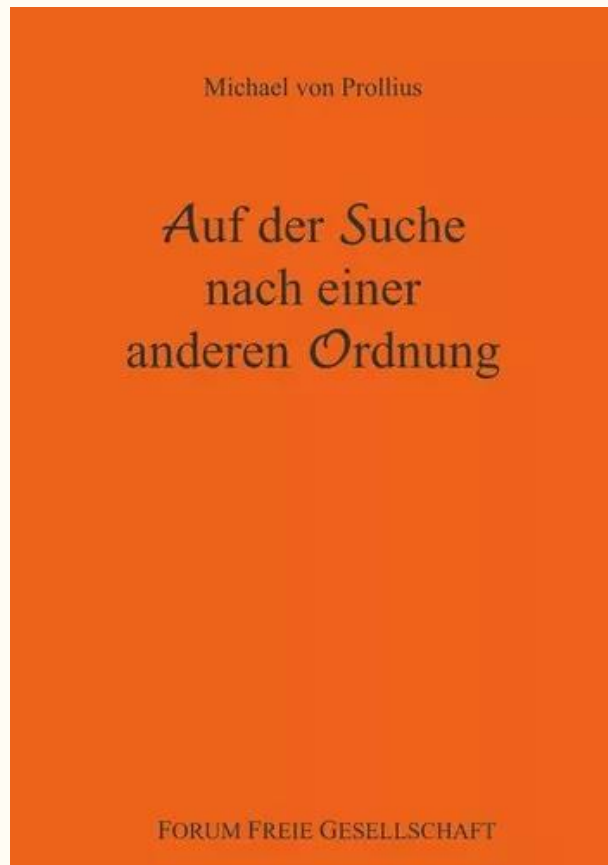


MvP Book Abstract #10

Comprehensive Summaries of German Research & Publications for International Readers

In Search of a Different Order

Essays on Constitutional Political Economy and Freedom



Berlin, 2025

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One-Sentence Summary

This English summary presents Michael von Prollius's comprehensive collection of constitutional political economy essays "Auf der Suche nach einer anderen Ordnung" (2014), which systematically analyzes the erosion of free market principles in contemporary Germany while proposing concrete institutional reforms based on classical liberal and neoliberal foundations to restore what he terms "the good old order" that characterizes Western civilization.

About This Book

Publication Details:

- **Author:** Michael von Prollius
- **Title:** Auf der Suche nach einer anderen Ordnung
- **Publisher:** Books on Demand, Norderstedt
- **ISBN:** 978-3-7357-7598-8
- **Publication Date:** 2014
- **Format:** 204 pages

Genesis and Methodology:

This book "**Auf der Suche nach einer anderen Ordnung**" represents the culmination of nearly a decade of ordnungspolitical (constitutional economic) analysis through von Prollius's influential blog Forum Ordnungspolitik (www.forum-ordnungspolitik.de), founded in 2005 as a direct response to what he diagnosed as "ordnungspolitical amnesia" in German public discourse. The work's title deliberately echoes Ralf Dahrendorf's sociological investigations, but von Prollius approaches the search from a distinctly classical liberal perspective rooted in Austrian School economics and German classical as well as neoliberal traditions.

The collection emerged from von Prollius's concern that Germany had forgotten the foundational principles of a free society, witnessed in the systematic erosion of market economy principles and the dangerous expansion of the welfare state beyond its original constitutional boundaries. His platform became known as "die orangen Seiten" (the orange pages) among Bundestag staff members, indicating its penetration into German policy circles as a source for economic adult education and systematic critique of statist overreach.

Von Prollius positions himself within the intellectual lineage of German neoliberalism's founding fathers—particularly Ludwig Erhard, Wilhelm Röpke, Alexander Rüstow, and Walter Eucken—while incorporating insights from Austrian economists like Ludwig von Mises and Friedrich August von Hayek. His approach combines rigorous theoretical analysis with practical reform proposals, creating what he terms "ordnungspolitical snapshots" of contemporary German and European institutional failures.

In Search of a different Order

Essays on Constitutional Political Economy and Freedom

Theoretical Foundations: What is Ordnungspolitik?

Von Prollius begins with fundamental clarification of **Ordnungspolitik** (constitutional political economy), distinguishing it from conventional policy analysis. Drawing on Walter Eucken's insight that "all economic policy questions come down to the question of economic order," he defines Ordnungspolitik as the totality of measures affecting the framework conditions of economic and social life—essentially the rules and principles governing human interaction.

Core Framework Conditions of a Free Order:

- Inviolability of person, life, and private property
- Individual freedom from coercion and paternalism
- Rule of law through general, equally-applicable rules
- Sound currency and functional price system
- Freedom of contract and opinion
- Open markets and competition

Von Prollius emphasizes Henry Hazlitt's distinction between good and bad economic policy: good policy considers long-term consequences for all groups rather than short-term benefits for special interests. Ordnungspolitik therefore focuses on establishing frameworks rather than intervening in market processes, with prices serving as the crucial information system that no central authority can replicate.

The work systematically demonstrates how contemporary Germany has abandoned these principles. Through detailed analysis of minimum wage legislation, regional protectionism, and bailout policies, von Prollius shows how well-intentioned interventions systematically undermine the very coordination mechanisms that enable prosperity. His treatment of minimum wages exemplifies this approach: while politicians claim to help low-productivity workers, the policy actually creates unemployment among precisely those groups while raising costs for consumers and reducing employment opportunities elsewhere in the economy.

Historical Analysis: Successes and Failures of Constitutional Political Economy

The Golden Age and Its Demise

Von Prollius provides a penetrating analysis of the Social Market Economy's brief flowering from 1948-1967, arguing that genuine neoliberal policy lasted less than twenty years. The currency and economic reform of June 20, 1948 created what he terms "authentic" Social Market Economy, but the Stability Act of June 8, 1967 marked its death through the introduction of Keynesian demand management and the "magic square" of economic steering.

His historical account reveals how the founding fathers of German neoliberalism explicitly rejected the welfare state as incompatible with freedom and human dignity:

- **Ludwig Erhard:** "Nothing is usually more unsocial than the so-called welfare state, which weakens human responsibility and reduces individual performance"
- **Wilhelm Röpke:** The welfare state represents "comfortable barn feeding" that degrades humans to "domestic animals"
- **Alexander Rüstow:** The welfare state is a "provision state, and this meaning is the opposite of what welfare actually means"

International Reform Examples

The work systematically examines successful constitutional reforms worldwide, from Singaporean transformation from colonial poverty to Asian prosperity, through Scandinavian structural reforms of the 1990s, to the telecommunications liberalization that ended telephone monopolies. Von Prollius uses these cases to demonstrate that **economic freedom creates prosperity for all**—a principle supported by decades of empirical research through indices like the Economic Freedom of the World Report.

His analysis shows how successful reformers like Ivan Miklos in Slovakia implemented comprehensive flat tax systems that simplified administration while maintaining revenue and promoting growth. Slovakia's 19% uniform tax rate on income, corporate profits, and VAT, combined with elimination of inheritance and gift taxes, created what von Prollius calls "Europe's best tax system."

Contemporary Crisis Analysis: From Financial Crisis to European Integration

Systematic Critique of "Rescue Politics"

Von Prollius provides devastating analysis of the policy responses to the 2007-2008 financial crisis, which he argues represents not market failure but **systematic state failure** through monetary manipulation, regulatory capture, and moral hazard creation. His treatment of "Rettungspolitik" (rescue politics) reveals how bailouts of banks and governments systematically violate basic market principles:

1. **Price System Manipulation:** Central bank interest rate suppression destroys the coordination function of prices
2. **Moral Hazard Institutionalization:** Bailout expectations encourage excessive risk-taking
3. **Socialization of Losses:** Private gains are preserved while losses are imposed on taxpayers
4. **Regulatory Capture:** Financial institutions receive privileges unavailable to other sectors

The Euro Crisis as Constitutional Failure

His analysis of European integration focuses on systematic violations of the legal framework established by Maastricht criteria and no-bailout clauses. Von Prollius documents how political expedience repeatedly trumped legal obligations:

- Maastricht convergence criteria were ignored from the outset
- The no-bailout clause (Article 125 AEUV) was systematically violated
- ECB prohibition on government bond purchases was circumvented through indirect mechanisms
- Democratic legitimacy was eroded through technocratic governance

Paul Kirchhof's concept of "Verfassungsnot" (constitutional emergency) provides the analytical framework: **legal instability weighs more heavily than financial instability**. Von Prollius argues that Europe's crisis stems not from economic imbalances but from the systematic destruction of rule of law through political expedience.

Reform Perspectives: Concrete Institutional Solutions

Fiscal and Monetary Reform

Von Prollius presents comprehensive reform proposals across multiple institutional domains:

Tax System Reform: Following the Slovak model, he advocates a uniform 19% rate on all income sources, elimination of complex deductions, and focus on consumption rather than production taxation. His analysis shows how Germany's 218 federal tax laws and 418 exception provisions create a "labyrinth" that undermines both economic efficiency and legal certainty.

Debt Brake with Personal Liability: Recognizing that conventional spending limits fail due to political incentives, von Prollius proposes innovative sanctions linking politician compensation to fiscal performance. Deficit spending above constitutional limits would trigger automatic salary reductions (20% for 1% of GDP deficit, 40% for 2%, etc.) or temporary re-election prohibition.

Monetary Freedom: Perhaps his most radical proposal involves ending central banking monopolies in favor of competitive currency systems. Drawing on historical examples of successful free banking, von Prollius argues that **market-provided money would eliminate the boom-bust cycles** caused by monetary manipulation while ending government financing through money creation.

Healthcare Privatization

His healthcare reform proposals center on Anthony de Jasay's distinction between "distributive" and "corrective" justice. Rather than attempting impossible equality of health outcomes, von Prollius advocates market-based insurance with means-tested vouchers for the genuinely poor. This approach would restore the connection between individual risk behavior and insurance premiums while ending cross-subsidization through political manipulation.

Philosophical Foundations: Freedom as Constitutional Principle

The Philosophy of Freedom vs. Democratic Welfare State

Von Prollius provides contrasting philosophical frameworks that underscore the fundamental incompatibility between constitutional liberalism and democratic welfarism. His "Philosophy of Freedom" rests on self-ownership principles: individuals own their lives, time, and the products of their labor, making voluntary exchange the only legitimate basis for social cooperation.

This contrasts sharply with the "Philosophy of the Democratic Welfare State," which treats individual property as socially conditioned and subject to majority redistribution. Von Prollius demonstrates how welfare state philosophy systematically undermines personal responsibility while expanding political control over private life.

Legal Philosophy and Constitutional Design

Drawing on Friedrich August von Hayek's distinction between law (nomos) and legislation (thesis), von Prollius argues for judicial discovery of legal principles rather than legislative creation. His proposal for Hayek's two-chamber system would separate ordinary government administration from constitutional rule-making, preventing politicians from manipulating fundamental legal frameworks for electoral advantage.

The work extensively analyzes the difference between Rechtsstaat (rule of law) and Machtstaat (rule by power), showing how emergency politics systematically erodes constitutional constraints. Von Prollius cites Felix Somary's warning that "it takes generations to build the foundations of the rule of law, but only years to destroy them."

European Vision: Neoliberalism and Subsidiarity

Against Centralization: A Europe of Diversity

Von Prollius's European vision directly challenges the centralization trajectory of EU integration. Drawing on Ludwig Erhard's Stockholm address (1963), he argues that Europe's value lies precisely in its "colorfulness, diversity, and differentiation of life." Centralization threatens this essential European characteristic.

His "Seven Neoliberal Principles" for European reconstruction include:

1. **Price System Integrity:** End manipulation of interest rates, exchange rates, and wages
2. **Liability Restoration:** "Who orders, pays—who acts, bears responsibility"
3. **Competition over Privileges:** Eliminate subsidies and special treatment
4. **Crisis Purification:** Allow market clearing rather than zombie preservation
5. **Rule of Law:** Return to legal constraints on political power

6. **Market over Bureaucratic Regulation:** Trust price discovery over administrative control
7. **Currency Competition:** End monetary monopolies in favor of competing currencies

Subsidiarity and Non-Centralism

Influenced by Swiss philosopher Robert Nef's concept of "Non-Zentralismus," von Prollius advocates radical decentralization beyond traditional federalism or subsidiarity. His vision includes:

- Municipal autonomy as the foundation of political organization
- Competitive governance structures allowing "voting with feet"
- Legal system evolution through judicial discovery rather than legislative command
- Secession rights as ultimate constraint on governmental power

This approach draws on historical examples of successful small states (Singapore, Luxembourg, Monaco, historic Venice) to demonstrate that prosperity correlates with political decentralization rather than scale.

Monetary Theory: Free Banking and Sound Money

Critique of Central Banking

Von Prollius provides comprehensive analysis of monetary system failures, arguing that central banking represents "monetary socialism" incompatible with market coordination. His treatment follows Austrian capital theory in showing how artificial credit expansion creates systematic malinvestment:

- Low interest rates signal increased saving when actual consumption preferences haven't changed
- Businesses invest in long-term projects that prove unsustainable when credit tightens
- Economic crises result from necessary corrections to these misallocations

Free Banking Alternative

Drawing on historical examples from Scotland, Canada, and other systems with competitive note issue, von Prollius demonstrates that **currency competition produces superior results** to monopolistic central banking:

- Market-provided money responds to actual liquidity demand rather than political manipulation
- Competitive banks maintain higher reserve ratios due to reputation concerns
- Elimination of lender-of-last-resort eliminates moral hazard in banking

- Price deflation from productivity improvements benefits consumers rather than being prevented

His analysis shows how free banking would eliminate not only monetary manipulation but also government finance through money creation, forcing fiscal responsibility and ending inflationary taxation.

Contemporary Relevance and Critical Assessment

Diagnostic Achievement

- *The entire assessment comes from Claude.ai* -

Von Prollius succeeds in providing systematic diagnosis of German and European institutional failures from a coherent theoretical perspective. His integration of Austrian economics with German neoliberal insights creates a comprehensive framework for understanding contemporary policy failures. The work's strength lies in connecting abstract principles to concrete policy analysis, showing how theoretical insights explain observable phenomena.

His documentation of welfare state founders' actual positions provides valuable corrective to contemporary mythologizing of Social Market Economy. By showing that figures like Erhard and Röpke explicitly rejected welfare statism, von Prollius reclaims genuine neoliberal heritage from social democratic appropriation.

Reform Proposal Assessment

The concrete reform proposals demonstrate sophisticated understanding of public choice constraints on political reform. Von Prollius recognizes that institutional changes must account for political incentives, leading to innovative proposals like personal liability for deficit spending and competitive currency systems.

His European analysis proves particularly prescient given subsequent developments in EU integration and crisis management. The systematic legal violations he documents have indeed undermined European constitutional foundations as predicted.

Methodological Considerations

The work operates primarily within Austrian-neoliberal theoretical frameworks, potentially limiting engagement with alternative analytical perspectives. While von Prollius's internal consistency is impressive, broader theoretical dialogue might strengthen the analysis.

The reform proposals, while theoretically sound, may underestimate transition costs and political economy obstacles. The gap between ideal institutional designs and implementable reforms remains substantial.

Historical Significance

"Auf der Suche nach einer anderen Ordnung" represents important documentation of German constitutional economic thought during the European crisis period. Von Prollius's systematic application of neoliberal principles to contemporary problems demonstrates the continued relevance of this intellectual tradition while identifying specific institutional reforms necessary for renewal.

The work succeeds in its stated mission of providing "economic adult education" by making complex theoretical insights accessible through concrete policy analysis. Its influence on German policy discourse through the Forum Ordnungspolitik platform demonstrates the potential for intellectual engagement to influence political debate.

Conclusion: The Search for Constitutional Renewal

Von Prollius concludes that the "search for a different order" represents not utopian speculation but recovery of proven institutional arrangements that enabled Western prosperity. His "good old order" refers to constitutional arrangements that protect individual freedom through legal constraints on political power, market coordination through price signals, and social cooperation through voluntary exchange.

The work's ultimate contribution lies in demonstrating that **contemporary institutional crises result from systematic abandonment of constitutional principles** rather than their inadequacy. Von Prollius shows how return to classical liberal and neoliberal insights could restore both prosperity and freedom to European societies caught in welfare state decay.

His vision of "Europe of Diversity" rather than centralized uniformity offers an alternative to current integration trajectories while maintaining the benefits of peaceful cooperation and exchange. The emphasis on subsidiarity, competitive governance, and individual responsibility provides practical framework for constitutional renewal.

The work stands as both historical analysis of institutional failure and practical guide for constitutional reconstruction, making it essential reading for understanding contemporary German and European economic thought and the continuing relevance of classical liberal insights for addressing modern political economy challenges.

About This Abstract Series

MvP Book Abstracts provide comprehensive English summaries of Michael von Prollius's German publications for international readers. Unlike promotional summaries, these abstracts offer substantial intellectual engagement with research findings and analytical frameworks.

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About the Author

Michael von Prollius is a German historian, economist, and author specializing in the intersection of ideas, institutions, and historical development. He holds degrees in history and economics and has conducted extensive research spanning ancient history, economic thought, political philosophy, and contemporary policy analysis.

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