

# Bernard Chavance

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## Institutions as seen by the Austrian school and 'ordoliberalism'

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Bernard Chavance

## Institutions as seen by the Austrian school and ‘ordoliberalism’

The paper focuses on the conceptualization of institution offered by the Austrian school and the Ordoliberal theory that differ significantly from other approaches within the large family of institutional theories, especially those presented by the Chicago school of economics.

Keywords: institution, institutional change, Austrian school, Ordoliberalism.

Since the 1980s and singularly the 1990s, a “neoliberal thought collective” achieved hegemony on a global scale (Mirowski, Plehwe, 2009). Along with the Chicago school of economics, influences of the Austrian school and of the Ordo-liberal theory (the latter predominantly in Europe) have been critical in this process (Audier, 2012). In this paper, I shall concentrate on their conceptualization of institutions, that differ significantly of other approaches in the large family of institutional economics (Chavance, 2009).

### 1. Carl Menger: the organic and pragmatic approaches

Carl Menger (1840–1921), the founding father of the Austrian School, introduced a particularly important distinction between two different ways in which institutions are formed, in response to the criticisms of the German historical school that traditional political economy ignored the role of institutional factors for human action. Certain social phenomena ‘are the results of a *common will* directed toward their establishment (agreement, positive legislation, etc.) while others are the unintended result of human efforts aimed at attaining essentially *individual goals*.’ (Menger, 1883, p. 133) The first are of ‘pragmatic’ origin, the second of ‘organic’

origin. If most contemporaneous institutions were set up in pragmatic ways, in a collective and deliberate manner, their analysis or their interpretation poses no particular difficulty. The same is not true, however, of institutions formed organically, whose importance for economic theory is underlined by Menger.

#### Money as an organic institution

In his *Principles (Grundsätze, 1871)*, Menger had formulated the theory that money originated as the unintended effect of actions of individuals wanting to improve their situation. Money was the culmination of a social process that constituted ‘the spontaneous result, the unpremeditated consequence of individual efforts by members of society’ (Menger, 1892). In his *Investigations (Untersuchungen, 1883)*, he generalizes this theory to numerous other institutions such as law, language, markets, the origin of communities and of the state itself. The problem which ‘exact research’ in economics and in the social sciences has to solve is to understand ‘how institutions which serve the common welfare and are extremely important for its development come into being without a *common will* directed toward establishing them.’ (1883, p. 146) Just as money arises involuntarily from interested individuals’ attempts to overcome the difficulties of barter by acquiring commodities with a high degree of ‘exchangeability’, new localities develop as individuals of different

professions and different abilities settle in new areas where they believe they will have a better market for their various skills. States come into being as families living in close proximity to each other decide that it is to their advantage to unite. What we have here is ‘organic development’, in which social institutions are the unconscious consequence of human actions directed towards personal ends. Some individuals will be quicker or more competent than others in promoting their interests by following certain rules or using certain means and, according to Menger, other individuals will then see their successes and try to imitate them. This is the way in which ‘institutions serving the common welfare’ come to be definitely established without having been planned or conceived by any individual for the purpose. For example, the case in which the knowledge that certain individuals acquire of the advantages they can obtain by accepting in exchange for their commodities other goods that have a greater ‘exchangeability’, even if they are of no use to them in themselves, can become more widespread.

‘This knowledge will never arise simultaneously with all members of a national group. Rather, at first only a number of economic subjects will recognize the advantage accruing to them. (...) [T] here is no better means to enlighten people about their economic interests than their perceiving the economic successes of those who put the right means to work for attaining them.’ (1883, p. 155)

Menger says that this explanation can be widely generalized and that this increases its interest: ‘The methods for the exact understanding of the origins of the “organically” created social structures and those for the solution of the main problems of exact economics are by nature identical.’ (1883, pp. 158-159) Such methods were later to be described as ‘methodological individualism’ (the term is Schumpeter’s), combined with an explanation that indirectly recalls Adam Smith’s ‘invisible hand’, in other words a process that is not consciously implemented by the actors and which generates a result that is collectively beneficial as the paradoxical, but fortunate, result of individual actions directed towards private

interest. The question that then obviously arises is whether organic institutions that are ‘perverse’ or even ‘imbecile’ (as Veblen would call them) could not take shape spontaneously. Menger admits that it is not uncommon to see that customary law (of organic origin) turns out to be harmful to the common welfare, thus justifying that it be changed by legislation (of pragmatic origin) (1883, p. 233). On the whole, however, he remains opposed to ‘unilateral rationalism and to the pragmatism of the Anglo-French period of Enlightenment’, to which Adam Smith and his disciples belonged and which in his view neglected the organic origin of numerous institutions and led to excessive reformism, involuntarily opening the way for socialism (1883, p. 173, 177).

#### A complex interaction

It must be stressed that the individualist approach and the analogy with the invisible hand are, in Menger’s case, linked to his economic liberalism. However, he does not raise the distinction between institutions of organic and pragmatic origin to the level of a dichotomy: ‘for the understanding of social phenomena in their entirety the *pragmatic* interpretation is, in any case, just as indispensable as the “organic”.’ (1883, p. 135) The same is even true of money and law, although in these cases the organic approach predominates:

‘Money has not been generated by law. In its origin it is a social, and not a state institution. Sanction by the authority of the state is a notion [originally] alien to it. On the other hand, however, by state recognition and state regulation, this social institution of money has been perfected and adjusted to the manifold and varying needs of an evolving commerce, just as customary rights have been perfected and adjusted by statute law.’ (1892, p. 255)

Going further, Menger states that the most general pattern in history is the one in which an institution initially emerges organically and is later consolidated (or distorted) by the pragmatic intervention of legislation. This is true, for example, of the present system of money and markets, law and the modern State. These

are 'examples of institutions which are presented to us as the result of the combined effectiveness of individually and socially teleological powers, or, in other words, of "organic" and "positive" factors'. (1883, p. 158)

Two levels are in fact distinguished in Menger's theory of the origin of institutions. First, there are the individual teleological actions, intended to serve personal interests but unintentionally generating institutions of organic origin that serve the common welfare, through imitation. Second, there are the social teleological actions, aimed at serving the common welfare and deliberately producing institutions of pragmatic origin. However, the two levels are not independent of each other, since pragmatic actions can improve institutions that had previously been formed organically.

## 2. Hayek's 'orders' and 'rules'

### The institutions of liberty

Hayek (1899–1992) is – along with von Mises – the main figure in the preservation and extension of the Austrian tradition in the twentieth century. His work is devoted to the re-foundation of economic and political liberalism and this would lead him gradually to distance himself from the common elements that the Austrian School had initially shared with the neo-classical tradition, such as the reference to equilibrium, the assumption of perfect knowledge and the central role played by prices, while at the same time preserving and deepening methodological individualism. His criticism of socialism, and more generally of interventionism, would lead him progressively to place the accent on the questions of co-ordination of actions in a context of complexity, relative ignorance and fragmentation of individual knowledge and to characterize competition as a process of discovery. In his writings between 1960 and 1980, especially *The constitution of liberty* (1960), *Law, legislation and liberty* (1973–78) and *The fatal conceit* (1988), he constructs an elaborate theory of the rules that can be considered as making an important contribution to institutional economics in the broad sense.

The concept of institution is closely linked to the notions of 'order' and 'rule' that Hayek was to develop, basing himself on various intellectual traditions forming part of different disciplines – economics, but also law, political theory, psychology and philosophy – and this gave his work considerable scope. Two important sources of his vision are Adam Smith's notion of the invisible hand (and those of his predecessors in the 'Scottish Enlightenment' like Ferguson) and the distinction made by Menger between organically- and pragmatically-generated institutions, a distinction that he would enlarge and apply to 'orders'. Like Menger, his favourite examples of institutions are language, money, morality, the State, but also ownership and especially law. He also classifies orders among institutions.

### Orders and rules

The concept of *order* evokes a certain coherence and permanence, somewhat resembling the notions of 'system', 'structure' or 'pattern' (1973, p. 42). In the social and economic field, it is Hayek's view that it is essential to distinguish orders that are deliberately constructed or *made*, in other words *organizations*, from spontaneous orders that have been formed and have *grown* by non-directed evolution, through a process of self-organization. The organized and spontaneous orders coexist at different levels of the economy and of society. But the extended and complex orders are not susceptible to being organized. This is the case, in particular, of the two preferred examples of Hayekian theory, the order of the market and that of society as a whole.

There is therefore an essential difference, or even a major contrast, between the organization and spontaneous order. Organized order is relatively simple: it has objectives, a management that formulates directives and lays down rules and the co-ordination of its actions is conscious and deliberate. Spontaneous order is, on the contrary, complex, has no organizer, manager or planner, has no end-purpose and the co-ordination of actions operates in an unconscious but effective manner. Organized order is concrete, spontaneous order is abstract. It is impossible to

understand the latter in immediate and evident fashion. To do this it is necessary to reconstitute mentally the various relations that exist between its component elements (1973, p. 44).

The two types of order have in common that they are both based on *rules*. However, two differences between them have to be underlined: the organization is governed both by instructions from its managers and by rules the latter have laid down, these directives and rules being linked to the aims of the organization, while the spontaneous order is based on ‘rules of just conduct’ only. Moreover, the rules of the organized order show marked contrasts to those of the spontaneous order. The former have a finalized character that one might call teleological; they are concrete, deliberately established and prescriptive in nature. The latter are not directed towards aims; they are abstract

because they are independent of circumstances, they are formed spontaneously and in evolutionary fashion and have an essentially prohibitive character. The contrast between these two types of order and the corresponding two types of rule is summarized in the table III.1.

The central argument in favour of liberalism and against socialism – or indeed any kind of ‘constructivism’, in other words any ultra-rationalist pretension to reconstruct society or the economy according to organized plans – is based on the postulate of the ‘superiority of spontaneous formations to central direction’ for any complex order (1988, p. 123). In fact, only non-deliberate co-ordination carried out in a spontaneous order has the capacity to process in a non-centralised manner all the knowledge or information dispersed in fragmented fashion throughout the system. For Hayek,

Hayek’s two kinds of orders and rules

Organized orders ( <i>Taxis</i> )	Spontaneous orders ( <i>Kosmos</i> )
Made order, artificial or exogenous order, arrangement, construction, organization	Grown order, self-generating, self-organizing or endogenous order
Simple	Complex
Have a direction, an organizer	Have no direction, no organizer
Aim at concrete purposes, at a goal	Independent of any common purpose (other than order itself)
Deliberately co-ordinated	Co-ordinated in an unconscious and non-planned manner
Governed by commands and by rules (subsidiary to commands, linked to purposes)	Governed by rules of just conduct
Concrete (can be intuitively perceived)	Abstract (cannot be intuitively perceived; permanent)
Rules of organization ( <i>Thesis</i> : the law of legislation)	Rules of spontaneous orders ( <i>Nomos</i> : the law of liberty)
Finalized (aim at concrete and predictable results in the short term)	Non-finalized, purposeless character
Concrete	Abstract (apply in an indeterminate number of future cases, without consideration of consequences)
Deliberate creation	Spontaneous emergence and evolution, gradual and marginal deliberate perfection
Differ for the different members of the organization	Are identically applicable for all
Prescriptive	Prohibitive or negative

Sources: (Hayek, 1973; 1976).

'it is impossible, not only to replace the spontaneous order by organization and at the same time to utilize as much of the dispersed knowledge of all its members as possible, but also to improve or correct this order by interfering in it by direct commands. Such a combination of spontaneous order and organization it can never be rational to adopt.' (1973, p. 59-60)

## Rules, division of knowledge and transmission of knowledge

Although Hayek formulates a general theory of rules, he is mainly interested in those that correspond to the spontaneous order, recalling Menger's organic institutions. Indeed, one finds in Hayek's argument the individual explanation and a process of the 'invisible hand' type. However, Hayek particularly emphasizes the crystallization of knowledge based on the experience of innumerable generations that gives value to 'evolved' rules, knowledge which the individuals following these rules can therefore mobilize indirectly and, in most cases, unconsciously. Individual knowledge is in fact not only fragmented in space, but also dispersed in time, with no one person able to assemble and use all of it directly (especially not a central body); the rules of just conduct make it possible in a way to benefit from this knowledge without knowing it. This is why rules can be described as tools or instruments; for the individual rules 'are instrumental, they are means put at his disposal, and they provide part of the data which, together with his knowledge of the particular circumstances of time and place, he can use as the basis for his decisions.' (1960, p. 151) Hence the importance of tradition, wrongly scorned by constructivists in general<sup>1</sup>.

One of the virtues of the abstract rules of a complex order is to facilitate the adjustment of the various expectations of individuals formulating different plans of action (1973, p. 117). In this way there occurs a co-ordination through rules that complements (or perhaps even underlies) co-ordination through prices (Fleetwood, 1995). But the essential role of rules of just conduct is

to enable global spontaneous order, which is in a way an 'emerging' and hence counter-intuitive phenomenon<sup>2</sup>: one has to 'distinguish clearly between the regularities of individual conduct which are defined by rules and the overall order which will result from the observance of certain kinds of rules'. (1973, p. 111)

## The State and the law

The basic model to which Hayek refers in his theory of law is the Anglo-American tradition of 'common law', which in his eyes is the only model that really conforms to the liberal ideal, in contrast to the 'continental' legal traditions (those of France and Germany), consisting of enacted law, which he regards as typically constructivist. He says that 'the ideal of individual liberty seems to have flourished chiefly among people where, at least for long periods, judge-made law predominated'. (1973, p. 94) His interpretation, which has sometimes been described as romantic Anglophilia (O'Brien, 1998), is nevertheless distinctly different from that of John R. Commons on this point, although in both cases it is in a way a question of the 'common law method'.

There are two types of law: the first is the *nomos* of the Greeks, in other words law founded on ancestral rules that bind the legislator and have to be discovered; the second type is *thesis*, which consists of 'enacted' rules that are established or laid down by an authority. The two types are often brought together under the single description of 'law' or legal rules, which amounts to confusing the rules of just conduct belonging particularly to spontaneous order and the finalized rules of organization. For Hayek, who is opposed to legal positivism, law in the sense of rules evolved from custom or tradition predates legislation. The latter, according to the common law model, will conform to its role of formulating abstract rules of just conduct if it is based on good customs and strengthens them. If, on the contrary, it proceeds *a priori* in a rationalist and constructivist spirit implying the existence

<sup>1</sup> Veblen, although he cannot be called a constructivist, can be counted among the critics of the tradition.

<sup>2</sup> Hayek refers to the concept of 'emergence' in *The theory of complex phenomena* (1967b, p. 26); this concept remains central, but implicit, in his theory of spontaneous order.

of an omniscient legislator aiming at objectives of an organizational type, it will endanger the spontaneous order of the 'Great Society'.

The State therefore has a dual mission and a dual character. On the one hand, its role is to formalize and sanction rules of just conduct that are 'discovered' by the judicial process of common law, as well as, where necessary, to perfect or adjust them (this point was already accepted by Menger), but at the same absolutely respecting their general and abstract character and their function in the maintenance of the spontaneous order of society; in other words, the State has to be the guardian of the *nomos*. But on the other hand, it is itself an organized order, based on finalized rules and internal commands, especially in its role as provider of certain public services. The State is in a way one organization among many, no doubt the largest of the organized orders (a thesis that seems to echo that of Commons), but its dual role lies in the particular function of this specific organization with regard to the spontaneous order that transcends and contains it. The authentic Legal State ensures the observance in the global society of the abstract rules of *nomos*, that is to say the civil or 'private' law emanating from common law, while at the same time having its own internal rules of organization, which relate to *thesis* with 'public' law (Nemo, 1988).

The confusion between these two functions of the State is in Hayek's view one of the errors inherent in the constructivist and socialist traditions, which tend to see society as a large organization and consequently confuse *nomos* and *thesis*. These traditions therefore encourage untimely interventions in the spontaneous order and in so doing not only compromise its reproduction but also inevitably generate perverse effects leading to further corrective interventions and so running the risk of leading society in the end on the *Road to Serfdom* (1944). Classical liberalism is in this way reaffirmed, on the basis of an integration of its economic dimension (the spontaneous order of the market or 'catallaxy') with its political dimension (personal freedom), based on an ambitious theory of institutions having at its core morality and law.

## Cultural evolution

If Hayek's ideas can be considered as forming part of institutional economics, it is also because of the importance he attaches to the question of the genesis and evolution of institutions. One finds in his work, somewhat as in Veblen's, the articulation of different levels or processes of change. He in fact underlines the difference between three distinct modes of formation of rules, which have led to the superimposition of three levels of rules.

'There is, of course, in the first instance, the solid, i.e. little changing foundation of genetically inherited, "instinctive" drives which are determined by his physiological structure. There are then all the remains of the traditions acquired in the successive types of social structures through which he has passed – rules which he did not deliberately choose but which have spread because some practices enhanced the prosperity of certain groups and led to their expansion, perhaps less by more rapid procreation than by the attraction of outsiders. And there is, third, on top of all this, the thin layer of rules, deliberately adopted or modified to serve known purposes.' (1979, p. 160)

The Veblenian trilogy of instincts, habits and institutions (which Hayek does not discuss, ignoring Veblen) is replaced by a triptych that is also a sequence: instincts, organic rules, pragmatic rules (to borrow Menger's terminology). Where Veblen saw conflicting instincts opposed in various institutional configurations and seemed at times to be interested in those that permitted beneficial instincts like the instinct of workmanship or the parental bent to predominate over negative instincts, Hayek on the contrary mistrusts 'atavistic' instincts such as solidarity and altruism, which are suitable for small primitive groups but quite unsuitable for complex extended order<sup>3</sup>, just as he also has reservations regarding reason when it does not recognize the incompressible part of human ignorance. This explains his attachment to the second level of the triptych, that of tradition founded on rules that have survived evolution; his position on this point seems opposed to that

<sup>3</sup> This provides one reason for his conservative criticism of the concept of 'social justice' (1976).

of Veblen, who insisted on the frequent archaism and maladaptation of inherited institutions. It is a fact

'that neither what is instinctively recognized as right, nor what is rationally recognized as serving specific known purposes, but inherited traditional rules should often be most beneficial to the functioning of society, is a truth the dominant constructivist outlook of our time refuses to accept.' (1979, p. 162)

The genesis and destiny of rules of just conduct are interpreted by Hayek in terms of 'evolution' – a concept which in his eyes is twin to that of spontaneous order and which was to take an increasing place in his later work, in the form of *cultural evolution*. This shows analogies with other evolutionary processes, notably in the field of biology, but it has certain irreducible specificities. In particular, it is based on a method of selection that is neither natural nor artificial, but indeed 'cultural'. This process of selection concerns, not individuals (as social-Darwinism imagines), but rules, and operates through 'selection of [social] groups'<sup>4</sup> (1979, p. 171). Rules of conduct are originally individual innovations that may possibly spread when they are adopted by larger groups, generating distinct cultural traditions (1973, p. 90). Later, on the basis of relative prosperity and the expansion of different groups (demographic expansion, incorporation of strangers), the rules of successful groups will be imitated by certain others, contributing as a result to the extension of the rules of conduct in question, while the groups adhering to rules that are less favourable to their reproduction will decline or be absorbed by the former. The process of individual innovation (which is in fact initially a transgression of pre-existing rules) goes on continuously, but the cultural selection that operates as 'winnowing and sifting', depending on the differential advantages acquired by the groups (1979, p. 186) in the end enables the rules that are more beneficial to the global spontaneous order to survive and take root.

<sup>4</sup> This is one of the most disputed notions in Hayekian theory, including by proponents of the Austrian school, some of whom consider that it is contrary to methodological individualism.

In reality, this theory is based on a certain interpretation of the primitive evolution of social groups. It may seem highly romantic and contrary to vast portions of the historic experience of humanity, which is marked especially by conquest and violence. And are the constructivist tendencies and the corresponding rules, characteristic of the modern era, which are denounced by Hayek, not themselves also spread by being imported or progressively imitated, with no simple and immediate relationship to the economic or demographic success achieved by the various societies concerned? It remains that, for Hayek, the rules of morality and the institutions of property, money and law (in its deepest sense) are the result of this cultural evolution that produces civilization and economic expansion. The remarkable character of the rules of just conduct (which is nevertheless equivocal and the source of errors of comprehension) is in his view that their beneficial role cannot be understood until the 'abstract', spontaneous order is mentally reconstituted.

'The individual may have no idea what this overall order is that results from his observing such rules as those concerning kinship and intermarriage, or the succession of property, or which function this overall order serves. Yet all the individuals of the species which exist will behave in that manner because groups of individuals which have thus behaved have displaced those which did not do so.' (1967a, p. 70)

### 3. Eucken and 'Ordoliberalism'

The theory of order (*Ordnungstheorie*), associated with the names of Walter Eucken (1891-1950), Franz Böhm and the Freiburg school, can be regarded as a contribution by German thinkers to institutional economics. Eucken tried to go beyond the cleavage resulting from the *Methodenstreit* between the institutional approach of the historical school and the stress on abstract analysis laid by the marginalist and Austrian traditions.



## Economic order, property and planning

Through recourse to a method known as ‘isolating abstraction’, as distinct from generalizing abstraction, Eucken attempts to identify, in the course of history, recurring forms of economic order (*Wirtschaftsordnung*). The result is a morphology of ‘pure types’ in which the centrally planned economy (*Zentralverwaltungswirtschaft*) is opposed to the exchange economy. The former is subdivided into two forms: the economy of individual exploitation, in which it is the head of the economic unit that plans the activity and the centrally administered economy, in which it is an administrative body that carries out the planning. The latter itself comes in two forms, the barter economy and the money economy (Eucken, 1940). These two main types and their various forms are further divided into ideal subtypes, for example various forms of market in the case of the exchange economy. The extreme variety of economic systems in history can be divided into a limited number of pure forms of economic order.

For Eucken, the principal criterion distinguishing the main economic orders is not ownership, but the distribution of planning power (right of disposal). As illustration, Soviet Russia and Nazi Germany represent two different types of centrally planned economy, the first based on collective ownership of the means of production and the second on private ownership. If one classifies the theories of the major economic systems into those giving precedence to the criterion of ownership and those highlighting the criterion of co-ordination, Eucken’s preference is clearly for the latter. Kornai (1992) has tried to combine the two criteria, although maintaining primacy for ownership (in conformity with the Austrian tradition going back to von Mises).

### The State as guardian of the competitive order

The *ordoliberalism* of the Freiburg school differs from Manchester-school liberalism (but also from Hayek’s vision of spontaneous order resulting from an evolution process) in the importance it attaches to the State as ‘guardian of the free market order’. While giving precedence

to the freedom of economic agents, it places the accent on the constitutional rules of the economy that generate an economic order within which this freedom can be beneficially deployed. The parallel with Hayek’s views is clear in this respect (Hayek was in fact a professor at Freiburg in the 1950s), but Eucken leans in favour of what might be called ‘liberal constructivism’ from a Hayekian perspective<sup>5</sup>. Where Hayek sees as conditions for market order ‘rules of just conduct’ built up by long-term evolution and cultural selection, Eucken insists on the deliberate establishment of constitutional rules by the State as a precondition for the existence and maintenance of a competitive liberal order.

Because the economic and social order is based on rules and institutions, the *Ordnungspolitik* is a policy centred on the legal and institutional framework, which one might describe as ‘institutional policy’. Competition cannot be developed and maintained spontaneously, with the role of the State limited to guaranteeing property rights. Left to itself, it tends to be undermined by monopolistic tendencies and interest groups. It is for the State to ensure the establishment and maintenance of competition<sup>6</sup>.

## 4. Constitutive and regulatory principles

The economic exchange order, which is the desirable form according to Eucken, thus does not become established spontaneously, but has to be instituted and protected by the legal State. The ‘policy of order’ must be based on a hierarchy of principles, distinguishing between constitutive principles and regulatory principles. ‘The constitutive principles are principles of the

<sup>5</sup> Until around 1960 Hayek was a partisan of a relatively more “constructivist” liberalism – and hence one that showed a certain affinity with German ordoliberalism – than in his work in the 1970s and 1980s, when his refusal of all interventionism intensified. This did not prevent him from proposing a liberal constitutional model in *Law, Legislation and Liberty* (1979).

<sup>6</sup> A similar thesis is to be found in the work of Walras: ‘instituting and maintaining free economic competition in a society is an undertaking of legislation, very complicated legislation, belonging to the State’. (Walras, 1898, p. 476)

economic constitution. Their common enactment in the concrete historical situation accounts for a certain, deliberate economic order (or system) by creating conditions from which this system will develop.' (Eucken, 1952, p. 289) These constitutive principles are as follows: the primacy of monetary policy permitting the stability of the currency on the basis of fixed rules; open markets; private ownership; freedom of contract; liability (unlimited) of firms and households; and stability of economic policy. The regulatory principles, for their part, have to be subordinated to the constitutive principles. This is the case for the policy of combating monopolies and cartels – which must be implemented by an independent Monopolies Bureau –, for progressive taxation – which must achieve a certain degree of redistribution –, for the correction of negative externalities and for the management of the labour market.

The German doctrine of the 'social market economy' (*Soziale Marktwirtschaft*, Müller-Armack), was to prolong the ordoliberal tradition but at the same time modifying it by accepting broader forms of redistribution<sup>7</sup>. Both in the architecture of the monetary union in the European union, and in the management of the crisis of the eurozone in the 2010s, the ordoliberal influence is unmistakable.

## 5. Conclusion

The main difference between the hayekian and the Ordoliberal views of institutions is that the former concentrate on «organic» institutions while the latter focus on «pragmatic» institutions. These two traditions share a strong liberal doctrine, that sets them apart of a number of other schools of institutional economics, including the original american brand of Veblen and Commons (Chavance, 2009). Other perspectives would raise the following questions. About Hayek's theory: an idealization of the British common law tradition, a simplification of the dichotomy between organized and

spontaneous orders, a problematic relation between political and economic liberalism. About Ordoliberalism: the notion that genuine competition erases power, the idea that properly devised constitutional rules dispense from the management of complexity and change, and the tension between political democracy and fixed rules divesting governments of the capacity to adjust economic policies. Such controversies illustrate the important differences to be found between various schools in the large family of institutional economics, that nevertheless share the major insight that «institutions matter» in the economy – and for economics.

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<sup>7</sup> Hayek's conservative liberalism is opposed to the use of the 'weasel-word' *social*, a source of error and confusion, both for the social market economy and for the "mirage of social justice". (Hayek, 1976)

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## Sposób pojmowania instytucji przez szkołę austriacką i ordoliberalizm

Tekst ten poświęcony jest zagadnieniu konceptualizacji instytucji, rozwijanym na gruncie szkoły austriackiej i ordoliberalizmu. Podejścia te znacząco różnią się od wielu innych teorii instytucjonalnych, w szczególności od założeń Chicagowskiej szkoły ekonomii i tego, w jaki sposób w odwołaniu do niej ujmuje się instytucje.

Słowa kluczowe: instytucja, zmiana instytucjonalna, szkoła austriacka, ordoliberalizm.