

The Order Ethics of the German Social Market Economy and the Common Good

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Abstract

The attribute “social” in the German concept of “social market economy” is not meant to be a restriction of the market freedom, but a rejection of laissez-faire. The fundamental assumption of the concept is that a free market economy does not emerge and does not sustain by itself, it is unstable and tending to self-destruction, for example by the abuse of insider knowledge, by corruption, price agreements or by the building of cartels.

But the decisive point is: in the social market economy the counter-concept to laissez-faire are neither central planning nor state interventions, but *Ordnungspolitik* – a German term which is often translated as “regulatory policy”, which is, in some respect, correct but at the same time the cause of certain misunderstandings. The main goal of *Ordnungspolitik* is to establish an *ordo*, i.e. a framework of rules for the market competition. These rules shall not restrict, but on the contrary guarantee, secure and sustain the competitive freedom in the market against its tendencies to self-destruction. This *ordo*, resp. regulatory framework in the field of economy is comparable to the legal constitution in a democratic state. The legal constitution guarantees the rule of law in the State, and the regulatory framework in the sense of *Ordnungspolitik* secures the rule of law on the market.

In this respect one can say that *Ordnungspolitik* is a concept of “order ethics” and its vanishing point is the common good. The common good – as understood by the ordoliberalists as well as by the Catholic social doctrine – is not a quantitative value, and is therefore not simply the sum of the “individual goods”. This would be the definition of the “common good” as espoused by Utilitarianism, presuming that it is possible to calculate a maximum benefit at macrosocietal level. In the ordoliberal point of view, the common good is much more of a qualitative measurement that is aimed at the possibility of realizing free development of the human person.