, “La conversion de Ludwig Erhard à l’ordolibéralisme (1930-1950)” [Ludwig Erhard’s conversion to ordoliberalism] in Patricia Commun (ed.), *L’Ordolibéralisme allemand: Aux sources de l’économie sociale de marché* [German ordoliberalism: origins of the social market economy] (Cergy-Pontoise: CIRAC, 2003).

⁴⁸⁷ For accounts in this vein, see Hartwell, *A History of the Mont Pèlerin Society*; Dieter Plehwe and Bernhard Walpen, “Wissenschaftliche und wissenschaftspolitische Produktionsweisen im Neoliberalismus Beiträge der Mont Pèlerin Society und marktradikaler Think Tanks zur Hegemoniegewinnung und –erhaltung” in *PROKLA: Zeitschrift für kritische Sozialwissenschaft*, 115/29 No. 2 (1999), 203-235; and Thomas Biebricher *Neoliberalismus zur Einführung* (Hamburg: Junius Verlag, 2015).

⁴⁸⁸ See for example Alexander Rüstow, “Sozialpolitik diesseits und jenseits des Klassenkampfes,” in *Aktionsgemeinschaft Soziale Marktwirtschaft: Sinnvolle und sinnwidrige Sozialpolitik* (Ludwigsburg: Hoch, 1959), 20.

⁴⁸⁹ See for example Walter Eucken, *Grundsätze der Wirtschaftspolitik* (Stuttgart: Mohr Siebeck UTB, [1952] 2004). On this conceptual ambiguity, see also Philip Mirowski, “The Political Movement that Dared not Speak its Own Name: The Neoliberal Thought Collective under Erasure,” *INET Working Paper* No. 23 (2014).

Wesley C. Mitchell, the director of the National Bureau of Economic Research (NBER) whose approach to economics incorporated institutionalism and statistical analysis as opposed to neoclassical price theory. Both Mitchell and Friedman believed that “economics could be established as a predictive science with a broad scope capable of yielding objective claims,” and both saw economists “as heavily involved in policy making, where they would not serve as partisan advisers but as neutral scientists who clarified available means and predicted the outcomes of various actions.”⁴⁹⁰ Their commitment to prediction and empiricism was based on a strong filiation between the natural and social sciences, and as Thomas Stapleford notes, “the expansion of scientific economics was simultaneously the rationalization of politics.”⁴⁹¹ Though the Chicagoans shared this brand of Weberian value-neutrality and this commitment to the rationalization of politics, their neoclassical assumptions made them Mitchell’s methodological opponents. Gradually, Friedman assimilated into Frank Knight and Henry Simons’ program, which included Econ 301 on price theory as a right of passage—a seminar initially taught by Jacob Viner, the program’s star economist and “stern disciplinarian” of price theory, and later by Friedman himself.⁴⁹²

A turning-point came in Chicago when Viner and Oskar Lange left the programme in 1945-46. Until then price theory was not only part of the Austrian, Walrasian and Marshallian approaches, but also the market socialist approach—as explored in Chapter 1—with Lange as one of its lead representatives. But after Lange’s departure and Simon’s death, Friedman’s views became dominant over the next two decades.⁴⁹³ Arguably the most important shift of all came when a group of the Chicagoans—Milton Friedman, Frank Knight, Aaron Director, and George J. Stigler—traveled to the remote mountain town of Mont Pèlerin, Switzerland upon Hayek’s

⁴⁹⁰ “Given this emphasis on prediction and empiricism, it should be unsurprising that both Friedman and Mitchell saw strong parallels between the physical sciences and economics. Just as the physical sciences provided objective, predictive theories for the behavior of nonhuman objects, so too would economics provide objective, predictive theories in the social realm.” Thomas Stapleford, “Positive Economics for Democratic Policy: Milton Friedman, Institutionalism, and the Science of History,” in Robert Van Horn, Philip Mirowski and Thomas A. Stapleford (eds.), *Building Chicago Economics: New Perspectives on the History of America’s most Powerful Economics Program*, (Cambridge: Cambridge University Press, 2011), 4-5.

⁴⁹¹ Stapleford, “Positive Economics for Democratic Policy,” 4.

⁴⁹² See Jamie Peck, “Orientation: In Search of the Chicago School” in Van Horn, Mirowski and Stapleford (eds.), *Building Chicago Economics*, xxv and xxviii. See also: “The teaching of 301 has always been the prerogative of the department’s big guns and over the years has been identified successively with Viner, Friedman and Becker... Course 301 has always been tough and its teachers have been stern taskmasters.” Reder, cited in Johan Van Overtveldt, *The Chicago School: How the University of Chicago Assembled the Thinkers who Revolutionized Economics and Business* (Chicago: Agate, 2007), 77.

⁴⁹³ Roger E. Backhouse, “The Rise of Free-Market Economics since 1945” in Peter J. Boettke and Steven G. Medema (eds.), *The Role of Government in the History of Economic Thought* (Durham: Duke University Press, 2005), 372.

The early Chicago School’s different and changing approaches to the socialist calculation debate is also interesting in this respect. While Henry Simons hewed closely to the Austrians and the Freiburgers, Frank Knight methodologically sided with his colleague Lange, despite their political differences. Knight reviewed Mises’s book *Socialism* and Lange’s 1936 article, concluding that the socialist calculation debate was “largely sound and fury.” Like Herbert Marcuse, as discussed in the next chapter, Knight considered it “truistic” that socialism would contain the same “technical basis of economic life” and that “the managers of various technical units in production — farms, factories, railways, stores, etc. — would carry on in essentially the same way.” According to Knight, “socialism is a political problem, to be discussed in terms of social and political psychology, and economic theory has relatively little to say about it.” See Frank H. Knight, “Review of Ludwig von Mises, *Socialism*,” *Journal of Political Economy* 46 (April 1938), 267–68; and Knight, “Two Economists on Socialism,” *Journal of Political Economy* 46 (April 1938), 248.

invitation, co-founding the Mont Pèlerin Society in 1947. For Friedman, these meetings helped root the disciplinary stakes of neoclassical economics in the larger political struggle against “collectivism.” Collectivism was a broad concept for the neoliberals’ adversaries, such as Keynesianism, the Beveridge Plan, and socialist “state planning.” In a 1951 essay, “Neo-Liberalism and its Prospects,” Friedman reveals his conversion to the neoliberal creed, the broad contours of which mapped onto the ordoliberal program:

A new faith must avoid both errors [of laissez-faire capitalism]. It must... explicitly recognize that there are important positive functions that must be performed by the state. The doctrine sometimes called neo-liberalism which has been developing more or less simultaneously in many parts of the world and which in America is associated particularly with the name of Henry Simons is such a faith. No one can say that this doctrine will triumph. One can only say that it is many ways ideally suited to fill the vacuum that seems to me to be developing in the beliefs of intellectual classes the world over. Neo-liberalism would accept the nineteenth century liberal emphasis on the fundamental importance of the individual, but it would substitute for the nineteenth century goal of laissez-faire as a means to this end, *the goal of the competitive order*. It would seek to use competition among producers to protect consumers from exploitation, competition among employers to protect workers and owners of property, and competition among consumers to protect the enterprises themselves. *The state would police the system, establish conditions favorable to competition and prevent monopoly, provide a stable monetary framework, and relieve acute misery and distress*. The citizens would be protected against the state by the existence of a free private market; and against one another by the preservation of competition.⁴⁹⁴

Multiple influences shine through this short declaration; the rejection of *laissez-faire* in the name of “competitive order” appears quintessentially ordoliberal.⁴⁹⁵ However, this critique of nineteenth-century liberalism’s purely passive view of the state can also be seen as a long-standing bridge between Freiburg and Chicago traditions of thought, one built before Friedman’s arrival. Henry Simons and Frank Knight were Friedman’s mentors and avid readers of Austrian and German economic theory. They both held “ordoliberal” positions in support of anti-trust measures, prioritizing formal “rules of the game” in economic and monetary policy, and envisioning economic competition as a necessary condition for a functional market order and human freedom more generally. Like the ordoliberals, Simons also considered it the task of the government to set up the “framework” which would ensure the proper functioning of market competition.⁴⁹⁶ Without

⁴⁹⁴ Milton Friedman, “Neo-Liberalism and its Prospects,” *Farmand* (February 17, 1951), 3, my emphasis.

⁴⁹⁵ For accounts that also underscore the Weberian features of Friedman’s method, see Paul Hoyningen-Huene, “Revisiting Friedman’s F53: Popper, Knight, and Weber” (Working Paper, 2017); and Péter Galbács, “Friedman’s Instrumentalism in F53: A Weberian Reading,” *Journal of Philosophical Economics*, 12(2) 2019: 31-53.

⁴⁹⁶ Despite the seemingly contradictory title of Simons’ *A Positive Program for Laissez Faire* (1934), his vision entailed the following framework: “Eliminate all forms of monopolistic market power, to include the breakup of large oligopolistic corporations and application of anti-trust laws to labor unions. A Federal incorporation law could be used to limit corporation size and where technology required giant firms for reasons of low cost production the Federal government should own and operate them... Promote economic stability by reform of the monetary system

the “important positive functions performed by the state,” as Friedman put it, the “price system could not discharge effectively the tasks for which it is admirably fitted.”⁴⁹⁷

But this early consensus between the Freiburg and Chicago Schools, which largely hewed to “ordoliberal” premises, would slowly fracture over time. From the late 1920’s through the early 1950s, Simons, Knight, Friedman, Stigler, Thorstein Veblen and other Chicago economists were concerned about the negative effects of monopoly. The trans-Atlantic agreement on this particular question, however, only briefly outlasted Henry Simons, who died in 1946. Led by Aaron Director, the budding Law and Economics movement played a key role in “revolutionizing” the postwar perspective in Chicago. As Van Overtveldt observes, “Director’s major innovation was to look at monopoly and antitrust legislation through the lens of price theory.”⁴⁹⁸ This was part of a critique of U.S. anti-trust legislation, which suggested that “important efficiencies were frequently realized through these practices, that the exercise of monopolistic power should not be exaggerated, and that often-assumed practices of monopoly, such as predatory price cutting, simply did not occur in real life.”⁴⁹⁹ Relatedly, the foundations of the post-Simon period were built upon the support of politically motivated corporate foundations and think tanks, such as the Volker Fund, which helped both guide and materialise Chicago’s more radically free market approach to political economy. For instance, Hayek persuaded Aaron Director to conduct the WVF-funded Chicago Free Market Study (FMS) on monopoly with Friedman and Edward Levi, the dean of the law school, which reached a monopolistic conclusion in 1952: “Though avowed to study and describe ‘a suitable legal and institutional framework of an effective competitive system,’ the FMS predominantly researched the issues of monopoly and corporations, transforming the fundamental economic approach to these issues and giving birth to a significant tenet of neoliberalism.”⁵⁰⁰

As the Chicago School developed, monopolies came to be seen as benign—because *always* temporary—so long as competition can do its magic and the state does not get involved. When Friedman published *Capitalism and Freedom* in 1962 to popularize Chicago School ideas, he explicitly contrasted this interpretation of monopoly with the “old Chicago” views of Henry Simons and the “Freiburg School” approach of Walter Eucken.⁵⁰¹ Simons had generally argued against state intervention, but accepted state ownership of particular industries in cases where market competition could not possibly be obtained. For Eucken and the ordoliberals, pure competition is only realised when the size and power of corporations is checked by strict anti-trust

and establishment of stable rules for monetary policy... Reform the tax system and promote equity through income tax... Abolish all tariffs... Limit waste by restricting advertising and other wasteful merchandising practices.” Henry C. Simons, *A Positive Program for Laissez Faire: Some Proposals for a Liberal Economic Policy* (Chicago: The University of Chicago Press [1934] 1949). See also Friedman’s statements on Simons, as examined in Rob Van Horn and Matthias Klaes, “Intervening in Laissez-faire Liberalism: Chicago’s Shift on Patents” in Van Horn, Mirowski and Stapleford (eds.), *Building Chicago Economics*, 231; and Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton: Princeton University Press, 2012), 98.

⁴⁹⁷ Friedman in Backhouse, “The Rise of Free-Market Economics since 1945,” 3.

⁴⁹⁸ See George Stigler, *Memoirs of an Unregulated Economist* (Chicago: University of Chicago Press, 1988), cited in Van Overtveldt, *The Chicago School*, 73: “[Director’s] work stimulated related research by others, including Ward Bowman, Robert Bork, John McGee, and Lester Telser.”

⁴⁹⁹ Johan Van Overtveldt, *The Chicago School: How the University of Chicago Assembled the Thinkers Who Revolutionized Economics and Business* (Chicago: Agate, 2007), 73.

⁵⁰⁰ Rob Van Horn and Matthias Klaes, “Intervening in Laissez-Faire Liberalism: Chicago’s Shift on Patents,” in Robert Van Horn, Philip Mirowski and Thomas Stapleford (eds.), *Building Chicago Economics* (Cambridge: Cambridge University Press, 2011), 205. This passage cites Ronald Coase, “Aaron Director” in Paul Newman (ed.), *The New Palgrave Dictionary of Economics and the Law* (New York: Macmillan, 1998), 603.

⁵⁰¹ Milton Friedman, *Capitalism and Freedom* (Chicago: Chicago University Press, [1962] 2002), 28.

regulations, lest big business become parasitic on the state and obstructive to competitive market forces. But now, according to Friedman, even if “technical monopoly” may result from market forces, private behemoths are best left untouched by state intervention or regulation because they will eventually be undone by the very forces of competition themselves: “both public regulation and public monopoly are likely to be less responsive to [the conditions of a rapidly changing society], to be less readily capable of elimination, than private monopoly.”⁵⁰² The Chicago School evolution—from Simons’ original *ordo*-sympathies to the law and economics revolution—was complete.

Beyond the question of monopoly, differences between the Freiburg and Chicago Schools are reflected in their views of monetary policy, finance, and budget deficits.⁵⁰³ On one side, ordoliberalism has always considered the stability of currency as the highest priority,⁵⁰⁴ consecrated the *Haftungsprinzip* (liability principle) against the threat of “moral hazard” (taking risks without suffering the consequences), favored de-centralised competition as a means for dissolving economic power, and permitted only “market conforming” state interventions that respect the price mechanism. The traditional ordoliberal model of finance is one in which a relatively large number of privately-owned firms compete against each other. As was the case in West Germany, these firms remain locally grounded by virtue of drawing their finances from loans provided by local and regional banks. The model also relies on an independent central bank—as was also the case with the West German *Bundesbank*—to secure the stabilising effect of “sound money” and to prevent excessive inflation. In turn, the central imperative for government is to focus on saving and cost-cutting so as to avoid breaking the ordoliberal taboo: excessive state debt. This austerity-oriented model is based on a particular conception of stability shaped by a traumatic experience of crisis, as Wolfgang Schäuble recently affirmed himself. “While US policymakers like to focus on short-term corrective measures,” Schäuble writes, “we take the longer view and are therefore more preoccupied with the implications of excessive deficits and the dangers of high inflation.” The “aversion to deficits and inflationary fears,” Schäuble admits, “have their roots in German history in the past century.”⁵⁰⁵

On the other side, the Chicagoan evolution towards accepting monopoly and advocating monetarism effected a trans-Atlantic rift. But Chicago’s other foundational disagreement with Freiburg concerned the importance of balanced budgets. Friedman and his colleagues rode the free market tide during the 1950s and 1960s,⁵⁰⁶ unconcerned by the ordoliberal obsession with budget deficits. In the historical context of an American economy dominated by corporations in which ownership and management were dissociated—an important difference from the German model—the Chicagoan trajectory dovetailed with the rise of rational choice theory and with a

⁵⁰² Friedman, *Capitalism and Freedom*, 28.

⁵⁰³ Many believe these differences stem from their respective historical, cultural and geographic roots. See Stedman Jones, *Masters of the Universe*, 125; Josef Hein, “The Ordoliberalism That Never Was,” *Contemporary Political Theory* 12 (2013), 349-358.

⁵⁰⁴ Eucken called this the primacy of monetary policy for securing price stability in the ordoliberal framework: “alle Bemühungen, eine Wettbewerbsordnung zu verwirklichen, [sind] umsonst, solange eine gewisse Stabilität des Geldwertes nicht gesichert ist.” Eucken, *Grundsätze der Wirtschaftspolitik*, 256.

⁵⁰⁵ “To the question of what caused the recent turmoil in the eurozone, there is one simple answer: excessive budget deficits in many European countries.” Schäuble, cited in “German Treasurer: U.S. Should Learn from Us,” *Newsmax Finance* (29 June 2010); For his response to George Soros’ criticism, see Wolfgang Schäuble, “Why Europe’s monetary union faces its biggest crisis,” <https://www.ft.com/content/2a205b88-2d41-11df-9c5b-00144feabdc0>.

⁵⁰⁶ Van Horn and Klaes, “Intervening in Laissez-faire Liberalism,” 215.

“revolutionary” managerial theory which dictated that managers work for the good of the shareholders, rather than for their own interests.⁵⁰⁷ Competition thus accorded with the logic of managers competing among each other in order to attract investors and to satisfy shareholders.⁵⁰⁸ And to organise this kind of competition, a de-regulated capital market was required. Financialisation soon paired well with this model of shareholder governance and with the neoliberal imperative to de-regulate—all to the benefit of large corporations and big banks.⁵⁰⁹

Following the end of the Bretton Woods system and the stagflation crisis of the 1970s that called Keynesian assumptions into question, the Chicago School’s ready-made model found receptive audiences at the highest levels of government, industry and finance. Having learned their post-war lesson from the ordoliberals—perhaps even gleaning from their inverted Marxist theory of history—Friedman and others knew well that the “tide” of policy and opinion could be turned in moments of crisis. By the 1980’s, Friedman had achieved what, in 1951, was a utopian pining or article of faith: “neo-liberalism offers a real hope of a better future, a hope that is already a strong cross-current of opinion and that is capable of capturing the enthusiasm of men of goodwill everywhere.”⁵¹⁰ After winning over Augusto Pinochet, Ronald Reagan and the Nobel prize committee, Friedman recapitulated his early theory of crisis in a new preface to the 1982 edition of *Capitalism and Freedom*:

There is enormous inertia—a tyranny of the status quo—in private and especially governmental arrangements. Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.⁵¹¹

With a crisis-focused approach to the question of theory and praxis, this patient discursive practice proved indispensable for the materialization of both ordoliberal and neoliberal rationality in economics, law, and governmental practice. Despite their victories on each side of the Atlantic—and around the globe—and despite popular perceptions by both advocates and critics that neoliberalism was something of a monolith—the bond between the two traditions had weakened. The 2008 financial crisis exposed their differences in monumental fashion.

The Trans-Atlantic Divide on Crisis Management: Timothy Geithner and Wolfgang Schäuble

⁵⁰⁷ See Sonja Amadae, *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (Chicago: University of Chicago Press, 2003); and Gerald Davis, *Managed by the Markets: How Finance Reshaped America* (Oxford: Oxford University Press, 2009).

⁵⁰⁸ Michel Feher, *Rated Agency: Investee Politics in a Speculative Age* (Brooklyn: Zone Books, 2018).

⁵⁰⁹ “The intellectual roots of the derivatives market can be found at the University of Chicago. As the story goes, Friedman played the role of catalyst.” Van Overtveldt, *The Chicago School*, 268.

⁵¹⁰ Milton Friedman, “Neo-Liberalism and its Prospects.”

⁵¹¹ Milton Friedman, *Capitalism and Freedom*, xiv.

“Real existing” ordoliberalism and neoliberalism have evolved, in the context of globalization, into what many post-Keynesian economists call export-based and debt-based growth models. The former model is about competing for foreign customers; the latter is about competing for foreign investors. At present, the two models have key features in common—such as keeping labor costs and public spending down—and they are partly complementary in that export industries need credit-subsidized consumers to sell their products. Yet their priorities are not the same, and their divergence on budget deficits reflects the rifts examined above. Indeed, these models have come to chafe against one another. For example, when U.S. Treasury Secretary Timothy Geithner worried that German Finance Minister Wolfgang Schäuble and his Eurozone allies punish indebted people instead of helping them become solvent, if still indebted, consumers again. Conversely, German ordoliberals worried that when banks—especially their own, as with Deutsche Bank—get lured into the dangerous business of derivatives and investment banking, putting at risk the very export industries that they are supposed to finance. In these ways, at least, the original Freiburg-Chicago divide maps onto more recent trans-Atlantic rifts concerning modes of crisis management.

The sovereign debt crisis revealed this divide between neoliberal and ordoliberal styles of reasoning, whether or not the practitioners perceived the divide themselves. In *Stress Test: Reflections on Financial Crises*, for instance, Timothy Geithner’s firsthand account unwittingly reproduced the gap between neoliberal and ordoliberal rationality.⁵¹² In 2010, “Europe was burning again,” writes Geithner, but at the G-7 meeting called in response, the Europeans “did not seem to have the tools or the desire to contain the fire.”⁵¹³ Unsurprisingly, German and French leaders were unreceptive to Geithner’s approach and regarded him as “the walking embodiment of moral hazard.” “They still blamed our Wild West financial system for the meltdown of 2008,” he recounts, and they “weren’t going to be swayed by suggestions from the reckless American that they should take it easy on the reckless Greeks. In reality, Europe had enjoyed a wild credit boom of its own, with much of the risky borrowing in the periphery funded by risky lending by banks in the German and French ‘core.’”⁵¹⁴ From Geithner’s perspective, the Europeans were demanding devastating austerity cuts while making low-ball loan offers to Greece, “at most 25 billion euros, which wouldn’t even cover its borrowing needs through the spring, combined with harsh demands for tax increases, spending cuts, wage freezes, and other austerity measures.” While Athens protested the proceedings, several German politicians declared, in all seriousness, that Greece should auction off the Acropolis. For his part, Wolfgang Schäuble said that, “Germany would slash its own budget in solidarity with the rest of the continent, to show that it wouldn’t ask for sacrifices

⁵¹² “Based on published data, between January 2010 and June 2012, Geithner had 168 meetings and telephone discussions with Eurozone officials and 114 with the IMF”; available at: <http://www.tovima.gr/en/article/?aid=595745>. Thereafter, when Schäuble received the Jewish Museum’s Prize for Understanding and Tolerance on November 2014 in Berlin, Geithner gave a speech underscoring the relationship between the Germans and the Americans during the crisis: “Roughly 40 years ago, Henry Kissinger asked his famous question about Europe: ‘Whom do you call?’ ... For the United States, Wolfgang Schäuble became a large part of the answer to Kissinger’s question. We called Minister Schäuble.”

⁵¹³ Timothy Geithner, *Stress Test: Reflections on Financial Crises* (New York: Broadway Books, 2014), 443.

⁵¹⁴ Geithner, *Stress Test*, 443. In leaked interviews that Geithner conducted in preparation for his book, he put this in somewhat starker terms: “the Europeans came into that meeting basically saying: ‘We’re going to teach the Greeks a lesson. They are really terrible. They lied to us. They suck and they were profligate and took advantage of the whole basic thing and we’re going to crush them,’ was their basic attitude, all of them...” Select excerpts of the interviews can be found in Peter Spiegel, “Draghi’s ECB management: the leaked Geithner files,” *Financial Times* (November 11, 2014); <https://www.ft.com/content/5704c0bf-43de-3787-a981-dd1e952f8120>.

it wouldn't make itself." This action, Geithner thought, would only make the problem worse since "in the near term, the German government and German citizens need to do more spending and less saving." Thinking aloud, he replied to Schäuble: "You know you sound a bit like Herbert Hoover in the 1930s. You need to be thinking about growth."⁵¹⁵ For Geithner, the only pacifying reports were to be found in subtle signals that catastrophic risk was off the table. Chancellor Merkel told Geithner and Obama, "we won't do a Lehman," suggesting by way of insult that Greece would not default on her watch like the Lehman Brothers and other large banks did on the Americans'. Geithner respected Merkel, but the feeling wasn't exactly mutual: "she turned to me in that meeting with the President and said Paul Volcker had told her I was 'very close to the markets,' which I don't think she meant as a compliment."⁵¹⁶

Ironically, Geithner took Merkel's non-compliment fairly well. For his most consistent criticism of German-led Europe was not that their structural adjustment imperatives were disrespectful or pointlessly cruel, but that the leaders didn't respect, much less understand, the market. Wolfgang Schäuble and Christine Lagarde were not simply harsh, but non-strategic, perhaps even irrational: "still insisting on draconian budget cuts, their harsh Old Testament rhetoric was roiling the markets, undermining the power of their aid."⁵¹⁷ Though Greece needed to rein in its deficit, Geithner argued, "imposing too much austerity too quickly would be counterproductive, further depressing its economy, shrinking its tax revenues, and actually increasing its deficit... The desire to impose losses on reckless borrowers and lenders is completely understandable, but it's terribly counterproductive in a financial crisis."⁵¹⁸

The "Wild West" of American neoliberalism seemed to be showing a Keynesian streak.⁵¹⁹ But the opposition at home (congressional Republicans) and the allies abroad (German-led

⁵¹⁵ Geithner, *Stress Test*, 447. On Schäuble's self-defense against American criticism, see Tooze's discussion: "In November 2010 Schäuble replied [to the Americans], dismissing Ben Bernanke's Quantitative Easing 2 as 'clueless.' Meanwhile, Germany's corporate giants such as Deutsche Bank can barely disguise their relief at the more expansive course being followed by the European Central Bank under Mario Draghi in the face of protests from Schäuble and his allies at the Bundesbank." Adam Tooze, "After the Wars," *London Review of Books* 37 (2015).

⁵¹⁶ Geithner, *Stress Test*, 448.

⁵¹⁷ Geithner, *Stress Test*, 445.

⁵¹⁸ Geithner, *Stress Test*, 444-45.

⁵¹⁹ While Geithner occasionally uses such language in his memoir, a deeper reading of this and previous texts reveal a commitment to non-Keynesian governance vis-à-vis the financial system. For instance, in his 2009 reports to Elizabeth Warren, titled "April oversight report: assessing Treasury's strategy, six months of TARP," Geithner showed concern that the Europeans were less willing to play the game of boom and bust capitalism (*i.e.*, to bail out banks whenever necessary) than the Obama administration. Here, he goes so far as to defend the (pre-crisis) American financial industry, warning against "unreasonable" responses like nationalization: "The Europeans must contend not only with the issues arising out of linked currencies, but also with the issues arising out of their linked economies. Germany has been the most vocal regarding concerns that they will be asked not only to provide rescue packages for their own financial services industry, but for those of their poorer neighbours as well... [Regarding the U.S.] we believe that a viable plan should be given the opportunity to work. Speculation on alternatives runs the risk of distracting our energy from implementation of a viable plan and needlessly eroding market confidence. *Market prices are being partially subjected to a downward self-reinforcing cycle that could be exacerbated by unwarranted consideration of more radical solutions such as nationalization.* This positive assessment of Treasury's view on the underlying causes of the financial crisis is not meant to suggest that the housing bubble should be re-inflated. But we do admit to being confident that the long-term values of mortgage-related assets secured by American homes remain a good investment." Timothy Geithner in *United States Congressional Oversight Panel*. (Letters between Timothy Geithner and Elizabeth Warren), (Washington DC: U.S. G.P.O., 2009), 75, emphasis mine. On the post-election landscape of Geithner's bank rescue and the Obama administration's monopolistic sympathies, see Matt Stoller,

Europe) still had austerity on the mind. Frighteningly, Geithner remarks, the James Buchanan-inspired rhetoric of the Republican Party about forcing “the federal leviathan to live within its means... sounded more committed to austerity than the Germans.”⁵²⁰ Austerity is fine in principle, Geithner explained, except when already anemic markets want you to spend. Though his own analysis did not take him so far, Geithner’s logic runs something like this: Europe is far too ordoliberal. If it cannot swing a bit of Keynesianism for the time being, it should at least follow neoliberal common sense: the truth of the market must determine state action, or, in other words, to achieve economic growth, you should always govern *with* the market, not *against* it. Beneath this neoliberal critique of ordoliberal rationality, however, lies an unseen split between two different conceptions of “the market” itself. For ordoliberals, austerity measures and balanced budgets are good because deficit spending distorts “the market,” primarily understood in terms of the “price mechanism,” and the negotiations that produce the “equilibrium” or “market-clearing price.” For Geithner, the market is clearly less about the negotiation than about the speculation of agents concerning what they think others think a security is worth.⁵²¹ Thus the market whose truth Schäuble disrespects is a financial and speculative one. In good times, such speculative truths lead to the neoliberal promised land; in bad times, they must be heeded, lest market crises and other punishments will ensue.

At this juncture, things were bad on both sides of the Atlantic. “The early fires of the European crisis,” Geithner laments, “contributed to the disappointment of our Recovery Summer.” While a bad economy drove up deficits, austerity fever continued to spread:

Ireland’s support for its failing banks was on the verge of bankrupting its government... Spain and Portugal slashed spending in fruitless attempts to avoid ratings downgrades... Meanwhile, Germany was pushing for a European fiscal union with the power to restrain the borrowing and spending of its members.⁵²²

By June 2012, Geithner writes, the crisis was burning hotter than ever:

Austerity measures were prompting riots and strikes on the periphery while depressing growth across the continent. Spain, with its jobless rate approaching 25 percent, needed a 100 billion euro credit line for its bank rescues. The debt-to-GDP ratios of Italy, Portugal, and Ireland all topped 110 percent, while Greece’s neared 150 percent even after it haircut its bonds. Bank deposits were fleeing those

“Democrats can’t win until they recognize how bad Obama’s financial policies were,” *The Washington Post* (January 12, 2017).

⁵²⁰ Geithner, *Stress Test*, 450.

⁵²¹ See also Davis, *Managed by the Markets*, and Feher, *Rated Agency*.

⁵²² Geithner adds: “The United Kingdom pivoted to austerity after David Cameron and the Tories ousted Gordon Brown, and would soon lapse back into recession.... French President Nicolas Sarkozy was understandably cool to the idea of giving Germany power over the budgetary decisions of other countries. Unfortunately, he defused this threat to French sovereignty by persuading Merkel to back off the fiscal union in exchange for his support for the German mandatory haircut policy. In other words, a European government would have to restructure its debt to be eligible for assistance from the European rescue fund. Not only was Europe failing to make a credible commitment that it wouldn’t allow a Lehman, it looked like it was committing to regular Wamus.” Geithner, *Stress Test*, 448-9.

countries as well, and their governments were too deep in debt to do anything about it. Europe had failed to persuade the world that it would not allow a catastrophe. Its firewall still looked flimsy. Its politics were still a mess. Every time its leaders announced new measure to try to control the crisis, they undercut their message with bad execution, strict conditions, and moral hazard rhetoric emphasizing their limited ability and desire to rescue their neighbors. Its loan packages were often more stigmatizing than stabilizing. And the markets still thought there was a meaningful possibility of a cascade of defaults by countries or banks, or a devastating breakup of the eurozone.⁵²³

Both sides were “stressed” as German-led Europe was failing its test.⁵²⁴ Whereas Geithner and Obama let politics serve the market, the Europeans were butting heads with the market in the name of “competitiveness,” “stability,” inflation, or the supposed sovereignty of rules. From the American perspective, they were dangerously ignoring both what the market *thought* and what it might *do* to them. As if a stubborn and old school Europe had never heard about the theory of (market) performativity. Yet, from the inverse angle, a German might say, Geithner’s narrative displayed no awareness of cultural and political difference—say, that a different rationality might be guiding a different governmental framework. The design of an “economic constitution,” the *raison d’être* of ordoliberal Europe, remained more or less unintelligible to American eyes.

Meanwhile, and behind the scenes, Geithner spoke with his close colleague Mario Draghi, whom he encouraged to use the ECB to curtail the recklessly anti-market, crisis-inducing conduct of these European leaders. “Draghi knew he had to do more,” Geithner observes, “but he needed the support of the Germans to do it, and the Bundesbank representatives on the ECB kept fighting him.”⁵²⁵ For Geithner, this situation directly paralleled the U.S. collapse in 2008; his deliberations with Draghi were reminiscent of talks with Ben Bernanke, who ultimately decided “he would rather be hung for his own judgments than the judgments of the Feds’ inflation hawks.” Geithner explains that, in the ECB’s case, “there was no way any plan that could actually work would get Bundesbank support. He had to decide whether he was willing to let Europe collapse.” Thus, the imperative which he gave Draghi: “You’re going to have to leave them behind.”⁵²⁶

It was in this context that Geithner flew to meet Wolfgang Schäuble on the German island of Sylt, his regular vacation spot. Geithner recounts the following about their conversation:

He told me there were many in Europe who still thought kicking the Greeks out of the eurozone was a plausible—even desirable—strategy. The idea was that with Greece out, Germany would be more likely to provide the financial support the

⁵²³ Geithner, *Stress Test*, 481.

⁵²⁴ For an account of the policy errors between 2011-12, see also Martin Sandbu, *Europe’s Orphan: The Future of the Euro and the Politics of Debt* (Princeton: Princeton University Press, 2015). I am grateful to Stefan Eich for this and other suggestions.

⁵²⁵ These Germans, Geithner continues, “didn’t have a plan to save Europe, but they knew what they were against. They took a strict interpretation of the limits of the ECB’s legal authority, and they opposed anything that could create moral hazard, which included just about any strategy that had a chance of calming the crisis.” Geithner, *Stress Test*, 482.

⁵²⁶ Geithner, *Stress Test*, 482.

eurozone needed because the German people would no longer perceive aid to Europe as a bailout for the Greeks. At the same time, a Grexit would be traumatic enough that it would help scare the rest of Europe into giving up more sovereignty to a stronger banking and fiscal union. The argument was that letting Greece burn would make it easier to build a stronger Europe with a more credible firewall.⁵²⁷

Geithner found Schäuble's proposition "terrifying" and described his calls for austerity as colored by a vision of "Old Testament justice."⁵²⁸ Geithner left Sylt more concerned than ever; a Grexit would create "a spectacular crisis of confidence." After stopping by Frankfurt to see Draghi once more, he returned to Washington and consulted President Obama, who was also deeply worried: "The U.S. economy was still growing steadily but modestly; a European implosion could have knocked us back into recession, or even another financial crisis."⁵²⁹ Beyond "their belated and often ineffectual attempts to imitate us," he said, the Europeans had made a host of mistakes. However, he self-satisfyingly concluded, at least their failure "provides a pretty good advertisement for our crisis response." Even this irritatingly Americentric angle leads to the same conclusion that many scholars of the EU have reached themselves:⁵³⁰ "A currency union without unified fiscal policies, banking policies, or political representation was not ideally situated to handle a monumental emergency. It was more proof that the American system, for all its faults, had a lot of strengths we took for granted."⁵³¹

The Schwarze Null as End-in-Itself

Geithner's career between Wall Street and Washington—a New York central banker turned governmental crisis manager turned private equity investor—lends itself to a certain narrative of events in which the roles of governments, central banks, and private banks in "managing" crisis

⁵²⁷ Geithner, *Stress Test*, 483.

⁵²⁸ As Tooze observes, Geithner may not have been so far off in his religious interpretation of Schäuble's motivations: "Schäuble's ultimate source of optimism is the spiritual history of Europe. 'The Reformation, already, was an answer to the search for orientation in uncertain times at the end of the Middle Ages,' he said last year. 'Luther found an anchor in the freedom of Christian humanity. The West again and again draws on this strength, to face the unchained forces that threaten our freedom, our understanding of self-determination and human rights.'" See Tooze, "After the Wars."

⁵²⁹ Geithner continues: "As countless pundits noted, we didn't want that to happen in an election year, but we wouldn't have wanted that to happen in any year. Two days after I saw Draghi, the ECB laid the groundwork for a program it announced in early September called 'Outright Monetary Transactions,' where it committed to buy the sovereign bonds of eurozone countries in secondary markets. The program was essentially a 'Draghi Put,' a promise to put a floor under bond prices in European countries, lowering their borrowing costs and making it clear that they would not be allowed to default. Draghi did not consult Merkel and Schäuble in advance, but they supported him publicly, even though the Bundesbank's ECB representatives voted no. The announcement of the new bond-buying program—and Merkel's vital support—persuaded the markets that the Europeans were serious about keeping the Eurozone intact... When central banks and governments take catastrophic risk off the table, markets become investable again." Geithner, *Stress Test*, 484.

⁵³⁰ Claus Offe, *Europe Entrapped* (Cambridge: Polity, 2016).

⁵³¹ Geithner, *Stress Test*, 484-85.

are thoroughly blurred.⁵³² Geithner's own Euro-crisis narrative of events corresponds to what the second-generation Frankfurt School sociologist Claus Offe has called, with less self-congratulation, a "crisis of crisis management."⁵³³ In *Europe Entrapped*, Offe offers an important if damning interpretation of the European Union's own role in the crisis—a Union which, in his view, was already economically uneven, poorly designed, and democratically deficient before the crisis struck. Yet even Offe overlooks the significance of the EU's "ordoliberal" bearings, a concept that makes no appearance in the book despite the significant attention he pays to Germany.⁵³⁴ The dilemma is, in Offe's eyes, a structural issue: Germany is a powerful, self-interested country that privileges its own export-oriented economic model. "As there is no longer a 'national' currency," he writes, "the export surplus becomes sustainable endlessly, if only at the expense of others." To this, he adds that "Germany, the global extreme case of an export surplus economy, has a strong interest in internal revaluation of its labor and public sectors, meaning an increase in infrastructure investment and public services, the strengthening of consumer demand through wage increases, and the raising of both minimum wages and maximum income."⁵³⁵ Offe thus sees reason to believe that the centre may not hold: Germany will be forced to recognise that Member State economies are fundamentally and necessarily uneven, and to reconcile its interests with theirs for the common good of all. In one of only a few sanguine conclusions to the book, Offe opens up to an optimism that comes, of all places, from an American perspective:

As American observers such as the prominent trade expert Fred Bengsten have argued, Germany must and eventually will cease to pursue its vital interest in the preservation of the common currency through financing the deficit of the losers alone; instead, it will turn to a (domestically as well as within the Euro zone) much

⁵³² See Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (Viking, 2018); Joseph Vogl, *The Specter of Capital* (Stanford: Stanford University Press, 2010); Joseph Vogl, "The Sovereignty Effect: Markets and Power in the Economic Regime," translated by William Callison, *Qui Parle: Critical Humanities and Social Sciences* 23, no. 1 (2014); and William Callison, "Sovereign Anxieties and Neoliberal Transformations: An Introduction," *Qui Parle: Critical Humanities and Social Sciences* 23, no. 1 (2014).

⁵³³ "After an appropriate stint at a think tank to write his memoir and a quiet transition to Wall Street, President Obama's first Treasury secretary, who left office in 2013, is now ready to make millions thanks to help from a big bank he used to regulate... Geithner has gotten a line of credit from JPMorgan Chase, the nation's biggest bank, to invest in a new \$12 billion fund at the private equity firm where he works, Warburg Pincus... [E]xecutives are signing up for a total \$800 million and Geithner, as a top officer, is probably getting a sizable chunk of that. The returns on the private equity investment are bound to be much higher than whatever interest Geithner will be paying on the loan, so he is virtually guaranteed to make many millions in profit on the deal... There is nothing illegal in Geithner's actions—provided his tax software or advisor can correctly calculate what he will owe the IRS—but his willingness to cash in on his time in government completes the picture of him as a poster child for much of what ails our current financial system", available at: <http://www.usatoday.com/story/money/2016/02/09/ex-treasury-secretary-geithner-cashing-wall-street/80057762>. See, also, Geithner's most recent political commentary: "Of all the challenges facing economic growth, former Treasury Secretary Timothy Geithner believes the U.S. political situation is the worst. 'I think the scarier things are really about politics, the scary erosion of the pragmatic center in politics, the diminished capacity to make sensible economic choices, something governments really have to do,'" Geithner said at the CNBC/Institutional Investor 2016 Delivering Alpha conference in New York," available at: <http://www.cnbc.com/2016/09/13/bridgewater-dalio-says-the-us-has-a-limited-ability-to-produce-economic-stimulus.html>.

⁵³⁴ On the question of European vs. American federalism, see also Claus Offe, (interviewed by William Callison, Jonathan Klein, and Johann Szewsz), "The Fate of an Impasse: Europe, Year 2015" in *Near Futures Online* 1, "Europe at a Crossroads" (March 2016).

⁵³⁵ Offe, *Europe Entrapped*, 46, italics in original.

more popular strategy of *internal* adjustment, its self-transformation into a less export-addicted economy. Rather than forcing cuts of wages and pensions in Greece and elsewhere at great costs in terms of political integration, why not increase wages and public spending in Germany and other core countries to the economic and political benefit of the EU as a whole?⁵³⁶

This (American) optimism about German-led Europe was short-lived, as Offe would surely admit. A decade since the Eurocrisis struck, no such changes have ensued. Instead, the Grand Coalition of the CDU and the SPD has annually re-cathected to Schäuble's passionate attachment: the balanced budget or *Schwarze Null*.⁵³⁷ In Schäuble's understanding, as we saw above, Germany's own balanced budget is an act of "solidarity" with the rest of Europe—a solidarity in austerity imposed on the EU's "periphery." Although this ordoliberal sleight of hand deserves to be criticized on its own terms—say, for covering over inequalities of power and downplaying the very human suffering that it reproduces—its (less apparent) *normalizing* function is equally deserving of attention. That is to say, within the extant framework of "ever greater integration"—not a Social Europe modelled on a transfer union but a fiscal pact mandating debt brakes for bank loans—German *Ordnungspolitik* guarantees, through its very framing of domestic and transnational possibilities, that there is and will be no alternative.⁵³⁸

Marxists have depicted the German government's crisis management as a mere tool of *capitalist* class interests, while pro-European liberals like Jürgen Habermas have reduced it to the mere blindness of *national-state* interests over the good of the Union. Yet both fail to perceive how these ostensible policy "choices" are part and parcel of a larger normative model rooted, since its very inception, in principles of technocratic control, "competitiveness," and export-oriented

⁵³⁶ Offe, *Europe Entrapped*, 47.

⁵³⁷ Proposals from neo-Keynesians, both sanguine and realist, likewise aim at internal reform beginning with Germany; see for example, Heiner Flassbeck and Costas Lapavistas, *Only Germany Can Save the Euro*, translated as *Nur Deutschland kann den Euro retten: Der letzte Akt beginnt* (Frankfurt: Westend Verlag, 2015). Recently, and with good reason, some post-Keynesians saw the arrival of refugees in Germany as a potential boon that could lead to increases in state spending, employment and wages. Schäuble's *Schwarze Null* stood in the way, however, as did a SPD that was generally unwilling to risk linking the task of refugee assimilation to a project of state infrastructure and social spending. For an example of this brief moment of opening and closure, see the conclusion that follows from Brigitte Young's discussion of the German model, written between December 2015 and January 2016:

"Minister Wolfgang Schäuble has recently declared that the integration of refugees takes priority over the zero fiscal target. This may open the lock to a new imaginary of a domestic-led growth model in Germany. In the process, it may also return the Eurozone to a much-needed balanced current account regime." Brigitte Young, "Imaginarities of German Economic Success: Is the Current Model Sustainable?," *Near Futures Online* 1 (March 2016), "Europe at a Crossroads."

⁵³⁸ See also Timo Harjuniemi, "Reason over politics: how The Economist has portrayed austerity since 1945," *LSE Blog* (March 29, 2018), <https://blogs.lse.ac.uk/politicsandpolicy/austerity-the-economist/>. On the tension of the political and economic union, Milton Friedman's contrasting prediction to both the ordoliberals and to Habermas, discussed in the next chapter, is revealing: "The drive for the Euro has been motivated by politics not economics. The aim has been to link Germany and France so closely as to make a future European war impossible, and to set the stage for a federal United States of Europe. I believe that adoption of the Euro would have the opposite effect. It would exacerbate political tensions by converting divergent shocks that could have been readily accommodated by exchange rate changes into divisive political issues. Political unity can pave the way for monetary unity. Monetary unity imposed under unfavorable conditions will prove a barrier to the achievement of political unity." Milton Friedman, "The Euro: Monetary Unity To Political Disunity?" in *Project Syndicate* (1997); <https://www.project-syndicate.org/commentary/the-euro--monetary-unity-to-political-disunity?barrier=accesspaylog>.

growth. German ordoliberalism “frustrates” dualistic social scientists who see economic policy as a reflection of *either* interests *or* ideology because it is exemplary of how economic “interests” are *constructed* by a particular political rationality and with corresponding techniques of governance.

Many observers were recently fooled, for example, by Schäuble’s intentions during his last-minute “intervention” to cancel the fines on Spain and Portugal’s deficit-to-GDP ratio. The stated aim of maintaining “stability” in southwestern Europe was revealed to be an attempt to defer fines until *after* the Spanish elections. Rescheduling the contentious and thus politicizable “debt brake” fines ensured that the leftist opposition, *Podemos*, could not criticize the EU’s punitive actions; that is, it ensured Rajoy’s conservative party would remain in power. That a single finance minister could direct and execute such an exceptional maneuver is remarkable not only because of its odd framing of the “rules” but also because of how little resistance it met. Asked about Schäuble’s strategic treatment of Spain’s penalty, Jean-Claude Juncker replied, with customary humor, that Germany possess quasi-religious authority on what constitutes the rule and the exception: “We must not be more Catholic than the Pope, but please make it known that the Pope wanted a fine of zero.”⁵³⁹ This was of course just a year after the crisis that almost delivered Grexit. During the Troika’s sovereign debt negotiations with Greece between 2014-15, a leftwing government led by Syriza was democratically elected with a mandate to oppose the imposition of austerity. After failed attempts to renegotiate better terms and a “haircut” (creditors accepting a partial loss to avoid risk of default) Syriza held a democratic referendum in which citizens voted against the German-designed austerity package. Threatening and even welcoming Grexit himself, Schäuble infamously remarked, “Elections change nothing. There are rules.” When asked to clarify, Jean-Claude Juncker added: “There can be no democratic choice against the European treaties.”⁵⁴⁰

This swinging pendulum between punitive inflexibility and pragmatic maneuvering should not be mistaken for “ideological impurity” or reckless “power politics.” After a decade of Merkel “leading from behind” while Schäuble secured outcomes in advance and preferably behind the scenes, this is rather a quintessentially ordoliberal form of technocratic governance.⁵⁴¹ Scholarly critics of ordoliberalism have thus described the Troika’s *informal* and *extra-legal* approach to governance as an “authoritarian liberalism” whose principle aim is to secure the competitive

⁵³⁹ “Wolfgang Schäuble bails out Spain, Portugal: Germany’s finance chief intervenes to stop Commission sanctions against Iberian free spenders, partly to help political ally Mariano Rajoy in Madrid,” available at: <http://www.politico.eu/article/wolfgang-schauble-bails-out-spain-portugal-sanctions-juncker-german-finance-minister>. On the results of Schäuble’s long-term deferral: “To comply with Brussels-mandated budget deficit reduction targets, the government aims to introduce a €118 billion spending cap for 2017 (€5 billion less than this year),” available at: <http://www.politico.eu/article/spains-pm-announces-economic-deal>.

⁵⁴⁰ Schäuble’s sentences made media headlines in 2015. See for example Gavin Hewitt, “Greece: The Dangerous Game,” BBC News (February 1, 2015); www.bbc.com/news/world-europe-31082656. For an overview of the events, see Pavlos Roufos, *A Happy Future Is a Thing of the Past: The Greek Crisis and Other Disasters* (Chicago: Reaktion Books, 2018).

⁵⁴¹ Having formally announced her campaign for another six-year term as Chancellor, Angela Merkel delivered a speech in December 2016 at the CDU’s conference. In the name of the social market economy, Merkel reaffirmed the government’s commitment to a balanced budget (*Schwarze Null*) as the party’s “trademark.” Such a “grandiose accomplishment” is not to be taken for granted and “should always be connected to the name Wolfgang Schäuble.” The focus on stable finances is part of a programme for “hard working people.” Merkel also argued that financial markets must be better regulated so as to prevent the speculative financial crises; that tax avoidance must be prevented; and that competitiveness must be strengthened across Europe. “CDU-Parteitag: Rede von Angela Merkel am 06.12.2016,” available at: <https://www.youtube.com/watch?v=rUqZHSK7Rt4>.

order.⁵⁴² Through technocratic and intergovernmental means, German officials and their European allies continuously refer to a pre-established framework and to defer even the first steps toward systemic reforms of a more “social” nature. As in Geithner’s case, however, this strategy appears to evade both interlocutors and critics of these actors. Jan-Werner Müller thus underscores what to many remains unintelligible:

Ordoliberalism is what Angela Merkel wants for the Eurozone as a whole: rigid rules and legal frameworks beyond the reach of democratic decision-making... She is interested in power, not in ideology. And power means domestic power—she would never risk anything for broader European objectives in the way Kohl did (but Schröder didn’t). Germany, it seems, is becoming more German... What is much less likely, however, is that they will ever abandon ordoliberalism.⁵⁴³

Foregrounding ordoliberalism’s roots in a German tradition of political economic thought displaces the hope of many onlookers that—in the unlikely event that they win enough seats to form a coalition without the Christian Democrats—the Social Democratic Party would initiate a change of course.⁵⁴⁴ As if Sigmar Gabriel’s consistent support of the Chancellor during the Greek debt negotiations was not enough, the SPD’s lack of vision for “a different Europe” and its non-opposition to Schäuble’s *Schwarze Null* shows the depth of ordoliberal rationality across party lines.⁵⁴⁵

⁵⁴² See Christian Joerges, “The Overburdening of Law by Ordoliberalism and the Integration Project” and Werner Bonefeld, “Ordoliberalism and Political Theology: On the Government of Stateless Money” in *Ordoliberalism, Law and the Rule of Economics*; and Biebricher, *The Political Theory of Neoliberalism*.

⁵⁴³ Jan-Werner Müller, “What do Germans think about when they think about Europe?,” *London Review of Books* No. 34 (2012).

⁵⁴⁴ On ordoliberalism as a “tradition” as opposed to an “ideology,” see Kenneth Dyson, “Ordoliberalism as Tradition and as Ideology” in *Ordoliberalism, Law and the Rule of Economics*. Guérot and Dullien note the following about ordoliberalism’s current cross-party reach: “some elements of the German approach to the euro crisis are unlikely to change, even if majorities shift. The mainstream neoclassical belief in the need for stricter fiscal rules is shared by the Social Democrats and also has strong support inside the Green party. The same goes for the question of current account imbalances. There is a broad consensus that the burden of adjustment should be borne by deficit countries. Although some Social Democrats would like to implement elements of an expansionary wage and fiscal policy that might lower Germany’s current account surplus, this is not official party position. A significant portion of the SPD still thinks that ‘Germany cannot be punished for its export successes.’ A change in government would therefore not overly affect the German position in this regard. The most decisive difference between the government and the SPD in the euro crisis is the different focus on growth. While the Social Democrats have been arguing that growth enhancing policies including fiscal stimuli are important in the crisis solution, the government has long held the position that structural reforms are good, but no additional money should be spent on growth programs.” Ulrike Guérot and Sebastian Dullien, “The Long Shadow of Ordoliberalism,” *Social Europe* (July 30, 2012); <https://www.social europe.eu/2012/07/the-long-shadow-of-ordoliberalism>.

⁵⁴⁵ As Tooze notes, “The notorious ‘schwarze Null’ (the fiscal surplus), popularly associated with Wolfgang Schäuble, is actually a creation of the SPD.” As Dieter Plehwe has noted, however, the SPD’s Peter Steinbrück came to the debt brake in a deal struck with the ultra-conservative CSU in order to preserve the level of horizontal redistribution among the German Länder (*Länder Finanzausgleich*) that was then under attack. See Adam Tooze, “Which is worse?” in *London Review of Books*, Vol. 41 No. 14 (July 2019), 19-22.

What I am suggesting is that the debate on German-led Europe requires greater attention to ordoliberalism as an economic tradition, institutional framework, and political rationality.⁵⁴⁶ Within Europe, this would entail a different approach to politicisation and resistance as well as a different assessment of what must be overcome in the movement for a “different Europe”—a largely empty phrase that has disguised a lack of real reflection and commitment concerning alternative principles of distribution, transfer, participation and justice.⁵⁴⁷ Within Germany, this would involve a critical engagement with the stakes and trajectory of a popular, yet highly ambiguous, heritage.

* * *

The divergences between Freiburg School ordoliberalism and Chicago School neoliberalism possess an actuality that few foresaw before the crisis and many still cannot perceive today. As we saw above with Hans Werner Sinn and Sarhra Wagenknecht, German scholars and practitioners actively draw on ordoliberal principles to recommend particular courses of action and to criticize the assumptions and consequences of American neoliberalism. At the same time, Geithner criticised the EU’s ordoliberal priorities of strict rules, austerity measures, and balanced budgets during the Euro crisis—priorities that, in his eyes, looked like a moralised concept of fiscal discipline and a religiously-inspired condemnation of debtor’s justice. Not only did this approach ultimately prevail with minimal resistance (social democratic parties included); it was also embraced by the German media and citizenry. Following the final all-night negotiation on Greece’s Memorandum of Understanding in July 2015, domestic polls showed overwhelming German support for Merkel, Schäuble and the Troika’s course of action.⁵⁴⁸ A tradition that is not easily identified in the public discursive framework, and that thus often manifests without a corresponding concept, ordoliberalism remains a distinct mode of technocratic rationality and an object of popular investment, the political implications of which are manifold.⁵⁴⁹

⁵⁴⁶ For a similar position, see Markus K. Brunnermeier, Harold James and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton: Princeton University Press, 2016).

⁵⁴⁷ For an analysis of the neoliberalization of social democratic parties and the demise of “Social Europe”—from Blair’s “Third Way” to Schröder’s “Agenda 2010”—see David J. Bailey, Jean-Michel De Waele, Fabien Escalona and Mathieu Vieira (eds.), *European Social Democracy during the Global Economic Crisis: Renovation or Resignation?* (Manchester: Manchester University Press, 2014); and Bailey, De Waele and Escalona’s individual contributions in *Near Futures Online* 1, “Europe at a Crossroads” (March 2016).

⁵⁴⁸ An ARD survey conducted on 13 July 2015 showed that 87 per cent of Germans thought the conditions for Greece were adequate or too soft while 13 per cent said they were too tough. Two-thirds approved of Schäuble and Merkel’s leadership during the negotiations. For the long-term stability of Schäuble’s domestic approval rating (around 75%) in December 2015, see: http://www.tagesschau.de/multimedia/bilder/crchart-1705~_v-videowebl.jpg.

⁵⁴⁹ Though it lies beyond the scope of this article, another important question in this regard concerns the relationship between the framework guiding German-led Europe and the rise of extreme right-wing movements and political parties across the continent. Schäuble made his position quite clear on these matters—*i.e.*, increasing levels of xenophobia and Euroscepticism—and famously so when he blamed the rise of the AfD on the policies of the European Central Bank. When asked “[i]f the economic medicine in the euro zone is the right one and is working, then how do you explain why there’s such a big voter backlash against the political establishment now?,” Schäuble (2014) replied: “Perhaps the cause is that, when people have the feeling they’re actually doing quite OK, democratic public opinion keeps a critical distance from the decision makers. Maybe that’s one of the reasons why democratically elected governments quickly lose support after they take office. Maybe it’s not such a bad thing. A critical public is something you have to deal with.”

Analysts and opponents of the EU's "crisis of crisis management" would do well to engage with—rather than ignore or dismiss—the deep investments and living legacies of ordoliberalism when seeking to forge future alternatives. Despite their long-running studies of the European Union, for example, Jürgen Habermas and Wolfgang Streeck have consistently reduced ordoliberalism to neoliberalism while failing to critically confront either until after the crisis of 2008. Rather than offer a sustained and politically-engaged critique of the features and effects of the dual rationalities that laid the conditions for crisis, these and other thinkers have fastened to the same outmoded systems-theoretic formulations of rationality that were part of construct the project they now criticize—a project that is splitting, and splitting them, along supranational vs. national lines.

A Rational Administration of Things: The Frankfurt School, Weberian Dialectics, and Political Deficits

In the closing months of 2018, Frankfurt School philosopher Jürgen Habermas joined former SPD finance minister Hans Eichel, CDU ordoliberal Friedrich Merz, and three others in composing a call to action of their own. “Far more than an economic project,” they explained in the Frankfurt *Handelsblatt*, the European Union is “a cultural project and a civilizational leap for which the entire world envies us.” Depicting the EU as an embodiment of Immanuel Kant’s “Eternal Peace,” the authors warned that “muddling through from crisis to crisis endangers everything we have achieved.” In the face of resurgent nationalism they called “for a Europe that protects our way of life and produces prosperity for all.”⁵⁵⁰

Habermas’ public interventions in cooperation with some of Germany’s marquee neoliberal reformers, like his previous dialogue with Chancellor Gerhard Schröder, embodies the genealogical riddle of this chapter: the Frankfurt School’s transformation from interwar neo-Marxism to contemporary political and economic liberalism.⁵⁵¹ As in previous chapters, the central aim here is to track the construction and subsumption of the political within this particular tradition. In this respect, the most revealing features of the post-crisis Frankfurt School can be found in Habermas’ debate with Wolfgang Streeck—the former a member of the Frankfurt School’s “second generation,” the latter a member of the Cologne School who studied under the Frankfurt School—about the relationship between capitalism and democracy.⁵⁵² Concerned about the EU’s “democratic deficit,” Habermas had recently given his full-throated support to French President

⁵⁵⁰ Hans Eichel, Jürgen Habermas, Friedrich Merz, Bert Rürup, and Brigitte Zypries, “Time to wake up: We are deeply concerned about the future of Europe and Germany” in *Handelsblatt* (10/25/2018); <https://www.handelsblatt.com/today/opinion/time-to-wake-up-we-are-deeply-concerned-about-the-future-of-europe-and-germany/23583722.html?ticket=ST-370057-UkbQyNoWHWWkrff2fJs3-ap4>. See also “Europa neu denken: Eine Diskussion zwischen Jürgen Habermas, Sigmar Gabriel und Emmanuel Macron,” March 6, 2017, Hertie School in Berlin; <https://www.blaetter.de/archiv/jahrgaenge/2017/april/europa-neu-denken>.

⁵⁵¹ In different ways, Habermas and Streeck worked with Gerhardt Schröder in the 2000s. Streeck served as an official consultant for the government’s neoliberal labor market reforms, whereas Habermas engaged Schröder in public dialogues about supranational reforms and “The Inclusion of the Other.” See also Schröder’s 2014 speech discussing both his public dialogue with Habermas and his Agenda 2010 “modernization” of the labor market in Gerhard Schröder, *Manuskript der Rede von Bundeskanzler a. D. Gerhard Schröder anlässlich des Symposiums zum 60. Geburtstag von Prof. Nida-Rümelin am Freitag, 28. November 2014, in München*, available at <http://gerhard-schroeder.de/2014/11/28/philosophie-und-politik/>.

See also Stefan Lüddemann, “Von Günter Grass bis Jürgen Habermas: Für Willy Brandt und die Es-Pe-De getrommelt,” in *Osnabrücker Zeitung* (27.04.2013), <https://www.noz.de/deutschland-welt/politik/artikel/347553/von-gunter-grass-bis-jurgen-habermas-fur-willy-brandt-und-die-es-pe-de-getrommelt#gallery&0&2&347553>; Michael Rutschky, “Sozialdemokratismus, die beste aller Welten? Politik trifft Philosophie im Willy-Brandt-Haus” in *Deutschlandfunk* (13.11.2004), https://www.deutschlandfunk.de/sozialdemokratismus-die-beste-aller-welten.691.de.html?dram:article_id=48345; Werner A. Perger, “Schröders Denker” in *Die Zeit* (2. Juli 1998), https://www.zeit.de/1998/28/Schroeders_Denker/komplettansicht.

⁵⁵² Streeck studied in Frankfurt with Theodor W. Adorno, Claus Offe, Jürgen Habermas, and others. See Wolfgang Streeck, *Buying Time*; Wolfgang Streeck, “Crisis and Critique of Social Sciences: Wolfgang Streeck in Conversation with Riccardo Emilio Chesta” in *Sociologica* 3 (2016).

Emmanuel Macron, whose proposals include a European army, a common budget, unemployment insurance, and labor market reforms.⁵⁵³ Spurred by Angela Merkel’s “welcoming” refugee policy and the Brexit referendum, Streeck allied himself with German politician Sahra Wagenknecht’s *Aufstehen* (Stand Up) movement, which called for a “strong social state” to reclaim national sovereignty, combat EU technocracy, control illegal migration, preserve cultural autonomy, pursue peaceful foreign policy, and make good on the promise of the social market economy.⁵⁵⁴ Whereas Habermas urged “deepening” the political and monetary union through a number of institutional tweaks, Streeck argued for its “dismantling” through a return to the nation state.

To many readers, Habermas and Streeck’s debate about “what is to be done” came as a surprise, if only because of their overlapping sociological declensions. Not only had Habermas likened Streeck’s *Buying Time* (2014) to Marx’s *The Eighteenth Brumaire of Louis Bonaparte*,⁵⁵⁵ but the two had overlapping conceptual schemas. They shared a Weberian perspective on the EU’s “legitimation crisis,” a common defense of the “lifeworld” against market rationality, and a similar systems-level ideal of enhanced “societal steering.”⁵⁵⁶ But by 2015 Habermas and Streeck had parted ways, albeit both in the name of rationality and democracy, as the far right rapidly ascended into parliament and the center-left steadily imploded. Though they identified “irrationality” with different domains, their analyses suffered from the immurement of a top-down, structural vantage point on the amorphous subjects below. Instead of engaging the polyphonic demands and currents of really-existing democratic subjects, Habermas and Streeck could only theorize putatively democratic identities and aspirations vis-à-vis a political pathway to a rational ideal they had already established themselves.

While marking parallels with the century-long trajectory of neoliberal theory—such as the attempt to tame “irrationality”—this chapter examines some of the key methodological shifts within the Frankfurt School’s conception of politics that led to the Streeck-Habermas predicament. It locates what I call “dialectical blockage” in its fusion of neo-Marxist theory and Weberian typology. Here I adopt a skeptical suspicion that some critical theory awkwardly or incoherently subordinates dialectical thinking to images of binary social systems. Though I acknowledge in passing other potent frameworks within this tradition, such as Freudian psychoanalysis,⁵⁵⁷ this chapter will specifically track the *Weberian dialectics of (ir)rationality* as generating a particular form of political deficit. I will argue that the subsumption of the political – i.e., collective struggles among evolving identities yielding contingent outcomes – to domains of culture, technology and morality was an animating drive in postwar Critical Theory.

⁵⁵³ See for example Habermas, “For God’s sake, spare us governing philosophers!” in *El País* (May 25, 2018), https://elpais.com/elpais/2018/05/07/inenglish/1525683618_145760.html

⁵⁵⁴ See Quinn Slobodian and William Callison, “Pop-Up Populism: The Failure of Left-Wing Nationalism in Germany” in *Dissent* (Summer 2019).

⁵⁵⁵ See Habermas’ praise on the back cover of Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (New York: Verso Books, 2014).

⁵⁵⁶ “Societal steering” is a concept, from *Gesellschaftssteuerung* and *Gesellschaftslenkung*, that replaces an earlier vocabulary and ideal of the rational “administration of things” [*Verwaltung der Dinge*].

⁵⁵⁷ For examples of excellent work using this part of the Frankfurt School to understand contemporary politics, see Robyn Marasco (ed.), “The Authoritarian Personality” in *South Atlantic Quarterly*, Vol. 117, Issue 4 (October, 2018); and Jeremiah Morelock, *Critical Theory and Authoritarian Populism* (London: University of Westminster Press, 2018).

The chapter begins by examining Critical Theory's *political* foundations which, situated in practical relation to collective movements and liberation projects, specifically aspired to proletarian revolution, a paradigmatic Marxist commitment, and a rationally planned socialist economy [*Planwirtschaft*], an orthodox stance in the socialist calculation debate. During the early period of the Institute for Social Research, members envisioned a form of "rational planning" that overlapped with the socialist economic theory of Otto Neurath, the favorite punching bag of Ludwig von Mises as examined in Chapter 1. As an economic administrator in revolutionary Munich—a period when the elder Max Weber and the young Max Horkheimer and Friedrich Pollock were also in the city—Neurath sought to establish a moneyless economy based on non-exploitive production and societally administrated goods. Following the swift defeat of the workers' councils and the rise of Nazi fascism, the Frankfurt School eventually changed its views on rational planning. Central to this development was Pollock's Weberian-inflected account of "state capitalism," which became particularly influential for Horkheimer, Adorno, and Marcuse's diagnoses of politics, economy, and culture. Premised on the "primacy of the political," state capitalism used rational techniques to perpetuate irrational domination, effectively undercutting the group's original hope for rational planning *tout court*. While often equating the political with state power, the group lost hope in the erstwhile dream of subordinating economics (profit-driven labor exploitation) to politics (rational administration and distribution). The state was no longer understood to be capable of indefinitely containing capitalist contradictions, staving off economic crises, and incorporating a docile working class. In short, rather than oppose and overcome capitalist irrationality, the state could permanently negate a rational (socialist) order. Inasmuch as "politics" referred to collective ambitions to control state institutions, then, politics came to be the problem rather than the solution.

The second section tracks the methodological reconfiguration of Critical Theory in its fusion of Weberian ideal types with neo-Marxist dialectics, which yielded what I call a Weberian dialectics of "instrumental" vs. "substantive" rationality. In Horkheimer's and Adorno's central text, *Dialectic of Enlightenment*, Critical Theory disavowed the political domain it had discovered in workers' councils and had idealized in hopes for rational socialist planning. World-making possibilities derived from political contestation now appeared to be negated by the irrational rationality of "the culture industry," a political-economic-cultural apparatus seemingly total in scope. Utopian meditations on objective reason had gradually yielded to a modified postwar ideal: "a rational administration of things without a rational administration of people."

The third and fourth sections engage Adorno and Marcuse on the rationality of culture and technology, respectively, which replaced revolutionary political practice as their objects of hopeful critique. My account of Adorno proceeds from a close reading of his essay "Culture and Administration," which advanced "aesthetic rationality" as the preferred alternative to Weberian "administrative rationality." Here Adorno developed concrete proposals to insulate administrative expertise from democratic influence. The political horizon of Adorno's postwar thinking, I suggest, lay in a liberal melancholy for rational or "bourgeois" individualism and a perceived need for political structures that could protect the rationality of any remaining high culture from irrational intrusion—a Weberian distinction between administration and culture that Habermas would later modify in his account of the "colonization of the lifeworld." Shorn from expressly political content and from radical ambitions like socialist planning, his new ideal of "a rational administration of things" now appeared more like technocracy with a human face.

Next I will turn to the dialectical blockage in Marcuse's analysis of technology and politics, focusing on two 1964 works: "Industrialization and Capitalism in the Work of Max Weber" and *One-Dimensional Man*. Marcuse's analysis of political technology paralleled Adorno's and Horkheimer's of state capitalism, but his idiosyncratic interpretation of Weber retained hope for dialectical "explosions" and for rational-socialist planning. He argued that the conditions of possibility for socialism—advanced technology and surplus wealth—already existed under contemporary capitalism, albeit programmed by the "irrational rationality" of exploitation and profit. But because technology is socially conditioned and exploitable by an alternative political rationality, he proposed that a socialist state could seize and redeploy this technological "base" and usher in a "qualitatively different rationality." Though Marcuse's Weberian dialectics were theoretically insightful and politically potent, he ultimately became trapped in a dialectical blockage of his own. The resulting analysis demanded a familiar "leap" out of the totalized order it depicted as a historical necessity. Like his colleagues, Marcuse rendered the binary instrumental/substantive rationality into a hypostasized structure, projected onto capitalism and socialism as mirror images of each other.

The penultimate section explores Habermas's reconstruction of rationality and politics. His key interventions here worked through reinterpretations of "rationalization," notably in Weber's principal texts. Habermas's paradigm shift from the first generation's "philosophy of consciousness" to his theory of "communicative rationality" comprised three key junctures in which Weber figured crucially: the engagement with Marcuse on epistemology, science, and technology in the 1960s; debates in Luhmannian systems theory and neo-Marxist state theory in the 1970s; and the development of a general social theory of communicative reason in the early 1980s. I claim that Habermas's evolving use of Weberian dialectics and growing faith in liberalism narrowed his political thought to the dual aims of securing normative legitimation and domesticating systemic irrationality.

The final section examines how such political deficits structure the Habermas-Streeck debate over the crisis of Europe. Whereas each address institutional reform from above, they also ascribe (ir)rationality to protests within the lifeworld down below. That this tradition aspires to tame irrationality by instantiating particular concepts of rationality should come as no surprise. Such political deficits do not imply that the resources and insights of the Frankfurt School must be discarded *tout court*, however. Instead, they urge us to politically and theoretically reconnect the relation between critique and crisis on which Critical Theory was founded. The accounts in this final chapter thus focus on how the methodological development of the Frankfurt School follows similar trajectories as the Austrian, Freiburg and Chicago Schools: the gradual, cumulative detachment from political struggles conceived as tendentially irrational and an enduring dialectical blockage of technocratic rationality, both of which can be understood as political deficits.

The Institute for Social Research and the Rationality of Socialist Planning

A prodigal child of Weimar politics, "Critical Theory" was born to dialectical parents: revolutionary dream and totalitarian nightmare. In 1918-19 the German "November" Revolution erupted across a redrawn and war-torn nation, establishing worker councils and city communes,

most famously in Munich and Berlin.⁵⁵⁸ Having lost the Great War, the German Empire was toppled but soon, too, were the workers' revolutions down below—to wit, by the violent hand of a state controlled by the Social Democratic Party. So began the Weimar Republic, the first democracy in German history.

In the wake of failed revolution emerged a younger generation of praxis-oriented intellectuals. During the 1919 political revolts, the young Horkheimer and Friedrich Pollock were studying in Munich, captivated by Weber's analysis of workers' councils, while Marcuse was organizing with fellow communists in Berlin until Karl Liebknecht and Rosa Luxemburg's assassination. While Horkheimer, Marcuse, and Adorno pursued philosophy, other activists and thinkers built the Frankfurt School's institutional foundations, beginning in 1923 with the "Marxist Workweek" [*Marxistische Arbeitswoche*] collective organized by Karl Korsch, György Lukács, Friedrich Pollock, Felix Weil, and Karl August Wittfogel, among others. The initial program emerged from the unique approaches to Marxist theory provided by Korsch (*Marxismus und Philosophie*, 1923) and Lukács (*History and Class Consciousness*, 1923), both members of the Communist Party.⁵⁵⁹ The group's intellectual-political mission was also inspired – like that of Hayek and his neoliberal cohort – by the British Fabian Society. Thanks to funding from Weil's family fortune, their collaboration yielded instant results: the first openly Marxist, university-affiliated research institution in what would become Critical Theory's birthplace: the Institute for Social Research in Frankfurt am Main.⁵⁶⁰

Alongside Carl Grünberg, "father" of Austro-Marxism and first director of the Institute, Pollock and Weil mapped out an interdisciplinary approach for the Institute.⁵⁶¹ Reflecting its members' diverse interests, the Institute's research agenda included a six-pronged program:

⁵⁵⁸ As students in Munich, Horkheimer and Pollock attended Max Weber's lectures in 1919 before fleeing the revolutionary upheaval and state repression that ensued.

⁵⁵⁹ György Lukács, *History and Class Consciousness: Studies in Marxist Dialectics*. (Cambridge, Mass.: MIT Press, 1923/1971). See also Andrew Feenberg, *Lukács, Marx and the Sources of Critical Theory* (Totowa, N.J.: Rowan and Littlefield, 1981).

⁵⁶⁰ The Institute was also designed in opposition to Adenauer's own Institute in Cologne, which attempted to check the ascendance of radical labor and Marxist currents. Weil lobbied administrators for a formal connection to the University of Frankfurt, as opposed to founding a private Marxist research institute at arm's length from the state. He wrote that scientific socialism was entitled to university research and discussion; "the results of scientific research in the field of Marxism could perhaps be of greater interest to a wide range of social classes [*breite Volksschichten*] than the research results of other disciplines." Felix Weil, cited in Michael Buckmiller, "'Marxistische Arbeitswoche' 1923 und die Gründung des 'Instituts für Sozialforschung'" in Wilhelm van Reijen and Noerr, G. Schmid (es.), *Grand Hotel Abgrund: Eine Fotobiographie der Frankfurter Schule* (Hamburg: 1988), p. 170 (my translation). On the founding of the Institute of the Institute for Social Research, see Martin Jay, *The Dialectical Imagination* (Berkeley: University of California Press, 1996); and Rolf Wiggershaus, *The Frankfurt School: Its History, Theory and Political Significance* (Cambridge: Polity Press, 1995).

⁵⁶¹ Previously professor of *Staatswissenschaften* in Vienna and editor of one of the most important publications of the time, *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, Grünberg's students included Max Adler, Otto Bauer, Rudolf Hilferding and Karl Renner, among others. See Carl Grünberg, *Anfänge der kritischen Theorie: Festrede gehalten zur Einweihung des Instituts für Sozialforschung an der Universität Frankfurt a.M.* (1924). On Grünberg's impact, see Markus Niedobitek, "Brüche und Kontinuitäten in der Ausrichtung des Instituts für Sozialforschung in Frankfurt zwischen 1923 und 1933," available at <http://use.uni-frankfurt.de/frankfurtersoziologie19191933/niedobitek/>.

⁵⁶¹ Weil, cited in Buckmiller, *Grand Hotel Abgrund*, 17.

1) historical materialism and the philosophical foundation of Marxism; 2) theoretical dimensions of political economy [*theoretische Nationalökonomie*]; 3) problems of the planned economy [*planwirtschaftliche Probleme*]; 4) the past and present situation of the working class; 5) sociology; and 6) history of socialist doctrines and parties.⁵⁶²

The first three prongs addressed the theoretical and practical foundations of socialist planning. This is because the early Institute for Social Research was part of the same “socialist calculation debate” examined in Chapter 1, opposed to nascent neoliberals and reform socialists. Each camp staked out a position in the debate about whether the “rational” techniques developed under capitalism and transformed by the state-controlled war economy [*Kriegswirtschaft*] would succeed under a socialist government. For liberals and neoliberals, as we saw in previous chapters, socialist planning threatened to exacerbate market turbulence through “irrational” state interventions. For socialists and Marxists, by contrast, the real threat was capitalism itself, with its inherent tendencies toward crisis and its “irrational” foundations of greed, exploitation, and domination.

The early Frankfurt School united in believing—*pace* Ludwig von Mises and Friedrich von Hayek—that human reason is capable of planning a truly egalitarian society. In contrast to the systematic irrationality of capitalist exploitation, they argued, a “rational social order” would abolish capitalist domination, better meet human needs, and yield the conditions for human freedom. The socialist calculation debate thus served as a scientific proxy battle within a larger political, class war. Weil was the first to intervene with a critique of Karl Polanyi’s essay on socialist calculation and accounting.⁵⁶³ Grünberg shared Weil’s orthodox view that state socialism can (and would) “completely” supersede capitalism in all of its (ir)rational economic forms. After Pollock completed his dissertation on Marx’s theory of money, he visited the Soviet Union in 1927-28 to research socialist planning firsthand.⁵⁶⁴ The Soviet state, he concluded, had neither developed a compelling system of “rational planning” nor achieved a truly socialist economy.⁵⁶⁵ In light of Pollock’s and other reports, Horkheimer also grew increasingly skeptical about Soviet planning, despite his early sympathies with Luxemburg and Lenin. Nonetheless he continued to believe—as did the more orthodox members of the Institute—that the promise of socialism lay not just in overcoming capitalist exploitation, but in using planning to resolve the problem of “economic value” once and for all. Into the 1930’s most all of the group—including Henryk Grossman, Otto Kirchheimer, and Franz Neumann—held onto the hope that “the demise of the system [will come] within a relatively short period of time.”⁵⁶⁶

In 1931 Horkheimer became director of the Institute nearly a decade after the *Marxistische Arbeitswoche* had set the initial agenda. Although socialist planning did not disappear from group

⁵⁶² Weil, cited in Buckmiller, *Grand Hotel Abgrund*, 17.

⁵⁶³ Felix Weil, “Gildensozialistische Rechnungslegung: Kritische Bemerkungen zu Karl Polányi: ‘Sozialistische Rechnungslegung,’” *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 52 (1924), 196-217.

⁵⁶⁴ Pollock’s 1923 dissertation on Marx’s theory of money was never published, though the text is available in the archives Frankfurt. Upon his return to Frankfurt from the Soviet Union, Pollock published the results of his fieldwork, taught at the university, assumed the temporary role of the Institute he cofounded in 1923, and worked with Weil on managing the *Marx-Engels-Archivgesellschaft mbH*, which was geared toward the publication of the *Marx-Engels-Gesamtausgabe* (MEGA).

⁵⁶⁵ Pollock, *Die Planwirtschaftlichen Versuche in der Sowjetunion 1917-1927* (1929) [*Attempts at Planned Economy in the Soviet Union, 1917-1927*].

⁵⁶⁶ William Scheuerman, *Between the Norm and the Exception: The Frankfurt School and the Rule of Law*. Cambridge, MA and London: MIT Press (1994), 162.

research under Horkheimer's direction, it slid from the foreground to the background of their vision. Rooted in the German Historical School tradition, Grünberg held the directorship in conjunction with a university chair in Political Economy [*wirtschaftliche Staatswissenschaft*]. But as Horkheimer announced in his augural address, "it is appropriate for the chair at our university, which is connected with the directorship of the Institute for Social Research, to be transformed into a chair in Social Philosophy and reassigned to the Department of Philosophy."⁵⁶⁷ Though Horkheimer urged continuing research on "theoretical economics, economic history, and the history of the labor movement," the Institute's new basis would be in Social Philosophy. This approach would address "the fate of humans not as mere individuals, but as members of a community" and concern itself "with phenomena that can only be understood in the context of human social life, with the state, law, economy, religion – in short, with the entire material and intellectual culture of humanity."⁵⁶⁸ With Kant, Hegel and Marx as its methodological guideposts and the social totality as its aspirational object of inquiry, Social Philosophy became the Institute's meta-disciplinary compass.

Horkheimer soon coined the concept of "Critical Theory" in order to capture the self-reflective core of this interdisciplinary project. He developed the concept negatively, or dialectically, against existing philosophical and methodological systems, which he grouped under the label of "Traditional Theory." With natural science as its regulative ideal, Traditional Theory considers the investigation of facts to be independent of the conceptual system that attempts to grasp them, thus perpetuating the "false consciousness of the bourgeois savant in the liberal era."⁵⁶⁹ By contrast, Critical Theory opposes the facade of disinterested science, acknowledges the evaluative orientation and social positioning of the researcher that shapes the production of knowledge, and embraces its own political partiality [*Parteilichkeit*] to ongoing struggles for human emancipation. In the words of Angela Davis, a future student of the Frankfurt School, Critical Theory "privileges the role of philosophical reflection while simultaneously recognizing that philosophy cannot always by itself generate the answers to the questions it poses."⁵⁷⁰ Philosophy, in other words, is necessary for critical reflection and orientation, but is also relatively impotent and secondary to the world-making struggles to realize a more rational society. For this reason, Critical Theory required not only the guidance of social scientific knowledge, but also an essentially (if indirectly) *political* link to the struggles of the oppressed. The latter constitutes a commitment to "praxis," the notion that theoretical activity is connected to and conditioned by social struggles against domination. Familiar from Marx's "Theses on Feuerbach," this notion of praxis rejects the position that changing consciousness alone suffices to change the world; realizing this task is rather activity of collective social and political action.⁵⁷¹

⁵⁶⁷ Max Horkheimer, "The Present Situation of Social Philosophy and the Tasks of an Institute for Social Research" in *Between Philosophy and Social Science: Selected Early Writings of Max Horkheimer* (Cambridge, Mass.: MIT Press, 1931/1993), 1-14.

⁵⁶⁸ Horkheimer, "The Present Situation of Social Philosophy and the Tasks of an Institute for Social Research."

⁵⁶⁹ Max Horkheimer, "Traditional and Critical Theory," in *Critical Theory: Selected Essays*, trans. Matthew J. O'Connell, et. al (New York: Herder and Herder, 1972), 198; see also Joan Alway, *Critical Theory and Political Possibilities: Conceptions of Emancipatory Politics in the Works of Horkheimer, Adorno, Marcuse, and Habermas* (Westport, CT: Greenwood Press, 1995), 26.

⁵⁷⁰ Angela Y. Davis, *Abolition Democracy: Beyond Empires, Prisons, and Torture (Interviews with Angela Y. Davis)* (New York: Seven Stories Press, 2005), 18.

⁵⁷¹ Fred Rush, "The Conceptual Foundations of Early Critical Theory," in *The Cambridge Companion to Critical Theory*, ed. Fred Rush (Cambridge: Cambridge University Press, 1981), 9; see Jay, *Dialectical Imagination*, 4.

Below we will track different ways the political foundation of critical theory and practice was marginalized by changing historical circumstances and new methodological commitments. What needs to be underscored in this context, however, is that Critical Theory's practice-oriented project of knowledge production and critique was not an infelicitously designed endeavor from the start. The Institute's political-economic interventions were increasingly subordinated to social-philosophical criticism, as typified by Horkheimer's attacks on the socialists of the Vienna School positivists and Sartre's existentialism rather than the liberal and Keynesian social and economic theorists of his time.

The constructivist strands of neoliberalism—as developed by the Austrian, Freiburg, and Chicago Schools—hardly fit the Frankfurt School's typological characterization of Traditional Theory. As the neoliberals sought to undermine socialist planning at both the theoretical and practical level, Horkheimer dismissed them as irrelevant critics of merely “economic-technical considerations.”⁵⁷² Meanwhile Pollock cited neoliberal positions on the socialist calculation debate in his own account of totalitarian planning.⁵⁷³ And though the neoliberals subscribed to the fact-value distinction—the key element of Traditional Theory, according to Horkheimer—they did not simply bracket science from politics, as the previous three chapters demonstrated. Instead, they used scientific methodology as a political strategy in a more effective and far-sighted project than their leftist opponents. Despite its many virtues, then, in this context Critical Theory misconstrued its own object of (ideology) critique by reading rival epistemologies and methodological disputes at a surface (or non-strategic) level. It is in this sense that the Frankfurt School theorists were (and remain) opposed to basic insights of Science and Technology Studies about the performativity of social scientific knowledge or, from a Foucauldian angle, about the ability of discourse to construct and constitute its own objects. It was less neoliberalism than Critical Theory itself, as will become clear, that increasingly perceived social scientific knowledge as a neutral instrument in the service of existing power structures.⁵⁷⁴

When the Nazis seized power in 1933, the mostly Jewish and Marxist researchers were forced to alter their activities and go into exile. As partisans of proletarian revolution, they were also forced to revise their more or less optimistic outlook on the demise of capitalism. The political economists of the Institute, such as Pollock, Kurt Mandelbaum and Gerhard Meyer, reoriented theory to major questions about the *conditions* for a socialist transition and the *techniques* that might implement socialism.⁵⁷⁵ In the 1934 issue of the *Zeitschrift für Sozialforschung*, Horkheimer

⁵⁷² The full passage reads: “The bureaucracy has taken control of the economic mechanism, which slipped away from the control of the bourgeoisie's pure profit principle. The specialist concept of economics, which in contrast to its critics deals with the decline of the market system, contains no further objections to the capability of the existence of state capitalism than the objections which Mises and his associates raised against socialism. These people live today on for the fight against social reforms in democratic countries, and they have completely lost their influence. The essence of liberal criticism consists of economic-technical considerations.” Horkheimer, “The Authoritarian State” (1940) in *Essential Reader*, 110.

⁵⁷³ This does not imply that he had given up on planning. In equal measure Pollock cited the market socialists (Oskar Lange and Carl Landauer) and the neoliberals (Lionel Robbins and Gottfried von Haberler). See Friedrich Pollock, “State Capitalism: Its Possibilities and Limitations” [1941] in *Critical Theory and Society: A Reader*, Bronner and Kellner, eds. (London: Routledge, 1989).

⁵⁷⁴ Like other strands of Marxism, the Frankfurt School understood science as a part of the process of social reproduction. See for example Horkheimer, “Notes on Science and the Crisis,” in *Critical Theory and Society: A Reader*, 55.

⁵⁷⁵ See Friedrich Pollock, “Die gegenwärtige Lage des Kapitalismus und die Aussichten einer planwirtschaftlichen Neuordnung” in *Zeitschrift für Sozialforschung* (No. 1, 1932), 8-27; Gerhard Meyer, “Neue Literatur über

wrote a preface to Meyer and Mandelbaum's "On the Theory of the Planned Economy" [*"Zur Theorie der Planwirtschaft"*], underscoring the necessity of researching and achieving a socialist planned economy.⁵⁷⁶ By decade's end, however, Horkheimer had grown deeply skeptical on this subject. The "rationality" of planning, which underwrote the promise of liberation, had been instrumentalized for the purpose of ever-greater domination.

With the suicide of their colleague Walter Benjamin, the collective vision darkened in the 1940's. Horkheimer handed off administrative duties to Pollock and wrote "The End of Reason" in close collaboration with Adorno, who had joined the Institute in full capacity in 1938.⁵⁷⁷ Marcuse, Neumann, and Otto Kirchheimer were isolated from the members in New York and Los Angeles as they worked for the US government as mother-tongue interpreters of developments in fascist Germany. Meanwhile two essays in the *Zeitschrift*—Pollock's "State Capitalism" and Horkheimer's "Authoritarian State"—marked a turning point for Critical Theory.⁵⁷⁸

Pollock applied the notion "state capitalism" to Nazi Germany, the Soviet Union and the United States, sparking an intra-Institute dispute with Neumann, who called the concept a contradiction in terms.⁵⁷⁹ The disagreement concerned whether the Nazi state remained "capitalist" at its core, or whether it had become an entirely different *Behemoth*, as Neumann called it.⁵⁸⁰ By implication, the debate also addressed a broader, even weightier question: Can the progressive use of economic planning lead to a socialist (i.e., marketless) order, or will state planning instead yield a totalitarian society? Drawing from both market socialist and the neoliberal contributions, Pollock rejected the central premise but mirrored the binary framework of the socialist calculation debate. Markets and planning, he argued, were not fundamentally irreconcilable. At the same time, he divided the future of state capitalism into two paths: democratic or authoritarian planning. "The main obstacles to the democratic form of state capitalism," he explained, "are of a political nature and can be overcome by political means only."⁵⁸¹ Noting the disappearance of revolutionary

Planwirtschaft" in *Zeitschrift für Sozialforschung* (No. 1, 1932), 379-400. Only later, in 1936, did Neumann, Kirchheimer and Gurland join the Institute. See Jay, *The Dialectical Imagination*, 143-52.

⁵⁷⁶ Max Horkheimer, "Vorwort" in Gerhard Meyer and Kurt Mandelbaum, "Zur Theorie der Planwirtschaft" in the *Zeitschrift für Sozialforschung* (No. 3, 1934), 228-262.

⁵⁷⁷ Max Horkheimer. *The End of Reason: in Philosophy and Social Science*, IX, 1941, pp. 316-389.

⁵⁷⁸ Abromeit similarly argues that "Horkheimer's adoption of the state capitalist argument – an earlier and different version of which had already been developed by Friedrich Pollock – was the primary cause of the shift in his thought during this time. Once Horkheimer had worked out his new position, many of Adorno's arguments, which he had viewed skeptically until then, began to seem more appealing... *Dialectic of Enlightenment* [was] an attempt to flesh out and provide case studies of the core arguments that are presented in 'The End of Reason.'" John Abromeit, "State Capitalism: The End of Horkheimer's Early Critical Theory" in *Max Horkheimer and the Foundations of the Frankfurt School* (Cambridge University Press, 2012).

⁵⁷⁹ Pollock's interpretation in "State Capitalism" deeply influenced the Frankfurt School's conceptualization of capitalism well into the postwar period. See Wiggershaus "Friedrich Pollock – der letzte Unbekannte der Frankfurter Schule" [Friedrich Pollock – the Last Unknown of the Frankfurt School], *Neue Gesellschaft*, Frankfurter Hefte 8 (1994): 750-56; Tobias ten Brink, "Economic Analysis in Critical Theory: The Impact of Friedrich Pollock's State Capitalism Concept," *Constellations*, 22:3 (2015).

⁵⁸⁰ Franz Neumann, *Behemoth: The Structure and Practice of National Socialism* (New York: Oxford University Press, 1942).

⁵⁸¹ According to Pollock, "If our thesis proves to be correct, society on its present level can overcome the handicaps of the market system by economic planning." In essay's final sentence, Pollock adds: "Some of the best brains of this country are studying the problem of how such planning can be done in a democratic way, but a great amount of theoretical work will have to be performed before answers to every question will be forthcoming." Friedrich Pollock, "State Capitalism: Its Possibilities and Limitations" [1941] in *Critical Theory and Society: A Reader*, Bronner and Kellner, eds. (London: Routledge, 1989), 101.

politics, Pollock pointed to a socialist solution but lacked a political agent capable of realizing it. Due to this gap between theory and practice, Pollock and his colleagues tended to make Nazism, New Dealism, and Bolshevism into historical necessities. All of these orders corresponded to the totalizing logic of state capitalism, but all contained the conditions of their own overcoming: the centralization and totalization of political and economic power. The final political-economic conditions for socialism, in other words, lay in state capitalism, in “the replacement of ‘partial’ organization through a ‘total’ organization” of the means of production. At the same time, however, totalitarian states sought the same processes and goals for their own ends.⁵⁸²

Horkheimer’s essay “The Authoritarian State,” published in a volume dedicated to Benjamin, seized on the same tendencies. Premised on Pollock’s concept of state capitalism, the article oscillated between ambivalence and pessimism about Critical Theory’s foundational concept—from reason and revolution to planning and politics itself. “State capitalism,” Horkheimer observed, “is the authoritarian state of the present.”⁵⁸³ That the state could deploy instrumentally rational techniques of “planning” in the service of death and domination did not preclude using them to achieve freedom and emancipation.⁵⁸⁴ Yet in looking backward and forward, Horkheimer found only evidence to the opposite. Marx “indicted bourgeois society” and “discovered the secret of the economy itself,” Horkheimer remarked. But his future-oriented analysis came with a notable blind spot: “Marxist science constitutes the critique of bourgeois economy and not the expounding of a socialist one; Marx left that task for Bebel.”⁵⁸⁵ Horkheimer asserts that, in using the language of “transformation” rather than “revolution,” Bebel had already reduced the latter to “the intensive transition to state capitalism which was then already announcing itself” and to a “*doctrine of midwifery [that] degrades the revolution to mere progress.*”⁵⁸⁶ Yet

⁵⁸² In a review of Pollock’s argument, Meyer wrote: “Ist sozialistische Gesellschaft in unserem Sinne (d. h. auch marktlose Gesellschaft) sowohl technisch als auch gesellschaftlich mit klein- und mittelbäuerlichem Besitz dauernd vereinbar?” Gerhard Meyer, “Neue Literatur über Planwirtschaft” in *Zeitschrift für Sozialforschung* (No. 1, 1932), 379-400. To this question Pollock answered: “Je geringer die Zahl derjenigen wird, die an der Aufrechterhaltung des gegenwärtigen Wirtschaftsystems objektiv interessiert sind, um so dringender wird die Frage nach der Möglichkeit, dieses System durch ein besseres zu ersetzen. Wir sehen eine solche Möglichkeit nur in der Richtung auf die Ersetzung der ‘partiellen’ durch eine ‘totale’ Organisation und fragen deshalb hier nach den Aussichten einer planwirtschaftlichen Neuordnung.” Friedrich Pollock, “Die gegenwärtige Lage des Kapitalismus und die Aussichten einer planwirtschaftlichen Neuordnung” in *Zeitschrift für Sozialforschung*, Jahrgang I, 1932, Doppelheft 1/2, 27. See also Friedrich Pollock, “Sozialismus und Landwirtschaft,” in *Festschrift für Carl Grünberg zum 70. Geburtstag* (G. L. Hirschfeld. Leipzig 1932), 397-43. In “Authoritarian State,” Horkheimer made the same observation, though with a darker tone: Since the proletariat has nothing to expect from the old world powers, there would appear to be no choice but an alliance with the new ones. Since *the planned economy that the leaders of nations are creating is closer to socialism than liberalism is*, there should be an alliance between the leader and the proletariat.”

⁵⁸³ Horkheimer, “The Authoritarian State” (1940) in *Essential Reader*, 96 (emphasis in original). Reflecting on the period at the end of his life, Horkheimer wrote: “Already near the end of the twenties, certainly by the beginning of the thirties, we were convinced of the probability of a National Socialist victory, as well as the fact that it could be met only through revolutionary actions. That it needed a world war we did not yet envisage at the time. We thought of an uprising in our own country and because of that, Marxism won its decisive meaning for our thought.” Horkheimer, “Foreword” in Jay, *The Dialectic of Imagination*, xxv.

⁵⁸⁴ Between the rational ideal and the dark reality of planning—between its socialist promise and its wartime practice—Horkheimer still held out hope. At least a few passing lines in his 1940 suggest as much: “The historical contradiction, of demanding at the same time both rational planning and freedom, emancipation and regulation, can be overcome.” Horkheimer, “Authoritarian State.”

⁵⁸⁵ Horkheimer, “The Authoritarian State.”

⁵⁸⁶ Horkheimer, “The Authoritarian State.”

even revolution should not be trusted to deliver its ultimate promise: the end of exploitation.⁵⁸⁷ What the transition to state capitalism had unleashed, according to Horkheimer, was the necessary elements to “rationalize eternal domination.”⁵⁸⁸ In concert with Hayek’s attack on socialist planning in *The Road to Serfdom*, Horkheimer quoted from Pirou’s *Néo-libéralisme, néo-corporatisme, néo-socialisme*: “There is no other socialism than that which is achieved by authoritarian means.”⁵⁸⁹ The turn in outlook at this period is what John Abromeit calls “the end of early Critical Theory.”⁵⁹⁰

Somewhat ironically, then, early Critical Theory simultaneously discovered and abrogated the political. On the one hand, state capitalism attested to the political possibility of using administrative planning to more egalitarian ends than pursued under liberal capitalism. On the other hand, it challenged the orthodox Marxist understanding of the political domain itself.⁵⁹¹ For it arose alongside what interwar intellectuals—leftists, liberals, and conservatives—called the “primacy of politics” [*Primat der Politik*]. Previously, in the wake of WWI, Walter Rathenau gave expression to a common belief that “Economy is destiny,” to which Lenin heretically responded: “Politics cannot but have precedence over economics.”⁵⁹² Here as elsewhere, Lenin represented a certain kind of vanguardism; toward the end of Weimar Republic, the “relative autonomy of the political” was widely accepted. Citing Carl Schmitt, for example, the German ordoliberal Alexander Rüstow proclaimed that “the economy is not our destiny; the state is our destiny, and the state is also the destiny of the economy.”⁵⁹³ The primacy of the politics became legible for Horkheimer and Pollock in the transition from *liberal* capitalism to *state* capitalism, “from a predominantly economic to an essentially political era.”⁵⁹⁴ This transformative process, Pollock explained, featured a “replacement of the economic means by political means as the last guarantee for the reproduction of economic life, [which] changes the character of the whole historic period.”⁵⁹⁵

Importantly, however, this historic shift to state capitalism also appeared to undermine or even invert the “base-superstructure” model of Marxist analysis. According to historical

⁵⁸⁷ “Revolution brings about what would happen without spontaneity in any case: the socialization of the means of production, planned management of production, and unlimited control of nature. And it also brings about what will not happen without resistance and constantly renewed efforts to strengthen freedom: the end of exploitation. Such an outcome is not a further acceleration of progress, but a qualitative leap out of the dimension of progress. The rational is never totally deducible.” Horkheimer, “The Authoritarian State.”

⁵⁸⁸ Horkheimer, “The Authoritarian State.”

⁵⁸⁹ Gaëtan Pirou, *Néo-libéralisme, néo-corporatisme, néo-socialisme* (Paris, Gallimard, 1939), 173, cited in Horkheimer, “The Authoritarian State” (1940) in *Essential Reader*, 115.

⁵⁹⁰ John Abromeit, “State Capitalism: The End of Horkheimer’s Early Critical Theory” in *Max Horkheimer and the Foundations of the Frankfurt School* (Cambridge University Press, 2012).

⁵⁹¹ “In den Marxschen Begriffen stimmt etwas nicht. Man muss herausfinden, was das ist. Das soll aber nicht heißen, dass man die Brücken hinter sich abbricht. Es handelt sich darum, die vorhandene Theorie auszubauen.” Friedrich Pollock, “Die bessere Ordnung” in *Sans Phrase: Zeitschrift für Ideologiekritik*, Heft 5, (1941/2014).

⁵⁹² “Politics cannot but have precedence over economics. To argue differently, means forgetting the ABC of Marxism.” Lenin, *Selected Works*, vol. IX, p. 54. This passage is also cited in Marcuse, *Reason and Revolution*, p. 401. See also V. I. Lenin, *Staat und Revolution. Die Lehre des Marxismus vom Staat und die Aufgaben des Proletariats in der Revolution* (Berlin: Rote Fahne, 1918/1919).

⁵⁹³ In the same year as Rüstow, Werner Sombart, the renowned historian of capitalism and socialist-turned-proto-Nazi, also argued “the economy is not our destiny.”

⁵⁹⁴ Friedrich Pollock, “State Capitalism: Its Possibilities and Limitations” [1941] in *Critical Theory and Society: A Reader*, Bronner and Kellner, eds. (London: Routledge, 1989), 101.

⁵⁹⁵ Pollock, “State Capitalism,” 101.

materialism, the representational and institutional forms of a society—politics, culture, art, religion, ideology—are shaped by underlying and more primary socio-economic dynamics. Within a particular mode of production, a material “base” of technological forces and class relations determine such “superstructural” phenomena. Yet the new form of *state* capitalism, in Pollock’s understanding, pointed to “the growing use of economic planning by government direction as a means to contain capitalist contradictions indefinitely.”⁵⁹⁶ Under these conditions, Pollock and Horkheimer believed, any “rational” developments within state capitalism—e.g., class conflict—could only “manifest themselves *by means of irrationalities in the planning process.*” For this reason, as William Scheuerman notes, they seemed fairly confident that “state capitalism would overcome all potential immanent threats to its basic workings.”⁵⁹⁷ A politically reinforced capitalism, not proletarian revolution, lay on the horizon.

A tension emerged from the Frankfurt School’s passionate attachment to rational planning, one its members understood as an “objective contradiction” in the mode of production. The current order of (state) capitalism was not producing its own gravediggers, in other words, but making effective use of “planning” to contain the contradictions of capitalism. All the wealth and technology to transcend capitalism were already in existence, but the (political) means to such a socialist overcoming—not simply class consciousness and proletarian revolution, but also objective reason and individual Enlightenment—were caught in the gears of a hyper-rationalized machine. This thesis not only marked a turning point in the mid-century, but became central for the Frankfurt School’s entire trajectory. For it shaped what was seen as a possible object of study, a possible agent of change, and a possible (or rational) alternative within “the iron cage”—from Herbert Marcuse’s *One-Dimensional Man* and Jürgen Habermas’ *Legitimation Crisis* to Claus Offe’s *Europe Entrapped* and Wolfgang Streeck’s *Buying Time*.

Amidst WWII, politics was on trial above all for its revolutionary miscarriage, and for this Horkheimer issued a damning verdict:

Politics, the rediscovery of which in the Renaissance was a theoretical advance, has become, in thinking under monopoly [capitalism], even more an ideological category than the laws of the market under liberalism: with its aid the surface is hypostatized... The governments are executive mechanisms which *cannot rationally understand* the actual state of the forces on which they depend, but merely feel their concrete effects.⁵⁹⁸

As politics was equated with the state, instrumental rationality was identified with irrational domination.⁵⁹⁹ Without the prospect of political transformation, the (ir)rationality of the system became the primary, tendentially total object of inquiry—over and above the possible agents, conditions, and mechanisms of its transformation. With all of its liberatory promise and oppressive perils, “the political” was seen as inherently suspect—the baby in the bathwater of “rational planning.”

⁵⁹⁶ Jay, *The Dialectic of Imagination*, 153.

⁵⁹⁷ Scheuerman, *Beyond the Norm and the Exception*, 150 (my emphasis).

⁵⁹⁸ Horkheimer, “Zur Ideologie der Politik heute (Fragment)” in *Gesammelte Schriften*, Vol. 12, Frankfurt am Main (1968), 317, italics mine.

⁵⁹⁹ Horkheimer and Adorno, *Dialectic of Enlightenment: Philosophical Fragments*, 234.

The task of Critical Theory shifted from analyzing the obstacles and aiding the struggle of workers' liberation to taking stock of the eclipse of reason in the aftermath of a historical event (Nazism) and a political non-event (Revolution). In a more Hegelian register, Adorno later wrote, "Philosophy, which once seemed obsolete, lives on because the moment to realize it was missed."⁶⁰⁰ In this context, the question became: Can the failure of Marxist theory be explained in Marxist terminology? Can dialectical blockage be explained dialectically? The critical piece to the puzzle was discovered in Max Weber.

Weberian Dialectics and the Critique of Irrational Rationality

The revolutionary promise, so palpable after WWI, had been buried by the wreckage of WWII. As Horkheimer and Adorno reflected on how and why, their methodical skepticism gave way to totalizing pessimism. The workers' movement and Enlightenment philosophy, which together formed the foundation of early Critical Theory, became objects of ruthless critique themselves.⁶⁰¹ Without connection to a political subject or project—to proletarian resistance or rational planning—critique turned back on itself. After the eclipse of the political, only the rational critique of reason remained. And so Horkheimer and Adorno channeled their damning reflections on the state of reason into *Dialectic of Enlightenment*.

Reason and unreason, they argued, form a historical dialectic that began long before, unfolded through, and finally inverted the Enlightenment itself. The Nazi cooptation of the working classes, the catastrophic development of Stalinism, and the mass character of US state capitalism all spoke to practical and scientific failures of Marxist materialism. Class conflict could no longer be understood as the motor of history. In its place Horkheimer and Adorno placed instrumental rationality—the knowledge and mastery of external nature exercised *as* power. The cunning of instrumental reason was not endemic to an economic order like capitalism or a political form like the state, however. It was rather discovered in a philosophical anthropology of instrumental cunning, a part of Western culture that descends from its earliest documents, like the Greek epic of Odysseus. At the very heart of rationality, Horkheimer and Adorno argued, is a struggle between the alienated subject with internal and external nature, a struggle won only at the price of domination: "the awakening of the subject is bought with the recognition of power as the principle of all relationships."⁶⁰² The Enlightenment view of scientific knowledge *as* power, exemplified in figures like René Descartes to Francis Bacon, valued rationality *qua* logical regularity, predictability, calculation, and control. In turn, this perspective on the natural world was applied to the study and the self-understanding of human beings, whether in the realm of politics, economics, society or art. Thanks to the ascent of instrumental rationality and advanced technology, corporate firms, political parties and cultural institutions could both account for and actively construct the reasoning and desires of their objects: the masses. The cunning of rationality *qua* adaptive survival lay in its rise to dominate its own progenitors—and all planetary life—via a dialectical inversion into myth and the obliteration of rational individuals.

⁶⁰⁰ Theodor Adorno, *Negative Dialectics*, trans. E. B. Ashton (London: Routledge & Kegan Paul, 1973), 3.

⁶⁰¹ As Martin Jay notes, "The notion of the Enlightenment underwent a basic change in the forties. Instead of being the cultural correlate of the ascending bourgeoisie, it was expanded to include the entire spectrum of Western thought." Jay, *Dialectical Imagination*, 258.

⁶⁰² Horkheimer and Adorno, *Dialectic of Enlightenment: Philosophical Fragments*, 5.

Horkheimer and Adorno inscribed whatever Marxist categories remained into the psychodynamics iterated by Nietzsche and Freud, wielding alienation, reification, and commodity fetishism as powerful tools of analysis. But their account of this historical dialectic—the rationalization of the world through which unreason reigns supreme—relied most heavily on a different, unnamed figure: Max Weber.⁶⁰³ As Dana Villa observed,

It is noteworthy that Weber's name nowhere appears in *Dialectic of Enlightenment*, even though it is impossible to imagine the book without him. Indeed, it is arguable that main points of his influence—his concept of rationalization, his account of the triumph of *Zweckrationalität*, his focus upon the role self-denial or an inner-worldly asceticism plays in this triumph, and his depiction of the 'steel housing' created by bureaucratization—outweigh Horkheimer and Adorno's borrowings from both Freud and Marx. No doubt their failure to give credit where credit is due is tied to both authorial pride and the anxiety of influence. But it is also tied to their insistence that Weber's work expressed what Horkheimer (in *The Eclipse of Reason*) termed 'subjective' form of reason.⁶⁰⁴

Weber's concept of *Zweckrationalität*, whose significance for the early neoliberals was examined in Chapter 1, constitutes an ideal type of "means-ends" or "purposive" conduct. This "instrumental" and merely "subjective" form of rationality posits no higher ends other than the desires, preferences, or values of a given individual. Instrumental rationality simply designates the selection of effective or efficient means to reach a given end.

Weber elaborated this form of rationality in different parts of his writings and in relation to various domains of life.⁶⁰⁵ Not unlike the Austrian School, the Frankfurt School appropriated Weber's contextually nuanced concept of *Zweckrationalität* and turned it into an overarching category for their own purposes. Put another way, Weber was interpreted in terms of a singular account of "rationalization," an account associated with his most famous formulations about the "warring gods" of value pluralism, the "steel housing" of Western modernity, and the "disenchantment of the world." In this simplified Weberian narrative that was hardly Weber's own, the Frankfurt School found more than just a source of inspiration and target of critique; they also found a master signifier for their critical project.

"Instrumental rationality" not only became the Frankfurt School's primary object of critique, but also the privileged pole of the dialectic and the launching pad for any *positive* account of reason. What Horkheimer and Adorno lamented in the *Dialectic*, after all, was not simply that unreason and domination reigned supreme but that *objective* reason had been destroyed, from

⁶⁰³ Lukács had already absorbed these and other Weberian concepts in *History and Class Consciousness: Studies in Marxist Dialectics* (1923), from which the Frankfurt School drew since its inception, as mentioned above.

⁶⁰⁴ See Dana Villa, "Weber and the Frankfurt School," 266. See also Martin Jay, *Reason After its Eclipse: On Late Critical Theory* (Madison: University of Wisconsin Press, 2016).

⁶⁰⁵ These included his own typologies of social action; the rational-legal legitimation of state power; the "steel housing" of modernity unwittingly erected by a Protestant ethic bereft of its original spirituality; the everyday practice of the scientific vocation that continues without promise of a final truth or lasting relevance; the formalization of Western science through logical and mathematical reasoning; and the calculative logic of market exchange as opposed to state planning for collective ends.

within and without, by its subjective and instrumental flipside.⁶⁰⁶ Critical Theory was founded upon Kantian and Hegelian understandings of the former, which distinguished between reason [*Vernunft*] and understanding [*Verstand*]. Whereas the faculty of “understanding” comprises a passive mode of cognition, “reason” or “critical rationality” constitute a more active process of human reflection, a higher tribunal that can distinguish essence from appearance, and a reflexive capacity that can grasp (literally, *begreifen*) objects through the mediation of conceptual thought (*Begriffe*). Enlightenment reason thus has a negative character that submits “the given” to judgment as well as modification. Or as Marcuse put it, “What exists is not immediately and already rational but must rather be brought to reason.”⁶⁰⁷

The larger historical process examined in the *Dialectic* and in other works like Marcuse’s *One-Dimensional Man*, discussed below, was understood in Weberian terms as *the formalization of substantive reason*. For Weber himself this was not an inevitable, one-sided process that could be understood through a singular logic. But with the use of Weberian dialectics, the Frankfurt School could easily narrate it as such. This was partly because, though rationality may have a *double* valence with both formal and substantive expressions, Critical Theory ultimately took reason to be *unified*. As Habermas later insisted, rationality “always has a normative content.”⁶⁰⁸ Or in Adorno’s classically negative formulation: “Dialectical reason is, when set against the dominant mode of reason, unreason; only in encompassing and cancelling this mode does it become itself reasonable.”⁶⁰⁹

No matter its modifier—e.g., the *technical*, *technological*, *political*, or *administrative* forms of rationality discussed below—the “dominant mode of reason” was understood as *instrumental* in a Weberian sense; as such, it was seen to lack a normative or objective basis, both complicit with and a tool of human domination. Thus no matter what is made of the Frankfurt School’s dialectical conceptions of critical reason—from “aesthetic rationality” to “communicative rationality”—it is important to underscore the Weberian backdrop of postwar Critical Theory’s development. For instrumental rationality not only became the (negative, or non-normative) basis of a philosophy of history, a philosophical anthropology, and a general social theory. It also became their way out of the social calculation debate: the (ir)rationality of market exchange and the (ir)rationality of state planning were equated with the *instrumental* reason as such. This Weberian conception of markets and states, however, did not even accord with Weber’s own studies, as Chapter 1 already made clear. Yet not only did the Frankfurt School use Weberian dialectics to generalize concepts beyond Weber’s comparatively careful application. It also made a negative image of Weber central to their endeavor, predicating their positive positions on what Villa rightly called a “caricature” of Weber’s own.⁶¹⁰ For members of both the first and second generation, Weber was seen *both* as the stoic prophet of irrational charismatic dictators who emerge almost by necessity from the so-called “iron cage” of modernity *and* as the exemplary

⁶⁰⁶ On the concept of emphatic reason, see Martin Jay, *Reason After Its Eclipse: On Late Critical Theory* (Madison: University of Wisconsin Press, 2016).

⁶⁰⁷ Marcuse, “Philosophy and Critical Theory” in *Negations*, 36/101.

⁶⁰⁸ Habermas, *Theory of Communicative Action: Volume 1*, xl.

⁶⁰⁹ Adorno, *Minima Moralia*, 72.

⁶¹⁰ See Dana Villa, “Weber and the Frankfurt School,” 267. In passing, Villa also notes that the fear of decisionism was linked to an impoverished political imagination.

culprit of the methodological “irrationality” and political “decisionism” of the age since he appeared to lack recourse to an emphatic concept of reason.⁶¹¹

Of particular importance are two strands of the tradition’s Weber reception: first, their categorical hypostatization of formal/instrumental and substantive/normative rationality, which Weber rarely performed himself; and second, the reduction of politics to the state as a field of instrumental, functional, and administrative domination, a model that Weber only pursued with notable qualifications.⁶¹² It was this double move, the following sections argue, that conceptually and methodologically underwrote the Weberian dialectics and much of the political deficits of the Frankfurt School. Two core concepts of postwar Critical Theory attest to their Weberian supplement to neo-Marxism. “State capitalism” and the “culture industry” were not only introduced as correctives to orthodox materialism. Weber on the front end and Marx on the back, these concepts welded the superstructure to the base, the cultural to the economic, the symbolic to the material—all as forms of domination and production.

Put another way, explaining the failure of the proletarian revolution and the absence of capitalist crisis required more than mere ideology critique. It demanded a generalized vocabulary for describing the instrumentality of the social totality, an appreciation for how the “rationalization” of individuals, collectives, and institutions was not a one-sided process but a top-to-bottom perversion of a so-called rational reality or “social totality.”⁶¹³ Recall that, in Weber’s classical account of bureaucracy, the authority of instrumental-legal rationality facilitates a kind of auto-functionality of social order. Administrative structures accrue legitimacy because of their relative efficiency—not despite but because of their seemingly unpolitical operations, unthinking enforcement of rules, narrow-minded focus on cases without any higher purpose. Similarly, the very concept of the culture industry conveyed conformity without individuality, uniformity without difference. Machinic, standardized, and everywhere the same, society was depicted as a perpetually expanding factory without an escape hatch.

In view of such tendentially totalizing processes, instrumental rationality became both the glue holding the analysis together and the logic holding the system together. The critique of rationality folded Weberian typologies into neo-Marxist dialectics, forming a new Weberian model

⁶¹¹ Marcuse: “[The] rational administration of masses and things cannot do without the irrational charismatic leader. For the administration would tend, precisely to the degree to which it is really rational, to the abolition of domination (and to the administration of things).” Marcuse, “Industrialization and Capitalism in the Work of Max Weber” in *Negations: Essays in Critical Theory* (London: MayFlyBooks, 1968/2009), 164.

⁶¹² But Weber understood the political as an arena of struggle, conflict and shared values. This is not to imply that Weber was not himself fixated on the state, both in terms of his sociological methodology and in terms of his personal politics. As if the following line from “Politics as a Vocation” were read literally: “What do we understand by politics? The concept is extremely broad and comprises any kind of independent leadership in action. One speaks of the currency policy of the banks, of the discounting policy of the Reichsbank, of the strike policy of a trade union; one may speak of the educational policy of a municipality or a township, of the policy of the president of a voluntary association, and, finally, even of the policy of a prudent wife who seeks to guide her husband. Tonight, our reflections are, of course, not based upon such a broad concept. We wish to understand by politics only the leadership, or the influencing of the leadership, of a *political* association, hence today, of a *state*.” [“Wir wollen heute unter Politik nur verstehen: die Leitung oder Beeinflussung der Leitung eines *politischen* Verbandes, heute also: eines *Staates*.”] Weber, “Politics as a Vocation” in *From Max Weber: Essays in Sociology*, H.H. Gerth and C. Wright Mills, eds., pp. 77-128, New York: Oxford University Press, 1946.

⁶¹³ Together this formed a new and powerful “whole,” a new phase within the social “totality.” See Martin Jay, *Marxism and Totality: The Adventures of a Concept from Lukacs to Habermas* (1984).

of Marxism—a *Webermarxismus*, in Habermas’s terms.⁶¹⁴ In contrast to Lukacs’ Marxist-Weberian critique of capitalism and reification, however, theirs was a dialecticization of Weberian typologies without a proletarian telos, a dialectical Weberianism of an entirely new kind.⁶¹⁵ Bureaucratic rationality (or state administration) and formal rationality (or scientific knowledge) were now welded together with the market rationality (or the exchange principle), perpetuating capitalist domination. To this Horkheimer added his own “racket theory” of monopoly capitalism, which foregrounded the coercive power of organized cliques under state capitalism. Replacing the “purer” principle of individual exchange under liberal capitalism, this form of social, political and economic order was modeled on brute principles of power.⁶¹⁶ Or as Adorno put it, “late or postliberal capitalism as well as post-fascist society superimpose the full reign of the organizational principle over that of the exchange principle.”⁶¹⁷

In view of the horror of a racket-governed world—which Horkheimer projected equally on the total war of WWII and the Keynesian political economy of the postwar period—an emancipated society was imagined as its inversion, “a racketless society.”⁶¹⁸ Much like Walter Eucken’s own critique of state socialism, corporate monopolies, and the fusion of economic and political power they imply,⁶¹⁹ Horkheimer no longer praised and prescribed “rational planning.” Instead, he identified more regressive pathologies of state capitalism that undermined the project of *truly* rational planning—from monopolistic price fixing to mass manipulation by the culture industry.

Both state capitalism and the culture industry used “rational planning” for manipulative and exploitative (which is to say *irrational*) ends. Formally rational domination was the kind of *irrational rationality* that Weber himself observed in the subjection and separation of workers from the means of production. Nonetheless, this was a form of irrationality that Weber—in his “private” preferences for anti-socialism and liberal nationalism—considered justifiable from the perspective of the functional, formal, and economic rationality of market exchange. For the Frankfurt School, this double-edged sword of rationality and irrationality animated their construction of a general social theory, though it also deprived them of a political theory, of a political project, and of any conception of collective political agency.

It was not just the conservative tendencies that followed the Institute’s experience of exile back to postwar Germany. And it was not just the failure of the proletariat to realize itself as the subject of history. It was also, in this reading, the inversion of *rational planning* into its very opposite; instead of socialist planning for an emancipated society, the political foundation of early

⁶¹⁴ See Hermann Kocyba, “Die ‘eigenartige Nachbarschaft’ von Ordoliberalismus und Frankfurter Schule: Michel Foucault über das ‘Deutsche Modell’” in *i-lex*, 21, 2014, 75-95 (www.i-lex.it).

⁶¹⁵ György Lukács, *History and Class Consciousness: Studies in Marxist Dialectics*. (Cambridge, Mass.: MIT Press, 1923/1971).

⁶¹⁶ See James Schmidt, in “‘Racket,’ ‘Monopoly,’ and the Dialectic of Enlightenment” in “Max Horkheimer and The Sociology of Class Relations,” Issue #18 of *Non-Site* (January 11, 2016), <https://nonsite.org/the-tank/max-horkheimer-and-the-sociology-of-class-relations>.

⁶¹⁷ Adorno: “late or postliberal capitalism as well as post-fascist society superimpose the full reign of the organizational principle over that of the exchange principle.”

⁶¹⁸ See James Schmidt, in “‘Racket,’ ‘Monopoly,’ and the Dialectic of Enlightenment” in “Max Horkheimer and The Sociology of Class Relations,” Issue #18 of *Non-Site* (January 11, 2016), <https://nonsite.org/the-tank/max-horkheimer-and-the-sociology-of-class-relations>.

⁶¹⁹ See the discussion of “the social question” in Chapter 2.

Critical Theory, it was now domination *qua* “planning considered as an end in itself.”⁶²⁰ “All life today tends to be increasingly subjected to rationalization and planning,” concluded Horkheimer’s *Eclipse of Reason*.⁶²¹

This political loss and subsequent critique of rational planning was connected to a different and taboo-laden topic: the turn against *radical* democratic politics, in the robust sense of the term.⁶²² The skepticism about the irrational masses, made explicit in the discussion of the culture industry, raised critique to the most abstract and totalizing levels. To be sure, Horkheimer and Adorno’s “fear of the masses” was neither unique nor surprising for refugees returning to the hardly de-Nazified population of postwar West Germany. Nonetheless, the historical and conceptual parallels with the neoliberal critique of democracy are noteworthy.⁶²³ Indeed, though the postwar Keynesian mentality came to form the image of technocratic managed politics, it was the anti-political animus and general demoskepticism of both neoliberal and some leftist intellectuals that would loom large later in the century. Wedded to a critique of “state capitalism,” the critique of mass culture and the culture industry concept was ancillary to what the neoliberals called “collectivism.” For however bad and irrational liberalism may have been, the movement to state capitalism was seen as quashing the Enlightenment heritage of bourgeois individuality altogether.

The Frankfurt School increasingly conceived bourgeois individuality and critical rationality as preconditions for a political revolution in which they no longer believed. And so the individual became the final battleground of Critical Theory. Though this battle was not without politics, it was, without doubt, delinked from collective struggles and from a robust engagement with the political. More than revolutionary hangover, what haunts their postwar texts is the loss of bourgeois culture as such. As Horkheimer explained, “the more planned the society, whether in late democratic or totalitarian form, the more removed from reality are bourgeois culture and sensibility.”⁶²⁴

From Adorno’s *Minima Moralia* to Horkheimer’s *Eclipse of Reason*—and, in more constructive fashion, Habermas’ *Structural Transformation of the Public Sphere*—the Frankfurt School’s relation to liberalism resembled something like a homesickness, even if they longed for a home they never loved in the first place. Weimar Germany was a political home that, with time, was experienced as a tremendous loss. But here again, as Michel Feher has observed, the left did not hold a monopoly on melancholy.⁶²⁵ The Austrian School emerged through a melancholy of its own, shaped as it was by life under the Austro-Hungarian Empire—a political and economic order they never loved till it was gone. The dissolution of the Austrian Empire after WWI and the interwar collapse of the world economy that followed, as Quinn Slobodian demonstrated, propelled the neoliberals to model future orders on ideals from the past.⁶²⁶ And as the tide of history

⁶²⁰ The full passage reads: “Once the utopia which inspired the hopes of the French Revolution had been absorbed, potently and impotently, into German music and philosophy, the established bourgeois order entirely functionalized reason. It became a purposiveness without purpose, which for that very reason could be harnessed to any end. It is planning considered as an end in itself.” Horkheimer and Adorno, *Dialectic of Enlightenment*, 69-70.

⁶²¹ Horkheimer, *Eclipse of Reason*.

⁶²² In exile, however, they learned to appreciate “bourgeois” democracy, and even for it upon their return too Germany.

⁶²³ See Biebricher, *The Political Theory of Neoliberalism*; and Brown, *In the Ruins of Neoliberalism*.

⁶²⁴ Horkheimer, *Eclipse of Reason*.

⁶²⁵ Michel Feher, *Rated Agency*, 1.

⁶²⁶ Slobodian, *Globalists*.

rushed against them, the early neoliberals looked backwards to move forwards. But whereas the Austrian School look for principles of political and economic order, the Frankfurt School looked backwards for the principles of Enlightenment philosophy.⁶²⁷ What resulted was an impressive project to refortify reason against a range of hostile threats, real and perceived. But the effect, as I will suggest, was also a series of political deficits—the replacement of politics by rationality as both an object of critique and an aspiration for collective life.

Increasingly, in the 1950's and 60's, the first and second-generation critical theorists turned their focus to culture. At the same time, administration became a central theme, thanks in part to the rise of cybernetic and systems theory. With obvious echoes of Weberian concepts, Horkheimer and Adorno now borrowed a highly ambivalent ideal from the “utopian” socialist Saint Simon: a “rational administration of things” without a “rational administration (domination) of men” [*Verwaltung der Dinge ohne Verwaltung/Herrschaft über Menschen*]. Kirchheimer had likewise envisioned such “a leap from the domination of men” to “the administration of things” [*der Sprung von der Herrschaft über Menschen zur Verwaltung der Dinge*].⁶²⁸ “[P]recisely to the degree to which it is *really* rational,” wrote Marcuse, administration would tend toward “the abolition of domination (and to the administration of things).”⁶²⁹ This ideal was formulated against state capitalism, which “administers the control of men by things.” Franz Neumann, one of the few members to explicitly grapple with democratic and political theory, claimed that “[when] the sovereign power ceases to be sovereign,” it “is no longer an external power confronting the subjects. It is rather society itself which governs and administers itself.” In contrast to socialism, Neumann argued, fascism does not and could never have a political theory because “a political theory cannot be nonrational.”⁶³⁰ Critical Theory, even *as* political theory, was rationalist to its core—or it was nothing at all.

Once key to the progressive movement of reason in history, the political became the most daunting domain to contest and overcome *by* reason—whether through culture, technology, or morality.

Adorno, the Ideal of Culture and the Dialectics of Ideal Types

Administration is necessary: the administration of *things* is necessary, but not the administration of men. – Adorno⁶³¹

“Whoever speaks of culture speaks of administration as well, whether this is his intention or not.” So begins Adorno’s “Culture and Administration” (1960), an essay which, alongside “Culture Industry Reconsidered” (1963), tarried forward with the main theses in *Dialectic of*

⁶²⁷ See Horkheimer’s explicit rejection of political economy in favor of philosophy in the “Postscript.”

⁶²⁸ The ambivalence of administration can be deciphered by comparison to other ways of imagining the “right disposition” of people and things: *government, rule, distribution* and so on.

⁶²⁹ Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 164.

⁶³⁰ Franz Leopold Neumann, *Behemoth: The Structure and Practice of National Socialism, 1933-1944* (Chicago: Ivan R Dee, 2009), 464.

⁶³¹ Adorno, in Theodor W. Adorno, Max Horkheimer, Eugen Kogon, “Gespräch über die verwaltete Welt und die Krise des Individuums”; <https://www.youtube.com/watch?v=geIbwctzlmo>.

Enlightenment. Both essays rest on Critical Theory's distinction between a normative ideal (culture as it could and should be) and its actually existing condition (the culture industry). And yet each offers a strikingly different conclusion. One argues that culture *qua* culture industry has been engulfed by instrumentality and commodification, with no form of resistance in sight. The other suggests that the "true" concept of culture, seen in its dialectical relationship with administration, is not opposed to but actually depends on the latter for its very survival. In turn, this essay concludes with an extraordinary homage to the political judgment of the enlightened individual and to the necessity of administrative expertise.

Though not all members of the Frankfurt School were as consistently and as negatively dialectical as Adorno, they all drew from Marxist dialectics and Weberian typologies. Recall that, though forged of eminently Marxist material, the culture industry concept required Weberian supplements. Containing its own thesis, the concept fused economic "production" (Marx) with cultural "rationalization" (Weber). Economic forces and cultural forms were molded into one and the same machinic process of political-economic reproduction; as two sides of the same coin, they formed modernity's steely shell. But the *dialectical Weberianism* examined above was above all a method that made use of Weber's ideal types (substantive and instrumental rationality) in a dialectical fashion he never intended. For Weber, such "ideal" categories were experimental and hypothetical types fashioned by the research, which do not reflect but help to map the social world. In the Frankfurt School's usage, as Adorno's essay makes clear, they are taken to be animating forces of philosophical anthropology and constitutive logics of the social world. The political prescriptions—and the political deficits—that result are more of a reflection of this method than an actual account of how politics, whether in the narrow sense of governmental rule or the more robust sense of shared power and substantive conflict.

Culture and administration, according to Adorno, comprise fundamentally different forms of rationality. While the rationality of administration is pegged to "instrumentality," the rationality of culture is defined more evasively. "It is only through deviation from prevalent rationality that culture displays its ratio," Adorno tells us. This (negative) characterization is consistent with Adorno's general approach, which refuses to (positively) articulate the ideal that contrasts with a given reality. "Culture," he explains, "is the perennial claim of the particular over the general, as long as the latter remains unreconciled to the former." "As that which goes beyond the system of self-preservation of the species," he adds, "culture... involves an irrevocably critical impulse towards the status quo and all institutions thereof."⁶³² Here the concept of *true* culture, like the Frankfurt School's conception of emphatic Reason, turns on the implicit but unmanifest ideals of Western modernity, such as freedom and truth. Thus, similarly for Marcuse, the *true* concept of culture is negative and thus categorically opposed to one-dimensional society: Because culture is a space for critical thought, it is also the site of potential "progress." After becoming intelligible through the onset of bourgeois "affirmative culture," it can separate itself from "the everyday world."⁶³³ Adorno, Marcuse and Horkheimer thus pitted (true) culture against "civilization," which referred to the world of labor and necessity, of instrumentality and unfreedom as opposed to the higher and more autonomous activities of art. Only indirectly and non-instrumentally can the latter become political, which is to say, spark consciousness about worldly contradictions. Such

⁶³² Adorno, "Culture and Administration," *The Culture Industry*, 109; first published as Theodor W. Adorno, "Kultur und Verwaltung," *Merkur* Heft 144 (Feb. 1960), pp. 101-121.

⁶³³ Marcuse, "The Affirmative Character of Culture," in *Negations: Essays in Critical Theory* (London: MayFlyBooks, 1968/2009).

an indirect link between culture and emancipation is why Adorno and Marcuse focused on aesthetics through their final reflections in *Aesthetic Theory* (1970) and *The Aesthetic Dimension* (1978), respectively.

In this way, “the cultural” parallels—or replaces—more the canonical accounts of “the political,” as discussed in the dissertation’s introduction. “[T]hat which is specifically cultural,” writes Adorno, “is that which is removed from the naked necessity of life.” Recall that, for Aristotle, politics was similarly defined in terms of a philosophical anthropology with its own spatio-conceptual demarcations. To be fully human, Aristotle suggested, is to be embedded in communal relations. To be *Zoon politikon* is “to rule and be ruled,” to partake in collective practices of governing, to be “subject” to the powers and laws that our one’s own.⁶³⁴ Whereas for Arendt, freedom manifests in *politics* as the world-making realm of speech, action and “natality,” for Adorno freedom is expressed in *culture* as a sphere of autonomy that is “removed from the naked necessity of life.” Because Adorno tended to equate politics with administration, the more robust sense of the word was either disavowed or reinscribed into the sphere of culture.

Adorno elaborated culture and administration through their dialectical flipsides. While culture expresses autonomous and critical individuality, administration exhibits heteronomous political rationality. His account of the latter is attributed to Max Weber, the only author cited in this essay. “According to Max Weber’s thesis,” Adorno wrote, “administration by its very nature excludes individual arbitrariness in favor of an objectively regulated process.” In this way administrative rationality is “alien to the immanent ratio of the object,” for “the essence of administrated rationality... does nothing but order and cover over.”⁶³⁵ Because of the domination inherent to administration, Adorno suggests, its rationality is itself *irrational*.

Figured in the narrow sense of *techne*, politics is neither a site of potential freedom nor an end in itself; it is, at best, a mere *means* for securing freedom’s conditions. In this sense, Adorno’s essay preordained later developments. For freedom was not just culturalized, but Kantianized: it was often equated with the morally autonomous individual who acts but is not acted upon, never a “mere means” but an “end in itself.” The aporia of culture and administration was restrained to and could only be resolved by these terms: “The self-consciousness of this antinomy and the consequences thereof are the first demands which would have to be made upon an administrative praxis which is mature and enlightened in the Kantian sense.” Adorno’s account oscillated, however, between a Kantian concern and a Hegelian logic. The Kantian account featured the priority of moral autonomy above ends like communal belonging; the Hegelian rendered

⁶³⁴ Adorno penned his thoughts on culture at the same time that Hannah Arendt made an ostensibly inverse move to politics. Borrowing from these Aristotelian distinctions, Arendt carved off “the political” from “mere life” (survival predicated on material needs). In doing so she also demarcated “the public” realm of speech and action from “the private” realm of the household; “the distinction between private and public,” she wrote, “coincides with the opposition of necessity and freedom.” Rooted in her own kind of “ideal typologization” (labor, work action), Arendt’s account of the political departed from a critical engagement with Marx on freedom and human nature. Marx, she claimed, placed *true* freedom and *human* emancipation in the realm of the social rather than (or even against) that of the political. Under communism, human flourishing and social rationality are defined in opposition to past and present existence as “mere survival”—i.e., striving to meet basic material needs. In this account of Marx, freedom emerges *socially* and *historically* in communism. For Arendt, freedom manifests in *politics*, the world-making realm of speech, action and “natality.” For Adorno, freedom is expressed in *culture*, a sphere of individual and negative autonomy that is “removed from the naked necessity of life.” With the eclipse of reason and the impossibility of politics culture became the formal scene of freedom for Adorno.

⁶³⁵ Adorno, “Culture and Administration.”

rationality through the conceptual mediation of the subject and object of thought. Applied to his own opposition: “For that which is administered, administration is an external affair by which it is subsumed rather than comprehended [*begriffen*].”⁶³⁶ Against the domination with which politics is implicitly equated, Adorno’s formulations evoked a “rational politics” through which politics would finally become transparent. Put another way, the generality of administration should but cannot yet respect the particularity of its object: “every particular rationalization benefits the irrationality of [existing reality] and... strengthens the pressures of a bland and reconciled generality upon the particular.” Ethically and epistemologically, superimposed instrumentality cannot be reconciled: “administration necessarily represents—without subjective guilt and without individual will—the general against the particular.”⁶³⁷ In his more exclusively philosophical works like *Negative Dialectics*, Adorno responds with an ethico-epistemological imperative: lest it repress the totalitarian lessons of its past, thought must respect “the priority of the object.”⁶³⁸

Viewed more politically, in our own sense of the term, different questions come into view. What *is* the object of administration? Adorno did not say, nor did he distinguish between different levels or kinds of rational regulation. “Alien to the immanent ratio of the object,” administration’s objects seems to span autonomous human *beings* and non-human *things*. Leaving aside any strict line between the human and non-human, as problematized by “new materialisms,” we might ask: What is Adorno implying about the rationality of control, on the one hand, and the rationality of freedom, on the other? What are the preconditions of freedom, even if only cultural freedom? To whom is freedom ascribed, and who decides? Here again the lapsed faith in a planned economy reappears. For Adorno only said so much: that which is truly cultural is the “non-planned,” which is in turn equated with the “free,” the “critical” and the “spontaneous.” Culture is here the *spontaneous order* of freedom, recalling the order Hayek restricted to the economy until he later applied it to culture himself—though in an evolutionary and conservative sense.

In a dialectical pivot, however, Adorno’s essay opens up to the hidden potential of administration. The “non-planned,” it turns out, can also be secured and sustained by *planning*—if only in its *truly* rational form. “The antinomy of planning and culture results in the dialectical idea of absorbing that which is spontaneous and not planned into planning, of creative space for these factors and of a strengthening of their possibilities.”⁶³⁹ However abstract it may appear, this sentence represents the essay’s most *practical* conclusion. Paralleling a different neoliberal logic concern market-conforming democracy—a form of political control that is necessary to secure freedom—this is less a political paradox than a political deficit. For it ultimately amounts to a form of enlightened technocracy: “Planning of the non-planned would have to establish at the outset the degree to which it is compatible with the specific content of the non-planned, that is, to what degree planning from this perspective is ‘rational.’”⁶⁴⁰ The only way to solve this problem in *practice* depends, then, on a “rational” understanding of this problem itself: what is needed is the cultural expert-turned-administrator. Adorno thus submits: “Administration which wishes to do its part must renounce itself; *it needs the ignominious figure of the expert.*” One example he offers is a city administration deciding “from which painter it should buy paintings,” to which he answers:

⁶³⁶ Adorno, “Culture and Administration.”

⁶³⁷ Adorno, “Culture and Administration.”

⁶³⁸ Adorno, *Negative Dialectics*.

⁶³⁹ Adorno, “Culture and Administration.”

⁶⁴⁰ Adorno, “Culture and Administration.”

the administration must “rely on people who have a serious, objective and progressive understanding of painting.”⁶⁴¹

Against its own antinomic background, the essay concludes that “the necessity of the expert” cannot be overcome. Begrudgingly, Adorno does register some “notorious” criticisms of his conclusion: yes, the administrator “makes his decision from on high, thus extinguishing spontaneity”; yes, “it is a difficult matter to distinguish him [the expert] from the apparatchik”; and yes, “the judgment of an expert remains a judgment for experts and as such ignores the community from which... public institutions receive their mandate.” Yet “even if one were willing to concede the correctness of some of the aspects mentioned here,” Adorno argues, “distrust toward the argument of the man on the street... will remain: the state of consciousness according to which one is to orient himself from the perspective of this argumentation is in truth the very state of consciousness which would have to be overcome by any culture sufficient to its own concept.”⁶⁴² If culture were to realize the freedom promised by its very concept, in other words, these democratic objections to expert judgment would never arise in the first place. To attain the utopia of *Kultur*, it appears, requires technocracy with a human face.

Acknowledging that “it would take an expert to decide who the experts are – and this leads into a vicious circle,” Adorno counters that, ultimately, “the relation between administration and expert is not only a matter of necessity, but it is a virtue as well.”⁶⁴³ The *real* danger is not the antinomy sketched above, but rather the objections to administrative expertise that result from it. The latter’s protest “is of an illusory democracy” which as “an offshoot of that totalitarian technique tries to gain life through the exploitation of plebiscite forms of democracy.” Adorno’s rebuttal is styled with Nietzschean flare: “What such voices of the popular soul hate most is anything of free spirit; they sympathize with stale reaction.”⁶⁴⁴

The essay thus ends by juxtaposing aspirationally enlightened experts with the deceptions of mass democracy. Only “the spontaneous consciousness, not yet totally in the grips of reification,” Adorno argues, “is still in a position to alter the function of the institution within which this consciousness expresses itself.”⁶⁴⁵ Only autonomous subjects with specialized expertise, in other words, can make decisions *for* culture from above and change the nature of institutions from within: “Whoever makes critically and unflinchingly conscious use of the means of administration and its institutions is still in a position to realize something which would be different from merely administered culture.”⁶⁴⁶

From this follows a partial defense of the actually existing representative institutions of Western liberalism. In a bizarre shift from his previous depiction of “the administered world” [*die verwaltete Welt*] as “total” in reach, Adorno posits the existence of individual freedom *within* the halls of governmental power: “For the present, within liberal-democratic order, the individual still has sufficient freedom within the institution and with its help to make a modest contribution to its correction.”⁶⁴⁷ While praising technocratic liberalism, which, “by virtue of the powers of men of insight,” permits culture’s vestigial survival, Adorno submits a final warning about the potential

⁶⁴¹ Adorno, “Culture and Administration.”

⁶⁴² Adorno, “Culture and Administration.”

⁶⁴³ Adorno, “Culture and Administration.”

⁶⁴⁴ Adorno, “Culture and Administration.”

⁶⁴⁵ Adorno, “Culture and Administration.”

⁶⁴⁶ Adorno, “Culture and Administration.”

⁶⁴⁷ Adorno, “Culture and Administration.”

despotism of “the common will” and democratic reason. Oddly, on his behalf, Adorno marshals a reconstructed testimony from Walter Benjamin:

A cultural policy which has rid itself of social naiveté must see through this complex without fear of the mass of majorities... [D]emocracy through representation, to which even the experts in the administration of cultural matters owe their legitimation, nonetheless permits a certain balance; it makes possible the hindrance of maneuvers which serve barbarism through the corruption of the idea of objective quality by means of callous appeal to the common will. Walter Benjamin’s thought on critics whose task it is to uphold the interest of the public against the public itself can be applied to cultural policy as well. *To serve this purpose is the duty of the expert.* The longing for individuals who might work beyond the realm of expertise usually characterizes only regression or the desire for technicians of communication, with whom – simply because they are lacking any real understanding of matters – one can get along better and who dwell all the more conformingly within their own policy.⁶⁴⁸

Leaving aside his questionable invocation of Benjamin, Adorno’s claim is a familiar one. In the previous chapter it was found on both sides of the socialist calculation debate—from the economic rationality neoliberalism to the orthodox approach to a rationally planned economy. Safely in the postwar “center,” technocratic liberalism appeared in similar light—and no less, in the Frankfurt School. In each case we find the same form of argument: the technocratic instance is needed to mitigate and tame popular “irrationality.”

For Adorno, “irrationality” takes on a double figure: it is inherent to the commodifying logic of the culture industry *and* to the political rationality of administration. Thus he could argue: “That irrationality expressed in the independence of administration in its relation to society is the refuge of *the inhibited development of culture itself*.”⁶⁴⁹ Regardless of capitalist or socialist contexts, it is only through the (tendentiously technocratic) judgment of enlightened experts that political rationality can realize cultural rationality.

Kulturkritik is given the modernist task of “keeping up with culture at its most advanced,” while also pointing to the contradictions that underlie such advancement.⁶⁵⁰ But Adorno’s reluctant resolution not only supported the technocratic tendencies formulated above; it also offered a different perspective on a paradox many have long puzzled over: How could he so ruthlessly criticize radio as a technology of mass regression while also appearing on radio—no less than hundreds of times in postwar Germany—in an educational capacity? To answer this question, both sides of the coin need to be seen at once: culture as *Bildung* and culture as commodified “industry.” Despite the irrationality of “industry,” experts remain necessary for Enlightenment. Adorno believed their role in administration and media must be secured if a post-Nazi, enlightened public was to (re)emerge.

Before turning to Marcuse, we should note that the *form* of this political deficit—i.e., the critique of political rationality *as* instrumentality—resembles those examined in previous chapters.

⁶⁴⁸ Adorno, “Culture and Administration.”

⁶⁴⁹ Adorno, “Culture and Administration.”

⁶⁵⁰ Adorno in Max Horkheimer and Theodor W. Adorno, *Towards a New Manifesto* (London: Verso, 2011).

Based on the privatized freedom of the postwar imaginary, this form could even be called “the cultural” or “inverted Hayekianism.” For without the ideal of a *rationality* planned society, the main threat was now the *planned* serfdom of the individual: “Spontaneity diminishes because total planning takes precedence over the individual impulse, predetermining this impulse in turn, reducing it to the level of illusion, and no longer tolerating that play of forces which was expected to give rise to a free totality.”⁶⁵¹ The Frankfurt School increasingly envisioned freedom as the free play of socialized, autonomous, sovereign individuals, the political framework for which was not stated but presumably liberal and minimally planned. Like market Hayekianism, cultural Hayekianism still requires certain kinds of formal and decisive interventionism. For each, the true dangers lie in rationalized planning and the irrationality of “plebiscite democracy.” As a proxy for rationality and truth, a key threat to culture was democracy itself.⁶⁵²

Marcuse, Transformation, and Technological Rationality at “the Base”

One of Critical Theory’s most forceful accounts of political rationality was one of its very first. In 1941 Herbert Marcuse wrote “Some Social Implications of Modern Technology” (1941), anticipating the themes of his most famous study, *One-Dimensional Man* (1964), and a related but lesser-known essay, “Industrialization and Capitalism in the Work of Max Weber” (1964). Over these two decades, Marcuse’s concepts remained remarkably consistent, albeit with some adjustments to his key term, “technological rationality.”⁶⁵³

Marcuse’s early essay defined technics [*Technik*] as a constitutive yet politically *neutral* part of the social process, whereas technology [*Technologie*] was ascribed an *a priori* political content. As he succinctly explained in *Soviet Marxism*, “Modern machinery is susceptible to capitalist as well as socialist utilization. This amounts to saying that mature capitalism and socialism have the same technical base, and that the historical decision as to how this base is used is a *political decision*.”⁶⁵⁴ As a “material” element in the forces of production, the Marxist schema endowed technology with a key role in the historical process: technology constituted both the *actual* means of capitalist domination and the *potential* means of socialist liberation. Although the relative autonomy of the “political decision” evolved out of interwar debates, Marxist

⁶⁵¹ Adorno, “Culture and Administration,” 123.

⁶⁵² See Hans-Jürgen Krahel, “Der politische Widerspruch in der Kritischen Theorie Adornos” in der *Frankfurter Rundschau*, republished in *Keine kritische Theorie ohne Amerika*, Detlev Claussen, Oskar Negt und Michael Werz, eds., Hannoversche Schriften, Bd. 1, Frankfurt a. M., 1999, 77-81. For an excellent counterpoint on Adorno’s engagement with political economy, see Dirk Braunstein, *Adornos Kritik der politischen Ökonomie* (Bielefeld: Transkript Verlag, 2011).

⁶⁵³ Four texts are of significance for his use of the concept: “Some Social Implications of Modern Technology” (1941); “From Ontology to Technology: Fundamental Tendencies of Industrial Society” (based on a 1958-59 seminar in Paris); “Industrialization and Capitalism in the Work of Max Weber” (1964), which was originally published in German in *Max Weber und die Soziologie heute* (1964), and then revised and republished in *Kultur und Gesellschaft* (1965); and his celebrated book published in the same year, *One-Dimensional Man* (1964).

⁶⁵⁴ Marcuse, *Soviet Marxism: A Critical Analysis* (Harmondsworth: Penguin, 1958/1971), 152. Published after Marcuse concluded his work with the US government, research for the first half of the book was conducted between 1952-53 at Columbia University, while the latter half was written between 1954-55 at Harvard. See Marcuse, *Soviet Marxism*, x, for an overview of the timeline.

historiography had long cast technology as politically ambivalent—as either determined or transcendent, depending on its relation to capital.

Marcuse's early essay underscored the historical plasticity of techne in relation to three forms of rationality: *critical*, *individualistic*, and *technological* rationality. Based on the distinction between reason (*Vernunft*) and understanding (*Verstand*) discussed above, "critical rationality" designated the capacity for autonomous reason, related to yet distinct from the concept of "individual rationality":

The principle of individualism, the pursuit of self-interest, was conditioned upon the proposition that self-interest was rational, that is to say, that it resulted from and was constantly guided and controlled by autonomous thinking. The rational self-interest did not coincide with the individual's immediate self-interest, for the latter depended upon the standards and requirements of the prevailing social order, placed there not by his autonomous thought and conscience but by external authorities.⁶⁵⁵

Historically, individualistic rationality stemmed from radical Puritanism, which set the individual in opposition to society, and from liberalism, which promised an appropriate "social and economic setting" for (white male land-owning) subjects to pursue a life consistent with this form of rationality.⁶⁵⁶ In Weberian spirit, Marcuse conceived liberalism (and liberal capitalism) as both undergoing and producing rationalization, a process that installs "formal rationality" into new sites of individual and collective life.

Rooted in the logics of commodity production and market competition, however, individualistic rationality eventually birthed a new form of "organized" or "monopoly capitalism"—terms that Marcuse, like his first-generation colleagues, contrasted with the "laissez-faire liberalism" that preceded them. It was only through *postliberal* capitalism, Marcuse argued, that "individualistic rationality transformed into technological rationality." Technological rationality characterizes "the pervasive mode of thought and even the manifold forms of protest and rebellion. [It] establishes standards of judgment and fosters attitudes which make men ready to accept and even to introject the dictates of the apparatus."⁶⁵⁷ Increasingly, he added, "all domination assumes the form of administration."⁶⁵⁸ This was all part of a historic shift from "the individual" to "the masses," from the presumed *autonomy* to the manifest *heteronomy* of the subject. In its technological guise, rationality could no longer acts as a "critical force." "The technological power of the apparatus," Marcuse explained, "affects the entire rationality of those whom it serves,"⁶⁵⁹ transmuting both ratiocination and desire. Propagating individual conformity and social control, technological rationality circulates in various sites from the "scientific management" of corporations and the disciplinary control of schools to the political system bereft

⁶⁵⁵ Marcuse, "Some Social Implications of Modern Technology" in *Essential Reader*, 140.

⁶⁵⁶ Marcuse, "Some Social Implications of Modern Technology" in *Essential Reader*, 156-57.

⁶⁵⁷ Marcuse, "Some Social Implications of Modern Technology" in *Essential Reader*, 141.

⁶⁵⁸ Marcuse put it this way: "With the rationalization of the productive apparatus, with the multiplication of its functions, all domination assumes the form of administration. At its peak, the concentration of economic power seems to turn into anonymity." Marcuse, *Eros and Civilization* (1955), 79.

⁶⁵⁹ Marcuse, "Some Social Implications of Modern Technology" in *Essential Reader*, 141.

of “oppositional” parties. The demise of the proletariat and of economic liberalism have their roots in technological rationality.

Technological rationality thus replaced “ideology” as the privileged object of critique,⁶⁶⁰ reflecting another major shift in Marxian-Weberian heuristics. Similar to the concept of the culture industry, technological rationality implied the fusion of “base” and “superstructure.” The “social totality” was not just economically determined, but conditioned by an *infrastructural* rationality that cut across once quasi-autonomous spheres of politics, culture, art, and society. Anticipating similar twists from Foucault and Deleuze by several years, Marcuse no longer modeled power on the shape of a pyramid, as subjectivity and technology were both dynamic and entangled. Because such a “form of rationality” does not emanate from a singular source, it becomes conceptually, technically and psychically linked to the logic through which the capitalist system (and its functional support, the state) continuously reproduces and legitimizes itself.

The first generation was united in rejecting the “false materialism” of orthodox Marxists and the “bourgeois idealism” of *Vernunftphilosophie*. And yet Marcuse’s materialist approach to technology—what he called “*materiellen Daseinsverhältnisse*,” or material relations between rational beings-in-the-world—was even more idiosyncratic than that of his colleagues.⁶⁶¹ Whereas Horkheimer and Adorno assembled a new philosophy of history upon a dialectic of (ir)rational *techne*, Marcuse offered a more contextual and political analysis of particular historical forms of rationality. He viewed instrumental reason as “historically contingent in ways that leave a mark on modern science and technology,” and thus understood “the essence of technology... to be historical and reflexive, like the essence of other social institutions.”⁶⁶² Thus while Horkheimer and Adorno disavowed the ideal of rational planning and set their skeptical sights on the culture industry, Marcuse continued to engage questions from the socialist calculation debate: “The control of man by things can be deprived of its irrationality only through the rational control of man by man,” he wrote. “The question, therefore, is for socialism, too: ‘who, then, is supposed to take over and direct this new economy?’”⁶⁶³ Whether he was able to develop this as a political question beyond the orthodox rubric of revolution was another matter, however.

In the 1964 essay on Weber’s concept of capitalism, Marcuse’s analysis plays out somewhat differently than twenty years prior. In Weber, the “formally” reflexive form of technological rationality organizes practical *techne* via separation (or what Parsons, Luhmann and Habermas later called differentiation): the functional separation of systemic reproduction from the determination of common ends. The problem, as Marcuse saw it, was that different spheres are animated by the functionality of *Zweckrationalität*, not the goals of *Wertrationalität*. In line with positivist epistemology, social science disconnected scientific activity from value judgments, just as technological rationality severed political forms from substantive values.⁶⁶⁴ Whereas Habermas later thematized this separation in terms of the normative validity of communicative discourse, as

⁶⁶⁰ At the same time, however, technological rationality was often understood as a form of ideology itself, including the idea of “the end of ideology.”

⁶⁶¹ These concepts show the lingering influence of Heidegger’s categories Marcuse’s thinking.

⁶⁶² Andrew Feenberg, “Marcuse or Habermas: Two Critiques of Technology,” *Inquiry* 39/1 March 1996.

⁶⁶³ Max Weber, cited in Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 160.

⁶⁶⁴ His 1964 critiques came at the peak of the postwar Keynesian welfare state. While Marcuse wrote, Lyndon B. Johnson proposed the “Great Society” in the US and the British Labour Party campaigned and won on the promise of a nationally planned economy which, propelled by the “white heat of the technological revolution,” would achieve 25% GDP. This promise aimed at even *more* economic growth than the already record-breaking levels. The Labour party won and, thanks to poor timing, the crisis of Keynesianism ensued.

discussed below, Marcuse thematized it in terms of the plasticity of technology and the versatility of political forms.

Fittingly, this is where the concept of “rationality” takes on the modifier of “political,” and where Marcuse’s own theory of “political rationality” comes into view. Just as Marcuse’s essay on Weber observed that “formal technical rationality turns into material political rationality,”⁶⁶⁵ *One-Dimensional Man* announced that “[t]echnological rationality has become political rationality.”⁶⁶⁶ By political rationality Marcuse meant an overdetermined blend of formal and substantive rationality that programs different forms of power:

Specific purposes and interests of domination are not foisted upon technology ‘subsequently’ and from the outside; they enter the very construction of the technical apparatus. Technology is always a historical-social *project*: in it is projected what a society and its ruling interests intend to do with men and things. Such a ‘purpose’ of domination is ‘substantive’ and to this extent belongs to the very form of technical reason.⁶⁶⁷

Political rationality is determined by the substantive orientation of power relations. In this way, Marcuse both offers a critique and reconstruction of Weber’s concepts, rendering *political* his allegedly “formal” theory of state and capitalist rationalization. Put another way, Marcuse called Weber’s bluff on the value neutrality of science and on the formal-substantive binary in real-existing forms rationality. Distinctions between politics and economics, and between the state and capitalism, that Weber had largely accepted and reified were themselves value systems and technological configurations that need to be critically interrogated and politically overcome.

From the perspective of capitalist rationality, Marcuse explained, everything that falls outside of its own logic is irrational, formally speaking. From the point of view of the “economic apparatus of capitalism,” the satisfaction of human needs is thus a “by-product” rather than an end: “the apparatus, which dictates its own objective administration, is itself instrument, means—and there is no such things as a means ‘as such.’ Even the most productive, most reified apparatus is a means to an end outside itself.”⁶⁶⁸ Historically, Marcuse argued, Weber’s concepts could anticipate but could not grasp the political-economic transformations to come. Theoretically, however, Marcuse found effective resources in them for a radical critique of capitalism, the state, and their union in *state capitalism*. Echoing Horkheimer and Adorno, Marcuse believed that “precisely to the degree to which it is *really rational*,” administration would tend toward “the abolition of domination (and to the administration of things).” But rather than securing this ideal, the inverse form of rationality “administers the control of men by things.”⁶⁶⁹ This totalizing vision and dialectical blockage of political-economic power meant that technological rationality lent itself to

⁶⁶⁵ Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 167. To this he adds: “But if technical reason thus reveals itself as political reason, it does so only because from the beginning it was this technical reason and this political reason, that is, limited in the specific interest of domination. As political reason, technical reason is historical.” Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” in *Negations*, 169.

⁶⁶⁶ Marcuse, *One-Dimensional Man*, (London: Routledge Classics, 1964/2002), xlvii.

⁶⁶⁷ Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 168.

⁶⁶⁸ Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 163.

⁶⁶⁹ Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 167.

outbursts of irrationality, that history was programmed not for progress but for regress, that authoritarianism was a more likely result than the welfare state.⁶⁷⁰

Mirroring Adorno's interpretation of Weber, as discussed above, Marcuse argued that "formal reason" reaches "its own limit" and swings into irrationality. Without political critique or an external normative criterion, Weber's value neutrality was aligned with capitalist and the state power. From the latter's perspective, embodied by *administrative rationality*, domination is seen as an effective necessity. And if, for Weber, "rationality is embodied in administration," then "legislative power must be irrational," "reason ends in irrational *charisma*," and "plebiscitary democracy is the political expression of irrationality-become-reason."⁶⁷¹ Well before Nazism, Weber had called attention to the danger of an administrative apparatus that, "by virtue of its own rationality," can be submitted to the values and control of "an irrational supreme authority."⁶⁷² But he had also disavowed any critical perspective capable of challenging such a dialectical turn.

Despite this compelling reading of Weber, Marcuse's own dialectical Weberianism landed him in an unworkable place between philosophy of history and political theory. For his political-theoretical analyses could only enter through the back door of an all-encompassing theory of history—one that made technological domination and technological liberation into the central political antinomy. With little use for Pollock and Neumann's more nuanced studies of states and markets, and with little reflection on the question of democratic planning,⁶⁷³ Marcuse thus reconstructed the concepts and stakes of the socialist calculation debate around two dialectical poles. Capitalist domination and socialist liberation, each representing a political form that differently "rationalizes" the same technological base:⁶⁷⁴ "Capitalism, no matter how mathematized and 'scientific', remains the mathematized, technological domination of men; and socialism, no matter how scientific and technological, is the construction or demolition of domination."⁶⁷⁵ Resistance to technological rationality and systemic imperatives were not posed as genuinely *political* questions, in our sense of them term, but in the form of individual imperatives (the "Great Refusal") or decisionistic inversions (the inversion of state capitalism into a "planned economy").⁶⁷⁶ Legacies of such individualistic and systemic solutionism can be seen

⁶⁷⁰ Adorno put it a different way: "My innermost feeling is that at the moment everything has shut down, but it could all change at a moment's notice. My own belief is as follows: this society is not moving towards a welfare state. It is gaining increasing control over its citizens but this control grows in tandem with the growth in its irrationality. And the combination of the two is constitutive." See Adorno in Max Horkheimer and Theodor W. Adorno, *Towards a New Manifesto* (London: Verso, 2011).

⁶⁷¹ Marcuse, "Industrialization and Capitalism in the Work of Max Weber," 164.

⁶⁷² Marcuse, "Industrialization and Capitalism in the Work of Max Weber," 165.

⁶⁷³ Marcuse's meditations on the question of planning were generally philosophical rather than political: "Materialist theory moves beyond historical relativism in linking itself with those social forces which the historical situation reveals to be progressive and truly 'universal'.... For the material conditions of life, previously unmastered, can now be incorporated into a general plan. They can be organized through and by individuals' social freedom; that is, they can be linked to the 'essence' of the individual. At the end of the process, when former social antagonisms have been overcome in such a community, the 'subjectivity' of materialist theory becomes objectivity – in the form of an existence where the interests of individuals are truly preserved in the community." Marcuse, "Concept of Essence" in *Negations*, 5.

⁶⁷⁴ Marcuse also suggested socialism would require a different version of technology, an idea Habermas deemed too utopian.

⁶⁷⁵ Marcuse, "Industrialization and Capitalism in the Work of Max Weber," 161.

⁶⁷⁶ "However, the executive and supervisory functions would no longer carry the privilege of ruling the life of others in some particular interest. The transition to such a state is a revolutionary rather than evolutionary process, even on the foundation of a fully nationalized and planned economy." Marcuse, *One-Dimensional Man*, 48.

in contemporary imperatives from Bernard Harcourt's revolutionary call to "Opt Out" of social media to Aaron Bastani's plea for "Fully Automated Luxury Communism."⁶⁷⁷

Though capitalism may "deliver the goods," Marcuse always insisted that it must not be confused with genuine freedom: "Distribution of the necessities of life regardless of work performance, reduction of working time to a minimum, universal all-sided education toward exchangeability of functions—these are the preconditions but not the contents of self-determination."⁶⁷⁸ Notwithstanding his influence on and engagement with the student movement later in the decade, it is precisely this question—the preconditions and practices of self-determination—which he often displaced by submerging the political to the technological while casting freedom and spontaneity in terms of sexual liberation.⁶⁷⁹ This despite the fact that Marcuse simultaneously sought to rethink "technology" itself, albeit with a Hegelian twist.

Concluding with the imperative to refuse and revolt against technologies of consumption and control, Marcuse's analysis offered little strategic or institutional connections for such resistance. If directed by a different political rationality, Marcuse argued, technical reason could serve liberatory ends and yield a "qualitatively different rationality."⁶⁸⁰ But from the outset of *One-Dimensional Man*, Marcuse admitted that he would vacillate between "two contradictory hypotheses": "1) that advanced industrial society is capable of containing qualitative change for the foreseeable future; 2) that forces and tendencies exist which may break this containment and explode the society."⁶⁸¹ The encasement of capitalist (ir)rationality and the possibility of a dialectical "explosion" are not simply "contradictory hypotheses," however.⁶⁸² They are also symptoms of postwar Critical Theory's blocked dialectic, which in this context manifest in an inability to theorize *between* the Marxist revolutionary impulse and the Keynesian approach to political economy—indeed, at the historical height of the welfare state's power and promise before the neoliberal revolution.

Animated by an emphatic concept of reason,⁶⁸³ the aspirational reconciliation or sublation

⁶⁷⁷ Bernard Harcourt, *Exposed: Desire and Disobedience in the Digital Age* (Cambridge: Harvard University Press, 2015); and Aaron Bastani, *Fully Automated Luxury Capitalism* (London: Verso, 2018).

⁶⁷⁸ Marcuse, *One-Dimensional Man*, 47.

⁶⁷⁹ Like in other sections of this chapter, here I am seeking to characterize some animating features in Marcuse's conceptualization of politics and economy in terms of a Weberian dialectics of (ir)rationality. There are of course moments and arguments in his work that serve as important exceptions to this reading, such as parts of Marcuse, *An Essay on Liberation* (1969); Marcuse, "Marxism and Feminism" in *Women's Studies*, Volume 2 (1974), 279-288; among other speeches and texts.

⁶⁸⁰ Marcuse, "Industrialization and Capitalism in the Work of Max Weber," 169.

⁶⁸¹ Marcuse, *One-Dimensional Man*, 5. At the book's conclusion, Marcuse added: "The unification of opposites in the medium of technological rationality must be, *in all its reality*, an illusory unification, which eliminates neither the contradiction between the growing productivity and its repressive use, nor the vital need for solving the contradiction" Marcuse, *One-Dimensional Man*, 260.

⁶⁸² When the dialectic is blocked, as Adorno admitted himself, thought "leaps" for a "way out," searching in vain for an agent of emancipation: "My innermost feeling is that at the moment everything has shut down, but it could all change at a moment's notice. My own belief is as follows: this society is not moving towards a welfare state. It is gaining increasing control over its citizens but this control grows in tandem with the growth in its irrationality. And the combination of the two is constitutive." Adorno in Max Horkheimer and Theodor W. Adorno, *Towards a New Manifesto* (London: Verso, 2011).

⁶⁸³ See for example: "In the equation Reason = Truth = Reality, which joins the subjective and objective world into one antagonistic unity, Reason is the subversive power, the 'power of the negative' that establishes, as theoretical and practical Reason, the truth for men and things—that is, the conditions in which men and things become what they really are. he attempt to demonstrate that this truth of theory and practice is not a subjective but an objective condition

(*Aufhebung*) of these binaries and blockages is not rooted in a revolutionary subject but in a rationality of inversion that transitions from capitalism to socialism: “There is continuity in the revolution: technological rationality, freed from irrational restrictions and destructions, sustains and consummates itself in the new society.”⁶⁸⁴ But like Adorno, this mode of dialectical Weberianism carried the necessity of *both* retaining and overcoming administration: “While the creation of these preconditions may still be the result of superimposed administration, their establishment would mean the end of this administration.”⁶⁸⁵ Such an “undervaluation of the complexity and specificity of the problem of institutions,” as Ferio Cerutti noted, was a key failure of the first-generation thinkers that “calls into question whether they can be seen as capable of even appearing to offer a political theory.”⁶⁸⁶

Having submerged the technical into the social and identified the political as a merely “decisive” element for a system of values and ends, Marcuse opened paths compatible with Foucault’s reflections in the late 1970’s and recent work in science and technology studies. In Marcuse, the “essence of technology is shown to be historical and reflexive, like the essence of other social institutions” and as “such an institution, its rationality is always implemented in value-biased forms subject to political critique.” More than Habermas, “Marcuse was right after all to claim that technology is *socially* determined,” Andrew Feenberg observed, “even if he was unable to develop his insight fruitfully.”⁶⁸⁷ Even if his Weberian resolution did not offer a properly political diagnosis, Marcuse grasped the crisis of Marxism as an *epistemological* crisis. But “socializing” or “returning” the means of production to the producers themselves could not result from a dialectical sleight of hand. Without a conception of the political beyond technology, Marcuse proved incapable of addressing his own Weberian question: “who, then, is supposed to take over and direct this new economy?”⁶⁸⁸

Habermas’ Dialectic of Rationalization: The Stalemate of System and Lifeworld

As the torch carrier of the Frankfurt School’s “second generation,” Jürgen Habermas sought to resolve the conceptual and practical dilemmas bequeathed by the earlier generation of Critical Theory. Attuned to its dialectical blockages from the start, he began to interrogate questions of rationality and technology, or what he called the “Dialectic of Rationalization,” in his very first publications.⁶⁸⁹ Following Adorno’s lead, he sought to “take up systematically what Lukács and Korsch represented historically: the theory of reification as a theory of rationalization,

was the original concern of Western thought and the origin of its logic—logic not in the sense of a special discipline of philosophy but as the mode of thought appropriate for comprehending the real as rational.” Marcuse, *One-Dimensional Man*, 127-28.

⁶⁸⁴ Marcuse, *One-Dimensional Man*, 25.

⁶⁸⁵ Marcuse, *One-Dimensional Man*, 47.

⁶⁸⁶ Ferio Cerutti, “Technik und Politik” in *Kritik und Utopie im Werk von Herbert Marcuse*, ed. Institut für Sozialforschung (Frankfurt am Main: Suhrkamp, 1992).

⁶⁸⁷ See Andrew Feenberg, “Marcuse or Habermas: Two Critiques of Technology,” *Inquiry* 39/1 March 1996: 45-70; see also Andrew Feenberg, *Questioning Technology* (London: Routledge, 1999).

⁶⁸⁸ Max Weber, cited in Marcuse, “Industrialization and Capitalism in the Work of Max Weber,” 160.

⁶⁸⁹ Habermas, “Die Dialektik der Rationalisierung: Vom Pauperismus in Produktion und Konsum,” in *Merkur*, VIII, 78, 1954. For a contextual discussion see Friedrich Kießling, *Die undeutschen Deutschen: Eine ideengeschichtliche Archäologie der alten Bundesrepublik 1945-1972* (München: Ferdinand Schöningh, 2012), 333.

in Max Weber's sense."⁶⁹⁰ At each stage of a project remarkable for its scope and consistency, Habermas thus reorganized the coordinates of a tradition whose promise he considered as yet unrealized. In examining Habermas' internal reworking of Critical Theory, this section will focus on three key junctures of its development: his systems-theoretic engagement with Marcuse in the 1960's, his interventions "legitimation crisis" debates in the 1970's, and his normative reconstruction of Weber into a theory of communicative rationality in the 1980's. Although Habermas critically engaged the first generation's dialectical blockages in each of these phases, he ultimately reconstituted their structure in another form—one that similarly subordinates politics to a particular form of rationality and that has since guided his institutional appraisals on the European Union.

"Not a 1968er, but a 1945er," Thomas Meaney observed, "Habermas was among the first young Germans for whom the war provided a conversion experience away from nationalism."⁶⁹¹ After the Institute for Social Research re-opened in 1951, Horkheimer and Adorno recommenced their teaching at the University of Frankfurt and took on a new set of students, with Jürgen Habermas among them. In a political and academic context dominated by conservatism, they pursued a more muted form of critical inquiry, worried that overtly "radical" politics could play into "the authoritarian horizon." Horkheimer and Adorno thus hid early issues of the *Zeitschrift* from students in the Institute's basement and sought connections with elite circles in Adenauer's West Germany. On the Institute's board of directors, for instance, they placed Franz Böhm—the co-founder of Freiburg School ordoliberalism, discussed in the previous chapter, who in the postwar period served as a professor in Frankfurt, Culture Minister in Hessen, and Bundestag MP in the CDU.⁶⁹² In 1954 they received a contract to conduct "business climate" research, later inviting the business group to a 1958 conference titled "What Can Sociology Contribute to Economy and Administration Today?"⁶⁹³ Around this time Habermas wrote an op-ed against nuclear armament, "Unrest as Citizen Duty," calling for democratic participation in governmental decisions.⁶⁹⁴ Adorno and Horkheimer both distanced themselves from the protests,⁶⁹⁵ though

⁶⁹⁰ The full passage reads: "I had read Lukács... Then I read *The Dialectic of Enlightenment* and the first things published by Adorno after the war. That gave me the courage to read Marx systematically and not simply historically. Reading Adorno had given me the courage to take up systematically what Lukács and Korsch represented historically: the theory of reification as a theory of rationalization, in Max Weber's sense. Already at that time, my problem was a theory of modernism, a theory of the pathology of modernism, from the viewpoint of the realization — the deformed realization — of reason in history." Jürgen Habermas, interviewed by Axel Honneth, "The Dialectics of Rationalization" in *Autonomy and Solidarity: Interviews with Jürgen Habermas*, ed. Peter Dews (London: Verso, 1986), 89.

⁶⁹¹ Thomas Meaney, "Living in a critical condition: Jürgen Habermas at 90" in *The New Statesman* (June 26, 2019); <https://www.newstatesman.com/world/europe/2019/06/living-critical-condition-j-r-gen-habermas-90>.

⁶⁹² See Hermann Kocyba, "Die 'eigenartige Nachbarschaft' von Ordoliberalismus und Frankfurter Schule: Michel Foucault über das 'Deutsche Modell'" in *i-lex*, 21, 2014, 75-95 (www.i-lex.it).

⁶⁹³ The conference title was "Was kann Soziologie heute für Wirtschaft und Verwaltung leisten?" See Will Winkler, "Neues zur Gründungslegende der Bundesrepublik: Horkheimer gegen Habermas, dazwischen Adorno" in *Die Zeit* (Sept 20 1996).

⁶⁹⁴ Jürgen Habermas, "Unruhe erste Bürgerpflicht" in *Diskus* 5, 1958.

⁶⁹⁵ Adorno called the police to remove a student occupation, led by the Socialist German Student Union (SDS), at the Institute for Social Research in 1969. In a letter to Herbert Marcuse, Adorno explained: "Things have been terrible again here. A SDS group led by Krahle occupied a room in the Institute and refused to leave, despite three requests. We had to call the police, who then arrested all those who they found in the room; the situation is dreadful in itself, but Friedeburg, Habermas and I were there, as it happened, and were able to guard against the use of physical force." Theodor Adorno and Herbert Marcuse, "Correspondence on the German Student Movement," in

Horkheimer went further in judging “den dialektischen Herrn H.” (Habermas) too “radical” for the Institute. Böhm, a member of the Institute’s *Vorstand*, called the “class-baiting” student protests a “brutalization of political discussion and erosion of the Basic Law.”⁶⁹⁶

Habermas moved to Marburg to write his *Habilitation* under Wolfgang Abendroth, a co-author of West Germany’s Basic Law, before returning to Frankfurt and assuming Horkheimer’s chair in philosophy and sociology in 1964. With his panoramic study of *The Structural Transformation of the Public Sphere* (1962), Habermas reinterpreted the emergence of Enlightenment reason not simply as the product of literary and philosophical texts but also arenas of bourgeois public discourse that challenged political authority.⁶⁹⁷ In the movement from seventeenth-century salons and coffee houses to postwar commercialized capitalism, Habermas identified a different kind of *Verfallsgeschichte*—a more historically contextualized dialectic of public reason that, in the twentieth century, was subverted by irrational powers it had made possible.

In reflecting on the emergence of the modern public sphere, Habermas’ early work addressed the issue of politics by focusing on its distinctly “modern” character, which he generally equated with the use of positivist science, technique and technology. This was but one part of his examination of foundational questions in Critical Theory, such as the relationship between theory and practice, knowledge and interests, and science and politics.⁶⁹⁸ In *Theory and Practice* (1963), he distinguished the “new” or “modern” from the “old” or “classical” forms of political knowledge and activity. The latter “classical doctrine of politics,” represented by Aristotle’s practical philosophy, had been “broken off conclusively by the critique of Historicism” in the nineteenth century. Similar to Condorcet’s liberal bifurcation of the ancients and the moderns, Habermas claimed the “old” conception of political life had become “alien to all of us,” a consequence of classical currents “drying up” with Thomas Hobbes and the increasing “scientification of politics.”⁶⁹⁹

Like Horkheimer and Adorno, he believed philosophical positivism and political technology formed the core problem of modernity, an intuition that guided him into debates with functionalist and neo-conservative sociologists.⁷⁰⁰ As a participant in discussions about objectivity and value neutrality at a 1964 conference in Heidelberg, “Max Weber and Sociology Today,” he led the dialectical charge against the formalist reception of Weber in contemporary sociology. The *Webermarxismus* approach was represented by Horkheimer, Adorno, Marcuse and Habermas, the latter “systems theory” approach by Talcott Parsons, Leopold von Wiese and Niklas Luhmann.⁷⁰¹

New Left Review, 1/233 (January/February 1999), p. 124; see also Harmut Wessler, *Habermas and the Media* (Cambridge: Polity Press, 2018).

⁶⁹⁶ See Winkler, “Neues zur Gründungslegende der Bundesrepublik.”

⁶⁹⁷ See Chapter 2 in Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society* [1962].

⁶⁹⁸ Jürgen Habermas, “Die klassische Lehre von der Politik in ihrem Verhältnis zur Sozialphilosophie,” (Marburger Antrittsvorlesung, 1961). This lecture was expanded and published as Habermas “The Classical Doctrine of Politics in Relation to Social Philosophy,” *Theory and Practice*, trans. J. Viertel, (London: Beacon Press, 1963/1973).

⁶⁹⁹ Habermas, “The Classical Doctrine of Politics in Relation to Social Philosophy” in *Theory and Practice*, 41.

⁷⁰⁰ Jürgen Habermas, “Gegen einen positivistisch halbierten Rationalismus” in *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, vol. 16 (1964): 636–59.

⁷⁰¹ See Max Horkheimer, Leopold von Wiese, Hans Albert, Jürgen Habermas, Dieter Heinrich, Pietro Rossi, and Talcott Parsons in “Diskussion zum Thema: Wertfreiheit und Objektivität” in Otto Stammer (ed.), *Max Weber und die Soziologie heute* (Tübingen: Mohr, 1965); <https://www.ssoar.info/ssoar/handle/document/37685>.

Habermas' ongoing exchange with Luhmann was arguably the most formative of all his noteworthy debates, given the increasing incorporation of the machinery of systems theory into Critical Theory—turning, for example, the binary of “system and environment” into one of “system and lifeworld.” Eventually published as *Theory of Society or Social Technology?*, Habermas and Luhmann responded to one another regarding an enterprise to which they were equally committed: developing a systematic and universalistic social theory.⁷⁰² Through his critique of Luhmann's functionalism, as well as his engagement with neo-conservative theorists of the “technocratic state” like Helmut Schelsky and Arnold Gehlen, Habermas (re-)discovered the stakes of a general theory of society, constructing, perhaps unwittingly, a seemingly unbridgeable opposition between the normative and the political.⁷⁰³

Soon he put this evolving conceptual apparatus to work in a 1968 essay dedicated to Marcuse on his seventieth birthday, “Technology and Science as ‘Ideology.’” Here Habermas reconsidered the notion of technological rationality in both Marcuse and Weber.⁷⁰⁴ Far better than others, Habermas observed, Marcuse used Weber's concepts to perceive *the new* in capitalist formations. Thanks to the notion of technological rationality, Marcuse was able to map the changing relationship between “the economy and the political system” in the transformation from liberal to monopoly capitalism: “If society no longer ‘autonomously’ perpetuates itself through self-regulation as a sphere preceding and lying at the basis of the state—and its ability to do so was the really novel feature of the capitalist mode of production—then *society and the state are no longer in the relationship that Marxian theory had defined as that of base and superstructure.*”⁷⁰⁵ Under postwar capitalism, the responsibility for containing and steering the “irrational rationalities” of “the system” rest on the shoulders of the state. “The key to analyzing the changed constellation,” Habermas contended, is “Marcuse's basic thesis according to which technology and science *also* take on the function of legitimating political power.”⁷⁰⁶ Here, we see the early significance of Habermas locating the question of politics exclusively within (the sphere of the state, and characterizing it specifically in terms of the state's role in managing technologies

⁷⁰² Jürgen Habermas and Niklas Luhmann, *Theorie der Gesellschaft oder Sozialtechnologie: Was leistet die Systemforschung*, ed. Karl Markus Michel (Frankfurt am Main.: Suhrkamp, 1971/1990). For an excellent reading of this debate, see Ari Edmundson's dissertation (UC Berkeley).

⁷⁰³ See Helmut Schelsky, “Der Mensch in der Wissenschaftlichen Zivilisation” in *Auf der Suche nach der Wirklichkeit: Gesammelte Aufsätze* (Düsseldorf/Köln: Diederichs, 1965): 439-481; Arnold Gehlen, *Die Seele im technischen Zeitalter: Sozialpsychologische Probleme in der industriellen Gesellschaft*, Rowohlt, No. 53, Reinbek (1957). For his part, Streeck claimed limited knowledge of their postwar significance: “So ahnten wir nichts von der Blütezeit der deutschen Soziologie unter dem Nationalsozialismus; machten uns die Soziologie als sozialistische Revolutionstheorie zurecht, hielten Freyer und Gehlen für bizarre Randerscheinungen in einer Disziplin, in der sie eigentlich nichts zu suchen hatten (auch, weil Adorno seinen tiefen Respekt für Gehlen für sich behielt), und sahen in jemandem wie Schelsky eine Art von sozialdemokratischem Jugendforscher und Universitätsreformer. Aufklärung über das Ausmaß unserer Missverständnisse gab es erst später, jedenfalls nicht während eines Frankfurter Soziologie-Studiums in den 1960er und 1970er Jahren.” Wolfgang Streeck, “Von der Gesellschaftssteuerung zur sozialen Kontrolle Rückblick auf ein halbes Jahrhundert Soziologie in Theorie und Praxis,” *Blätter für deutsche und internationale Politik* (1/2015); http://www.mpifg.de/people/ws/downloads/Von_der_Gesellschaftssteuerung_zur_sozialen_Kontrolle.pdf

⁷⁰⁴ The conference was Max Weber and the Soziologie heute: Verhandlungen des 15. Deutschen Soziologentages in Heidelberg, 1964. See Jürgen Habermas, “Diskussionsbeitrag,” in Otto Stammer (ed.), *Max Weber und die Soziologie heute* (Tübingen: Mohr, 1965), 74–81. See also Habermas, “Technology and Science as ‘Ideology’”, in *Toward a Rational Society*, trans. J. Shapiro. Boston: Beacon Press, 1970.

⁷⁰⁵ Jürgen Habermas, “Technology and Science as ‘Ideology’” in *Toward a Rational Society*, trans. J. Shapiro (Boston: Beacon Press, 1970), 101.

⁷⁰⁶ Habermas, *Toward a Rational Society*, 100-101.

for the effective and “rational” administration of social life.

In contrast to Marcuse’s continuous embrace of Marx, however, Habermas found it necessary to retain the heuristic of Weberian rationalization but to eschew the priority of Marxist political economy: “Capitalist society changed to the point where two key categories of Marxian theory, namely class struggle and ideology, can no longer be employed as they stand.”⁷⁰⁷ “A critical theory of society,” he added, “can no longer be constructed in the exclusive form of a critique of political economy.”⁷⁰⁸ Like Adorno and Horkheimer’s own discovery of “the political” with the rise of “state capitalism,” Habermas confronted it in the emergence of “postliberal” order. Following the Weberian conceptual path already blazed by Marcuse, the “new” conception of politics is technical and instrumental in its systemic character – and in this sense, we see already the early signs of Habermas’ tension-filled affinity with a particularly liberal account of politics as technical administration. While the “tasks of government action present themselves as technical ones,” Habermas remarked, “the new politics of state interventionism requires a depoliticization of the mass of the population.” State intervention now secured “the private form of capital utilization and to *bind the masses’ loyalty to this form.*”⁷⁰⁹ The “depoliticization of the masses” proved effective because, as Marcuse had already noted, “technology and science *also* take on the role of an ideology,” with technocracy serving as “an ideology for the new politics.”⁷¹⁰ Significantly, Habermas added, “technocratic consciousness” is “more difficult to criticize” than ideology and “less vulnerable to reflection” because “it is no longer *only* ideology.”⁷¹¹

From a theoretical point of view, Habermas concurred with both his Frankfurt colleagues like Claus Offe and his functionalist adversaries like Luhmann: as “technique” and “technology” supplant “practice,” the “new politics” eliminates the “practical substance” of politics as such.⁷¹² This could be altered, in Habermas’ view, neither by the “old” conception of politics nor by “new social movements.” To recover the substance of *political* practice, he rather looked to the *normative* bearings of discourse and rationality. While on the one hand Habermas’ acknowledgement of the penetration of technology and administration into social life reveal his extension of the radical elements of Marcuse’s critical project. Ironically, however, as he departed from an analysis of “legitimation crises” for a systematic theory of communicative action, he ran into a new “dialectical blockage” by failing to critically evaluate how such forms of mass administration and technological management could be identified and resisted as depoliticization when the normative horizon of theory and practice is either legitimation or system rationalization. Indeed, by simply *accepting* the functional and technical conception of power, Habermas’ account became narrower than Marcuse’s: “Insofar as government action is directed toward the economic system’s stability and growth,” Habermas argued, “politics now takes on a peculiarly negative character.” The theoretical focus then becomes tracking the balance between normative

⁷⁰⁷ Habermas, *Toward a Rational Society*, 107. As he later put it, “When the forces of production enter into a baneful symbiosis with the relations of production that they were supposed to blow wide open, there is no longer any dynamism upon which critique could base its hope.” Habermas, *The Philosophical Discourse of Modernity: Twelve Lectures*, trans. Frederick Lawrence (Cambridge, MA: MIT Press, 1987), 116. Having given up on the primacy of Marxist categories, Habermas folded their structure into his *own* binary built on a distinction between “work” (the sphere of technical, means-end rationality) and “interaction” (the sphere of normative, linguistic and symbolic rationality).

⁷⁰⁸ Habermas, *Toward a Rational Society*, 101.

⁷⁰⁹ Habermas, *Toward a Rational Society*, 102.

⁷¹⁰ Habermas, *Toward a Rational Society*, 106.

⁷¹¹ Habermas, *Toward a Rational Society*, 111.

⁷¹² Habermas, *Toward a Rational Society*, 102-3.

legitimation, on the one hand, and taming systemic risk and dysfunction, on the other.⁷¹³ Here we can see, already in this middle-period reformulation, Habermas' departure from Marcuse's conception of "substantive" or "material political rationality."

From *Legitimation Crisis* (1973) and up to *Theory of Communicative Action* (1981), Habermas sought to rebuild Critical Theory as a "general theory" of social systems, a theory universalistic in its both socio-historical and normative scope.⁷¹⁴ Through this turn toward a multilevel form of systems analysis, he attempted to retain his normative commitment to the role of reason in social and political life by reworking the Weberian schema premised on the fact-value and formal-substantive binaries.⁷¹⁵ He did not seek to rehabilitate the logic of dialectical inversion, nor did he engage different forms of political economy—such as Keynesianism, ordoliberalism, or neoliberalism—as "instrumental-substantive" hybrids subject to political transformation. Instead he sought to revise and reconstruct the Weberian concept of rationality in systematic fashion, thereby recasting the notion in newly *normative* light. But before rooting rationality in the quasi-transcendental reservoirs of *language* and *lifeworld*, Habermas tested out a variety of conceptual strategies—typological, anthropological, and evolutionary—to normativize "rationality" and "rationalization" *out of* Weber.⁷¹⁶ In yet another reconstitution of Weber's typological schema, the Frankfurt School equated the existing form of the political with the technical mechanisms called strategic, administrative or instrumental rationality, and opposed this to substantive rationality. Responsible for taming and steering these "irrational" dynamics, the state and the political are understood as one subsystem among others, which can be contested or legitimated only through *substantive* rationalization *qua* communication, or the form of politics Habermas would soon circumscribe to deliberative democracy. This formed the basis of a normative conception of moral-procedural legitimation: "The moral realization of a normative

⁷¹³ His critique became increasingly thin as he observed that politics becomes oriented "not toward the *realization of practical goals* but toward the *solution of technical problems*." Habermas, *Toward a Rational Society*, 102-3. For his reading of Luhmann on the political system, see Habermas, *Legitimation Crisis*, 134.

⁷¹⁴ Jürgen Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume 1)*, trans. Thomas McCarthy (Boston: Beacon Press, 1984). For a discussion of Friedrich von Hayek and Niklas Luhmann alongside "Habermas's own proposal for a rational consensus view of morality which could lead to a new *Sittlichkeit*," see Raymond Plant, "Jürgen Habermas and the Idea of Legitimation Crisis," *European Journal of Political Research* 10 (1982), 341-352.

⁷¹⁵ Against the backdrop of recent work on economic performativity, Habermas is unable to see is the role played by political economy itself in this transformation. As Feenberg wrote, Habermas' "defense of modernity... seems to concede far too much to the claims of autonomous technology. His essentialist picture of technology as an application of a purely instrumental form of nonsocial rationality is less plausible after a decade of historicizing research in technology studies." Feenberg, "Marcuse or Habermas: Two critiques of technology," *Inquiry* 39(1) March 1996: 45-70; Andrew Feenberg, *Questioning Technology* (London: Routledge, 1999).

⁷¹⁶ Habermas originally elaborated the epistemology of his critical theory in *Knowledge and Human Interests* (1968). During this time period, he developed Horkheimer and Adorno's *Ideologiekritik* of positivism by identifying and improving "systematically distorted communication." In conjunction with this project, he postulated "the existence of three anthropologically deep-seated interests of human beings, to which three categories of knowledge and rationality correspond." In brief, he argued that the aim of social sciences is to investigate these three "knowledge constitutive interests": a "technical" interest in control, a "practical" interest in understanding others, and an "emancipatory" interest in liberation from structures of domination. The "emancipatory" interest takes precedence over the former two interests because it grounds the possibility of a critical theory of society, which has its roots in reason, understood as the capacity of humans to be self-reflective and self-determining. See Stephen K. White, "Reason, Modernity, and Democracy," in *The Cambridge Companion to Habermas*, ed. Stephen K. White (New York: Cambridge University Press, 1995), 6.

order is a function of communicative action oriented to shared cultural meaning and presupposing the internalization of values.”⁷¹⁷

Contra the methodological dead end of “the philosophy of the subject” represented by Horkheimer’s *Eclipse of Reason* and Adorno’s *Negative Dialectics*, Habermas argued that rationality is not based on “the relation of a solitary subject to something in the objective world that can be represented or manipulated, but [on] the intersubjective relation that speaking and acting subjects take up when they come to an understanding with one another about something.”⁷¹⁸ Contra Weber and Luhmann, he suggested it is thus possible to “vindicate the power of discursively attained, rational consensus against the Weberian pluralism of value systems, gods and demons.”⁷¹⁹ Through these debates, as well as philosophical exchanges with Karl-Otto Apel through which he developed a model of discourse ethics based on the “ideal speech situation,” Habermas was moving toward the completion of a decades-long project: the reconstruction of reason “after its eclipse.”⁷²⁰

In *Theory of Communicative Action*, Habermas systematically reconstructed the work of Horkheimer and Adorno, who he claimed were “in agreement with Weber—the ‘arch-positivist’—on one point: Objective reason cannot be restored, not even in dialectical concepts.”⁷²¹ He argued that the dead end of the *Dialectic of Enlightenment* demanded a paradigm shift from the contemplative philosophy of consciousness to an intersubjective theory of communicative action.⁷²² Habermas contrasted the critical element of his approach from their philosophy of the subject as follows:

My thesis concerning the colonization of the lifeworld, for which Weber’s theory of societal rationalization served as a point of departure, is based on a critique of functionalist reason, which agrees with the critique of instrumental reason only in its intention and in its ironic use of the word *reason*. One major difference is that the theory of communicative action conceives of the lifeworld as a sphere in which processes of reification do not appear as mere reflexes—as manifestations of a repressive integration emanating from an oligopolistic economy and an authoritarian state.⁷²³

⁷¹⁷ Habermas, *Toward a Rational Society*, 107.

⁷¹⁸ Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume 1)*, 392.

⁷¹⁹ Habermas, *Legitimation Crisis*, 107.

⁷²⁰ For an extensive treatment of Habermas’s “pluralization of reason,” see Jay, *Reason After Its Eclipse*.

⁷²¹ Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume 1)*, 372.

Horkheimer and Adorno’s notion of “instrumental reason is set out in concepts of subject-object relations. The interpersonal relation between subject and subject, which is decisive for the model of exchange, has no constitutive significance for instrumental reason.” Habermas, *Reason and the Rationalization of Society*, vol. 1 of *The Theory of Communicative Action*, 379.

⁷²² The shift also resulted from criticism of *Knowledge and Human Interests*. Forced to revise his conception of self-reflection, Habermas’s 1973 essay, “A Postscript to *Knowledge and Human Interests*,” distinguished “self-reflection” from “rational reconstruction.” Thereafter Habermas “aligns his own effort with that of rational reconstruction, believing that only a rational reconstruction of universal competencies can provide an adequate basis” for his intersubjective social theory. See Alway, *Critical Theory and Political Possibilities*, 103.

⁷²³ Habermas, “The Tasks of a Critical Theory of Society,” in *Critical Theory and Society: A Reader*, 304-5.

Systemic rationalization qua the “colonization the lifeworld” is a form of domination that can never be total because of the way Habermas defines the lifeworld: namely, an inexhaustible background of cultural norms and linguistic forms incompatible with systemic rationality. Proceeding from the lifeworld, communicative action represents a “positive” form of rationalization.⁷²⁴ When domination-free discourse is linked to institutional procedures, Habermas argued, it makes good on the normative or substantive content of *Wertrationalität* through purely formal procedures.⁷²⁵ Only by rescinding the normativity of the theorist and placing it in the participants of communication can “the Weberian thorn in critical theory,” be overcome.⁷²⁶

In Habermas’ version of the linguistic turn, language thus becomes the primary medium, categorical framework, and normative foundation of communicative rationality.⁷²⁷ Motivated by the “co-operative search for truth” and compelled only by “the forceless force” [*der zwanglose Zwang*] of the better argument, rational argumentation aims at mutual understanding [*Verständigung*]. Practical discourse allows actors test their normative claims vis-à-vis a “generalizable interest” on the model of consensus.⁷²⁸ In this process Habermas found a kind of aspirational generalizability and universality that the proletariat had previously represented politically.⁷²⁹ But now, Habermas wrote, rationality “is no longer ascribed to the individual actor or to a macrosystem at the level of the state or the whole of society,” but rather to “the linguistic medium through which interactions are woven together and forms of life are structured.”⁷³⁰ Like

⁷²⁴ Rationality “is understood to be a disposition of speaking and acting subjects that is expressed in modes of behavior for which there are good reasons or grounds. This means that rational expressions admit of objective evaluation.” Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume I)*, 22.

⁷²⁵ “Rationalisierung auf der Ebene des institutionellen Rahmens kann sich nur im Medium der sprachlich vermittelten Interaktion selber, nämlich durch eine Entschränkung der Kommunikation vollziehen. Die öffentliche, uneingeschränkte und herrschaftsfreie Diskussion über die Angemessenheit und Wünschbarkeit von handlungsorientierenden Grundsätzen und Normen im Lichte der soziokulturellen Rückwirkungen von fortschreitenden Sub-Systemen zweckrationalen Handelns - eine Kommunikation dieser Art auf allen Ebenen der politischen und der wieder politisch gemachten Willensbildungsprozesse ist das einzige Medium, in dem so etwas wie ‘Rationalisierung’ möglich ist” (Habermas 1968/1989, 100); Habermas *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume I)*, 118-19.

⁷²⁶ The grand philosophical tradition “cannot simply be renewed with its systematic pretensions; it has ‘outlived’ its own claims; in any case, it cannot be renewed in the form of philosophy.” Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume I)*, 378.

⁷²⁷ Incorporating American pragmatism and speech act theory of C.S. Peirce, J.L. Austin and John Searle, Habermas extended a “formal-pragmatic” approach to language and social interaction. The normative content of communicative rationality consists in the fact that, in procedural discourse, participants must commit themselves to pragmatic presuppositions (like ascribing identical meaning to expressions and connecting utterances to validity claims) with the aim of achieving common ground in understanding. Implicit in the “communicative competence” possessed by normal speakers, rationality is “expressed in a decentered complex of pervasive, transcendently enabling structural conditions, but it is not a subjective capacity that would tell actors what they *ought* to do.” Habermas, *Between Facts and Norms*, 4.

⁷²⁸ See the discussion in McCarthy, “Introduction,” *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume I)*, ix.

⁷²⁹ “What today separates us from Marx are evident historical truths, for example, that in the developed capitalist societies there is no identifiable class, no clearly circumscribed social group which could be singled out as the representative of a general interest that has been violated. ... Both revolutionary self-confidence and theoretical self-certainty are gone.” Jürgen Habermas, “Reply to my Critics” in *Habermas: Critical Debates*, J. Thompson and D. Held, eds. (Cambridge: MIT Press, 1982).

⁷³⁰ Habermas, *Between Facts and Norms: Contributions to a Discourse Theory of Law and Democracy*, trans. William Rehg (Cambridge, MA: Polity Press, 1996), 3.

the first-generation ideal of a “rational administration of things,” Habermas’ deflated ideal became enhancing the capacity of society to “steer itself” upon the basis of rational legitimation, on the one hand, and ensuring an institutionally protected lifeworld, on the other hand.

Later, in *Between Facts and Norms*, Habermas linked the discourse ethics of communicative action to the procedural democracy of law-making such that law is understood “as a category of social mediation between facts and norms.”⁷³¹ Because a modern tension exists between positive law and democratic legitimacy, he argued, it must derive its validity not from the power of the state but from the “communicative power” of the citizens it governs. Habermas thus cites Hannah Arendt’s formulation, claiming that law and communicative power have their co-original source in the “opinion upon which many publicly [are] in agreement.”⁷³² Practical discourse provides the model for the deliberative will-formation of citizens that in turn forms the basis of a legitimate state. The ideal is that, “when the democratic constitutional state is functioning well, it continually ‘translates’ communicative power into administrative power.”⁷³³

Despite his efforts to offer a new systematic account of Critical Theory, supplying it with quasi-transcendental normative foundation, Habermas’ work nevertheless reproduced earlier schemas of his intellectual forebears when theorizing politics. Put another way, while reworking the Weberian binary of substantive vs. formal rationality and allowing the latter to both procedurally *legitimate* and *delimit* the former, he reprogrammed but did not redress first generation’s political deficits. This had less to do with his formidable political disposition to current events, however, than with the ways he sought to conceptually engage other paradigms of analysis and to methodologically revise Critical Theory as a whole. In combining systems theory and analytic philosophy in his *normative* account of legal legitimation, for example, Habermas reinstitutes binaries of *form vs. content* in a thin liberal universalism.⁷³⁴ When “the dialectic of form and content that Hegel located in Kant is moved to the very heart of discourse ethics,” as Blaug observes, “Habermas accepts that discourse ethics is formalistic, yet by claiming that all theory should do is to ‘explain the moral point of view’ (the form), he is able to preserve a space for discourse between participants (the content).”⁷³⁵ The formal or procedural elements of moral decision- and agreement-making are then inherently more primary than are their substantive content or discursive conditions of possibility, so long as the latter falls within the pre-established limits of political and economic liberalism. In this way, Habermas employed a common strategy of twentieth-century social, economic and political thought, one examined throughout the entirety

⁷³¹ Habermas, *Between Facts and Norms*, 1.

⁷³² Hannah Arendt, cited in Habermas, *Between Facts and Norms*, 147.

⁷³³ Stephen K. White, “Reason, Modernity, and Democracy,” 12.

⁷³⁴ Social norms and are not subject to “truth claims” like the facts of the “objective world,” but they are subject to intersubjective assessment with respect to their “rightness” or “legitimacy.” At the same time, Habermas claims, “cultural values do not appear with a claim to universality, as do norms of action.” Habermas, *The Theory of Communicative Action: Reason and the Rationalization of Society (Volume 1)*, 20. This bridge between the *lines* (or rationalities) that constitute and circumscribe moral validity and legitimacy, on the one hand, and of cultural values and identity, on the other, finds expression in Habermas’ exceptionalist approach to the institutions of the European Union, discussed below, and to European culture more generally. The latter is understood as a more or less coherent whole that both incorporates and transcends the historical problems of German national culture, which in turn allows for his view of the EU as inherently progressive “culturally and civilizationally,” as described above on the first page of this chapter.

⁷³⁵ Ricardo Blaug, *Democracy, Real and Ideal: Discourse Ethics and Radical Politics* (Albany: State University of New York, 1999), 16-17.

of this dissertation: reconfiguring the boundaries of the political by redrawing the line between “the rational” and “the irrational.”

As I discuss in the final section, the failure to provide a more robust account of politics that is not merely reducible to technical rationality set limits on Habermas’ own interventions into political life. Unable to imagine politics as more than a technocratic project of rational steering on the one hand or general agreement procured via rational communication on the other, he cannot but offer minor endorsements, or prescribe minor rational fixes, for political institutions like the EU—even at the moment when this very institution was being “colonized” by technocratic reason with disastrous effects on the European “lifeworld.”

Crisis, Disruption and the Dream of a Rational Politics

Recent challenges to liberal democracy, more than the financial crisis that preceded them, helped lay bare the *political* fault lines beneath different approaches to critique. Reading the Frankfurt School’s response to these challenges against its own internal (dis)continuities—from the rationality of a socialist planned economy to that of liberal democratic legitimacy—helps reveal the both contributions and failures of this tradition. The contemporary debate discussed at the beginning of this chapter is a paradigm example of this problematic: today Habermas and Streeck both see the stakes of critique in retaining or restoring a semblance of rationality, democracy, and control of unfettered capitalism against the destruction of the lifeworld. Behind their personal-political investments in the question of German and European (supra)nationalism, however, the debate hinges on a deeper set of Weberian binaries and conceptual systems—binaries and systems this chapter has sought to make visible.

In his Adorno Lectures at the Institute for Social Research, published as *Buying Time: The Delayed Crisis of Democratic Capitalism* (2013), Streeck drew from the theoretical texts of Marcuse and Habermas examined above and updated the conceptual apparatus from the “legitimation crisis” debates.⁷³⁶ “It will be recalled from the 1960s and 1970s that perceptions of political and cultural ‘one-dimensionality’ may generate an outbreak of ‘irrational,’ ‘unrealistic’ or ‘merely emotional’ protests, which then—precisely because they are what they are—do not fail to have an effect,” he wrote.⁷³⁷ And it is precisely this kind of expressive rupture with the rationality of “technocratic modernization,” as Marcuse and Habermas previously described, in which Streeck places his current (anti-)political hopes—that is, an acceleration rather than a delay of the crisis of democratic capitalism:

If constructive opposition is impossible, those who are not content to end their life paying off debts incurred by others have no other option than destructive opposition. This is needed to strengthen the delaying effect of what is left of democracy in national

⁷³⁶ “My book treats the financial and fiscal crisis of contemporary democratic capitalism in the light of Frankfurt School crisis theories of the late 1960s and early 1970s when Adorno was still active and when, of course, I was studying in Frankfurt. The theories I address were attempts to grasp the incipient radical changes in the postwar political economy as aspects of a process encompassing the whole of society, in which more or less eclectic use was made of elements of the Marxist tradition.” Streeck, *Buying Time*, 10.

⁷³⁷ Streeck, *Buying Time*, 161.

societies... If being rational means accepting as self-evident that the demands of ‘the markets’ on society must be met, at the expense of a majority who have nothing to show but losses after decades of neoliberal market expansion, then indeed irrationality may be the only remaining form of rationality.⁷³⁸

Unable to rely on Marcuse’s belief in a dialectical inversion of the status quo, however, Streeck concludes his influential study with a desperate plea for something like the Great Refusal, a seemingly “irrational” gesture to negate the dominant form of “rationality.”⁷³⁹ But here too Streeck’s logic has even deeper Weberian bearings than Marcuse and Habermas’ own.

Streeck based his critique of “Hayekian neoliberalization” on a distinction between the *Staatsvolk* vs. the *Marktvolk*—“the people” of the state vs. “the people” of the market. The former represents the interests of nation-state democracy, the latter the interests of unfettered financial markets. The ideal of the *Staatsvolk* lay in “social justice,” the ideal of the *Marktvolk* in “market justice.” Each embodies a form of rationality irreconcilable with the other, one being “substantive” and the other merely “formal.” Citing Weber’s chapter in *Economy and Society* discussed in Chapter 1, Streeck thus fully accepts formal-substantive binary used by the early neoliberals to construct their anti-socialist project: “social justice is material, not formal, in nature—and so it cannot but appear irrational, arbitrary and unpredictable in terms of the formal rationality of the market.”⁷⁴⁰ Not only does this mirror the neoliberal framework while railing against its effects; it also suggests that neoliberal rationality will soon reach its own limits out of a Polanyian necessity—that is, a “countermovement” against the *Marktvolk*’s “grotesque claims on the human lifeworld” and “forcible annihilation of particularistic structures of social solidarity.”⁷⁴¹ The EU’s economic constitution, which constitutionally secures market competition and prohibits indebted state spending, serves as Streeck’s model of supranational market justice as opposed the (strangely essentialist site of) social justice, the nation state. Recalling an idyllic period of postwar stability, his call is thus “to defend and restore as far as possible what remains of those political institutions that could perhaps help up to modify and replace market justice with social justice.”⁷⁴² Carrying forward the legacy of postwar Critical Theory, Streeck’s own political deficits derive from formal-

⁷³⁸ Streeck continues: “In the language of sociological theory, outbursts of rage are expressive, not, as appropriate in economic matters, instrumental. Rather than risk being trapped by ‘rational,’ constructive proposals in the fulfilment logic of international financial diplomacy, for which the *Staatsvolk* must first render unto the *Marktvolk* that which is their due, a social movement against the consolidation state should take time to display in public its anger at the demands made on them by post-democratic capitalism.” Streeck, *Buying Time*, 159-161.

⁷³⁹ In a generous interpretation, Streeck’s juxtaposition of rationality and irrationality reflects Marcuse’s concluding questions in his essay on Weber: “Is there perhaps already in Max Weber’s concept of reason the irony that understands but disavows? Does he by any chance mean to say: And *this* you call ‘reason?’” Marcuse, *Negations*, 169.

⁷⁴⁰ Streeck, *Buying Time*, 59.

⁷⁴¹ “Hayek rightly insisted that such systems [of distributed intelligence] are superior to planned ones; what he could not see, as an economist, was Polanyi’s insight, in his debate with Hayek, that the market-obedient world shaped by transnational capitalism... could only take root through planning because it presupposed the forcible annihilation of particularistic structures of social solidarity.” Streeck, *Buying Time*, 184.

⁷⁴² Put another way: “My concern in the book is to preserve the possibility of converting the remains of postwar social democracy into barricades against technocratic encroachment, in the best case to accumulate a set of hard ‘restrictive conditions’ for the politics of neoliberal social reorganization—conditions that this time would be not market constraints but, as it were, lifeworld constraints.” Streeck, *Buying Time*, 236.

substantive juxtaposition where the very concept of the latter serves as its own kind of normativity without reference to the actions or desires of actual political actors.

By comparison, Habermas' response to the financial crisis combination of state debt and market turbulence, or what he called a "collision of functional and systemic imperatives," largely resembled his earlier analysis in *Legitimation Crisis*.⁷⁴³ But unlike his debate with neo-Marxist theorists in the 1970's, Habermas neither anticipated nor hoped for the crisis of capitalism writ large. Rather, since the 1980's, he has sought after its rational stabilization and supranational legitimation. "Habermas has put all his world-historical chips on the EU," as Thomas Meaney observed.⁷⁴⁴ Any movement that does not push for greater European cooperation is said to constitute a form of "regress." While Habermas describes the current state of the EU as a catastrophic failure, he also claims that those who protest against a progressive project like his own "can only regress into the expressive and the irrational."⁷⁴⁵ And at the same time that he writes off a depoliticized citizenry as an agent of change, he places his hope in "moral outrage" and calls for bold *elite* action.⁷⁴⁶ Hewing to the functionalist imagination of "output legitimacy," Habermas argues that only after—as an *effect* of—these reforms will a politicized and pro-European public emerge.⁷⁴⁷ Here we see how the turn to a liberal, technocratic model of politics sets the limits of Habermas' own political imagination. Unable to conceive of a role for political struggle itself in challenging the colonization of the lifeworld by technical reason, Habermas instead assumes that whatever forms of technical reason have "emerged" to govern social life must be preserved and defended against their "irrational" challengers. Because his theory cannot conceive of political life in more robust terms, it falls victim to the trap of seeing major political ruptures as themselves "irrational disruptions" of the social order, rather than asking whether politics might itself be a scene of reason's remaking.

⁷⁴³ Jürgen Habermas, cited in Georg Diez, "Schluss jetzt!" in *Der Spiegel* 47 (21.11.2011), interview and review of Habermas, *Zur Verfassung Europas: Ein Essay* (Berlin: Suhrkamp, 2011).

⁷⁴⁴ "In a recent series of debates with Wolfgang Streeck, Habermas made some questionable pronouncements. He has referred to European monetary union as the 'cunning of economic reason' for providing the technological bedrock required for a global society. He described Emmanuel Macron as someone who 'stands out above the European leadership because he assesses each current issue from a broader perspective and is therefore not simply reactive.' Whether that perspective is the vantage point of global capital or that of the future of humanity seems at the very least an open question." Thomas Meaney, "Living in a critical condition: Jürgen Habermas at 90" in *The New Statesman* (June 26, 2019); <https://www.newstatesman.com/world/europe/2019/06/living-critical-condition-j-rgen-habermas-90>.

⁷⁴⁵ Habermas, "For God's sake, spare us governing philosophers!" in *El País* (May 25, 2018), https://elpais.com/elpais/2018/05/07/inenglish/1525683618_145760.html

⁷⁴⁶ Martin Steinhagen, "Habermas und die Hoffnung auf moralische Empörung" [Habermas and the Hope for Moral Outrage], *Frankfurter Rundschau* (June 21, 2019); <https://www.fr.de/kultur/literatur/maulwurfsarbeit-irrealis-12566336.html>

⁷⁴⁷ In a post-Brexit interview Habermas said, "only a properly functioning core Europe could convince the presently polarised populations of all member states that the project makes sense.... [This is] the alternative of a deepened and binding co-operation within a smaller circle of states willing to cooperate. Such a Euro-Union has no need to seek out problems just to prove its own capacity to act. And, on the way thereto, the citizens will realize that such a core Europe will deal with those social and economic problems that lie behind the insecurity, the fear of societal decline and the feeling of losing control." Habermas in Thomas Assheuer, "The players resign: Interview with Jürgen Habermas" in *Zeit* (Nr. 26/2016); <https://www.zeit.de/kultur/2016-07/juergen-habermas-brexit-eu-krises-english/komplettansicht>

Thus while Habermas embraced an investment banker-turned-President who promised to “modernize” the French labor market on the model of Gerhard Schröder,⁷⁴⁸ Streeck made a call to “take back control” and attacked the “identitarian left” for its “progressive neoliberal” betrayal of “left behind” citizens.⁷⁴⁹ Streeck claimed that Habermas delinked political theory from political economy; Habermas charged Streeck with a backwards-looking nationalism incapable of achieving its own goals.⁷⁵⁰ In a narrow sense, they reveal one another’s flaws. But the problem with this debate, as we have seen, is that the critique of rationality has transformed into moralistic and anti-political appeals when there is no political subject from which or with which to theorize.

To the dilemmas of an EU in crisis, Habermas offered the resolution of rationalist legitimation, an institutionally stabilized form of capitalist democracy. Streeck instead provided a dialectics of non-resolution and political rupture, necessitated, as he saw it, by an iron cage of pro-market technocracy seemingly global in its reach. And yet these Weberian binaries of formal and substantive rationality cannot offer a properly *political* meditation on the crises they seek to resolve. Perhaps it is time, then, to redress the critique of technocratic rationality—not through another, more rational fix, but through a deeper reckoning with this tradition’s own political deficits.

⁷⁴⁸ “El País: Politically isolating a population of around two million people with aspirations to be independent is not realistic. And not easy. Habermas: It’s a clearly a problem... Q. What is Spain’s role in the construction of Europe? A. Spain simply has to support Macron. Q. Macron is a philosopher like you. Do you think politics and philosophy work well together? A. For God’s sake, spare us governing philosophers! However, Macron inspires respect because in the current political landscape, he’s the only one who dares to have a political perspective; who, as an intellectual and a convincing orator, pursues the political targets set out by Europe; who, in the almost desperate circumstances of the elections, showed personal courage and, until now as president, has done what he said he would. And in an era characterized by a paralyzing loss of political identity, I have learned to appreciate these personal qualities despite my Marxist convictions. Q. However, it is impossible to know yet what his ideology is, or if he even has one. A. You’re right. I still can’t see what convictions lie behind the French President’s European politics. I would like to know if he is at least a convinced left-leaning liberal, which is what I hope.” Habermas, “For God’s sake, spare us governing philosophers!” in *El País* (May 25, 2018), https://elpais.com/elpais/2018/05/07/inenglish/1525683618_145760.html

⁷⁴⁹ Streeck specifically calls for “constructing institutions through which markets could once again be brought under control: markets for work that leave room for social life, markets for consumer goods that do not destroy nature, markets for credit that do not become the large-scale production of irredeemable promises” (237). Of Habermas Streeck writes: “The blind spots in Habermas’s anti-national Europeanism are interestingly linked to his system-theoretically neutered [sic] concept of capitalism. What remains at the end are normative prescriptions of rational-cum-moral cosmopolitan political conduct for which there is no real world out there that could live by them. One must be afraid that all a theory of this sort can do is move the theorist into a position of moral superiority.” Streeck, “What About Capitalism? Jürgen Habermas’s Project of a European Democracy,” *Verso Blog* (January 28, 2016); <https://www.versobooks.com/blogs/2454-what-about-capitalism-jurgen-habermas-s-project-of-a-european-democracy>

⁷⁵⁰ Jürgen Habermas, “Democracy or Capitalism? On the Abject Spectacle of a Capitalistic World Society fragmented along National Lines,” *Reset* (July 2013); <https://www.resetdoc.org/story/democracy-or-capitalism-on-the-abject-spectacle-of-a-capitalistic-world-society-fragmented-along-national-lines/>

Conclusion:

Political Deficits in the Twenty-First Century

The image of a modern, rational, smoothly functioning social order emerged from wartime devastation, revolutionary upheaval, and economic crisis one century ago. Interwar social scientists of different political persuasions framed this image with ideals of stability, automaticity, and rationality—ideals that had more to do with curtailing than empowering a recently expanded democratic citizenry, “the demos,” or an increasingly organized working class, “the proletariat.” A struggle between different projects—Leninist vanguardism, council communism, state socialism, social democracy, economic liberalism, and fascism, among others—put the image into particularly sharp relief. It was the desire to establish a more *rational* order in this context that animated the four intellectual movements examined in this dissertation: the Austrian School, Freiburg School, Chicago School, and Frankfurt School. While the neoliberal theorists of the former three schools constructed “demoskeptic” theories of economic rationality with the goal of “deproletarianization,” the critical theorists fashioned a practical orientation to the workers’ movement with an ideal of rational planning that they would eventually disavow.

From the rise of neoliberal and critical theory amidst interwar crisis to their descendants’ responses to the 2008 financial crisis, this dissertation underscored the role of *theoretical* production—e.g., social scientific methodology, philosophical anthropology, or what I have called political epistemology—in the construction and delimitation of the political imagination. I have argued that the Austrian, Freiburg, Chicago and Frankfurt Schools each began with unique scientific and political perspectives on markets and planning in the “socialist calculation debate”; that each drew for distinct methodological reasons from Max Weber’s binary typology of formal vs. substantive rationality; and that each built evolving research programs on different forms of *political deficits*. The dissertation defined these “deficits” in relative rather than absolute terms: namely, as the rationalization and subordination of the political (qua collective dynamics of self-governance, power-sharing and world-making) vis-à-vis other domains of life. It registered how these schools differently pursued a double move: to tame or abolish the latent “irrationality” of the political by constructing visions of “rationality” over and above it.

Current political schisms are often interpreted in terms of substantive divisions (e.g., rightwing nationalism vs. leftwing egalitarianism) or in relation to recent historical developments (e.g., neoliberal austerity and financial deregulation). This dissertation has argued that the form and content of these schisms need to be unearthed in order to grasp them within a larger frame. Recent scholarship has contributed to this task by showing that the institutional project of neoliberal actors aimed to “encase” the market dynamics and “enchain” the legal systems of democratic nation states.⁷⁵¹ I have attended to a different dimension of the neoliberal project by tracing its interwar foundations prior to any particular policy implementation: this involved scrutiny of the epistemological and conceptual framing of the early neoliberals, and the centrality of their respective notions of rationality within it. This framing did not simply target an already

⁷⁵¹ See in particular Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, Mass.: Harvard University Press, 2018).

anemic form of (liberal) democracy and the policies Keynesian economists prescribed for it. It also sought to disarm the imaginative appeal of socialist “collectivism,” while undercutting the evaluative and discursive bearings of the political more broadly. Through binary typologies like markets vs. planning, formal calculation vs. substantive values and rationality vs. irrationality, a Weberian-inflected framework structured left, liberal and even non-liberal responses to the crisis of liberalism—often to displace political dynamics and the problem of mass democracy. What we are witnessing today—beyond ostensibly “raw” or seemingly “political” reactions to the effects of neoliberal austerity—is an *antipolitical* current of thought and action conditioned by the political deficits of twentieth-century formations.

* * *

Despite its nearly century-long trajectory, many readers first came across the concept of “neoliberalism” in the months after the 2008 crisis. Associated with a “depoliticized” free-market order, neoliberalism was blamed for the crash and proclaimed to be in “crisis.”⁷⁵² But it was not until the Brexit referendum and Trump election of 2016 that commentators announced “the end of neoliberalism” and “the return of the political.”⁷⁵³ All the while, however, neoliberal and far-right forces had cross-pollinated. Today there are populist rightwing parties, and then there are *neoliberal* populist rightwing parties. Perhaps unsurprisingly, some of the most potent mutants stem from the same countries as the Austrian, Freiburg and Chicago Schools: the FPÖ (Freedom Party of Austria), the AfD (Alternative for Germany), and a U.S. Republican Party increasingly dominated by Trump and the Alt-Right. What distinguishes the rightwing populists—such as Marine Le Pen’s *Rassemblement national* in France or Matteo Salvini’s *Lega Nord* in Italy⁷⁵⁴—from the neoliberal rightwing populists is the latter’s deep origins in neoliberal rationality.⁷⁵⁵

Founded as an anti-Euro party by an ordoliberal economist in the wake of the 2008 financial crisis, for instance, the AfD has transformed into a far-right populist force that dominates

⁷⁵² See Gerard Dumenil and Dominique Levy, *The Crisis of Neoliberalism* (Cambridge: Harvard University Press, 2011); and Colin Crouch, *The Strange Non-Death of Neoliberalism* (London: Polity, 2011). In the years that followed, Crouch came to ask: “Can capitalism be reshaped so that it is fit for society, or must we acquiesce to the neoliberal view that society will be at its best when markets are given free rein in all areas of life?” Crouch, *Making Capitalism Fit for Society* (Polity, 2013). His latest work seeks to rehabilitate the “positive contributions of neoliberalism.” See Crouch, *Can Neoliberalism Be Saved from Itself?* (Social Europe Edition, 2017). For a discussion of what many post-crisis commentators called “zombie neoliberalism,” see William Callison and Zachary Manfredi, “Introduction: Theorizing Mutant Neoliberalism,” in Callison and Manfredi, eds., *Mutant Neoliberalism: Market Rule and Political Rupture* (New York: Fordham University Press, forthcoming).

⁷⁵³ For prominent analysts with different interpretations of the former, see Naomi Klein, “It Was the Democrats’ Embrace of Neoliberalism that Won It for Trump,” *The Guardian* (Nov. 9, 2016); Cornel West, “Goodbye, American Neoliberalism: A New Era is Here,” *The Guardian* (Nov. 17, 2016); Nancy Fraser, “The End of Progressive Neoliberalism,” *Dissent* (Jan. 2, 2017); and Martin Jacques, “The Death of Neoliberalism and the Crisis in Western Politics” *The Guardian* (Aug. 21, 2016). For two of many headlines announcing the latter, see Pablo Bustinduy and Adrià Porta, “Populism and the Return of the Political” in *Open Democracy* (Dec. 6, 2016); and Naomi Resti Anditya, “Right Wing Populism in Democratic Countries: The Return of the Political” in *Publikasi IIS* (Sept. 30, 2017).

⁷⁵⁴ See Melinda Cooper, “Anti-Austerity on the Far Right,” in *Mutant Neoliberalism*.

⁷⁵⁵ See Quinn Slobodian and Dieter Plehwe, “Neoliberals Against Europe,” in *Mutant Neoliberalism*; and Slobodian, “Neoliberalism’s Populist Bastards,” *Public Seminar* (February 15, 2018); <http://www.publicseminar.org/2018/02/neoliberalisms-populist-bastards/>.

German public discourse. Touted as the “party of professors” due to its high number of PhD-holding politicians, the AfD has built a xenophobic, Islamophobic, ultra-nationalist, and historically revisionist program on its ordoliberal foundations. Its leaders call for a strong state, free markets, lower taxes, and welfare cuts in the same breath as border security, migrant deportation, and ethno-cultural homogeneity. Their far-right companion in Austria, the FPÖ, was founded decades earlier as an economically liberal, anti-socialist, and pan-German nationalist party by politicians with Nazi backgrounds. The FPÖ held power in a governmental coalition for two years, until a scandal fractured its partnership with the VPÖ (Austrian People’s Party) in the summer of 2019.⁷⁵⁶ Together the two parties comprise a unique blend of technocratic and authoritarian neoliberalism, implementing pro-austerity, anti-immigrant and ultra-nationalist measures with majority support from the citizenry. Whereas the AfD makes paeans to the Freiburg School, the FPÖ trumpets the views of Ludwig von Mises, Friedrich A. von Hayek and the Austrian School.⁷⁵⁷ Fittingly, neoliberal think tanks like the Friedrich Hayek Society and the Friedrich Hayek Institute—based in Germany and in Austria, respectively—have lent their support to these parties.⁷⁵⁸ Finally, the U.S. Republican Party has rebranded itself in Donald Trump’s image, seeking to marry corporate tax cuts and the “destruction of the administrative state” to traditional morals and nationalist wall-building.⁷⁵⁹

The rise of the FPÖ, AfD and Alt-Right would ostensibly confirm so many post-2016 announcements of the “return of the political.” But does the far right’s ascendance represent the negation of what I have called political deficits in this dissertation? Is “the return of the political” an adequate conceptualization of our current moment, implying as it does both an ironic reversal

⁷⁵⁶ See Ruth Wodak, “Austria’s smoking gun: Strache, ‘Ibiza-Gate,’ and ‘Saint’ Sebastian” in *Open Democracy* (July 6, 2019); and Quinn Slobodian, “Europe’s far right is joining forces with libertarian climate deniers” in *New Statesman* (May 17, 2019); <https://www.newstatesman.com/world/2019/05/europe-s-far-right-joining-forces-libertarian-climate-deniers>.

⁷⁵⁷ See, for example, the press release on the FPÖ’s website, “Pisec: Wirtschaftskammer Wien nimmt sich der Erinnerungskultur an den Ökonomen Ludwig von Mises an” (June 1, 2016); <https://www.fpoe.at/artikel/pisec-wirtschaftskammer-wien-nimmt-sich-der-erinnerungskultur-an-den-oekonomen-ludwig-von-mises-an/>; see also Quinn Slobodian, “The Rise of the Right-Wing Globalists,” *New Statesman* (Jan 31, 2019); <https://www.newstatesman.com/politics/economy/2019/01/rise-right-wing-globalists>; Stephan Pühringer and Christine Stelzer-Orthofer, “Neoliberale Think Tanks als (neue) Akteure in österreichischen gesellschaftspolitischen Diskursen,” *ICAE Working Paper Series*, No. 44 (January 2016).

⁷⁵⁸ Each of these groups was recently shaken by controversy. Founded in Freiburg and based in Berlin, many members quit the Friedrich Hayek Society due to internal divisions about the far right. Based in Vienna, the Friedrich Hayek Institute was embroiled in a money-laundering scandal with far-right parties in the European Parliament and U.S. think tanks like the Heritage Foundation and Cato Institute. See Marine Strauss and Boris Groendahl, “Austrian Group at Heart of EU Nationalist Funding Draws Scrutiny,” *Bloomberg* (June 6, 2019).

⁷⁵⁹ Steve Bannon announced this “destructive” agenda at the 2017 meeting of CPAC, the annual convention of conservatives that just one year prior had shunned Bannon and his colleagues from attending as audience members, much less as center-stage speakers. Now the headliner, Bannon added: “The way the progressive left runs is that if they can’t get it passed, they’re just going to put it in some sort of regulation in an agency. That’s all going to be deconstructed.” Beyond the expected praise from his own white nationalist site *Breitbart*, other neoliberal and neoconservative outlets like *National Review* approved of Trump and Bannon’s shared mission. See David French, “Trump Wants to Deconstruct the Regulatory State? Good. Here’s s How You Start,” *National Review* (February 24, 2017); see also, Philip Rucker and Robert Costa, “Bannon vows a daily fight for ‘deconstruction of the administrative state,’” *The Washington Post* (February 23, 2017). See also Wendy Brown, *In the Ruins of Neoliberalism: The Rise of Anti-Democracy in the West* (New York: Columbia University Press, 2019).

(of neoliberal depoliticization by rightwing political reaction) and an ultimate revelation (about the inherent limits of neoliberal rationality)?

This is certainly the way many scholars and critics have characterized our time, namely by framing the far right as a reactionary “return of the repressed,” a resurrection of “the political,” or a reassertion of “the demos.” “Given the once fashionable view that we live in an age of postdemocracy, or even postpolitics,” Adam Tooze observed, the events of 2008 and 2016 came as “something of a surprise.”⁷⁶⁰ Like the Obama agenda it sought to overturn, “the first phase of the Trump administration was also molded by the legacy of 2008, but in the negative.”⁷⁶¹ Both administrations were shaped by the aftereffects of the financial crisis, Tooze argued, though Trump’s rise represented a more distinctly *political* reaction to it. Similarly, in his pathbreaking study of neoliberalism as a global order of free-market “encasement” by political institutions, Quinn Slobodian concluded that the Brexit referendum revealed how, despite the neoliberals’ best intentions, “the demos—for better or worse—is not yet undone.”⁷⁶²

Whereas Tooze and Slobodian simply register the formal manifestation of “politics” or “the demos” as evidence of neoliberalism’s contestability in the post-2016 context, a number of critics have offered an entirely different interpretation that equates features of “populism” with “politics” or “democracy” as such. In “The Return of the Repressed” and other recent interventions, for instance, Wolfgang Streeck explains that the “rediscovery of democracy as a political corrective... benefits exclusively new kinds of parties and movements whose appearance throws national political systems into disarray.”⁷⁶³ These are what global elites call “populism,” a concept denoting “left-wing and right-wing tendencies and organizations alike that reject the TINA [‘there is no alternative’] logic of ‘responsible’ politics in a world of neoliberal globalization.”⁷⁶⁴ “The fissure between those who describe others as ‘populists’ and the objects of their description,” Streeck argues, “is the dominant political fault line in the crisis-ridden societies of financial capitalism.”⁷⁶⁵ The two options, he asserts, are further “regress” on the one-way street of economic globalization or “progress” through U-turn that restores “nation-state control.”⁷⁶⁶ Streeck explains his logic as follows: “[N]ow that the former advocates of the plebeian classes have switched to the

⁷⁶⁰ Tooze, *Crashed*, 614. Earlier in the book Tooze writes: “Angela Merkel’s first government was a grand coalition with the defeated SPD. Fiscal consolidation, like Hartz IV, commanded a consensus across German politics. The finance ministry was claimed by Peter Steinbrück... [who] was profoundly committed to a supply-side, anti-Keynesian vision of economic policy. For him restoring ‘fiscal room’ was not merely a matter of financial stability. The ossification of the government budget under the impact of quasi-automatic entitlement spending and interest payments was indicative of a broader problem affecting the developed world: the crisis of democratic politics and democratic participation... [T]his led to disaffection among the voters and the splintering of the party-political landscape, with the once-dominant CDU and SPD huddling together in the center. It was not for nothing that ‘postdemocracy’ became one of the buzzwords of German political discussion in the early 2000s.” Tooze, *Crashed*, 96-7.

⁷⁶¹ Tooze, *Crashed*, 580.

⁷⁶² Slobodian, *Globalists*, 286. As discussed below, since writing this book Slobodian has carefully tracked this seeming “reaction” as a movement from *within*, not against, neoliberalism.

⁷⁶³ Wolfgang Streeck, “The Return of the Repressed,” *New Left Review* 104 (March 2017).

⁷⁶⁴ Wolfgang Streeck, “The Return of the Repressed.”

⁷⁶⁵ To this he adds: “The issue at stake is none other than the relationship between global capitalism and the state system. Nothing polarizes the capitalist societies of today more than the debates about the necessity and legitimacy of national politics” Wolfgang Streeck, “The Return of the Repressed.”

⁷⁶⁶ Wolfgang Streeck, “Reflections on political scale,” *Jurisprudence*, 10:1 (2019), 1-14; Wolfgang Streeck, *How Will Capitalism End?* (London: Verso, 2016); for a critique, see Tooze, “A General Logic of Crisis” in *London Review of Books*, Vol. 39, No. 1 (January 5, 2017).

globalization party, so that if their former clients wish to complain about the pressures of capitalist modernization, the only language at their disposal is the pre-political, untreated linguistic raw material of everyday experiences of deprivation, economic or cultural.”⁷⁶⁷ Whereas the center-left social democrats were supposed to represent the interests of the working classes, in other words, they implemented neoliberal policies that betrayed their own democratic “clientele.” Because Streeck sees populist disruption as the only way to render the “pre-political” shriek of these “silenced” citizens into a properly *political* voice, it comes as no surprise that he sought to jumpstart one such project himself—a return of the repressed, understood as a populist restoration of the postwar welfare state.⁷⁶⁸

There are more nuanced and robust precedents for such a vision of the political premised on nation-state horizons. In fact, one of the most familiar formulations emerged as a reaction to neoliberalism’s rightwing rollout in South America (via the IMF’s structural adjustments and Pinochet’s liberalization measures) and in Britain and the U.S. (via the Thatcher and Reagan “revolutions”). In 1985, Ernesto Laclau and Chantal Mouffe advanced a post-Marxist response in *Hegemony and Socialist Strategy* that encouraged the left to “restore the centrality of politics over the tyranny of market forces.”⁷⁶⁹ At times the authors depicted the logic of politics as inherently opposed to that of capitalism; at other times they described the pro-market right as a hegemonic force that had successfully seized the core elements of the political for itself. They observed that, despite its economic individualism, neoliberalism proved effective at constructing a shared discourse, forging affective bonds to a leader, and securing the levers of state power. At the most general level, however, Laclau and Mouffe’s poststructural reformulation of the political as a hegemonic relation rendered it in a universalistic, formalistic and omnipresent light.⁷⁷⁰ Though more nuanced than Streeck’s reinterpretation of “democracy” as a populist U-turn from one-way globalization back to the postwar welfare state, it comes as no surprise that Mouffe’s *For a Left*

⁷⁶⁷ Streeck, “The Return of the Repressed.”

⁷⁶⁸ The vanguardist quality of this response is not hidden in this particular text, which schematizes the relationship in functionalistic terms: “The cosmopolitan identitarianism of the leaders of the neoliberal age, originating as it did in part from left-wing universalism, calls forth by way of reaction a national identitarianism, while anti-national re-education from above produces an anti-elitist nationalism from below.” Streeck, “The Return of the Repressed.” For a critical discussion of *Aufstehen* (‘Stand Up’), see Quinn Slobodian and William Callison, “Pop-Up Populism: The Failure of Left-Wing Nationalism in Germany” in *Dissent* (Summer 2019).

⁷⁶⁹ Ernesto Laclau and Chantal Mouffe, *Hegemony and Socialist Strategy: Towards a Radical Democratic Politics* (London: Verso, 1985/2001), xix. They described the nature of this development as follows: “If neo-liberal ideas have acquired an unquestionable political resonance, it is because they have permitted the articulation of resistances to the growing bureaucratization of social relations to which we referred earlier. Thus the new conservatism has succeeded in presenting its programme of dismantling the Welfare State as a defence of individual liberty against the oppressor state.” Laclau and Mouffe, *Hegemony and Socialist Strategy*, 175.

⁷⁷⁰ “A hegemonic relation has, no doubt, a universalistic dimension, but it is a very particular type of universalism whose main features it is important to point out. It is not the result of a contractual decision, as in the case of Hobbes’s Leviathan, for the hegemonic link transforms the identity of the hegemonic subjects. It is not necessarily linked to a public space, as with Hegel’s notion of a [bureaucratic] ‘universal class,’ for hegemonic rearticulations start at the level of civil society. It is not, finally, like the Marxian notion of the proletariat as a universal class, for it does not result from an ultimate human reconciliation leading to the withering away of the State and the end of politics; the hegemonic link is, on the contrary, constitutively political. What, in that case, is the specific universality inherent in hegemony? It results, we argue in the text, from the specific dialectic between what we call logics of difference and logics of equivalence.” Laclau and Mouffe, *Hegemony and Socialist Strategy*, xii-xiii.

Populism (2018) was read as a kind of playbook by actors on both the nationalist left and the nationalist right.⁷⁷¹

It is not entirely incorrect, of course, to call the post-2008 far right a “political reaction” with hegemonic aspirations. But the sense of the word “political,” in the accounts rehearsed above, is a narrow one—an “official” category that denotes the contestability of economic ideas or the primacy of state power. What the dissertation has sought to uncover, by contrast, is how the early neoliberal intellectuals sought to cast a whole range of properly “political” values, experiences and dispositions as “irrational” and thus as beyond the pale of systemic, functionalist and market “rationality.” With the aspiration to reshape laws and institutions, the neoliberals launched a *political* project that aimed to subordinate *the political*, in both the formal and the broader sense of the word. This double valence of the political—similar to “the critique of irrational rationality” or calls for “the democratization of democracy”—offers a more capacious way of reading the present against the historical and conceptual lines mapped by this dissertation.

In what follows I will suggest that such an alternative conception, as found in sociologist and cultural theorist Stuart Hall and political theorist Sheldon Wolin, captures a sense of the political whose absence (or deficit) is constitutive of the neoliberal and far-right hybrids described above. The reason for turning to Hall and Wolin here is neither to idealize nor to rehearse the entirety of their thinking about politics and power. Rather, the goal is to register how they might help us understand what is missing from the far-right hybrids discussed above and from the formulations of the state and politics in the theoretical projects examined in this dissertation. Additionally, they may offer a counter-reading to two interpretive responses to our current predicament: one that would completely write off the idea of “the (democratic) people” because of the populist right’s efforts to claim it for themselves; and another that would either reclaim or invert the “political” or “populist” logic of the far right in order to defeat it. There is a difference between the *invocation of* and the *disposition toward* collective self-government, between the assertion and the practice of democracy, between the destruction and the cultivation of powers shared in common. And it is through this kind of distinction that, with the help of Hall and Wolin, we may better grasp the dilemmas of the political in a world remade by neoliberal rationality.

* * *

For Stuart Hall and Sheldon Wolin, the political is distinct from any *given* political order or *particular* set of governmental practices, a starting point that undoubtedly parallels that of other well-known thinkers. From Claude Lefort and Jacques Rancière to Ernesto Laclau and Chantal Mouffe, political and social theorists have differently defined and differentiated *le politique* (or “the political”) and *la politique* (or “politics”).⁷⁷² Yet because Hall and Wolin seek to historicize

⁷⁷¹ Following the Soviet Union’s collapse, Mouffe could thus write *The Return of the Political* with a modified Schmittian conception that underscored the potency of ethnic, religious and nationalist identities. In 2018, Mouffe called *For a Left Populism*, with the ear of political leaders in *Podemos*, *La France insoumise* and *Aufstehen*, among other movements. See Chantal Mouffe, *The Return of the Political* (London: Verso, 1993); Mouffe, *For a Left Populism* (London: Verso, 2018). For a critical review, see Thea Riofrancos, “Populism Without the People: On Chantal Mouffe” in *N+1* (November 23, 2018).

⁷⁷² For these thinkers, the distinction between the political and politics maps onto the philosophical distinction between the ontological and the ontic. Marchart documents the historical context of this conceptual maneuver as

rather than formalize the meanings and manifestations of the political, they are especially apt guides for present-minded theory. Specifically, Hall and Wolin grasp the construction of collectivities—including that of “the people”—without essentializing the latter’s identity, structure, or mode of appearance. In this sense, they diverge from Carl Schmitt, who, like Max Weber, was state-centric in his political vision and prone to “substantialize” collective conflict.⁷⁷³ A less formalistic, more diagnostic approach to the political is needed, however, and this Hall and Wolin offer in spades.

Hall and Wolin were among the more astute analysts of neoliberalism at the moment of its Euro-Atlantic ascendance, even though they developed their respective understandings of the political long before, and as early as the 1960’s. Like Michel Foucault, they perceived the centrality of economic theory in neoliberal strategies for market rule, the significant role of the “strong state” in pushing through neoliberal reforms, and the way new discourses of libertarian anti-statism were only seemingly paradoxical in their legitimation of each. Unlike Foucault, however, Hall and Wolin also accounted for Thatcherism and Reaganism as *political* and even *populist* programs—despite the fact that *depoliticization* was one of the core objectives of these programs.⁷⁷⁴ The Thatcher and Reagan revolutions resignified political subjects as entrepreneurial subjects, they explained, just as “the (democratic) people” was reconjured as “the market’s people.”⁷⁷⁵ In a word, Hall and Wolin sought to account for the *constructive* character of the political deficits whose epistemological programming this dissertation has examined.

Whereas Hall’s approach to the political stems from Gramsci and post-Marxist theory, Wolin’s is derived from strands of radical and republican democracy from the ancient Athenians through Niccolò Machiavelli to Alexis de Tocqueville. Significant for Hall is the notion that political action creates the conditions within which legislation and identity formation take place, that discursive struggle reshapes the modality, intelligibility and thus contestability of certain forms of “justification.”⁷⁷⁶ Wolin’s rendering of the political does not deny the place of cultural

follows: “While the conceptual differentiation between ‘politics’ and ‘the political’ (or *la politique* and *le politique*) can be traced back, in the French context, to Paul Ricœur’s ‘The Political Paradox’ [1963], it forcefully reemerged in the 1980s when many philosophers—among them Jean-François Lyotard, Claude Lefort, Alain Badiou, Jacob Rogozinski, Jacques Rancière, and Étienne Balibar—were invited by Jean-Luc Nancy and Philippe Lacoue Labarthe to give lectures at the Center for Philosophical Research on the Political (Centre de recherches philosophiques sur le politique) and discuss what the founders referred to as the ‘retreat of the political.’ From then on what can be called ‘the political difference’ has been canonized as a basic conceptual differentiation.” Oliver Marchart, “Democracy and Minimal Politics: The Political Difference and Its Consequences” in *The South Atlantic Quarterly* 110:4 (Fall 2011), 965. For an overview, see also Oliver Marchart, *Post-Foundational Political Thought: Political Difference in Nancy, Lefort, Badiou and Laclau* (Edinburgh University Press, 2007); and Martin Jay, Chapter 2 in *The Virtues of Mendacity*, in particular 120-29.

⁷⁷³ Schmitt’s own formalistic mode of “substantialization” infamously yielded the omnipresent if often latent binary between “friend and enemy,” which he understood to be the most “essential,” “existential,” and “extreme” of all. See Carl Schmitt, *The Concept of the Political* (Chicago: Chicago University Press, 1932/1996). For my reading of Schmitt in relation to some of the dissertation’s core themes, such as the relationship between the political and the economic, see “Sovereign Anxieties and Neoliberal Transformations,” *Qui Parle* Vol 23 No 1 (Fall/Winter 2014). For an excellent “experimental” study of the imagined relationship between the political and the economic, see Chapter 1 in Susan Buck-Morss, *Dreamworld and Catastrophe: The Passing of Mass Utopia in East and West* (Cambridge, Mass.: MIT Press, 2000).

⁷⁷⁴ In Foucault’s defense, however, he was working on neoliberalism before and then at the dawn of Thatcher’s project. For a critical discussion of Foucault on this question, see the Introduction in this dissertation.

⁷⁷⁵ See Sören Brandes, “The Market’s People: Milton Friedman and the Making of Neoliberal Populism” in Callison and Manfredi (eds.), *Mutant Neoliberalism*.

⁷⁷⁶ See “Introduction” in Stuart Hall, *The Great Moving Right Show*.

and conflictual strategies, though he underscores the *promise* of the political as something *more* than mere conflict. The political, in Wolin's view, is about "the common," that is, about both the cooperative *and* conflictual dimensions of commonality. The political conveys the negotiation of a world that is shared yet also defined by difference. Or, in Wolin's words, "the problem of the political is not to clear a space from which society is to be kept out but it is rather to ground power in commonality while reverencing diversity—not simply respecting difference."⁷⁷⁷ For Hall and Wolin, then, *politics* inflects the powers that shape individual and collective life, but *the political* names the possibility of both reshaping and sharing in these powers collectively.

It is in this sense that "the political" pertains to a particular mode of *experience* of and *orientation* to a world shared in common. This iteration of its meaning neither seeks to eliminate power nor denies power's role in shaping the conditions under which collective world-making becomes possible. This is also why the political, for Hall and Wolin, is something that can be *diminished* or *lost* and by the same token, can be *rediscovered* and *remade*.⁷⁷⁸ Thus, at the beginning of the 1980's, Hall and Wolin identified the stakes of Thatcherism and Reaganism as an "authoritarian populism" that at once deployed politics and eviscerated the political *qua* an affirmation of the public and orientation toward the common good.⁷⁷⁹ Fusing "traditional conservative moralism" with "abstract economic theory," neoliberal practitioners, according to Wolin and Hall, were attacking the political as they pursued new experiments in liberalization, privatization, monetarism, tax cuts, union busting, and the demolition of the welfare state.

* * *

Many have conceptualized the far right as a form of (re-)politicization that responds to and (mis)represents popular grievances about these programs, whether driven by economic frustration or racial animus or the former converted to the latter. The same interpreters often equate the so-called return of "politics" with the heightened relevance of "identity," describing each (particularly

⁷⁷⁷ Wolin, "Democracy and the Political," 249. Hans Sluga underscores the inseparability of "politics" and "the common good" in similar fashion, though he also acknowledges, *with* Arendt and Schmitt, that the political implies a fundamental, irresolvable kind of *uncertainty*. Thus, differently than Wolin's promise, Sluga's point about the political speaks to early twentieth-century concerns about the (ir)rationality of politics itself. Here I focus in particular on the attempt of the human sciences to secure *rationality* and absolve *irrationality*, once and for all. See Hannah Arendt, *The Human Condition*; and Sluga, *Politics and the Search for the Common Good*.

⁷⁷⁸ "The loss of the political is a clue to its nature: it is a mode of experience rather than a comprehensive institution such as the state. The thing about experience is that we can lose it and the thing about political experience is that we are always losing it and having to recover it. The nature of the political is that it requires renewal." Wolin, "Democracy and the Political," 248. See also the following elucidation of Hall's notion: "The crucial issue is that any site in the social formation, in any particular moment, can become the condensation of political antagonisms; the site of evolving, potential political forces; and the terrain on which political allegiances are made or unmade. How this occurs, or where the terrain is to be located, is a contingent matter that no formal theory of politics can stipulate or anticipate. In this sense, the place of politics is frequently *displaced*, meaning that what is significant politically may not inhabit, or only partially inhabit, the institutional arrangements of formal politics." Sally Davison, David Featherstone, Bill Schwarz and Michael Rustin in Hall, *The Great Moving Right Show*, 6-7. For a celebrated study that centers on the displacement of politics in contemporary political theory, see Bonnie Honig, *Political Theory and the Displacement of Politics* (Ithaca: Cornell University Press, 1993).

⁷⁷⁹ See Wolin, "The New Public Philosophy" [1981] in *Fugitive Democracy*, 379-93; and Hall, *The Hard Road to Renewal*.

in their “populist” varieties) as potentially “dangerous” or even “irrational.”⁷⁸⁰ Even as these interpretations of the post-2016 “backlash” cast politics as a matter of individual or group identity, they continue a long tradition of tarnishing politics. Simultaneously, they also cast markets as free of politics and as inherently democratic in nature.⁷⁸¹ Such equivalences between politics and identity lend a technocratic vision of market rule the veneer of rationality. And they constitute the latest attempt to reframe irrationality (now equated with “both sides,” the far right and the far left) around a particular ideal of rationality, presented from above as enlightened and without alternative.

Such views of the far right as an *irrational* if genuinely *political* rebellion acknowledge that *formal* mechanisms of democracy, such as elections and legislation, can be used by movements explicitly hostile to democracy. Yet they rarely reflect on how, beyond a lust for power or an antipathy to liberalism, many such movements also comprise a mutant form of neoliberalism, one employing new modes of attack on the *preconditions* of democratic politics. Current strands of the far right seek to undermine not just consensus-oriented rational debate (as conceptualized by Habermas and deliberative democrats) or a shared belief in democratic institutions (as flagged by liberals worried by “norm erosion”). Much like the “demoskepticism” described in previous chapters, they also undercut the very idea of a continuously contested and constructed domain comprising a diversity of collective subjects, values and programs.⁷⁸² In a word, neoliberalism has not yielded a return of the political, but a revolt against its more robust manifestations.

Seen through Hall and Wolin’s formulation of the political, the neoliberal and far-right hybrids described above—the FPÖ, the AfD, and the Alt-Right—may be better understood as expressions of political deficits than of robust political dispositions. Much of the far-right “reaction” could even be called *antipolitical* in orientation—that is, animated by a desire to constrain rather than cultivate the common, to extinguish rather than negotiate difference, to totalize rather than share in power. Perhaps it should come as no surprise, then, that these forces do not simply seek to subvert the idea and practice of making a world-in-common, but actively seek to advance its annihilation—*inter alia*, through expansive climate-denial campaigns supported by think-tank networks and funded by the oil and gas industry.⁷⁸³ From another angle,

⁷⁸⁰ Francis Fukuyama nicely encapsulates this trajectory. Of his own book, *The End of History*, he wrote: “I argued that liberal democracy may constitute the ‘end point of mankind’s ideological evolution’ and the ‘final form of human government’ and as such constituted ‘the end of history.’ That is, while earlier forms of government were characterized by grave defects and irrationalities that led to their eventual collapse, liberal democracy was arguably free from such fundamental internal contradictions.” Fukuyama, *The End of History and the Last Man* (1992), xi (emphasis mine). In the post-2016 context, he now underscores the importance of “identity” in human relations, seemingly as a proxy for “irrationality,” a small degree of which is perhaps necessary. He blames the rise of the right on “identity politics,” which he understands as beginning with social movements in the 1960’s and directly leading to Trump. See Fukuyama, *Identity: The Demand for Dignity and the Politics of Resentment* (2018); and Fukuyama, “Against Identity Politics: The New Tribalism and the Crisis of Democracy” in *Foreign Affairs* (Sept./Oct. 2018).

⁷⁸¹ For just one recent example, see Deirdre McCloskey, *Why Liberalism Works: How True Liberal Values Produce a Freer, More Equal, Prosperous World for All* (New Haven: Yale University Press, forthcoming).

⁷⁸² That social scientific and political discourses are increasingly dominated by forms of *neonaturalism*—the attempt to re-root individual and collective proclivities in allegedly “natural” foundations such as race, ethnicity, sex, genetics, intelligence and so on—fits rather than contradicts an *antipolitical* context like this.

⁷⁸³ For just one of countless examples, see the following: “The AfD has been denying human-made climate change on its social media pages since 2016... The fact that many mainstream politicians from across the political divide in Germany supported a 16-year-old female activist who was virtually unknown until a few months ago, allowed the party to present belief in climate change as irrational, hysteria, panic, cult-like or even as a replacement religion.

there are also numerous liberal and libertarian currents—from Third Way centrists to conservative libertarians—that have made use of far-right victories by casting doubt on democratic practices while representing their own technocratic and market solutions to “irrationality” as the only alternative (again).⁷⁸⁴

There are many potential counterexamples to the political deficits for which we are accounting, such as the feminist movement *Ni una menos* across South America, the anti-eviction *PAH* movement led by Ada Colau and other community organizers in Barcelona, the pro-refugee sea-rescue *Seebrücke* movement in Germany, the climate-action movements partly inspired by Greta Thunberg across Europe, the airport protest movement against the “Muslim Ban” in the U.S., among countless others.⁷⁸⁵ But a detailed discussion of these and other movements, which aspire to reshape the framing and experience of politics in a radically democratic fashion, is unlikely to satisfy skeptics. For it is true that the notion of the political in Hall and Wolin is based on a “value” commitment—opposed, as it were, to formalist, proceduralist, technocratic, economic, aprioristic, algorithmic or other approaches prone to eschew the imbrication of politics, values, and collectivities. Such a widely-shared value commitment to the political, however, forms a necessary precondition of democratic self-governance, understood in the broadest sense of collectively deciding the principles by which “we” live.⁷⁸⁶ Put another way, this is not about the normativization but rather the *affirmation* of the political as a site and source of collective values—values without which any substantive manifestation of “democracy” is not possible.

This returns us to the dissertation’s central concern: the historical and epistemological formation of neoliberal rationality before, and then evolving through, the institutional and ontological effects it generated. It returns us, in particular, to Friedrich von Hayek’s call for the “dethronement of politics,” where politics is understood less in the “official” sense of the term than the sense described here: the negotiation and pursuit of collective values, the care and

Attacking Greta, at times in fairly vicious ways, including mocking her for her autism, became a way to portray the AfD’s political opponents as irrational.” Jakob Guhl, cited in Kate Connolly, “Germany’s AfD turns on Greta Thunberg as it embraces climate denial: Rightwing populists to launch attack on climate science in vote drive before EU elections” in *The Guardian* (May 14, 2019). See also Adrian Parr, *The Wrath of Capital: Neoliberalism and Climate Change Politics* (New York: Columbia University Press, 2012).

⁷⁸⁴ For a pointed example, see the jacket cover of *Against Democracy* by libertarian scholar Jason Brennan, who previously authored *Markets without Limits* and who argues here that “democracy should be judged by its results—and the results are not good enough. Just as defendants have a right to a fair trial, citizens have a right to competent government. But democracy is the rule of the ignorant and the irrational, and it all too often falls short... Brennan argues that a new system of government—epistocracy, the rule of the knowledgeable—may be better than democracy, and that it’s time to experiment and find out.” Jason Brennan, *Against Democracy* (Princeton: Princeton University Press, 2016).

⁷⁸⁵ “Conservative” counterexamples are also possible, though given the attributes of contemporary forces discussed above, a degree of skepticism is required. Some on the French right have hailed the *gilets jaunes* (Yellow Vests) movement as one such example, while others have contemplated the U.S. Tea Party movement—despite its libertarian core, racist themes, and sources of funding (“astroturfing”)—as another possibility. For a reflection on the latter, see Stephen K. White, *A Democratic Bearing: Admirable Citizens, Uneven Injustice, and Critical Theory* (Cambridge University Press, 2017).

⁷⁸⁶ At different points the dissertation has contrasted such a view with the neoliberal concept of “consumer sovereignty,” which understands the price mechanism as the real site and source of “democracy.” In this counter-view, the market satisfies both individual and systemic rationality by taking into account individual (as opposed to group) choices via the formal medium of money and of prices, and the “substantive” values of group decision-making are constructed as a source of irrationality at best and unfreedom at worst.

cultivation of the common, and the aspiration for political equality and freedom which any specific manifestation of radical democracy, properly so called, requires as its condition of possibility.

Like so many twentieth-century theorizations of rationality, the neoliberals' conceptual schema rested on the Weberian distinction between formal and substantive rationality. Calculative or economic value, according to Weber's typology, is of a wholly different type, and on a different epistemic plane, from non-economic or substantive value—different, that is, from any kind of “collective” value. Based on methodological individualism, formal rationality lies in the (economic) value generated by the market mechanism. Based on the “ultimate ends” of individuals and groups, substantive rationality lies in the (political, social, cultural, religious) values of different worldviews. Hayek's objection to “substantive” orientations and institutions—which he variously called “collectivism,” “constructionism,” “socialism,” and “democracy”—is that the pursuit of collective (political) values not only intrudes on individual freedom,⁷⁸⁷ but also irrationally disrupts market rationality.⁷⁸⁸ The solution is to construct a political institution that keeps politics and economics in their proper places;⁷⁸⁹ such an institution would not plan for any substantive or democratic value in particular (social equality or racial justice) but would only “plan for competition.” A competitive market order secured by the rule of law (as distinct from democracy) is the only way of preventing democratic-political dynamics from “imposing a single scale of values, the ‘social goal.’”⁷⁹⁰

⁷⁸⁷ “Political freedom in the sense of democracy, ‘inner’ freedom, freedom as the absence of obstacles for the realization of our wishes, or especially the ‘freedom from’ fear and want, all have little to do with individual freedom and often stand in conflict with it... The freedom we are concerned with, that alone can serve as the general principle of politics, and that was the original goal of all free movements, exclusively consists of the absence of arbitrary force.” Hayek, “Die Ursachen der ständigen Gefährdung der Freiheit,” *Ordo*, vol. 12, 1960-61, 103-9, translation mine.

⁷⁸⁸ The danger of socialism and any formation other than economic (neo)liberalism, in Hayek's words, is that it will “replace the impersonal and anonymous mechanism of the market by collective and ‘conscious’ direction of all social forces to deliberately chosen goals.” Hayek, *The Road to Serfdom* (London: Routledge, 1948/2001), 20-21.

⁷⁸⁹ Hayek criticized one of his socialist contemporaries in this way: “‘In a socialist society,’ [Dickinson] says, ‘the distinction, always artificial, between economics and politics will break down; the economic and the political machinery of society will fuse into one.’ This is, of course, precisely the authoritarian doctrine preached by Nazis and Fascists. The distinction breaks down because in a planned system all economic questions become political questions, because it is no longer a question of reconciling as far as possible individual views and desires but one of imposing a single scale of values, the ‘social goal’ of which socialists ever since the time of Saint-Simon have been dreaming. In this respect it seems that the schemes of an authoritarian socialist, from those of Professor Hogben and Lewis Mumford, whom Dickinson mentions as an example, to those of Stalin and Hitler, are much more realistic and consistent than the beautiful and idyllic picture of the ‘libertarian socialism’ in which Dickinson believes.” Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948/2012), 207; also in Hayek, *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism* (New York: Augustus Kelley, 1935).

⁷⁹⁰ Less an exception to than an evolution of this view, as Melinda Cooper and Wendy Brown have explained, is the relationship the neoliberals came to see between free markets and traditional morals. Yet this, too, required a feverish effort to subordinate the political to market dynamics and to private households—with the “customary” forms of hierarchy, domination, and value they harbor. See Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (New York: Zone Books, 2017); and Wendy Brown, *In the Ruins of Neoliberalism* (Columbia University Press, 2019). Hayek argued that “the advance of morals should lead to a reduction of specific obligations towards others” and that this “requires” to some degree “the reduction of the range of duties we owe to all others.” Hayek, *Law, Legislation and Liberty: The Mirage of Social Justice* (London, Routledge 1976/1982), 89-90. As João Rodrigues observes, “This evolving and adaptable moral code, the moral economy of neo-liberalism, goes against ingrained moral atavisms, which permanently try to re-create, through anti-market changes in the provision process, conditions for a communal life where people might have a host of shared

If this neoliberal logic is to some degree the culprit of the 2008 finance crisis, the 2016 political crisis or the ongoing crises of our time, the natural conclusion might seem to be some kind of inversion: the subordination of the formal to the substantive, of the economic to the political, of capitalism to socialism, or a similar operation. And this is indeed what many on the Left argue for today. Yet the dissertation has shown that, conceived as such, this solution remains trapped within the same binary schemas of rationality and politics that emerged in the early twentieth century. And it was with these schemas—from marginalist axioms to Weberian typologies—that the Austrian, Freiburg and Chicago Schools constructed their own rationalities. Each rationality was not confined to market logics, however, but acknowledged from the start the necessity of remaking commonplace epistemological, institutional and political coordinates.

Among the many ironies of neoliberalism's historical trajectory is that its model for remaking both elite and public orientations to the common was partly inspired by their socialist adversaries. "The masses favor socialism because they trust the socialist propaganda of the intellectuals," Mises observed in 1922, concluding that "the intellectuals not the masses are molding public opinion."⁷⁹¹ Later Hayek wrote "our concern" must be "the beliefs which must spread if a free society is to be preserved, or restored, not what is practicable at the moment." "While we must emancipate ourselves from that servitude to current prejudices in which the politician is held," he added, "we must take a sane view of what persuasion and instruction are likely to achieve."⁷⁹² That these theorists linked concept and knowledge production to a comparably far-sighted vision of historical and political change offers lessons well beyond an "ideology critique" that underscores internal contradictions, such as the violation of their stated commitments to scientific objectivity or Weberian "value neutrality."

In view of the far-reaching neoliberal effort to reconstruct the subjects and objects of "rational" debate, Hall accounted for the vision of Thatcherism as follows:

Its success is partly the result of the right, not the left, taking ideas seriously. The radical right is not hung up on some low-flying materialism which tells them that, of course, ideas are wholly determined by material and economic conditions. They actually do believe that you have to struggle to implant the notion of the market; and that, if you talk about it well enough, effectively and persuasively enough, you can touch people's understanding of how they live and work, and make a new kind of sense about what's wrong with society and what to do about it.⁷⁹³

With some exceptions, the neoliberal theorists of course focused more on crafting ideas for elites and reshaping powerful institutions than on public engagement and persuasion of "the masses." Yet these thinkers knew that they, like those who would later advance their visions, were also engaged in a constructive project: an attempt to reconfigure the coordinates of experience and reflection in terms of rational vs. irrational courses of thought and action. In turn, left approaches to the "ideology" or "normative" critique of state capitalism, including some of those advanced by

ends." João Rodrigues, "The Political and Moral Economies of Neoliberalism: Mises and Hayek," *Cambridge Journal of Economics* Vol. 37, No. 5 (2013), 1013.

⁷⁹¹ Ludwig von Mises, *Socialism* (New Haven: Yale University Press, 1922/1951), 540.

⁷⁹² Hayek, *The Road to Serfdom*, 109.

⁷⁹³ Hall, *The Hard Road to Renewal*, 188.

the Frankfurt School, sought in vain a reversal of political-economic “irrationality” through a technological, aesthetic, or moral rationality of their own formulation. More often than not, the neoliberal thesis was contested with a counter-thesis, though each shared the same basic premise, the same structural framework in which particular modes of intervention are possible while others are simply not.

When Hall described “the crisis of the left” as “a sort of mirror-image of Thatcherism,”⁷⁹⁴ he invoked a mimetic image of politics in which the terms of debate are ceded and the conditions of action are assumed—even when, or precisely because, they have already been successfully constructed by the adversary. This imitation precludes diagnostic insight and social transformation, Hall suggested, “if we go on thinking the same things we have always thought and doing the same things we have always done—only more so, harder, and with more ‘conviction.’”⁷⁹⁵ Hall and Wolin do not offer us “solutions” to current dilemmas, but they do serve as guides for breaking out of the Weberian trap that operates through positing and then embracing binaries, particularly those that enframe economic and political questions in terms of their rationality and irrationality.

In tracking the way the early neoliberals methodologically programmed the categories of possible debate and action, I have neither separated their interventions into discourse and knowledge production from the task of public persuasion nor rendered it fully autonomous from the powers of political economy that undoubtedly contour each. Instead, I have attempted to conceptualize the construction of neoliberal rationality as an intervention that prefigured and guided discourses and practices that have transformed the world we now inhabit. To the extent that emancipation, freedom, and a livable future is still possible, these not only demand collective struggles that challenge the strictures set by neoliberalism; they also require an appreciation of the political as a precondition for thinking and making the world otherwise. As a work of political theory, this dissertation has emphasized the role that history and theory have as part of this task—that is, as activities that may be productive of the political.

Accounting for our political deficits requires historical examination, careful conceptualization, and democratic contestation of neoliberalism’s far-right mutations, which are now targeting all but the narrowest forms of commonality, democracy, and solidarity. Instead of harnessing critique to the subsumption or rationalization of politics, a critical theory responsive to this predicament would do well to pursue more expansive visions of the political than those inherited by the twenty-first century.

⁷⁹⁴ Hall, *The Hard Road to Renewal*, 11.

⁷⁹⁵ Instead, Hall added, “[i]t means a qualitative change: not the recovery of ‘lost ground’ but the redefinition, under present conditions, of what the whole project of socialism now means.” Hall, “Introduction,” *The Hard Road to Renewal*, 11.