

THE ECONOMIC PLAN – THE MAIN ELEMENT OF THE ORDOLIBERAL THEORY

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Abstract:

In the article "The economic plan – the main element of the ordoliberal theory" an attempt has been made to analyze the role and the place of the economic plan in the pro-liberal theory. In this article the methodological potential for answering the two main subject-matters of the national economy, formulated by Valter Oyken – the first one about the forms of the economic order and the second one about going back to the economic routine are viewed. In this aspect, what is also considered is the "system-forming" role of the economic plan in the formation of the two ideal economic systems – the economy with central management and the market economy. The role of the economic plan in exposing the intransitive clear forms, giving the economic theory enlightening and on which the big antinomy is based, has also been looked through. An important place is given to Oyken's views on the economic process. At the same time an attempt is made to outline his understanding about the economic plan as "the fundamental point of Archimed", analyzing the economic process. From the points of this understanding the rules defining the economic process, which development is being tracked by the attributes of the economic plan, are regarded in both centrally planned economy and trade economy.

Keywords: economic plan, economic order, economy with centrally planned management, market economy, economic process, clear forms.

For the first time in the last 10-15 years an enhanced interest in the German ordoliberal theory is being noticed in the countries that accomplished a transition from centrally planned economic management to market economy.

On the one hand this interest is instigated by the problems that emerged in the transition process and the negative outcomes for the economy of these countries determined by it, and on the other hand by the successful example of Germany's transition to market economy, based on the ordoliberal theory and realized in the end of the 40's – beginning of the 50's of the last century.

Due to the emerged problems the Freiburg theory, that had been staying in the low during the 80's and the 90's, had to be taken out of the "chest" and the enhanced interest in this theory was noticed in the economic literature with the increased number of published topics related to its methodology and theoretical principles.

In the suggested works an attempt will be made to put forward the conception for the economic plan of the ordoliberal theory, proceeding from the idea of this economic plan as its main element.

The beginning of the ordoliberal theory dates back to 1930 with the publishing of "Ordo – manifesto" by Franz BÖhm, Valter Oyken and Hanes Grossman-DÖrt. In this work the main directions of the development of the ordoliberal theory, the analytical mechanism, the methodological principles of the formulation of this theory and its goal – "building and reformation of the economic system" (Nureeva, 2007, p. 29) – are set and outlined.

As fundamental principles of the ordoliberal theory are outlined the following: First of all - with the help of historical experience and logical approach "the essence of the resulting (the everyday life) has to be exposed and the causalities have to be differentiated" (Nureeva, 2007, p. 29). Second of all - applying the fundamental approach, the essence of which is contained in "the consideration of the separate economic problems as forming a vast total" (Nureeva, 2007, p. 29) and which is incompatible with the relativism of the historical school of economics. This approach suggests the consideration of the economic world as one collective system, as an aggregation of different elements and the relations between them.

Thirdly – an approach to history with the asking of fundamental questions, which will allow for the history to be understood better, its review to be more thorough and more to be known than what it is available for the historicism.

Fourth - this theory has to be freed from the "unattainable ideological conceptions" (Nureeva, 2007, p. 30).

Fifth – overcoming the close specialization between political economy and law in a way so that "merging of their boundaries" should not be allowed.

The ordoliberal theory based on these principles is developed mainly by V.Oyken who is acknowledged by the economic history as the "father" of the ordoliberalism. He creates an original theory, which originality results from the method of its formation. This theory is derived from the real actuality and its methodological principles and essence are exposed in the process of analyzing the economic everyday life.

Its beginning is marked with the formation of the two questions dominant for the national economy – "about the forms in which the economic activity is carried out and about the economic process that runs daily in the framework of the existing forms" (Oyken, 2001, p. 359). The economic plan is the starting point from which Oyken sets off in searching the answers for these two questions. "Here is where the door, through which the national economy comes into economic reality, is discovered. Here is where we should begin handling these two questions and this beginning predetermines our way forward" (Oyken, 2001, p. 366) – this is how Oyken defines the position of the economic plan.

He reasons his choice by outlining the fact that the economic plan is in the basis of economic reality and when this plan is viewed in a formal way it has a universal importance and application. "Throughout all periods and everywhere the economic life proceeds with the creation of economic plans. Therefore the whole economic activity rests upon plans"(Oyken, 2001, p. 155). The economic

plan pierces the economic structure, it has a dimension in this structure's diversity and apparently it has an intransitive nature, which gives a certain invariance of the economic area. Oyken came to this conclusion by stepping in deeply in the economic everyday life with the help of the "point abstraction". The application of this analytical method on the economic structure allows Oyken to derive the most elementary economic cell and doing this helps him to construct genetically the economic forms. Considered within this aspect, the economic plan is being outlined as a system-forming factor. The understanding of the economic plan as a defining beginning makes this plan a particular category in which the methodological and the theoretically-economical questions are connected in a very close way. With this category an opportunity is revealed for the ordoliberal theory to synthesize the main "blocks" of the clear forms, which are the following: "no-trade economy with central-planned management" and a system of "trade economy". Considered from this point of view, the economic plan stands out as the main constructive element of the two major ideal systems.

Apart from the system-forming role that the economic plan has, it also has the following methodological function – it reveals not only what is common in the economic structure of the two main forms, but it also reveals what is specific for them. It has a different content characteristic in these two ideal systems, which is determined by its comparative independence within their frameworks. The economic system, the economy with central-planned management is characterized with the fact that the management of the whole economical everyday life of a given society passes on the basis of the plans of the central instance. If, though, the society's economy is constructed by two or more single economies, each of them building and applying economic plans we are facing an economic system with trade economy.

The methodological potential of the economic plan in the ordoliberal theory is not used up with the above statement, but one of its scopes is being outlined in this aspect. Oyken implements the revealing of the actual methodological meaning of the economic plan and the possibilities it reveals for the economic analysis, in the process of developing the morphological apparatus of the ordoliberal theory, in the process of determining the elements forming the economic order as well as the factors defining the running of the economic process.

Oyken succeeded in deciding these tasks by realizing the analysis of the economic plan in two headings: firstly he analyzes the plan's constructive role in the making of the two ideal systems; secondly he views its structure by revealing the elements and the principles upon which the economic plan is being based on.

By regarding the economic plan as a system-forming factor, Oyken establishes that two clear ideal economic systems are formed on its basis – the one of the no-trade economy with central-planned management and the one of the trade economy. Furthermore: "Traces of other economic systems - in parallel with these two cannot be discovered in the economic reality of the modernity and in the past" (Oyken, 2001, p. 155). The aim of the analysis of the system-forming role of the economic plan is for the clear forms, which compound the economic order, to be revealed.

The next step of the analysis, that Oyken implements, is the revealing of the clear forms, in which the two typical ideal economic systems are put into effect. In the "economy with central-planned management" he discovers two clear forms of its fulfillment: "single economy with central-planned management (individual economy)" and "centralized administrative economy" (Oyken, 2001, p. 157). Oyken also considers three versions in which the two forms are implemented: "firstly - an economy with central management; secondly - an economy with central management and free exchange of consumers' goods; thirdly – an economy with central management and free consumers' choice." (Oyken, 2001, pp. 157-166).

Oyken discovers a considerably bigger diversity of forms with the trade economy. The economic plan also lies in the basis of the trade economy as a system-forming element. But the coordination of the individual plans with this economy absolutely differentiates from the one of the economy with central-planned management because with the trade economy the economic plans are "partial". According to Oyken the monetary systems possess the feature of giving the system of the trade economy integrity, balance, harmony. The role of the monetary systems Oyken determines as "the wheel of the economic management". This fact enforces the bringing out of the clear forms of the monetary systems as well as the clear basic ones"(Oyken, 2001, p. 171).

He puts in first place the clear market forms. He determines as such: monopoly (individual one and collective one), partial monopoly, competition, and oligopoly. He discovers these forms with "open" and "closed" demand and supply (Oyken, 2001, p. 184).

Oyken implements the revealing of the clear forms of demand and supply on the basis of the "point-isolating analysis", pervading "the actually significant point – the economic plan and its grants" (Oyken, 2001, p. 193). Oyken develops the market forms on the basis of the clear forms of demand and supply. They are a combination between the forms of the demand and the supply and add to 25 in number. But their number can significantly increase if "the difference between closed and open market sides is taken into consideration" (Oyken, 2001, p. 198). Oyken successfully illustrates this idea, which is his, and he exposes it in a table manner that gives a notion of the idea's essence and scale. (Oyken, 2001, p. 200).

Oyken implements the bringing out of the clear forms of the monetary system by analyzing the historical practice regarding money and products' prices. He comes to the conclusion that two main clear forms of monetary economy exist. "First main form is the one in which the money is being used as an estimated unit as well (not only as a trade one – b.a?) and the second main form is the one where the money and the estimated unit are two separate magnitudes" (Oyken, 2001, pp. 204-205).

After defining the clear market forms, Oyken faces a considerably complicated matter which is: "in what way can the enormously many types of money be reduced to single forms, in this way giving the opportunity for their theoretical analysis to be executed" (Oyken, 2001, p. 206). Oyken uses the theoretical reasoning of Menger and Valras about the cash desk availability of the individual economies as a basis for solving the problem. From these points of view, in a result of his analysis Oyken discovers three clear monetary systems: a) "often the money emerges thanks to the fact that a given material good is being transformed into money" (Oyken, 2001, p. 208).; b) "the money emerges with the delivery of a given good or with the performance of labor as a favor in return" (Oyken, 2001, p. 210).; c) "and the third – the monetary system. The credit creates money – again in various forms. Money disappears with paying the credit back." (Oyken, 2001, p. 218).

By revealing the clear systems and forms, Oyken manages to give an answer to one of the main questions according to the national economy, which is the one about the forms in which the economic activity is implemented. At the same time he develops the methodology of the ordoliberal theory and resolves a sequence of issues, standing before the national economy.

Firstly, he develops the morphological apparatus of the ordoliberal theory. It is derived from the analysis of the economic everyday life and at the same time it serves in favor of its understanding. The usage of this apparatus "gives the opportunity for a patterned structure of the economic order to be developed for each and every period and for every nation." (Oyken, 2001, p. 273).

Secondly, through the ideal economic forms, Oyken manages to combine the logical and the historical approaches and to overcome the Big antinomy. In their appearance, Oyken discovers "the lasting joining links between the perception of the historically individual reality from which they are derived and the generally theoretical analysis, necessary for understanding the links" (Oyken, 2001, p. 218).

Thirdly, the elements, forming the economic order are disclosed which gives the opportunity for the national economy and the economic policy to construct an economic order.

Also on the basis of the economic plan, Oyken implements the resolution of the other main issue for the national economy and the analysis of the everyday economic life. But in this case the analysis is directed towards discovering the structure of the economic plan and the principles it is based on. Oyken begins the analysis by searching for the aims, placed in the economic plan and the ways of its reaching. With revealing the aim and the ways of its accomplishment, Oyken at the same time outlines the main directions of the procession of the economic process. In the frameworks of the ideal economic systems the economic process runs almost analogically, the difference is determined mostly by the way of combining the individual economic plans.

Oyken claims that in the case of an economy with total central-planned management, just as "everywhere and always", the aim of the plan and of the economic activity is to satisfy needs. "The needs in their wholeness are the first grants of the economic plan" (Oyken, 2001, p. 244). Looking for ways of satisfying the needs, Oyken discovers the following grants of the plan – labor, nature and

produced goods for manufacturing. He differentiates labor and nature from the services they deliver, outlining that: "This differentiation is not just a quibble; it has a fundamental meaning in order for the structure of the economic plan to be developed and for the proceeding of the economic process – as well as all forms of trade economy and in the whole actual reality" (Oyken, 2001, p. 229).

The choice of services determines the structure of the economic plan and the disclosure of the structure enlightens the "meaning of the economy". "Labor and nature are grants but the selection of their services is a problem" (Oyken, 2001, p. 248). Oyken discovers a problem with the rest of the indicated grants – the produced means for manufacturing. Oyken sees the problem primarily in the future availability of the produced means for manufacturing. Since the everyday economic process highly depends on "whether the person takes into account only the needs of the present or to a little or big extend they take the needs of the near and distant future into account. Thereof the structure of the production apparatus and the distribution of goods in the present and future are determined" (Oyken, 2001, p. 227).

Oyken finds the solution of the problem in the short-term and long-term planning.

In this way, through the plan, he introduces the aspect of time in the economic analysis, starting off from the understanding that "the period of time of the economic plan, that the amount of investment depends on is extremely important for the factual running of the economy and for the provision of goods" (Oyken, 2001, p. 352).

He sees the solution of the problem about the choice of services of nature, of labor and of relevant available goods, of their combination, in the "technical knowledge" that he determines as a fifth grant. He forms a sixth grant of the plan as well – the legal and social organization of the economy with central-planned management.

Oyken defines the grants as the "constructive elements" of the economic plan. They outline the way in which the economic process proceeds, they identify the directions of movement, but the rules of movement are rules "fruits of the experience" and they should also be put in the economic plan. He defines three rules that find application in the economic plan of the central-managed economy – the law of Gossen; the law of the decreasing return; the effectiveness of the economic activity – through investing a person elongates the road to get consumers' goods but "in this way they increase the income from the existing labor and the material means for production" (Oyken, 2001, p. 238).

By determining the grants of the plan and by formulating the rules that have to be put in it, Oyken creates a theoretical model in the frameworks of which are determined the main directions of the procession of the economic plan and the rules that regulate this procession in the central-managed economy. This model receives a complete appearance with the marking of the risk in the model, determined by the mismatch of the planned and the actual grants.

With the trade economy "the plans of one or many economic structures, companies and households are the ones that have a defining role and not the plans of one instance" (Oyken, 2001, p. 242). With this economy, in addition to the problem about "limitation", "the coordination of the separate plans has to be put into effect as well in order for the actions of the single economies to be harmonized and in this way the whole process to be managed, according to its aims" (Oyken, 2001, p. 242). Oyken believes that this coordination can be achieved through the price system. But at the same time he takes into account the fact that it has different dimensions for the company and for the household. This is the reason why Oyken analyzes separately the forming of the plans and their realization in the company and in the household. He establishes the specific moments with them and he aims at the analysis of the generally-economic process in the trade economy. Oyken realizes this analysis of the economic process in trade economy in three stages.

In the plan of a separate company the generally-economic grants are marked – nature, labor, technical knowledge, funds of goods, legal and social organization. In the plan is also marked the fact that the company is surrounded by prices – it buys materials and it sells products, it receives loans. All of them are grants, received from the connection between the company and the market. They are not generally-economic grants; they are grants of the single economy. In their face the role of the price system in implementing the coordination of the individual plans gets a clear dimension. At the same time with defining them, Oyken finishes the outlining of the way in which the economic process in the

company in a trade economy will proceed. As well as in the economy with total central management in this plan are also laid down the rules derived from experience. Two of the rules, formulated for an economy with central management are used in the process of making the plan of a company in a trade economy. The law of Gossen drops out. Risk is an obligatory element for the plan of the company. But with trade economy risk acquires a "dual character". On the one hand he is determined as the difference between planning grants and the factual ones, and on the other hand risk emerges from the price changes.

"The expression "mutatis mutandis" is true for every household" (Oyken, 2001, p. 248). The plan of the household is defined by its needs and the available goods. It is surrounded by prices and it flows as a drop "in the sea of prices of the trade economy" (Oyken, 2001, p. 248). By buying and selling the household finds itself in the world of trade. Its plan becomes a part of one community. But with the acts of buying and selling the household does not get in touch with the generally-economic grants. That happens through the needs which are grants of the household, but in their role as such they are at the same time generally-economic grants as well.

In this "purely consumers' community" always and at its full strength only the first law of Gossen acts. The inquiry of the plans of the single economy and the households that through light upon the economic processes Oyken uses as a guide that shows the direction in which the scientific search should start from in order for it to "clarify the single economy processes as a part of the general economic process"(Oyken, 2001, p. 249).

From the inquiry on the generally-economic process, Oyken passes on to the position of the understanding that: "the general demand and the general supply of the separate markets, limited in time and space derive from the actions of the separate companies and households in the different market forms"(Oyken, 2001, p. 250).. The actions of the separate companies and households are included in the flow of the general demand and supply and this helps for the analysis to get close to clarification of the single economy processes as elements of the generally-economic process. What also helps for this to happen is the introducing of time as factor which Oyken implements in the form of a three-step scale that illustrates the behavior of a company in satisfying the needs in a short-term period; in a slightly longer period and in a long-term period.

From these inquiries Oyken passes on to the third step of the analysis. He determines the role and the problems that this third step needs to solve in the following order: "the third step of step of the analysis has to cast down the general supply and demand of the separate markets to the generally-economic grants of the whole trade economy. Only then, after the knowledge from the theory of money derived from the analysis of the companies and the households is included, can the common relation between the events in the trade economy be seen" (Oyken, 2001, p. 250).

In the process of defining the generally-economic grants of the trade economy, Oyken establishes that they correspond to the grants of the economy with central-planned management. And with the trade economy they are six – needs, nature, labor, funds of ready and "maturing" consumer goods, technical knowledge, social and legal organization of the trade economy. But within the borders of the trade economy these grants interact in a different way in comparison to the central administrative economy. He finds out three reasons that generate the different way of interaction between the grants of the two economies.

Firstly: "Naturally, only the trade economy knows the difference between single-economic and generally-economic grants, and the economy with central-planned management does not. Secondly: In the trade economy nobody regards the whole aggregation of generally-economic grants as planning grants, general planning and general risk are missing" (Oyken, 2001, p. 251). Thirdly: The social and legal organization, the monetary system and the factually applied monetary policy, as well as the common market forms that cannot exist with an economy with central-planned management are included in the economic system of the trade economy of an ideal type, where money is needed" (Oyken, 2001, p. 251).

Oyken outlines the different ways that the economic process proceeds on, by indicating the different manner of interaction of the grants with the central-managed economy and the ones with the trade economy. He also illustrates the procession of the economic process with the help of the intellectual constructions, created from successfully combining the explored facts.

Simultaneously, he has found the way of solving the first fundamental question of the national economy – the one about the interrelationships of "this vast complete, based on the differentiation of labor mechanism that the supplying of goods for every single person/ the existing of this person depends on". (Oyken, 2001, p. 51)

By resolving the two fundamental issues of the national economy, Oyken develops the methodological basis of the ordoliberal theory. In Oyken's conception the methodological meaning of the economic plan is sharply outlined. It is the constructive element of the two ideal economic systems and the starting point for discovering the clear forms. On the other hand, the economic plan is the basis for the analysis of the economic process. These methodological scopes of the plan are outlined and derived from the reality, with the analysis of the economic everyday life and they are not "imposed" on it. This is important for every theory and it is a confirmation of the theory's practical significance.

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