1. Introduction

_The current world crisis could never have grown to such proportions, nor proved as stubborn, if it had not been for the many forces at work to undermine the intellectual and moral foundations of our social system and thereby eventually to cause the collapse of the economic system indissolubly connected with the social system as a whole. Not withstanding all the harshness and imperfections of our economic system, which cry out for reform, it is a miracle of technology and organization: but it is condemned to waste away if its three cardinal conditions – reason, peace, and freedom – are no longer thought desirable by the masses ruthlessly reaching for power._


When Wilhelm Röpke spoke these words in a public address at Frankfurt am Main on 8 February 1933, he knew that he was sealing his professional fate. None of his listeners would have doubted who Röpke had in mind by ‘the masses reaching for power’. Only nine days before, Weimar Germany’s second and last President, Field-Marshal Paul von Hindenburg, appointed the leader of the National Socialist German Workers Party, Adolf Hitler, as Reich Chancellor of Germany. From Röpke’s perspective, the Nazis’ accession to government office was a disaster. As a decorated World War I veteran, a young distinguished academic and, importantly, not Jewish, Röpke could have easily conformed to the new regime’s demands and perhaps risen to high office in the Third Reich. But Röpke had no illusions about where he believed Hitler would lead Germany. He also had the fortitude to speak his mind. During Germany’s 1930 national elections, Röpke distributed a leaflet to voters that he had written himself. As his wife Eva recorded, it read:

_No one who votes for the National Socialists on September 14 should be able to say he did not know what might come of it. He should know that he is voting for chaos in place of order, destruction in the place of reconstruction. He should know that he is voting for war at home and senseless destruction abroad. Vote, but vote in a way such that you will not feel any complicity in the catastrophe which may yet erupt upon us._ (Röpke, 1977, p. 420)

It followed that on 7 April 1933, no-one was surprised that Röpke was among the first German professors to lose his position as the National Socialists purged Germany’s universities of scholars who were outspoken
anti-Nazis, Jewish, or both. He also had an angry confrontation with two SS officers who visited his home to persuade him to alter his opinions (Kaufmann, 1966; Boarman, 2000, p. 37). Accepting that there was no place in the Third Reich for someone with his decidedly liberal economic and political views, Röpke departed into exile in November 1933, initially taking refuge in Amsterdam. At the invitation of Turkey’s modernizing president Kemal Atatürk, Röpke joined the large diaspora of German intellectual refugees from National Socialism in Turkey (Reisman, 2006) and was appointed to a teaching position at the University of Istanbul. In 1937, Röpke accepted a post at Geneva’s Graduate Institute of International Studies, where he taught until his death on 12 February 1966. Röpke never returned to live in Germany.

Exile did not diminish Röpke’s energetic engagement in the world of ideas. Even his more technical works avoid dry formalism. They betray the passion that he brought to his work. This may help account for the fact that, unlike most of his fellow liberal German economists, Röpke enjoyed an intellectual reputation that extended beyond the frontiers of the German-speaking world. Over the course of his life, Röpke wrote prolifically, including several books, dozens of academic pieces and untold numbers of newspaper articles, penning over 900 publications by the end of his life. He also served as an editor of the journals Kyklos and Studium Generale, and was a founding editorial board member of the economic journal Ordo.

While economics remained central to his intellectual concerns, Röpke did not hesitate to engage other subjects. When Röpke first came to the attention of another modern economist and social philosopher, Friedrich von Hayek (1899–1992), it was on the basis that Röpke was ‘one of the few young German economists seriously interested in theoretical questions . . . [especially] abstract questions of monetary theory’ (Hayek, 1992, p. 196). But as Hayek wrote in a tribute to mark Röpke’s sixtieth birthday, ‘Röpke realized at an early stage, perhaps earlier than most of his contemporaries, that an economist who is nothing but an economist cannot be a good economist’ (Hayek [1959] 1992, p. 195). Röpke himself praised those economists with whom he often disagreed, such as Joseph Schumpeter, for being willing to engage in multidisciplinary analysis (Röpke, 1948m).

Like most scholars, Röpke’s thought developed and changed over time. The general orientation of Röpke’s economic thought is itself a matter of much disagreement. The Chicago school economist Milton Friedman once described Röpke as ‘something of an agrarian’ (Shlaes, 1996, p. 2). By contrast, the Oxford historian Anthony Nichols regards Röpke’s later writings as becoming ‘less and less easy to distinguish from . . . “paelo-liberals”’ such as the economist Ludwig von Mises (1881–1973) (Nichols,
1994, p. 323). These observations are difficult to reconcile, given that ‘paelo-liberals’ and ‘agrarians’ generally have very different views about political economy. More commonly, Röpke’s economic thought is often located in what is usually denoted as the ‘neoliberal’ tradition associated with twentieth-century figures such as Franz Böhm (1895–1977), Walter Eucken (1891–1950), Alfred Müller-Armack (1901–78) and Alexander Rüstow (1885–1963). Yet even here there are difficulties of classification. Though these economists shared an interest in modifying capitalism in ways compatible with free competition, there were significant differences between them. While Eucken and Böhm increasingly focused upon the relationship between legal institutions and the economy, Müller-Armack and Rüstow’s economic reflections were more akin to the type of historical sociology associated with Max Weber.

Despite his prodigious literary output, Röpke’s work is less known in the English-speaking world than other prominent twentieth-century free-market economists such as Friedman, Hayek and Mises. Though Röpke often wrote in English or was quickly translated for the benefit of English-speaking audiences, there are very few extended English-language scholarly treatments of Röpke’s thought. Apart from John Zmirak’s introductory book to Röpke’s life and thought (2001), there is no book-length English-language study of Röpke’s contributions to political-economic discourse that matches German-language studies of Röpke’s writings such as S.H. Skwiercz’s lengthy analysis (1988), Helge Peukert’s two-volume study (1992) and Hans Jörg Hennecke’s biography (2005), or the Spanish-language analyses authored by Jerónimo Molina Cano (2001) and Marcelo Resico (2008). As a consequence Röpke often appears in the eyes of some English-language audiences as a European anti-Fascist, anti-Communist economist who made significant contributions to the mid-twentieth-century American effort to integrate classical liberalism and traditional conservatism into a cohesive political movement commonly known as ‘fusionism’ (Nash, 1996, pp. 166–8). Others present Röpke as one of the small group of market-inclined economists who paved the intellectual path for Ludwig Erhard’s liberalization of West Germany’s economy in 1948 (Van Hook, 2004, p. 160). As Mises later wrote, ‘For most of what is reasonable and beneficial in present-day Germany’s monetary and commercial policy, credit is to be attributed to Röpke’s influence. He – and the late Walter Eucken – are rightly thought of as the intellectual authors of Germany’s economic resurrection’ (1966, p. 200).

These pictures reflect something of Röpke’s life and work. But they do not do justice to the breadth, depth, and above all complexity of Röpke’s work in the area of political economy. Situated as it was in the stream of nineteenth- and twentieth-century German and European history and the
Wilhelm Röpke’s political economy

numerous political, economic and methodological debates that preceded and developed in these decades, Röpke’s thought is not easily condensed into contemporary ideological categories. In many respects, Röpke’s work has more in common with the intellectual agendas pursued by Adam Smith (1723–90) and Alexis de Tocqueville (1805–59).

A MAN OF HIS TIMES

Röpke’s relatively early death may account for the fact that his writings did not receive the attention which began to be accorded to free market-orientated economists in the 1970s when Keynesian theories began losing credibility among important sections of elite opinion in Western Europe and North America. Much of Röpke’s economic writing involved reflection upon events that directly affected him and his contemporaries. While historical context cannot explicate everything about any scholar’s work, Hennecke speculates that Röpke’s happy youth growing up in the village of Schwarmstedt may help explain his preference for smaller forms of human association (Hennecke, 2005; Boarman, 2000, pp. 47–8). Like many other young men of his generation, Röpke’s experience of military service in World War I cannot be underestimated when attempting to comprehend the post-war direction of his thought.

Reading Röpke’s reflections on life in the Kaiser’s army in the trenches of northern France, it is striking to see how much feeling it still aroused in Röpke over forty years later. At the most basic level, it fostered in him ‘a violent hatred of war’ (Röpke, 1959f, p. 228). War was, to Röpke’s mind, ‘the expression of a brutal and stupid national pride that fostered the craving for domination and set its approval on collective immorality’ (ibid.). Though a genuine war hero, Röpke clearly despised military life. ‘Life in the army’, he recorded, ‘had shown what it meant for an individual to exist as part of an apparatus whose every function assumed lack of freedom and unconditional obedience’ (ibid., p. 230). It resulted in the physical and spiritual debasement of the individual’s dignity in the name of the mass – mass existence, mass armies, even mass feeding (ibid.).

Initially Röpke’s anti-nationalism and anti-war positions translated into ‘a protest against the prevailing economic and political system, which was a feudal and capitalist one. The protest and its attendant denial made, the affirmation followed of itself: socialism’ (ibid., p. 229). But to his surprise, Röpke’s university studies lead him to conclude that his protest against war and nationalism mandated ‘a commitment to liberalism in the sphere of international economic relations; in other words, to free trade’ (ibid.). The same reaction also aroused in Röpke ‘a great wariness about
the powers of the modern state and, along with this, about the powers of the various pressure groups within the nation’. ‘The more I looked into it’, Röpke stated, ‘the more clearly I saw that my indignation over the war was a protest against the unlimited power of the state’ (ibid., p. 230).

Röpke did not arrive at this realization easily. He was acutely conscious that the trend of intellectual opinion was heading in a different direction. But, as Röpke recalled, ‘Not all the pacifist, antimilitarist and freedom-demanding statements of even the most honest socialists could obscure the fact that socialism, if it was to mean anything at all, meant accepting the state as Leviathan not only for the emergency of war but also for a long time to come’ (ibid., p. 231). Having made his choice, Röpke never recoiled from its consequences. His intellectual abilities and early success as an economist soon brought him to the attention of those German politicians seeking to stabilize Weimar Germany as its foundations were subject to relentless attrition from the Communist left and the radical nationalist-right. Röpke subsequently found himself asked for advice on the direction of government economic policy, especially when Germany was engulfed by the Great Depression. His views on the policy implications of sound political economy, Röpke wrote, ‘meant speaking against most of the groups and policies that prevailed in the field of economics between the wars’ (ibid., p. 231). But taking such stands was, Röpke believed, the intellectual’s non-negotiable moral responsibility. ‘Society’, he wrote, ‘is in supreme danger if the “Clerks” remain dumb, if they are not allowed to express themselves freely, or from fear or confusion commit the treachery of silence, or what is the worst of all, when they speak against their inward and better conviction’ ([1944b] 1948, p. 72).

Few people can spend long periods of time as one of a small group of intellectuals opposing the dominant trends in politics and economic policy without coming to certain conclusions about themselves and their work. For Röpke, one such realization was that economics had to be attentive to ‘the nature of man and the sort of existence that was fitting to that nature’. It was the best way of ensuring that economic science ‘always had something concrete and real to refer to and was protected from the tendency of the over-abstract to result in monstrosities when it is brought into the human realm’ (Röpke, 1959f, pp. 231–2). It took Röpke several years to integrate this focus into his economic thinking. But his peers’ recognition that this attention to human nature had become central to Röpke’s economics was one reason, Röpke wrote, why his way of thinking had ‘come with good reason to be called “economic humanism”’ (ibid., p. 232).

Like many other economists of his generation, much of Röpke’s career was consumed by the effort to understand the Depression’s causes and
Wilhelm Röpke’s political economy

how to overcome it. While the Nazi seizure of power was deeply unsettling for someone of his liberal inclinations, Röpke also saw the rise of Hitler as part of a wider chain of events, including certain inadequacies in economic liberalism. Thus, it is hardly surprising that Röpke’s thought was especially influenced by attempts to save capitalism from its apparent immolation. This ranged from John Maynard Keynes’s effort to radically revise the entire science of economics, to Hayek’s struggle to reinvigorate classical liberalism by emphasizing the need to resist the general movement toward economic planning that gathered apace in North America and Western Europe after 1945. On several occasions, Hayek (1994, pp. 132–3) acknowledged Röpke’s critical role in helping to realize Hayek’s objective of establishing an international group of intellectuals – later called the Mont Pèlerin Society – concerned about the trend to planning following World War II.²

Röpke is also notable for the fact that he believed that the events which he was living through were not isolated phenomena. His books reflect his long-standing interest in Western intellectual history and his conviction that the seeds of the problems he was attempting to overcome were buried deep in Europe’s past. One is struck by the number of detailed references to classical, medieval and post-Enlightenment writers on subjects ranging from international law to political theory. Occasionally Röpke even drew analogies between the intensity of divisions within economics as a branch of learning and those prevailing in theology ([1952b] 1969, p. 167). It explains why, for example, Röpke traced a straight line between France’s Jacobin revolutionaries of the 1790s and the expansive welfare states that began to characterize Western European democracies from the 1950s onwards. It may also account for Röpke’s barely repressed frustration with members of his own profession who, he held, sought to reduce economics to a mathematical science of aggregates. Röpke certainly believed that there were economic laws that societies defied at their own peril. Nonetheless he also thought that careful reflection on the past provided guidance for the present and future, especially if an economist was committed to the preservation and extension of particular moral values (Röpke, 1960i, pp. 20–22, 1961f). This in turn contributed to Röpke’s insistence upon the limits of economics as a science. Economics, from Röpke’s standpoint, was not an ideology, philosophy, or religion. Instead it was a social science capable of providing society with powerful insights into reality, but also incapable of encapsulating reality in its entirety. Röpke opposed collectivist policies not simply because economic science told him they were bound to inflict misery on millions. He also regarded collectivism as incompatible with authentic human freedom. Summarizing his view on economics’ relationship to moral concerns, Röpke wrote:
[W]e need a combination of supreme moral sensitivity and economic knowledge. Economically ignorant moralism is as objectionable as morally callous economism. Ethics and economics are two equally difficult subjects, and while the former needs discerning and expert reason, the latter cannot do without humane values. ([1958f] 1998, p. 104)

Twenty-five years later, a theologian who would later assume the highest office in the Roman Catholic Church articulated almost identical thoughts on the same subject:

A morality that believes itself able to dispense with the technical knowledge of economic laws is not morality but moralism. As such it is the antithesis of morality. A scientific approach that believes itself capable of managing without an ethos misunderstands the reality of man. Therefore it is not scientific. Today we need a maximum of specialized economic understanding, but also a maximum of ethos so that specialized economic understanding may enter the service of the right goals. Only in this way will its knowledge be both politically practicable and socially tolerable. (Ratzinger, 1986, p. 204)

ECONOMICS AND ECONOMIC POLICY

While widely versed in a range of scholarly disciplines, economics remained Röpke’s intellectual focus throughout his academic career. Coming from a family that had produced lawyers, doctors, civil servants and Protestant clergy, Röpke studied law and then economics at the universities of Tübingen and Göttingen. He earned his doctorate under the supervision of Walter Troeltsch (1866–1933), a specialist in the economics of unemployment, at the University of Marburg in 1921. While Röpke’s doctoral thesis concerned the very technical subject of German potash mines (Röpke, 1922a), this happened to be one of the most heavily cartelized industries in Germany (Eucken, 1951, p. 31). It marked the beginning of his lifelong interest in curbing cartels and monopolies, a subject about which Röpke was still writing 33 years later (Röpke, 1955e). By contrast, Röpke’s habilitation dissertation addressed the economics of business cycles (Röpke, 1922b), a topic to which he would consistently return in the context of analyzing international trade issues and business-cycle theory.

Following a year working in the Foreign Office advising the still-fragile Weimar government on how to pay Germany’s war reparations – an issue on which he continued to write throughout the 1920s and 1930s (1924d, 1928d, 1929e, 1930e, 1931e) – Röpke was appointed professor at the University of Jena at the age of 24, thereby becoming Germany’s youngest professor in 1924. Part of his tenure at Jena was spent in the United States,
Wilhelm Röpke’s political economy

where, thanks to funding from the Rockefeller Foundation, he studied the economic problems of American agriculture (Röpke, 1927a, 1927b). After spending time at the University of Graz in 1928, Röpke returned to the University of Marburg the following year to assume a full professorship. His subsequent appointments in Istanbul and Geneva were to professorships in economics. At different times throughout his career, Röpke provided formal and informal advice on economic policy to various German governments. This included service on a government commission studying unemployment in 1930–31, as well as Ludwig Erhard’s currency-reform council which, between 1947 and 1948, forcefully advocated the German economy’s liberalization. In 1950, West German Chancellor Konrad Adenauer commissioned Röpke to write a defense of his government’s economic policies – a defense which, besides praising Erhard’s liberalizing measures, also criticized emerging trends of government intervention (Röpke [1950e] 1982). Often unwilling to wait for policy-makers to ask for his opinion, Röpke was unafraid to enter the public square to advocate or contest different ideas and proposals. The publication of his book, *The German Question* ([1945b] 1946, cf. 1946l), has been described as having similar effects upon post-war German public opinion as Hayek’s *Road to Serfdom* (1944) had upon Anglo-American audiences (Schwarz, 1980, pp. 393–401). Likewise, many of Röpke’s newspaper articles had a profound impact upon informed opinion. One of his more famous pieces was an article in the Catholic weekly *Rheinische Merkur* (Röpke, 1947b). Its critique of Günther Keiser, the foremost economist opposing Erhard’s plan to abolish wartime economic regulations as quickly as possible, is regarded as one of the most important pieces that helped prepare German public opinion for Erhard’s reestablishment of the market economy in West Germany in 1948.³

Röpke’s periodic involvement in developing government economic policies and his regular commentaries on contemporary economic developments reflected his conviction that, as one who survived World War I, he had a responsibility to work for a better future. His efforts to do so were framed against a background of the crisis of capitalism, especially German capitalism, in the first half of the twentieth century. The breakdown of free trade, relatively open borders, and rising living standards that prevailed throughout much of the world between the 1850s and 1914 – ‘that magnificent century’, as Keynes called it – was a shocking experience for his generation of intellectuals. Many of them spent much of the rest of their lives attempting to comprehend this course of events. Writing somewhat autobiographically, Röpke stated that upon returning home from the Western Front in 1918, he had wanted to ‘understand the reasons for the crisis, to learn what had brought it to the stage of war’. For this
reason, Röpke commented, ‘I determined to become an economist and sociologist’ (1959f, p. 228).

Röpke’s description of himself as one who was not just an economist is revealing. On one level, it reflects the fact that economics in continental Europe in the 1920s was considered a sub-branch of law and sociology. Yet it is also reasonable to interpret this description as indicative of an early conviction on Röpke’s part which became increasingly pronounced over time: that the nature and purpose of economic science was somewhat broader than the positivistic character assumed by much mainstream economics, especially after World War II (Röpke, 1964e, pp. 78–87). Röpke’s willingness to pursue economic science beyond the parameters imposed by positivistic assumptions was, some of his peers believed, one reason why broader audiences listened to him. Hayek claimed that Röpke had achieved an influence that reached beyond circles of professional economists, partly because an economist can be ‘in closer touch with reality in the social sciences when one does not limit oneself to those facts that are measurable and quantifiable’. In Hayek’s opinion, Röpke’s ‘special gifts’ lay in the ‘intermediate realm between “pure” theory and questions of practical politics where systematic treatment is at least as useful as in pure theory’. This intermediate realm, Hayek continued, constituted the essence of ‘political economy’ (1992, p. 197).

The purpose of this book is to provide a descriptive and critical introduction to Röpke’s understanding of political economy. It is an exercise in historical recovery insofar as it seeks to recapture Röpke’s philosophy of the market economy and how it was shaped by the challenges of his time. It first outlines the historical and intellectual background to Röpke’s political economy, before describing and critiquing his particular vision of a reformed economic liberalism. This involves examining the crisis in which German economic liberalism found itself in the closing years of the late-nineteenth century and the twentieth century’s first three decades. We then explore Röpke’s understanding of the nature and purpose of economic science, and his general schema for reforming economic liberalism. Though it did not achieve mature expression until the early 1940s, essential elements of Röpke’s neoliberalism were in place by the mid-1930s as he grappled with the problem of how to salvage the market economy and the values that he associated with it, as collectivist planning became increasingly the norm. Having considered Röpke’s political economy in theoretical terms, we then explore how it manifested itself in his treatment of three particular subjects to which he applied sustained attention at different periods of his life: the challenge of business cycles; the welfare state, employment and inflation; and international economic relations.4
Since apparently first coined in 1615 by Antoyne de Montchrétien (Schumpeter [1954] 1994, p. 167) to describe how monarchs could manage their kingdoms as landowners organized their estates, the term *économie politique* has been defined in many ways. Some treat political economy as the study of economic theories in order to discover their underlying political and social underpinnings (Maier, 1987, pp. 3–6). Others regard political economy as the effort to critically analyze economic policy. Then there is political economy understood as an interdisciplinary study which integrates economics with other social sciences in order to explore how political and legal institutions shape the economy and vice versa. Prominent examples are institutional economics and public choice theory.

It was, however, Adam Smith who established the meaning of political economy in the commonly accepted positive sense of the term by defining ‘what is properly called Political Oeconomy’ as the scientific study of ‘the nature and causes of the wealth of nations’ (Smith [1776] 1981, IV.ix.38). As A.M.C. Waterman notes, Smith’s vision of political economy involves the establishment of scientific (in the positivist sense of the word) theories to explain economic phenomena. In a broader sense, however, Waterman observes that Smith’s political economy also embraces the study of the interrelationship between economic theory and the political ideas and movements of a given time. This, Waterman argues, is found in Smith’s attention to the manner in which political ideas and events influence economic practices and systems as well as the ways that economic theory simultaneously shapes the rulers’ decisions (Waterman, 2002, pp. 13–40). Lastly, there is the sense in which Smith understood political economy in terms of what is known today as economic policy insofar as Smith regarded political economy as ‘a branch of the science of the statesman or legislator’ whose objective was ‘to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient to the public services’ (Smith [1776] 1981, IV, Introduction).

On one level, Smith’s *Wealth of Nations* was certainly an exercise in abstract analysis of economic life. Smith carefully dissected the claims of prevailing economic thought, presented a fresh approach to understanding how wealth is created, and then elaborated on what should be done on the policy level if wealth-creation and society’s overall material enrichment are deemed desirable. But in doing so, Smith also attempted to develop a powerful normative argument for an economy based around private property, free competition and limited government over and
against the mercantilist systems that dominated the West at the time. For Smith, the move from mercantilist to market economies was not simply a matter of following the promptings of scientific economic reasoning focused on wealth-creation. It was also a question of civilizational growth. Certain elements of commercial order disturbed Smith, most notably what he considered the dehumanizing effects of the division of labor’s infinite extension. Nevertheless Smith also regarded market-orientated economies as superior to previous economic arrangements, on grounds of the greater efficiency and liberty they accorded to ever-widening numbers of people. As Emma Rothschild reminds us, Smith saw economic liberty as something to be approved and pursued because of its capacity to free people from many forms of oppression (Rothschild, 2001, p. 27).

This outlook was not foreign to a number of twentieth-century economists. Both Hayek and the Chicago economist Frank Knight separately insisted that the study of political economy differs from technical economic analysis precisely because the former is rooted in a concern with the impact of values upon economic life and is orientated toward promoting certain values (Knight, 1960, pp. 131–40; Hayek, 1960, p. vii). With some notable exceptions, however, this Smithian conception of economics and political economy did not persist after Smith’s death in 1790. The economic historian Terence Hutchison underlines the differences between Smith’s sociological economics and post-Ricardian pure economics (Hutchison, 1979a, p. 433). In Hutchison’s view, economic science became progressively less interested in the question of what facilitated the social cohesion upon which economic life itself depended. Instead it increasingly focused upon examining the behavior of *homo economicus*, a creature whose nature is far removed from that of the more complex, not-always rational human being found in Smith’s corpus. The speed of this transformation was relatively quick. By the first half of the nineteenth century, John Stuart Mill was stating:

What is now commonly understood by the term ‘Political Economy’ . . . makes entire abstraction of every other human passion or motive except those which may be regarded as perpetually antagonizing principles to the desire of wealth, namely, aversion to labour, and desire of the present enjoyment of costly indulgences . . . Political economy considers mankind as occupied solely in acquiring and consuming wealth; and aims at showing what is the course of action into which mankind, living in a state of society, would be impelled, if that motive, except in the degree in which it is checked by the two perpetual counter-motives averted to, were the absolute rule of their actions. (Mill, 1844, v.38)

Almost immediately Mill qualified these remarks, claiming that no investigator of economic science believed that this description captured
the essence of human nature and society. Political economy, understood in the sense described by Mill, was simply a method for understanding an important aspect of human existence. It reflected, however, a narrowing of the parameters of political economy outlined and envisaged by Smith.

**POLITICAL ECONOMY, SOCIETY AND VALUES**

A crucial argument of this book is that Röpke’s understanding of political economy has a strong ‘Smithian’ or ‘Scottish’ dimension. Like Adam Smith, Lord Kames, Adam Ferguson, David Hume, Francis Hutcheson and other Scottish Enlightenment thinkers, Röpke developed a broad social science agenda. Though Röpke had a clear sense of the boundaries of economic science per se, Röpke’s political economy was deeply attuned to complex social realities. He believed strongly in what Eucken called ‘the interdependence of orders’ (Eucken, 1952, p. 332). From this standpoint, economic life was understood to be thoroughly integrated into interconnected and mutually reinforcing social, political and cultural orders. Hence there were limits to which economics could abstract from this context. Röpke was also as convinced as the Scots that it was impossible to separate empirical analysis from normative judgment. His writings, like those of the Scots, involve sophisticated analysis of human nature and the institutional settings that promote – or diminish – human flourishing, alongside careful study of the empirical realities in which humans live. As Ryan Hanley observes of the Scots, ‘In their social science, the distinction of the descriptive from the normative is unintelligible; empirical study of experience, synthesis of empirical data into axioms, and analysis of how activities guided by such axioms affect human life are equally crucial elements of a single endeavor to promote individual and collective well-being’ (2009, p. 30). In short, both Röpke and the Scots were as much concerned with promoting freedom and human thriving as they were with maximizing utility. While modern liberalism in its Rawlsian guise prioritizes the ‘right’ over the ‘good’, the ‘liberalism’ of Röpke and the Scots places questions of human happiness at the center of their respective inquiries.

Röpke’s consistent effort throughout his life to engage the subject of political economy in this manner may well have contributed to the attention which his work received from economists and policy-makers during his lifetime. From the very beginning, Röpke integrated his positive economic analysis with reflection on past and contemporary historical and intellectual developments, both with an eye to understanding what was happening, but also with the intention of influencing decision-makers about future choices. He was both attentive to the economic impact of...
different social movements and ideas, but also conscious that economic insights can, if presented in persuasive ways, reshape political and intellectual trends. These are quintessentially Smithian methods and priorities.

Another reason for the attention that Röpke garnered outside professional economic circles was his conviction that economics could not eschew questions of value. Röpke was an unabashed économiste-philosophe. This was characteristic not only of a good number of his fellow German neoliberals, but also other prominent twentieth-century economic liberals such as Hayek and the less well-known French economist Jacques Rueff (1896–1978). Many were beneficiaries of the education received by members of continental Europe’s upper-middle class that stressed a broad, integrated, deep and classical approach to learning, which included immersion in subjects as diverse as poetry and canon law, not to mention classical and modern languages. This allowed them to write with credibility about many subjects outside their immediate field of expertise. In Röpke’s case, this manifested itself in the ease, confidence, and evident authority with which he ranged far and wide outside the boundaries of economics in his wartime trilogy – The Social Crisis of Our Time ([1942g] 1992), Civitas Humanas ([1944b] 1948) and International Economic Disintegration (1942h). His first post-war book, The German Question ([1945b] 1946), barely considers strict economics as Röpke draws upon history, literature and philosophy to explain Germany’s mid-twentieth century catastrophe to German and non-German audiences.

Like Smith’s Wealth of Nations, Röpke’s approach to political economy was partly an effort to explore economic development in positive-scientific terms and partly a response to the particular challenges of his age. Yet it also involved the exposition and development of normative propositions that, in Röpke’s view, preceded and would outlast contemporary circumstances. These principles, he believed, would enable capitalism to overcome some of the philosophical burdens under which it had labored since the eighteenth century, limit the state to a small number of clearly defined economic roles, and prevent interest groups from using state power to escape the strictures of competition. Röpke’s pursuit of economic knowledge thus formed part of his own effort to articulate a particular normative vision of the market economy and the type of society in which he desired to see this economy embedded. The positive dimension of economic science, Röpke insisted, was subordinate to these normative ends. Nonetheless, we shall see that Röpke did not regard normative commitments as necessarily compromising economics’ credentials as a positive science.

Much ‘Röpkean’ political economy thus represents an attempt to forge a creative synthesis between economic science, and the broader normative enterprise of influencing economic and social policy toward
the realization and maintenance of particular moral, social and political goals. In his last book, Röpke identified the nineteenth-century French economist Jean Charles Léonard Simonde de Sismondi (1773–1842) as an early precursor of his own approach. In his youth, Sismondi was a strong advocate of Smithian economics. He was also one of the first to articulate the concept of business cycles. Röpke stressed, however, that Sismondi also reminded nineteenth-century audiences in his *Nouveaux Principes d’économique politique* (1819) that political economy was not simply about wealth-accumulation, but rather how to create and use this wealth *for* the happiness of all ([1958f] 1998, p. 275). This is not to claim that Röpke’s project represented an attempt to ‘return’ modern economics to the Aristotelian realm of ethics from which economics originally emerged. Rather Röpke regarded positive economic science as having its own worth, but also its limits when it comes to many questions about the appropriate course of action to follow in given circumstances. It is not just that Röpke believed that economics ultimately should serve certain values – most notably liberty and order – but also his sense that the economy, like all facets of human existence, is not self-sufficient. Its immersion in other spheres of life required economists to look beyond positive and even normative economics, and consider how the pursuit of particular values, such as equality, affect the incentives and structures shaping economic activity and policy over the long and short term. As he wrote in his last major book, *A Humane Economy*:

The market economy, and with it social and political freedom, can thrive only as a part and under the protection of a bourgeois system. This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relationships: individual effort and responsibility, absolute norms and values, independence based on ownership, prudence and daring, calculating and saving, responsibility for planning one’s own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the present and the future, proper tension between individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one’s own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values. ([1958f] 1998, p. 98)

Röpke’s political economy thus embodied a positive-descriptive analysis but also a normative-prescriptive approach which, while distinct, were mutually reinforcing. He consequently concerned himself with evaluating different possible economic arrangements and outlining what combination of economic, legal, political and social structures was most likely to protect and enhance particular values. It was not just the fact that markets were more efficient from the standpoint of utility that inclined Röpke to
economic liberalism rather than socialism. It was also that the market economy allowed people to exercise their natural liberty in ways that brought a certain type of order to human affairs, while simultaneously solving the economic problem of scarcity. In part, Röpke’s conclusions are derived from empirical observation concerning the operations of markets and planned economies and their respective consequences for political and social order. Yet it also owes something to his long observation of human nature and certain conclusions that Röpke reached about the character of human beings. Humans, he claimed, were driven to a large extent by the type of enlightened self-interest portrayed by Alexis de Tocqueville in *Democracy in America*. But Röpke’s understanding of man – his philosophical anthropology – is also rooted in what might be called the tradition of ‘Christian realism’ often associated with St. Augustine.

Röpke recognized that his concern for certain values and, more particularly, his sense that these were embedded in particular ways of life left him open to accusations of romanticism. For a German of his generation, acutely aware of nineteenth- and early twentieth-century romanticism’s contribution to National Socialism’s rise, this was a serious charge. The point, however, is that Röpke – like Smith, Hume and Edmund Burke – did not believe that liberty could be rooted just anywhere. There is a ‘conservative’ dimension to the Scottish Enlightenment tradition insofar as it acknowledged that there were a whole range of un-designed customs, institutions and moral codes that underpinned the market economy (Sally, 1998, p. 33). Without these, Röpke believed that there was considerable risk that the void would be filled by artificial constructs that could inhibit and suffocate liberty. It was not that Röpke thought that everything about the pre-Enlightenment, pre-modern world was good. He had seen, however, what happened when particular habits and institutions decayed or were swept away by revolutions seeking to create a new man or new society, be it the Third Reich or utopian Marxist visions of social change.

Phrases like ‘conservative’ and ‘liberal’ are wonderfully pliant terms. They are regularly used to label a range of political, philosophical, economic, and even religious positions, many of which have little in common with each other. They are also terminologically inexact descriptions and have arguably proved insufficiently stable to convey particular meanings over long periods of time. Yet for all these problems, the normative vision underlying Röpke’s political economy might perhaps be accurately called one of ‘conservative liberalism’ insofar as it sought to combine the ‘conservative’ value of order with the ‘liberal’ underscoring of human liberty. An inevitable subsequent question is whether there is a tension between Röpke’s ‘liberal’ focus upon freedom and his ‘conservative’ interest in order. This may simply be an irresolvable tension in the ‘grand liberal
tradition’ to which Röpke regarded himself as belonging. Perhaps it is unavoidable precisely because while they often grate at each other, order and liberty are both necessary for social life and individual flourishing. As we shall see, it is not clear that Röpke was always able to reconcile these values and their associated set of priorities, expectations and institutional expressions. What is not in doubt, however, is the manner in which the effort at synthesis underlying Röpke’s political economy challenges not only the direction of much post-1945 economic science, but also those who question the market economy’s moral and economic benefits.

NOTES

1. This figure includes the translation of some of Röpke’s writings into multiple languages. Röpke also re-published many articles as chapters or sections in books. Many of the chapters in Röpke’s *Mass und Mitt*, for instance, were previously published as stand-alone articles.

2. Hayek and Röpke corresponded on a regular basis before and during World War II. After the war, Röpke attempted to establish an international journal for liberal thought while Hayek wanted to create an international academy. Röpke, however, was unable to raise sufficient funds for such a journal, but, with the cooperation of Albert Hunold, persuaded the Swiss businessmen who had provided some resources for the journal to allow the money to be spent on the first meeting of Hayek’s academy in 1947 (Hartwell, 1995, pp. 22–31).

3. For other vital contributions by Röpke to the case for post-war Germany economic liberalization in this period, see Röpke (1946b, 1947a, 1947c, 1947e, 1947g, 1947h, 1947i, 1948f).

4. These are only a select number of the economic subjects addressed by Röpke throughout his career. But, as this book is not intended to provide a comprehensive study of every aspect of Röpke’s economics, the subjects considered here have been chosen on the basis that they allow a thorough exploration of Röpke’s political economy.

5. To this extent, this book substantially agrees with Hutchison’s argument that the German neoliberals who began rising to prominence in the early 1930s had more in common with the Scottish Enlightenment than with more contemporary movements such as the Chicago school insofar as the Germans were willing to extend their inquiries beyond positive economic analysis to encompass the cultural, historical and political context in which economies operated over long periods of time (Hutchison, 1979b, pp. 167–8).