

# Changing the way of thinking: was German ordoliberalism travelling to China in 1978–1985?<sup>1</sup>

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## Abstract

China after the economic reform process is probably less different from the Western countries than often imagined. Through a profound document analysis, this article's aim is to assess German ordoliberal influence on the Chinese economic reform agenda via policy learning from 1978 to 1985. Firstly, the methodology of the research and the ideology of ordoliberalism are briefly presented. Ordoliberalism is a version of liberalism that differs considerably from neoliberalism. Secondly, the author verifies the hypothesis that German ordoliberal experts acted as teachers for Chinese leaders during the first phase of the Chinese economic reform process (i.e. around 1978). Thirdly, based on the analysis of the ordoliberal principles, the author determines the similarities between ordoliberalism and the Chinese economic reform process. The results are mixed. China has not become the West because of the economic reform process, but ordoliberalism – not neoliberalism – significantly influenced the market-oriented China.

**Keywords:** ordoliberalism, Germany, China, China's economic reforms

## Zmiana sposobu myślenia: czy niemiecki ordoliberalizm w latach 1978–1985 rezydował w Chinach?

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### Streszczenie

Chiny po przejściu procesu reform gospodarczych najprawdopodobniej mniej różnią się od państw Zachodu niż może to się wydawać. Celem niniejszego artykułu jest ocena wpływu niemieckiego ordoliberalizmu na chiński program reform gospodarczych. Cel ten zostanie osiągnięty poprzez dogłębną analizę dokumentów z lat 1978–1985. Na wstępie krótko przedstawiono metodologię badań i ideologię ordoliberalizmu. Ordoliberalizm jest wersją liberalizmu, która znacznie różni się od neoliberalizmu. Następnie autor weryfikuje hipotezę, że niemieccy eksperci ordoliberalizmu pełnili rolę "nauczycieli" dla chińskich przywódców w pierwszej fazie chińskiego procesu reform gospodarczych (tj. około 1978 roku). Na zakończenie, w oparciu o analizę zasad ordoliberalizmu, autor określa stopień podobieństwa między ordoliberalizmem a chińskim procesem reform gospodarczych. Rezultaty są zróżnicowane. Chiny nie stały się Zachodem w wyniku przeprowadzenia reform gospodarczych, ale ordoliberalizm – a nie neoliberalizm – w znacznym stopniu wpłynął na zorientowane rynkowo Chiny.

**Słowa kluczowe:** ordoliberalizm, Niemcy, Chiny, chińskie reformy gospodarcze

The People's Republic of China (hereafter China) is becoming the world's second economic superpower. In this perspective, it is important to understand the nuances of its modern history. The economic reforms in the country implemented in 1978–1985 are a critical juncture in its development. Hence, it is interesting from a scientific point of view to investigate their peculiarities.

Dunlop and Radaelli (2022) distinguish between four modes of international policy learning: epistemic, reflexive, bargaining and hierarchical. Potentially, the policy learning between ordoliberalism originating from Germany and China during the economic reform process from 1978 to 1985 is partly epistemic and partly reflexive. According to Dunlop and Radaelli (2022: p. 56), we can unpack the epistemic mode of policy learning in the following way: 'Teaching' is the metaphor for this type of policy learning. The predominant actors are experts. Moreover, what is learned is the cause and effect relationship in the analysed policy area based on input from facts and science. 'Dialogue' is the metaphor for the reflexive mode of policy learning. The predominant actors involved in this are citizens interested in the policy area. In addition, what is learned is exposing norms as well as learning how to learn (Nedergaard, Nobel 2022: p. 531).

Both epistemic and reflexive policy learning are cooperative modes (Dunlop, Radaelli 2022: p. 61). However, one of the differences is that the epistemic mode mobilises scientific and professional beliefs. Reflexive policy learning, on the other hand, hinges on beliefs about what is correct, appropriate, and acceptable (Dunlop, Radaelli 2022: p. 61).

## Materials and methods

In this article, I analyse whether and to what extent German ordoliberalism played a role in these reforms. It is a subject that left largely unaddressed in the leading academic literature on the economic reform process in China (Brandt, Rawski 2008; Naughton 1995, 2005; Shirk 1993; Tisdell 1993). At the same time, it must be noted several articles and

book chapters concerning this subject (Weber 2022; Karsten 1988, 1998; Albers 2016). I add to the discussion on the subject a more thorough and analytical inclusion of ordoliberalism as a potential explanatory factor, and explain the possible ordoliberal influence in a policy learning perspective. I also explicitly contrast ordoliberalism with neoliberalism, because these concepts reveal and make understandable some of the specific traits of the Chinese economic reform process.

In this context, I analyse why exactly ordoliberalism apparently suited China so well. To investigate this, I reviewed the *Beijing Review* in the analysed period for relevant articles about the economic reform process. The *Beijing Review* was chosen for research, because it is the only national English weekly magazine published by the China International Publishing Group, which is owned and operated by the Central Propaganda Department of the Chinese Communist Party.

**The main research question** is the following: did ordoliberalism influence the Chinese economic reform agenda via policy learning from 1978 to 1985?

This research question is split into **two sub-questions**:

- a) Did ordoliberals really influence the Chinese debate on economic reform via policy learning in its first phase around 1978?
- b) To what extent did the Chinese economic reform process until 1985 live up to the ordoliberal principles?

This article can be categorised as a contribution in the political science subdiscipline of transnational policy learning. This **article's aim** is to analyse policy learning from 1978 to 1985 between two apparently very different countries and thereby providing a historical insight in Europe's ideological influence on China.

To answer the main research question I carried out a detailed and thorough document analysis, which is a natural and suitable approach when conducting a historical case study research (Bowen 2009: p. 29). The most important document sources come from both the *Beijing Review* and the secondary literature on the importance of ordoliberalism for the reform process in China. In my selection of articles and documents from the *Beijing Review*, I have used the concepts in the ordoliberal principles mentioned below as code words (i.e. price mechanism, private ownership, market competition, etc.).

In the following parts of this article I present the relevant content and context as far as ordoliberalism is concerned. Secondly, I argue that the ordoliberals were in fact involved in the Chinese economic reform process. Thirdly, I present a framework in order to measure the degree, to which ordoliberalism had an impact on the economic reform process in the chosen period. I then apply the framework on the actual political initiatives in China from 1978 to 1985. The article ends with conclusions.

## Ordoliberalism and Germany

Ordoliberalism is an economic philosophy with roots in Germany between the two world wars. It was a reaction to the economic and political chaos during the Weimar Republic in 1919–1933 and the dictatorial and planned economic rule under National Social-

ism in 1933–1945. Out of this came a new framework for economic policy development that distanced itself from both Keynesian interventionism and laissez-faire economic liberalism (close to modern neoliberalism).

The economic-legal proponent of ordoliberalism was Walter Eucken (the leading scientist), Franz Böhm, and Leonard Miksch. They pointed to the advantages of securing market freedom through a general constitution-like framework. On the other hand, the sociological proponents were Wilhelm Röpke, Alexander Rüstow, and Alfred Müller-Armack, who held that ordoliberalism would have to include considerations concerning social policy (Havertz 2022: p. 307).

Ordoliberalism influenced the politics and policies of the Federal Republic of Germany (hereafter Germany) after World War II with Professor Ludwig Erhard as a driving force. From 1949 to 1963 he was Minister of Economics. A very important concept in ordoliberalism is the Economic Constitution (germ. *Wirtschaftsverfassung*). I will exploit this concept later in the article to determine the degree of correspondence between ordoliberalism and the Chinese economic reform process. The Economic Constitution determines the role of the state. It arises through planning enacted by politicians with an open-minded, scientific and long-term approach to economic development. According to ordoliberalism, a state is always needed as the primary rule-setter (Touri 2022: p. 265).

According to most liberal ideologies, the state poses the ultimate threat to freedoms and liberty in general. In contrast, the ordoliberals see a positive role for the state as a hindrance to the concentration of private social power (Touri 2022: p. 267). The aim of the Economic Constitution is also to protect the political system from discretionary influences by interest groups and large corporations. Neoliberals, on the contrary, would probably regard the Economic Constitution as yet another barrier to freedom.

The ordoliberal-inspired reforms by Ludwig Erhard in Germany were far from constituting a neoliberal shock therapy. There is a big jump from the 'ordoliberal' price liberalisation of 1948 in Germany and in China in 1978 to 1985 on the one hand, and the total 'neoliberal' price liberalisation advocated later by Professor Milton Friedman.

Related to the Economic Constitution, another relevant concept in ordoliberalism is that of a strong state (germ. *starken Staates*). This kind of state is sufficiently strong as to be able to enforce the Economic Constitution, but also limited. The strong state separates politics from the economy. Carl Schmitt's concept of the total state (germ. *totalen Staates*) is similar to what the ordoliberals call "economic state", where the state is like a big house with all doors open to influences from strong interest groups and corporate interests in the style of the model of the Weimar Republic and the Chinese state before the economic reform process (Touri 2022: p. 269).

The rule of law is also very important for the ordoliberals, and it is strongly connected to safeguarding the predictability inherent in the Economic Constitution. The rule of law (germ. *Die Herrschaft des Gesetzes*) ensures that the legal framework and regulatory actions are implemented efficiently and impartially especially emphasised by the economic-legal proponents of ordoliberalism (Touri 2022: p. 270).

Monetary policy plays a key role in the Economic Constitution, not least because of the fear of the destabilising effects of inflation. According to ordoliberalism, competition does not occur naturally. It is a result of the continuous use of indirect government force (Havertz 2022: p. 308). Hence, according to the ordoliberal definition, the market is neither a 'natural event' nor founded by teleology. It is shaped by its legal institutional environment, which requires careful 'cultivation' for its maintenance and proper functioning (Köhler 2022: p. 417). There is no spontaneous market order à la Friedrich von Hayek involved in ordoliberalism (Whyte 2019).

In addition, for ordoliberals, what is good for the consumers is good for society, because they as a collective have fundamental interests in complete competition (i.e. free competition plus strong competition laws), low inflation, and economic predictability, which the state should improve (Eucken 2004 [1952]: p. 163).

Another important ordoliberal concept is *vital politics* (germ. *Vitalpolitik*). Vital politics is the fundamental instrument of ordoliberal social policy. Worker's participation in company's boards and self-governing cooperatives within the enterprise was also part and parcel of the ordoliberal social policy model, because it would empower the workers, and, thereby, improve their vitality (Nedergaard 2023: p. 35–36).

This concept of the sociological proponents of ordoliberalism is decisive for the strategy of so-called "deproletarianisation". This is equivalent to instilling an entrepreneurial mentality in all citizens (Röpke 1979 [1958]), for example by letting them own a minimum amount of property and land (Havertz 2022: p. 315).

Finally, the ordoliberal concept of a social market economy is yet another important one invented by the ordoliberals. The term *social market economy* was coined by the German economist Alfred Müller-Armack in 1946. He defines it as "a market economy that is complemented by effective social security" (Hien 2022: p. 335). The ordoliberal concept of social market economy is not an expression of social liberalism, even if it might sound that way. Despite its lack of sharpness, the term *social market economy* is at least partly an expression of the fact that the market economy must be fundamentally designed so that it benefits the weakest in society. In part, it is an expression that the market economy should be a formally socially and politically constructed entity.

### **Ordoliberalism in the early phase of the Chinese economic reform process**

Preparation for the economic reform process was underway in China before the economic reforms that were finally agreed upon at the end of 1978. There was research concerning the possibilities of modernisation of the Chinese economy. In this research, the West German transition from a planned economy to a market economy after World War II was subject to close study. From the Chinese perspective, there was a parallel between the collapse of the German economy because of the war and the collapse of the Chinese economy because of the Cultural Revolution from 1966 to 1976. Seen from this viewpoint, these two countries faced the same challenges: how to restore a new