

Changing the way of thinking: was German ordoliberalism travelling to China in 1978–1985?¹

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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

economic order after years of chaos, turmoil, and extreme politicisation. In addition, the German case was of particular interest due to the 'economic miracle' that happened (Weber 2022: p. 145). In the eyes of the Chinese government, Ludwig Erhard's ordoliberal policies became a potential for epistemic policy learning.

Ordoliberalism's attractiveness was strengthened by the fact that, unlike Friedrich von Hayek and Ludwig von Mises, Alfred Müller-Armack had argued how a free market economy was not necessarily in contradiction with socialism (Weber 2022: p. 146). This was a way of looking at market economic instruments that was synchronised with the acceptable norms and beliefs of the Chinese decision-makers in the late 1970s led by Deng Xiaoping. Therefore, he opened the door to policy learning – both epistemic and reflexive – from postwar German experience.

The late 1970s also witnessed a series of Chinese visits to Germany as well as German visits to China. One of the most important trips was when vice premier minister Gu Mu went to Germany in May 1978 with a delegation of high-level experts (Albers 2016: p. 190). The work that took place at this time was a kind of epistemic learning with German experts as teachers. In his final report from the visit, Gu Mu concluded that Ludwig Erhard's economic reform programme had been a decisive factor in the German 'economic miracle' in the 1950s and 1960s (Weber 2022: p. 146).

The Chinese premier minister Hua Guofeng also visited Germany in October 1979. According to a document from the Chinese Communist Party, the party leadership should be inspired by scholars and "seek truth from facts" (Beijing Review 1984a: p. XV). This sounds like the epistemology of ordoliberalism. It also corresponds to epistemic learning where what is learned is the cause and effect relationship in the analyzed policy area based on inputs from facts and science.

Isabella Weber (2022) analyses the role that the so-called "Erhard Miracle" played in China's price-reform debate in the first decade of economic reform from 1978 to 1988. She claims that "West German postwar reforms were schematically presented as a policy that generated immediate and automatic economic prosperity" (Weber 2022: p. 140–141). Her conclusion is also supported by Albers (2016: p. 189) who claims: "Of all European countries, West Germany [...] had the biggest influence on the modernisation of China".

In early 1979, the German Ambassador in Beijing, Erwin Wickert, invited as his private guest Professor Wolfram Engels, an ordoliberal economist and consultant to the Helmut Schmidt government. Wickert also invited "40 Chinese economists and the vice-president of the Chinese Academy of Social Science to the embassy. Here, Engels gave a talk, focussing on how the German economy had been reconstructed after the Second World War". Afterwards, the Chinese asked him "to give a series of further presentations in front of another 200 economists" (Albers 2016: p. 195). This is an example of potential policy learning taking place in the form of epistemic policy learning.

Overall, the German ambassador in Beijing was instrumental in connecting the German ordoliberal experts and the Chinese leadership from 1979 onwards. Armin Gutowski was another German ordoliberal economist who was active in China in the late 1970s and in the 1980s. He was director of the Hamburgische Welt-Wirtschafts Archiv and a former

member of the powerful German Council of Economic Experts. He was asked by the German government to advise the Chinese government in July 1979 (Albers 2016: p. 196). In a long report in *Der Spiegel* in 1980 on the initial phase of the Chinese economic reform process, the journalist Renate Merklein concluded that "Chinese leadership had discussions with and counselling from the German economist Armin Gutowski" (Merklein 1980). This sounds more as if a reflexive mode of policy learning emphasizing 'dialogue' is taking place, but this is probably because this was a way for the Chinese leadership to portray the policy learning as taking place between equal partners.

Gutowski repeated many of the arguments made by Engels, but he was also precise in adapting his message to the Chinese context. As a result, and probably as the first Western economist, Gutowski was even made an adviser to the Chinese government. His advisory (or teaching) role *vis-à-vis* the Chinese government was deliberately scaled down in the public.

Gutowski's trips were not sponsored directly by either the German or Chinese governments but by the German cultural diplomacy agency, the Goethe Institute. Though this was not spelled out, one can assume that the downgrading of his visits had again the purpose of avoiding attention and impressions of foreign influence on the Chinese economic reform process (Albers 2016: p. 196). In other words, the epistemic policy learning was presented as reflexive policy learning. Therefore, the Chinese case suggests that transnational epistemic and reflexive policy learning had to go hand-in-hand in order to function as policy learning that left lasting traces in the Chinese reform process. Policy learning as 'teaching' is what took place internally. 'Dialogue' is how this was presented externally.

Gutowski stressed to the Chinese top decision-makers that advocates of the 'social market economy' (e.g. Alfred Müller-Armack) had accepted the comparability of the market economy with socialism. This postulate resonated with many of China's most prominent economists. In policy learning terms, Gutowski was consciously presenting the policy learning taking place as reflexive.

In 1980, the neoliberal leading figure, professor Milton Friedman, also visited China. His one trip to the country that year was not followed up with further invitations. The Chinese government seems to have been much more attracted by ordoliberalism than by neoliberalism. What we can see again in this case is that epistemic learning presupposes at least a certain level of the common societal value set, i.e. that epistemic and reflexive policy learning are connected.

The Chinese reform process in 1978–1985 and the ordoliberal principles

In the section above, I answered the first sub-question arguing that there has been an ordoliberal influence via policy learning in the first phase of the Chinese economic reform process. In this section I answer to the second sub-question. My analysis consists of investigation whether and to what extent the outlined ordoliberal principles behind the

Economic Constitution are reflected in various texts from the *Beijing Review* and relevant secondary literature.

The existence of similarities between elements of the Chinese economic reform process and the ordoliberal principles is not a proof that ordoliberal influence via policy learning is present as such. In this connection, it must be admitted that the concept of ordoliberalism was not mentioned a single time in the *Beijing Review* between 1978 and 1985.

On the other hand, I have also explained above how the ordoliberal influence during the period has consciously been toned down by Chinese side. Therefore, I consider conformity between the elements of the Chinese reform process and the ordoliberal principles as a strong indication that ordoliberal ideas travelled to China in the formative years of the country's economic reform process.

Walter Eucken's Economic Constitution for a competitive social market economy is defined in terms of eight constituent – or structural – principles (germ. *Die konstituierenden Prinzipien*) which are presented below (Eucken 2004 [1952]: p. 254–291).

1) Commitment of socioeconomic policies towards a competitive social market economy in which the market and price mechanisms are left (largely) untouched.

In late 1978, the Chinese authorities decided to go for an economic reform process. In June the following year, the *Beijing Review* published a special issue devoted to the topic of how and why the Chinese economy should be adjusted, which is unusual (Shi 1979: p. 13–23). Here it was stressed that one of the shortcomings of the Chinese economy was the over-concentration of centralised power.

The consequences hereof were later explained by the Chinese authorities: "over-concentration is liable to fetter the initiative and creativeness of the local authorities and the enterprises". The solution to the problem was some kind of depoliticisation, because "too much power was concentrated in the policy-making bodies of the administrative departments at various levels" (World Economic Herald 1984). This diagnosis of the existence of the politicised economy in China before the economic reforms has great similarities with the ordoliberal perception of the politicised economy under the Weimar Republic and National Socialism in Germany.

The economic reform process was embedded in Article 15 of the Chinese Constitution from 1982. The aim was to transform state-owned enterprises "into quasi-independent economic units in order to operate more like private enterprises in a capitalistic economy". These firms were to make their own decisions concerning economy, and "the intent was to force them to become more competitive, profitable, or to face bankruptcy" (Karsten 1998: p. 546).

In October 1984, the *Beijing Review* analysed the economic reform process since 1978. The backdrop was a newly adopted economic reform package. The economic editor noted that the new package of economic reform was necessary, because not enough importance had been attached to commodity production, the regulatory role of the market and to establish a socialist economic structure full of vitality (Jin 1984: p. 4). Therefore, the government would gradually change the irrational pricing system, reduce "the scope

of uniform prices set by the state and appropriately enlarge the scope of floating prices within certain limits and of free prices" (Jin 1984: p. 5).

As in Germany in 1948, from the beginning an important element in the economic reform process in China has been a reform of the price system. In the article *Price System Due for Reform* (see: Tian 1985), vice-premier of the State Council Tian Jiyun explained that the Chinese government "should establish a rational prices system step by step, and deliberate use price as a means to smooth out the various relations" (Tian 1985: p. 16–18).

In conclusion, Eucken's first constituent principle of competitive market economy was only partly implemented. However, at the same time, the overarching approach of both the Chinese economic reform process as well as ordoliberalism is gradualism. Hence, only a partial implementation of this first constituent principle might in a strange way be more in line with ordoliberalism than a full one.

2) Primacy of monetary policy in order to stabilise the value of money as a necessary condition for a functionally competitive economy with price stability, which in the ordoliberal tradition is that of demanding an independent central bank in response to this principle (even though this was not the preferred model by Eucken) (Köhler 2022: p. 421).

As far as the Chinese banking sector is concerned, a reform was implemented in 1984. Until then the People's Bank of China not only managed national monetary affairs and issued currency, but also handled credit, savings, settling accounts and foreign exchange. After the reform the bank became the true central bank (Beijing Review 1984b: p. 16).

The role of monetary policy in China was changed during the economic reform process. As a result, in 1985, monetary policy had initially become a policy of non-politicised routine adjustments. Secondly, it now combined strengthening macroeconomic control and invigorating both urban and rural economies. Thirdly, monetary policy was intended to combine the controlling of the Chinese currency with that of foreign exchange (Liu 1985: p. 23–24).

Initially, the economic reform process led to increasing inflationary pressure compared to previous decades in China. This is similar to the price reform that was carried out in Germany in 1948. Later, the inflationary pressure greatly subsided. In general, China has lived up to this ordoliberal principle regarding inflation and a stable currency, and partly regarding an independent central bank. In the latter area there has apparently been more political involvement than the ordoliberal tradition prescribes.

3) Open markets, i.e. elimination of restraints on demand and supply for goods. Only if companies are able to easily enter and exit markets can competitive markets be constructed.

The principle of open and competitive markets has been implemented in China post-1978 through decollectivisation, decentralisation, and opening to trade with other countries. "Whereas prior to 1971, exports and imports were rather stagnant, they exhibited dramatic growth since then" (Karsten 1988: p. 144), i.e. already before the economic reform process took place.

"The encouragement of small privately-owned enterprises, reorientation from sellers' to buyers' markets, the partial reform of the price system", and the attempts to professionalise state-owned enterprises were also part of that process (Karsten 1998: p. 457–458). In this respect, China has delivered on the open market principle since 1978. However, if open markets also include a free flow of information, the country did not significantly open up to free information from outside of China in 1978–1985.

4) Private ownership of means of production. Only private property can optimise the efficiency of economic processes, because private owners care more about using their property in a productive and sustainable manner.

After the economic reform from 1978 onwards, peasants could sell and buy long term 'land rights', which is tantamount to buying and selling land itself (Karsten 1988: p. 138). In 1983, nearly 7.5 million people were employed in individually owned industrial and commercial enterprises, it was a 13-fold increase over 1978 (Sun 1984: p. 25). Already in 1985, "approximately 10.6 million private enterprises were in operation, employing 15 million workers or 4.5% of the nonfarm labor force, compared to none during the period of the Cultural Revolution" (Karsten 1988: p. 144) from 1966 to 1976, when all private companies were banned.

In a document from the Chinese Communist Party in 1984, there were many arguments as to why the economic reform process needed to continue. Generally, private enterprises had some very positive effects as supplements to public owned companies: "The well-spring of vitality of the [private] enterprise lies in the initiative, wisdom and creativeness of its workers by hand and brain" (Beijing Review 1984a: p. VI).

In sum, the economic reform process in 1978–1985 meant that China moved in the direction of living up to the ordoliberal principle of private ownership. However, China regarded private companies as having a solely supplementary status in the analysed period.

5) Freedom to enter into contracts to increase competition within the framework of the social market economy that will hinder the abuses of this freedom as a conditional right. This means that "contracts are only legitimate as long as they [...] do not restrict or limit market access and/or contribute to the monopolization" (Wörsdörfer 2020: p. 201).

It was recommended by the Chinese government that the market economy should evolve under the rule of law. In a note from the economic editor of the *Beijing Review* in 1985, the particular form of competition during the economic reform process is analysed: "Competition under the socialist system [in China] will not create anarchy. Competition is confined in its scope by the planned economy and must serve that economy". When competition has some negative results "the state will step in when necessary and will punish lawbreakers" (Jin 1985: p. 4–5). This fact indicates limitations of the role of competition in 1978 to 1985. Introducing competition was a very gradual – or slow – process.

Nevertheless, there was an upgrading of Chinese legal institutions as a part of the economic reform process. A major part of the country's efforts to strengthen its legal

system has been to handle economic affairs like contracts by legal rather than by administrative means. In 1982, China's Economic Contract Law was published. Before (in 1979) 3,800 economic cases were heard throughout the country compared to 1983 where the number was 44,000 (Zhang 1985: p. 24). In sum, China did not live up to the principle of freedom to enter contracts, mainly due to the political influences from the Communist Party that could potentially interfere with this freedom.

6) Liability to be accountable for actions, which are detrimental to complete competition. According to this principle, "individuals and companies are solely responsible for [...] economic profits as well as losses". It also "prohibits any form of government bailout and, thus, socialization of losses" (Wörsdörfer 2020: p. 201).

Already at the beginning of the economic reform process, it was recognised that the old economic system created irresponsible behaviour: "When an engineering project is not completed by a fixed date, neither the local authorities nor the enterprises concerned incur any responsibility economically" (Shi 1979: p. 18). Instead, enterprises should be responsible for "their own profits and losses" and organised "on a rational economic basis" through a reform process "carried out in an orderly, systematic way" (Shi 1979: p. 19).

If a country like China were to follow Eucken's principle, an economic reform process should take place with greater independence of various economic actors, and it should be correlated with decreased tolerance for arbitrary interference in economic and personal affairs. On 1 June 1983 began a reform of taxation of Chinese state enterprises. The aim was that these enterprises could only increase earnings through good management and that those lagging behind could no longer get away with living off the state's "big public pot" (Wang 1983: p. 4).

The Chinese government created the foundation to be able to adapt to the ordoliberal principle of companies being responsible for their own profits and losses. Nevertheless, there are many limitations to the implementation of the liability principle. However, we should take into account that ordoliberals also always recommend a gradual reform process rather than the shock therapy proposed by neoliberals.

7) The economic policy of governments should be stable and long-term oriented. Stable and predictable economic policies are sine qua non for rational decisions by both companies and individuals.

In the new constitution adopted on 4 December 1982 by the National People's Congress, Article 15 states that the Chinese state "ensures the proportionate and coordinated growth of the national economy through overall balancing by economic planning and the supplementary role of regulation by the market" (Beijing Review 1982).

Moreover, the new economic reform process "should serve to advance, and not impair, social stability, expansion of production, improvement of people's living standards and the growth of state revenue" (Beijing Review 1984a: p.V). This also means that the functions of government should be separated from those of enterprises (Beijing Review

1984a: p. IX). In other words, in principle, the marketplaces of China should be depoliticised. Finally, the reforms "are in line with the fundamental interests of consumers" (Beijing Review 1984a: p. IX).

In addition, also eliminating government deficits became an essential element in China's economic reform process because public deficits potentially enhanced economic instability. Tax bureaus should penalise tax evaders, and expenditures should be held in check.

Generally, since 1978, the government has tried to assure the Chinese people and the world of greater stability and predictability as far as economic policies are concerned, both through rhetoric and concrete action. However, this has only been a success as long as the Chinese leadership was not in any way threatened by these changes. Again, it should be considered that the Chinese economic reform process was a gradual one. Therefore, it probably too much to ask that China would line up to this principle already in 1985.

8) Interdependence of all constituent principles mentioned above. If they are applied in isolation they lose their basic purpose and effectiveness.

As can be seen from the analysis of the seven ordoliberal principles above, legislative, social, political and economic elements are constantly viewed in relation to each other in a Chinese context. Therefore, China lived up to this ordoliberal principle of including the interdependence between the seven constitutive principles.

Conclusions

As to the first research sub-question, I've argued, beyond reasonable doubt, that ordoliberal thinking did influence Chinese top decision-makers via epistemic policy learning around 1978. Chinese decision-makers listened to German ordoliberal experts teaching them on the backdrop of the 'economic miracle' following from the ordoliberal-inspired economic reform process in Germany after World War II. To the Chinese audience this was presented as reflexive policy learning based on dialogue between German experts and Chinese leaders, but in fact it was German experts' teaching Chinese leaders.

As to the second sub-question, there are some similarities between the Economic Constitution and the Chinese economic reform process. However, far from all of Eucken's ordoliberal principles were implemented during the Chinese economic reform process in 1978–1985. The same was the case with Germany after World War II. As an example, Eucken's first constituent principle of competitive market economy was only partly implemented. However, only gradual implementation of this principle might in a strange way be more in line with ordoliberalism than a full implementation.

Overall, China has lived up to the ordoliberal principle regarding inflation and a stable currency, and partly regarding an independent central bank. In addition, the economic reform process in 1978 to 1985 meant that China moved in direction of living up to the ordoliberal principle of private ownership of means of production. At the same time,

the country still prioritised public ownership and regarded private companies as having a solely supplementary status in the analysed period.

The Chinese government also created the foundation to be able to adapt to the ordoliberal principle of companies being responsible for their own profits and losses, but there were limitations to the implementation of the liability principle. These were primarily due to the prioritisation of the interests of the large state-owned enterprises and the political pressure in this regard.

In addition, since 1978 the government tried to assure the Chinese people and the world of greater stability and predictability as far as economic policies are concerned. However, this has only been a success as long as the Chinese leadership was not in any way threatened by these changes.

In sum, there was policy learning from German ordoliberals during the Chinese economic reform process from 1978–1985. And it did live up to many of the ordoliberal principles, but with some important caveats. As far as transnational policy learning is concerned, the analysis has demonstrated that reflexive policy learning (i.e. 'teaching') was presented as epistemic learning (i.e. dialogue).

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