

Team: Social contract and new Ordoliberalism (SoCoBis)

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Introduction

The aim of the SoCoBis team is to conduct experimental and theoretical research into social contract conditions and rules for a basic income society. Our research approach differs from other FRIBIS research teams in that we focus on carrying out empirical tests on theoretical research: specifically in our own purpose built Social Contracting Lab (SoCoLab). Additionally, we attempt to work out the socially acceptable parameters for the socially endogenous derivation of the basic income system design while ensuring its stability and sustainability.

Theoretical Methodology

The team is currently focusing on the following two theories as research priorities.

(1) Net Basic Income model.

Here the model of the Net Basic Income (NBI) (Neumärker, et. al. 2021) is concerned with the justice problem derived from the current crisis situation, namely the asymmetric distribution of crisis-induced risks and burdens. More specifically, due to lockdown during the corona crisis, it would result in lower labour income while capital income would remain unaffected. The Neoliberal/Neocapital policy takes priority on the protection of capital which has led to many corona aid programs that focused on protecting the economy rather than social justice. NBI presents a solution to the asymmetric burden, it can be useful for both social and economic aspects. Moreover, our NBI model assumes to give adults an amount between €550 and €700 without complicated checks and applications, which is a relatively small size from fiscal point of view compared to the traditional UBI.

We have here a two-step model of it. In step one, everyone gets a basic income as compensation measured by the minimum needs which are calculated by statistical basket of goods under omission of leisure pleasures as well as rent payments. In step 2, those who are affected by the crisis can suspend the payment/financial chain upwards. In this way, the probability of being financially affected by the crisis is distributed symmetrically to all actors; both those earning work income, as well as those earning capital income. This ensures that the purchasing power and consumption of citizens is maintained at a basic level and it gives a socially stabilizing effect.

(2) New Ordoliberalism

The SoCoBis team departs from the Freiburg Ordoliberal School, and investigates whether ex post social justice improvements, namely a universal basic income, would result in a sustainable, stable order. The resulting order has been called New Ordoliberalism.

Ordoliberalism, an offshoot of the the Freiburg School, focuses on the combination of economics and law as a means of creating economic order. The focus of ordoliberalism is in the long-term rules of the market, particularly to protect the competitive order. In ordoliberalism, the role of the state is not to satisfy arbitrary economic objectives through discretionary decision making, , rather to ensure the stability and predictability of the competitive market (Nedergaard and Snaith 2015, 1096). Protecting the competitive order was a central goal for ordoliberalists, who saw not only government power as a threat to the individual, but opined that “[p]owerful economic institutions (ie. cartels) could also destroy or limit freedom, especially economic freedom” (Vatiero 2010, p690). Ordoliberalism sets the focus on ex ante decision making on 'the rules of the game' with the assumption that this will ensure outcomes that are efficient.

This has however left classic Ordoliberalism open to the criticism that it neglects social justice as well as conflict and fairness at the post constitutional stage (Blum, Forthcoming).

A 'new ordoliberalism' (NOL), developed by Neumaerker (2017) and developed by Blum (forthcoming) aims to improve the ordoliberal approach by ensuring ex post stability. The NOL approach is distinguishable from classic ordoliberalism in that it looks beyond ex ante rule setting and creating stable conditions for competition, and looks toward ensuring ex post socially just outcomes, and stability through outcomes that are free from envy and conflict. This will result in a constitution that, by being self-enforcing, is less subject to renegotiation. New Ordoliberalism presents five criteria to ensure the stability of the economic order at post-constitutional stage. These are: freedom from envy; freedom from conflict; strategic non-manipulability; self-enforceability; and renegotiation as a second-best solution. The SoCoBis team aims to further develop this mode of thinking.

Hands-on in the laboratory

The SoCoLab can be a good place to test hypotheses.

For example, in order to test the feasibility of the NBI as a first step in promoting this model, we will place it in a laboratory experiment. One of the methods is, the setting will be comparable to that of Frohlich and Oppenheimer (1992), and the NBI model will be interpreted in one of the income schemes. The other competitive income schemes may be utilitarianism, maximin, the traditional crisis aid program etc. In addition to comparing participants' choices in the constitutional stage with those in the post-constitutional stage traditionally, the experiment can also highlight whether the choice shifts during the corona crisis. Otherwise, the dictator game can be an alternative. NBI will be interpreted as a way of allocating the resources. It's largely similar in general to the first approach, but with the

addition of an examination of the morality of the participants in the game.

The experiment will take the form of a questionnaire or an invitation to participants in laboratory depends on the specific direction of the article and funding. The quantitative analysis of the experimental results will include at least the following explanatory variables: socio-economic level, gender, age, geography, ethnicity, linguistic so that we can compare it with the actual data from available panels.

Research and Challenge

The purpose of our research and experimentation is to contribute to the stability and sustainability of society. An ongoing challenge encountered by experimental and theoretical economists is the application of our results or the validity of our hypotheses beyond the laboratory. How can we promote it in reality? Will the proposed legislation help? Should we pursue constitutionalisation? These are the questions the SoCoBis team will pursue.

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