Article

Carlo Lottieri*

Ethics, Market, and the Federal Order. The Political Philosophy of Wilhelm Röpke

Abstract: The moral and political philosophy of Wilhelm Röpke is among the finest instances of European classical liberalism in the twentieth century, and in many occasions he stated that only a society which understands the importance of markets can be reconciled with human dignity. Röpke elaborated a political theory that focused on the harmony between moral principles and economic law. In this sense, his liberalism is unique not only because it defends private property and competition as pillars of a thriving economy, but above all that it provides the preconditions of a society that can remain secure from the immorality of despotism and subsequent ethical degeneration. To that end he upheld an economic order based on voluntary cooperation as the basis for a more humane society, emphasizing the role of institutional competition and federalism. Röpke’s cultural conservatism should not therefore be misunderstood, as it is very much connected with his defense of the essential role of property. It is only in this sense that he found in liberal humanism a third way, which is not however situated halfway between the market and socialism, but which represents instead a defense of a competitive society that is aware of its own historical and cultural basis.

Keywords: market, ethics, federalism, Welfare State

DOI 10.1515/jeeh-2013-0015

What holds Europe together in the widest sense is something of a spiritual nature: the common patrimony of Humanism and Christianity. Nothing can be more ludicrous that the belief that this bond can be replaced by the bureaucracy of the European Commission and high authorities, by planners, economocrats and technical visionaries. The danger, however, is very real that the true order of values and aims may be reversed and the economic integration may be carried through in such a way that it endangers the real meaning of Europe (Röpke 1964a, 234).

The moral and political philosophy of Wilhelm Röpke (1899–1966) is among the finest instances of European classical liberalism in the twentieth century. It was

*Corresponding author: Carlo Lottieri, University of Siena, Via Mattioli 10, 53100 Siena, Italy, E-mail: lottieri@unisi.it
a period dominated by many kinds of despotism, but it was also an occasion for some important theoretical reflections. Throughout his intellectual life, the German-born Röpke not only rejected the savagery of the National Socialist regime, but he also defended freedom of initiative and private property against Fascist corporatism, Marxist collectivism, and Social Democratic dirigism. Röpke was ever aware of the strong relationship between these different—and diversely dangerous—forms of statism.

In many of his writings, Röpke stated that only a society which understands the importance of markets can be reconciled with human dignity. When Nazism came to power, Röpke did not conceal his ideas. His response, however, was not simply a rejection of its authoritarian brutality. Röpke’s repudiation of Adolf Hitler lay also in his radical rejection of any illiberal view of society. As Ludwig von Mises pointed out in his obituary, “in the midst of moral and intellectual decay, he was an inflexible harbinger of the return to reason, honesty and sound political practice” (Mises 1966, 200).

He elaborated a political theory that focused on the harmony between moral principles and economic law. In this sense, it is correct to emphasize that Röpke’s liberalism is unique, not only because it defends private property and competition as pillars of a thriving economy, but above all by showing that they are the preconditions of a society that can remain secure from the immorality of despotism and subsequent ethical degeneration.

To that end Röpke upheld an economic order based on voluntary cooperation as the basis for a more humane society.

1 Private economy and free competition

Like other intellectuals of his generation, Röpke began to reflect on economics because of the severe crisis that hit the Western economic model—and Germany in particular—during the 1920s and 1930s. Thanks to his study of works inspired by the Austrian School, he understood that the collapse of the economic system during those years was not at all the result of excessive freedom or of market failure; on the contrary, the crisis was a consequence of the widespread presence of state power over productive life and of their control over fundamental economic institutions, chiefly through fiat money.

---

1 He was a very prolific writer. For an extensive bibliography of his books and articles, see: Gregg (2010, 183–97).
When Röpke wrote *Krise und Konjunktur* in 1932, his observations were based on the monetary analyses devised by Eugen Böhm-Bawerk, Ludwig von Mises, Richard von Strigl, and Friedrich A. von Hayek (Röpke 1932). Röpke’s theory centered around the idea that crises are fundamentally brought about by changes (especially unreasonable growth) in the quantity of long-term investments – changes caused by the central bank. Röpke continued to analyze these issues in his 1933 work *Die Lehre von der Wirtschaft* (Röpke 1937), in which he stated that the artificial booms that characterize the economic cycle would never happen in a free market economy; they are instead caused by state intervention in the credit market, which alters prices and leads to wrong investments. After an unwarranted surge of enthusiasm and subsequent entrepreneurial errors, there follows a necessary return to reality that is as painful as it is inevitable.

Röpke’s solution to modern economic instability suggested a market free of as many restraints as possible, a monetary system based on the *gold standard*, and a very careful policy of private investments. In any case, if entrepreneurs are to act in a far-sighted and rational way, the State must not interfere in the credit market and, more generally, in the choices made by individuals, families, and companies.

Röpke also developed these themes in his trilogy written during the war years, specifically in *Civitas Humana* (1944), the work for which he is most remembered to date. In this work, Röpke emphasized how a modern economy is negatively affected by an unlimited growth of power. He stated that the institution of the market leads individuals to carefully consider other people’s needs: it is the social order that associates self-respect with the desire to satisfy other people’s needs. In a highly effective sentence, Röpke emphasized that “in an office customers are dealt with, whereas in a shop they are served” (Röpke 1944, 19). Peaceful and voluntary cooperation between individuals implies that property rights will be respected and that the State will not overburden society with taxation and regulations. But Röpke was also aware of what Mises had stressed in his famous 1920 essay, regarding the impossibility of socialism, that prices play a fundamental role (Mises 1920). In fact, social actors can act rationally only if prices convey correct information – that is, if prices are not the result of arbitrary political choices (as in the case of public tariffs), or if they are not altered by various forms of incentives and prohibitions. According to Röpke, the defense of the moral value of private property and the heuristic function of market prices go hand in hand. He also emphasized that “fortunately

---

2 Röpke (1942a, 1945a). Together with *Civitas Humana*, these two volumes constitute Röpke’s important trilogy.

3 Röpke (1944). In a recent English edition, first published in 1996 and subsequently reissued in 2002, the title *Civitas Humana* is translated as *The Moral Foundations of Civil Society*. 
an economic system based on freedom, a system we cannot do without for the sake of general freedom, is at once characterized by an incomparable material superiority to an economic system based on coercion” (Röpke 1959a, 59).

Prosperity is seen as the providential consequence of right order, which – by choosing to protect rights, and thus property – allows for the full realization of what Frédéric Bastiat called “economic harmonies” (Bastiat 1850). As John Zmirak wrote, for Röpke “the price mechanism is an essential part of the mechanism of our whole economic system and ... one cannot do away with it without in the end being forced down a path leading to pure collectivism” (Röpke 1942a, 161). Conversely, redistribution and dirigism are destructive from an economic as well as moral point of view. Along this line, the harsh remarks that Röpke addressed to the mayor of Florence, the leftist populist Giorgio La Pira (intent upon saving jobs with public funds), demonstrate that he thought it was necessary to respect the natural laws of economics and that it was essential to know them prior to forcing “enterprises which are no longer profitable to continue their activity, thus condemning them to complete ruin.”

It would not be reasonable to suppose Röpke and Mises to be in opposition to each other only on the basis of the former’s role in Ordoliberalismus. In fact, the thesis that made Hayek famous concerning the relationship between interventionism and totalitarianism – the idea, that is, that even the smallest limitation of individual freedom leads to unlimited despotic regimes – is a crucial element in Röpke’s works as well. According to Röpke, “the greater the desire to direct the national economy, the more what is left of the market economy is unable to function, and the greater the need to subject even this residual to a controlled economy” (Röpke 1959a, 59).

Even a modest dose of socialism leads the whole of society into utter slavery.

2 Against totalitarianism, against Stalinism

Besides the Great War and the German hyperinflation in the 1920s, another fundamental event led Röpke to develop his liberal vision of society in greater

4 Röpke (1960, 92). It is important to emphasize that, in Röpke’s opinion, those who wish to do good must act with a strong sense of responsibility in order to avoid the superficial behavior of the so-called do-gooders (which could also harm those who receive their help): “I think it a superior form of giving to consider first and foremost whether it may be the best thing to do as far as the recipient of one’s gift is concerned” (Röpke 1960, 91–92).

5 German neo-liberalism included quite different positions at the same time. In this tradition there were economists and legal scholars (Walter Eucken and Alfred Müller-Armack, for instance) with attitudes and ideas often quite far from classical liberalism. See Sally (1998).
depth: the advent of Fascism in Europe, and, even more, the triumph of totalitarian regimes in Russia and in his birthplace, Germany.

As early as 1931, in a work published under the pseudonym Ulrich Unfried, Röpke strongly attacked those intellectuals who had been using global economic depression to pave the way for illiberal systems. In his opinion, Fascism did not at all represent the overcoming of liberalism and socialism, but was instead a nationalistic version of socialism. The most serious limitation of this ideology lay in its willingness to deny the legitimate claims of the individual and to lead (as did Communism) to an idolatry of the State, with the goal of annihilating individual freedom (Röpke 1931).

Röpke's analysis of the economic principles of Fascism is perfectly consistent with his later analysis of communist totalitarianism and the Social Democracy of the Welfare State. According to Röpke, statism fatally tends to "turn abundance into scarcity, butter into cannons, the world economy into autarchy, and gold currency into paper currency" (Röpke 1944, 26). At the present time, when European societies must deal with the necessity of breaking free from ineffective and expensive welfare regimes (which are counterproductive from any point of view), Röpke's theory seems even more prophetic. Moreover, it is clear that not only the productive revitalization of Europe is at stake but also the possibility that freedom will continue to survive in these extremities of the Eurasian continent – by resisting the proliferation of laws, the unlimited expansion of the tax burden, and the deadly alliance between special interest groups who agree on nothing except earning more and more benefits for their own members.

Röpke knew well that statism does not simply place in question the hope of a prosperous future. It ends up creating a "militarized" society, increasing the barriers between different groups of people, and reinforcing political power. State interventionism is a threat to peace, and it would be very difficult to understand the violence that characterized the twentieth century without paying attention to the expansion of public expenditures and the areas controlled by the State.

He was also very clear in contrasting two different ideas of democracy:

It would require a long treatise to describe the elements and conditions which mark out and determine the path leading to mass democracy and its extraordinary dangers to liberty. The essential point becomes clear if we consider the difference between liberal democracy of the Anglo-Saxon and Swiss kind on the one hand and the Jacobin brand of democracy on the other. The latter has increasingly become the dominating form of democracy in our times precisely because it is appropriate to mass society. Why is this so, and what is the link between Jacobin democracy and mass society? If we say that liberal democracy places the accent on liberty and Jacobin democracy on equality, this means in practice that the former
rests on government with the consent and under the control of those governed and the latter on the principle of the sovereignty of the people, ascertained by majority decision and intended to realize the identity of people and government (Röpke 1958, 66).

Röpke daringly criticized what he called “the modern democracy of the Jacobinic mass,” and stressed in particular that the spectacular rebirth of the German economy in the second half of the 1940s was not “the legitimate offspring of democracy: in 1948, the necessary conditions were not yet present. It was a premature birth that was only later adopted by the German democracy” (Röpke 1959a, 61). Far more than a representative political system, it was the return to a strict defense of private property and the initiation of a rigorous monetary discipline that made possible the revitalization of the German economy after the collapse due to Hitler’s statism, the limitations of the wartime economy, and the material and spiritual devastations of the world war.

3 The Welfare State and the “third way”

In its historical setting, Röpke’s classical liberalism was matched by very few twentieth-century authors in its fundamental radicalism.

In the years just after the war Röpke inspired the economic revitalization of Western Germany (thanks also to his influence on Ludwig Erhard) by suggesting a free-market policy. However, in later years he also criticized the many elements that negatively affected trade and free initiative – for example, rental market controls – and highlighted their dire consequences.

As a defender of classical liberalism, he was against the policies adopted by Roosevelt to recover from the Great Depression, he explicitly rejected the theory elaborated by Keynes, he opposed the reform project devised by Lord Beveridge, and, just after the war, contested the Marshall Plan by explaining how this would lead European politicians to delay the creation of urgent and necessary market reforms. In the ensuing years Röpke continued to oppose

---

6 His opinion was that “the Roosevelt Administration, influenced by a set of particularly confused ideas, pulled at levers which brought disorder into the whole mechanism of recovery, almost up to the present day” (Röpke 1932, 205).
7 In his “Preface” to Crises and Cycles, in 1936 he remarked that his book was already set in type when Keynes’ new work was published, but in spite of that he believed that “the reader will be able easily to discern where and why the bold views of Mr. Keynes do not coincide with those set forth in the present book” (Röpke 1932, VI).
8 In Civitas Humana there is an ample discussion of Lord William Beveridge’s plan (1944) and of the egalitarian ideology implied by his theses.
public interventionism, particularly opposing the ideas underlying the Great Society of Lyndon B. Johnson, and by developing specific criticism of the ideas of John K. Galbraith, the economist to whom Johnson and his predecessor John F. Kennedy referred.9

In his analysis of the economy of the 1950s and 1960s, Röpke was not far from Mises. After the courageous free-market policies adopted by Erhard,10 when Germany again began to slowly drift into dirigism, Röpke denounced the bleak consequences that would follow from it, reiterating that the alternative is always between the logic of individualism and that of authoritarianism, between economic freedom and the bureaucratization of society. Röpke’s strong affinity with Mises surfaces in the former’s statement that the “market is the only efficient way of coordinating the actions of producers and consumers” (Pongracic 1997, 129).

Many historical and sociological analyses of Röpke’s work have however been misleading, in particular the distinction between the real capitalism of the present age (characterized by many forms of state interventionism and evident conspiracies planned by a few industrial leaders against taxpayers and consumers) and the pure principle of the market economy. According to Röpke, modern capitalism is “the rotten and rusty form the market economy has assumed over the economic history of the last century” (Röpke 1963, 32) – a statement which cannot be understood as a sign of his weakening support of the market, but which is a of criticism of the Western social system that he knew well.11

Röpke’s humanism is perfectly in keeping with the Austrian tradition. Despite its utilitarianism, Mises developed an economic theory that highlighted how the choices made by individuals in the market express the superiority of freedom over constraint – in clear awareness, then, that is, that a civil society

---

9 See especially Röpke (1963).
10 Erhard showed that he had perfectly learned his teacher’s lesson when, in the summer of 1948, he decided “to cancel as soon as possible as many provisions as possible regarding supply and prices,” believing that “with the transition of economic policies from government control to the market economy” he was doing “something more than taking administrative measures, strictly speaking” (Erhard 1957, 22–23). By liberating of the economy, he was rejecting the totalitarian vision of society.
11 An example of the frequent misunderstandings of Röpke’s works can be seen in the conclusion drawn in this passage, taken from a recent work about Erhard: “Röpke condemned the Nazi dictatorship and its barbarous attack on civilization. He defended free market as well as a conservative and romantic view aiming to reform Germany and Europe. He proposed a competitive economy based on private property and regulated by a strong State. Röpke rejected laissez-faire, but also feared collectivism” (Mierzejewski 2004, 23). It is clear that this passage contains contradictory statements, originating from serious misunderstandings, since Röpke’s criticism of historical capitalism is attributed to a negative judgment of the market economy.
cannot ignore the duty of respecting the dignity of each and every individual. Röpke’s criticism of Benedetto Croce and Hannah Arendt’s observations on the role of market in a free society are anything but ambivalent. In his opinion, “we must start from the axiom that economic freedom is the necessary and irreplaceable condition for general freedom” (Röpke 1959a, 58–59). Röpke defended the market even more explicitly when he stated that he belonged “to that small group of men who devoted their strength and several years of their lives to the (seemingly desperate) task of fighting against any form or degree of collectivism, so as to pave the way for a free economy” (Röpke 1961, 94).

Even when he spoke about the need for social institutions to help the poor, Röpke emphasized his distance from a socialist perspective:

The basic distinction lies in which of two things we want: a helping hand for those who really need it, or who may be presumed to need it, or public social assistance as an instrument of a welfare state that deserves the attribute “socialist” because it aims at the progressive socialization of the satisfaction of wants and at economic and social equalization, without regard to the income and wealth of the individuals encompassed by the welfare state. The gulf that divides these two views could not be deeper and more unbridgeable; for the first of them is conservative (or, if another term is preferred, “evolutionary”), whereas the other is revolutionary, and the first is in conformity with the principles of the market economy and is indispensable if the market economy is rightly to be called “social,” whereas the other is hostile to it and erodes it (Röpke 1969, 208–09).

Röpke was not a radical libertarian rejecting any sort of State intervention, but at the same time he put many limits on the possibility of aggression against property and freedom of contract.

Röpke’s cultural conservatism should not therefore be misunderstood, as it is very much connected with his defense of the essential role of property. It is worth noting how Röpke followed Edmund Burke when he stressed that “men are suitable for freedom precisely inasmuch as they are willing to limit their own appetites.” This is why “economic freedom cannot last without the possibility of limiting men’s will and uncontrolled appetites” (Röpke 1959a, 68–69). It is only in this sense that he found in liberal humanism a third way, which is not however situated halfway between the market and socialism, but which represents instead a defense of a competitive society that is aware of its own historical and cultural basis.12

12 It is interesting to mention how Carlo Antoni defined the third way formulated by Röpke: “in 1942, we obtained a copy of Röpke’s The Social Crisis of Our Time, with its suggestion of a ‘third way’ between socialism and historical capitalism, that is, a ‘compliant’ intervention of the State with a defense of the free market against cartels and monopolies” (Antoni 1967, 132; my emphasis.)
The phrase “third way” as employed by Röpke has caused many misunderstandings, but it does not imply a weakening of his belief in market liberalism. On the contrary, it expresses the desire to distance himself from collectivism, as it were, and from some theoretical and cultural limitations characterizing a kind of positivist and utilitarian liberalism; he could not accept the latter because of the latter’s moral premises rather than its political results. As Zmirak emphasized, in using this terminology “Röpke did not mean a welfare state or mixed economy, but rather a free-market system which did not rely solely upon economics as the source of order.”

By anticipating ideas that are now called paleo-libertarian, which connects the strictest economic liberalism to explicit cultural conservatism, Röpke believed that the market thrives when protected by tradition, by the spirit of the community, and by values which can effectively oppose the negative alliance of the State with “big business.” The numerous references to important Catholic and conservative intellectuals, such as Gilbert K. Chesterton, Hillaire Belloc, and Christopher Dawson, should not necessarily be seen as a detachment from market liberalism, but as evidence of Röpke’s awareness that a just and free society needs strong moral and intellectual grounding.

When Röpke emphasized the necessity of going beyond collectivism, on the one hand, and going beyond an amoral and utilitarian vision of market on the other, he did not mean to realign the market along a redistributive lines; rather, he aimed to recognize its non-economic implications. Röpke’s criticism addressed a kind of “economicism misled by its ignorance of the necessary moral basis of economic life;” he did not intend to criticize economic freedom as such (Röpke 1959b, 71).

---

13 Russell Kirk rightly pointed out that “Röpke’s third way was not a shallow socialism, or something that could be reduced to consumers’ cooperatives or to an administered economy. On the contrary, it meant an economic activity, humanized through its strong relationship with its moral and intellectual ends, and also by being traced back to a humane dimension (Kirk 2004, IX.)
14 Zmirak (2001, 13). For the German-Swiss economist “only a solid social structure predicated upon individual virtue, cohesive families, and local communities could counterbalance the frequently disruptive side effects of the dynamic, highly efficient market system” (Zmirak 2001,13.)
16 Besides, Röpke did not mean to overestimate the distance between his position and that of the old liberals of the positivist and utilitarian school: “there is a fine line between old liberals and neoliberals, and it would be deplorable if, by exaggerating the differences, we detached ourselves from people whose ideas are generally very close to ours (Röpke 1964b, 183–84).
Röpke was convinced that “the market economy is a necessary, though insufficient, condition for a productive, profitable and humane economic system.” When Röpke opposed the “morally indifferent economicism” that characterizes a kind of positivist liberalism and saw in it an “amateurish moralism” (Röpke 1960, 83), he took recourse to ethics not so much because he was advocating “less market”, but because he wanted to show how the market is incomprehensible and indefensible if deprived of its deepest roots.

4 “Swiss Localist, Global Economist”

Ever careful not to overlook the cultural implications of different systems of production, Röpke agreed with the tradition of classical liberalism not only for its preference for markets but also for its strong attention to local communities and institutional competition.

From this point of view, property is only the first pillar in a decentralized society, where decisions are taken locally and the governing order is pluralist and competitive. In this sense, Röpke’s attention to cantonal and municipal institutions derived from his belief that they agree more with the Civitas Humana in setting the centrality of the individual against the continuous hegemonic claims of the State. In some respects, Switzerland is what Germany could be but did not become: “Nowhere is it more natural than on Swiss soil to note how close together lie here the two opposite examples of a federalization that succeeded and one that failed throughout a thousand years – Switzerland and Germany, two countries bearing much the same relation to each other as two animals subjected to biological experiment, one of them receiving a particular vitamin and the other not” (Röpke 1945b, 20). In his view Germany was attracted to nationalism and statism, and consequently it became aggressive and illiberal: a “tragic nation,” in Roosevelt’s words. As against contemporary collectivism, he saw the historical experience of Swiss society as “a model of responsive democracy, personal freedom, and broad prosperity.” In his opinion, a society based on political localism and open markets was the best answer to a rising totalitarianism: “the Swiss model of decentralized political, economic, and social power – which Nazis and leftist socialists alike had denounced as ‘petit bourgeois’ – was for Wilhelm Röpke a laboratory of liberty, a living rebuke to the contemporary theory and practice of collectivism” (Zmirak 2001, 4 and 23).

Röpke’s strong anti-Jacobinism led him to criticize modern democracy itself, which, in the name of the sovereign people, annihilates the identity of the individual, the autonomy of civil society, and the freedom of voluntary associations and small communities. Everyone today should understand that
[a] democracy inspired by the Jacobin myth of the sovereignty of the people rather than by the liberal idea that those governed should control government is bound to develop into a centralist “democratic despotism.” There is fairly general agreement on this point today, but a little more alertness is called for to detect the underlying social philosophy in the contemptuous talk of the detractors of federalism, small nations, or small firms.\footnote{Röpke (1958, 296). As Zmirak pointed out, Röpke “preferred the Swiss social model to the French” (Zmirak 2001, 16).}

Swiss, English, and American societies seem better able to protect freedom and law from modern despotism. In Röpke’s view, classical liberalism is a tradition able to preserve ethical elements originating in the past:

Anglo-Saxon and Swiss democracy are rooted in historical soil that is centuries older than universal suffrage; they grew up in an age when the ancient elements of freedom, whether of classical, Christian, or Germanic origin, were still a live reality and when the area of rights and obligations was firmly circumscribed by a society whose fabric and structure were the very opposite of modern mass society (Röpke 1942a, 68).

Individual liberty and a spirit of community develop together: “the beginnings of Swiss democracy are marked by the cooperatives of the valleys and the communities of the Alpine peasants, and American democracy commences with the town meetings which eventually grew into the Union” (Röpke 1942a, 45).

However, Röpke’s localism does not imply protectionism (Zmirak 2001). Rather, while rejecting any hypothesis of a global State, he followed the ideas of Hume, Smith, and other liberals in defending an integrated international economic order that is detached from national powers and ruled by the \textit{lex mercatoria}, by private institutions, and by a gold currency removed from the arbitrary decisions of central bankers. In his work \textit{Internationale Ordnung – heute} (1945), Röpke theorized globalization \textit{ante-litteram} by strongly stressing the necessity of wrestling the law and the currency from the control of sovereign powers.

Like many other representatives of the liberal tradition, Röpke was well aware of the tight connection between the State and war, between economic interventionism and military expansionism. In fact, if, on the one hand, “only a state of war can create the psychological premises thanks to which collectivism can gain momentum”, it is easy to understand how “the collectivist government wants to turn the situation to its own advantage by provoking a state of war which is so favorable to collectivism.”\footnote{Röpke (1944, 25–26). Here he is not far from Bourne (1917).} Born out of war, the State sees conflicts as extraordinary opportunities to expand and consolidate its power.\footnote{His interest in Switzerland is largely a consequence of his condemnation of the nation-state institutions: “Ever a foe of nationalism, Röpke pointed to the eighteen century as the zenith of Ethics, Market, and the Federal Order}
In the light of all these observations, it is easy to understand the consistency of the choices made by Röpke, who defended the supremacy of the market versus the State, federalism versus any form of centralism, globalization versus autarchy, institutional competition versus unifying processes, and peace versus war. This helps us understand Röpke’s criticism of the process leading to the unification of Europe, as well as his proposal of an international economic union going beyond Europe itself that would be capable of protecting, as much as possible, the right of local communities to self-government. After the Second World War, when analyzing the possible evolution of his country, he stated that “federalism would make collectivism impossible in Germany in the future” (Röpke 1945b, 193).

His model for federalism was Switzerland, where the conditions are far from being ideal, but the fact should be stressed that the foundations are still essentially sound and that what is wrong and unhealthy appears still capable of being cured without difficulty – in contrast to the heavily pathological conditions in the leading industrial countries. Lately, the political structure of Switzerland in its democratic, multi-national and federal character has attracted the attention of those who are looking for a model to be used in the political reconstruction of Europe after this war. Why should we not similarly regard the economic and social constitution of this country as a model at least as useful for the economic and social reconstruction of the West? (Röpke 1942b, 266).

In his perspective, federalism is the best way to support integration and independence:

The solution of the problem of the political transformation of Germany is to be found neither in the maintenance of the past centralistic, Greater Prussian structure of the Reich, nor in the other extreme of the dismemberment of the German State through separatism or particularism, but in a third process – the constitution of a genuine German confederation (Röpke 1945b, 207).

When he supported a polycentric organization of the new country, his idea was that it “must regain her character of a ‘nation of nations’, and return to the good traditions from which, three generations ago, she departed to her undoing” (Röpke 1945b, 186).

His idea was that it is necessary to combine “large markets and very small States,” since, as Bruno Leoni noted, according to Röpke “classical liberalism can almost become a symptom of decentralism” (Leoni 1952, 78), both from a political and from an economic points of view.

European civilization – before ideas were branded by their country of origin and yoked to the service of intolerant nation-states” (Zmirak 2001, 9).

20 “Röpke opposed attempts to abolish borders and concentrate power in the hands of transnational bureaucracies” (Zmirak 2001, 9–10).
This defense of political localism is consistent with his admiration for the Austrian tradition. In Hayek, one of the most important epistemic arguments against central planning and in defense of the free market came from his analysis of competition. For him, competition “means decentralized planning by many separate persons” (Hayek 1945, 521). Political leaders are simply not able to collect the dispersed information of economic actors in a large society. This is why decentralization is necessary in every society:

If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralization (Hayek 1945, 524).

What is not feasible in the economy is equally impossible in the political realm. This is why Röpke saw a convergence between economic planning and political centralism. In Sally’s words, “what Röpke finds most alarming is the ‘centralism’ of our times: mechanical thinking in terms of grandiose organisation and construction, ‘the cult of the colossal,’ as opposed to the ‘decentralism’ of respecting that which is given, grown, spontaneous and self-regulating” (Sally 1998, 119). Hayek’s mentor, Ludwig von Mises, was also a passionate defender of the right of every small community to secede. In Omnipotent Government he wrote that a State “has no right to say to a province: You belong to me, I want to take you. A province consists of its inhabitants. If anybody has a right to be heard in this case it is these inhabitants. Boundary disputes should be settled by plebiscite” (Mises 1944, 90).

Nationalism has multiplied hatred and destruction. In centuries past, there have been many wars fought to enlarge States. In order to protect individuals, we need to give each community the means to obtain its independence. Mises wrote:

The right of self-determination in regard to the question of membership in a state thus means: whenever the inhabitants of a particular territory, whether it be a single village, a whole district, or a series of adjacent districts, make it known, by a freely conducted plebiscite, that they no longer wish to remain united to the state to which they belong at the time, but wish either to form an independent state or to attach themselves to some other state, their wishes are to be respected and complied with. This is the only feasible and effective way of preventing revolutions and civil and international wars (Mises 1927, 109).

Röpke’s emphasis on small political communities – beginning with his beloved Swiss cantons – is consistent with this tradition. Political localism can offer the best institutional framework for individual liberty while protecting society from the State.
At the same time, Röpke saw a point of contact between Catholic social doctrine and classical liberal thought in their preference for anti-centralism, that is to say, “in the principle which the social doctrines of Catholicism call ‘subsidiarity’, but which, at the end of the day, perfectly coincides with the philosophy of ‘federalism’” (Röpke 1962, 129).

From the works of Gaetano Mosca Röpke acquired the idea that the middle class can be a firm point against possible threats by cynical minorities and irresponsible masses. Röpke thought that the educated and economic bourgeoisie represents a “human type characterized by inflexibility, a sense of responsibility, a desire for truth and a sense of justice.” This follows from the fact that this class, separated from “proletarianization and corrupting wealth, summarizes in itself property and industriousness, saving and culture, and in complex situation it is the real refuge of the intellectual and moral tradition” (Röpke 1944, 136).

Grieving for an ancient world made up of rural enterprises and craftsmanship, Röpke saw the modern working class as déraciné, the victim of a process of violent transformation that, by destroying the basis of private property, managed to deprive a large portion of humanity of its own grounding. This working class is lacking precisely what characterizes the countryman or the craftsman, no matter their actual living standard; the independence and autonomy of a lifetime, rooted in a home, in possessions, in an environment, in a family, in a profession, in the professional character of their job, in tradition. We can now clearly see that what the proletariat is missing is, after all, a form of existence suitable to man, which provides the satisfaction we feel when living according to our nature, even though we are not completely aware of it (Röpke 1944, 40).

Röpke’s praise of the old agricultural world and his criticism of the homogenization of the industrial world do not reveal merely a conservative attitude and the fear that contemporary society may witness the disappearance of the conditions of life based on personal relationships. In Röpke’s classical liberalism, the defense of aristocratic values plays an important role that can pave the way for personal growth. In defending nobilitas naturalis, Röpke intended to make space for the role of excellent elites who perceive the duty inherent in their economic, moral and cultural condition. He was not, of course, referring to the old aristocracy; he was thinking rather of entrepreneurs and patrons whose generosity can help art and social life. But most of all, he was thinking of people endowed with moral and intellectual qualities, because, he believed, one can enjoy this condition as “an exemplary and slowly maturing life of dedicated endeavor on behalf of all, unimpeachable integrity, constant restraint of our common greed, proved soundness of judgment, a spotless private life, indomitable courage in standing up for truth and law, and generally the highest example” (Röpke 1958, 130–31). Above all,
Röpke wanted to allow room for the possibility of positive development and growth, as this is important for the stability of both society as a whole and the individual.

While free society favors the emergence of natural aristocracies and encourages each person to develop or him- or herself (and educate him- or herself daily), statism turns people into domestic animals – if they are not already domesticated – and mere objects of care, unable to defend freedom and justice.

5 Civitas Humana versus homo oeconomicus

Röpke drew from the ideas of the Austrian School – rooted in Menger’s Aristotelianism \(^{21}\) – in his works in order to underscore the strongly moral and personalistic character of the economic sciences. \(^{22}\)

Where the Neoclassical paradigm borrowed several mechanistic and impersonal models from physics and positivism, Röpke saw a humanistic discipline in economics, and he continued to believe that it could not exist if it were detached from morality. In his criticism of Keynes, not only did he question the political and economic results of a theory that valued public expenditure and borrowing, he also addressed the more theoretical dimension of Keynes’s elaboration, describing it as “a typically intellectual construction that forgets the social reality lying behind integral calculus” (Röpke 1952, 180). By underscoring the necessity that people in a free economy should fully understand the moral and rational bases of their own social order, Röpke deplored the fact that most economists are “engineers of circulation, national accountants, manufacturers of models, craftsmen of charts and curves.” They are “economocrats, experts in whose hands our science is utterly exploited.” \(^{23}\)

On the contrary, in Röpke’s economic thought the individual is Mises’s homo agens, who endures all sorts of generalization, yet cannot be annihilated in any way by statistical aggregates. There was certainly a similarity with Hayek’s ideas in The Counter-Revolution of Science when Röpke ascribed to the École Polytechnique the responsibility of having started “the triumph of measured

\(^{21}\) For an introduction to these themes and to the relationship between Franz Brentano and Carl Menger, see Smith (1996).

\(^{22}\) As Hayek remarked, “Röpke realised 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, 196).

\(^{23}\) Röpke (1959a, 67). He also criticized those whom he defines as “scroungers of the market economy,” that is, those who have clear ideas about the necessity of economic freedom but readily give up their principles when useful to obtain any kind of public help (Röpke 1959a, 68).
and pedantic physical-technical scientism, of positivism and pragmatism, with its notorious pride and dehumanizing effects” (Röpke 1944, 74).

In Mises as well as Röpke, the adoption of a “dualist” methodology separating the natural sciences from the human sciences aimed to destroy the delusions of planners and, above all, to emphasize how Menger’s subjectivism showed the impossibility of reducing the whole of humanity to the model of a “maximizing” subject whose only ambitions are satisfying their own elementary needs and/or the multiplication of monetary resources.

The greater stability of Austrian economics with regard to the most important theoretical theme – namely, value – allowed Röpke to present a productive order that is compatible with the demands of a society that should not hinder heroism, sanctity, and the attainment of the highest virtues. While the mechanism of mainstream economics implies a *homo oeconomicus*, – whose insight human affairs is debatable – the Austrian theory of value begins from the observation that individual preferences are subjective, ever-changing, and not necessarily dominated by egotism and the desire for possessions.24

There is therefore a very strong relationship between the advent of positivist econometrics and the development of welfare regimes that need to uniquely identify a set of “public goods” that everyone must consider as such and for the production of which it would be legitimate to resort to coercive means – beginning with taxation. However, if contemporary economic theory were to accept within its paradigm the variety and complexity of individual preferences, it would make it impossible to achieve any form of planning and public intervention, as Roy Harrod had already understood in the 1930s (Harrod 1938). After becoming the main advisers of the Prince, as well as the administrators of the state apparatus, contemporary economists are nonetheless reticent to admit the theoretical emptiness of the whole welfare economy or of any other form of dirigist planning.

24 Gerald Schwarz rightly recalled Röpke’s statement that “the fact that many people spending their time on the weekends gardening in their own little piece of land in suburban areas may be a totally inefficient way of producing vegetables, but it is a very efficient way of producing happiness” (Schwarz 2000, 136.) Russell Kirk ascribes this statement to a conversation between Röpke and Mises in 1947, when the latter had gone to Geneva to see him and had been negatively impressed by such an (according to him) inefficient way to produce food. Kirk attributes this inability to understand the “economic” dimension of Sunday gardening to Mises’ utilitarianism (the author of *Human Action*), but it is also true that Mises was a champion of economic subjectivism, and, therefore, of the idea that is impossible, *from the outside*, to define as efficient or inefficient any kind of behavior, as one cannot know why the individual is behaving that way and what his or her preferences are. In this sense, despite the anecdote, it can be said that Röpke’s statement was seemingly influenced by Mises. See Kirk (1989).
Homo oeconomicus, without depth and without a soul, who is at the basis of modern economics and the “physical-technical scientism” of the macroeconomics Röpke criticized, is defended by official academic theories, more for its ideological needs than for sincerely theoretical worries. This occurs despite the negative consequences generated by this paradigm, both in the context of political action and in the representation of man and society themselves.

As a cultural conservative, Röpke held that economic theory and political institutions must understand the complexity of human relationships. Only in this way can the economic and social system remain resilient and capable of absorbing shocks:

what this means may be deduced from the example of Switzerland, which, owing to its social structure (peasant agriculture, strong family ties, anchorage of labourers in small property, prevalence of small-size business units, and co.), has shown amazing strength in enduring the series of economic and political shocks of the last twenty years. A country of uprooted and proletarianized nomads soon reaches breaking point in a long period of depression, while a country with a more wholesome social structure possesses large reserves of adaptability and resilience. Where the organic structure of society is better, so too is the economic structure (Röpke 1942b, 5).

6 Liberal humanism and Christian society

The title of Röpke’s most renowned work, Civitas Humana, expressed quite well the inspiration of a troubled reflection from which he concluded that economics should stick to its roots (grounded in moral philosophy) and resolutely emphasized the centrality of Christianity in Western history.

From a religious point of view, Röpke is a peculiar figure; he was a Protestant who not only always showed great respect for the Roman Church, but most of all he read the history of Catholicism very carefully and reflected on its economic and social impact. Although a Lutheran, Röpke appreciated the universality of the Church (the fact that it could not be associated with a specific nation or political power), and he agreed with several of its principles. He also stated that the Catholic Church represented “throughout the Middle Ages, for

25 When analyzing the hostility of Christians toward the market and their preference for socialist theses he is not accusing Catholicism, but he is instead stressing how this error is made by both Catholic and Protestant clergy (Röpke 1944, 70).
26 As underlined by Campbell, “Röpke was a Protestant following the tradition set by Hugo Grotius, originating in Erasmian ideas. As a humanistic Christian, in its positive meaning, he was very much in keeping with the Catholic tradition” (Campbell 2002, XIII).
whatever reason (...) an extremely effective counterbalance to the State,” emphasizing also that “it is doubtless that the limitation of state power became once again a momentous issue while the universal power of the Catholic Church was beginning to weaken within the single national States, after the Reformation and the nationalization of the Churches of both confessions” (Röpke 1944, 120). Even though he attributed the responsibility for the advent of absolutism more to the social context of the time than to the theological contents of Lutheran and Calvinistic theses, it is also true that Röpke clearly stated that Lutheranism “teaches its supporters political indifference and obedience” (Röpke 1944, 121).

Röpke’s was therefore a universalist Protestantism, imbued with humanism, which could freely connect Ignatius of Loyola with Goethe: “This is how he understands the inscription placed on Ignatius de Loyola’s grave: ‘Not to be excluded from the greatest, yet to remain included in the smallest, that is divine’. This, no doubt, is also what Goethe had in mind when he said: ‘I am a citizen of the world, I am a citizen of Weimar’” (Röpke 1958, 233–34).

The rejection of despotism and national centralization, which in modern times were essentially imposed by sovereign powers, and which over the long term can also be considered the product of supranational political entities, can be certainly marshaled to the defense of small cantonal communities, but it also emphasizes even more the role of property as a tool for the protection of the individual and of voluntary communities autonomously generated by individuals.

In this sense, Röpke understood property as a limitation on human *hybris*. This explains why the condemnation of socialism is primarily grounded in morality, since welfarism and moralism “are guilty of the gradual annihilation of *charitas*” (Röpke 1960, 91). Other people’s property is the clear and recognized legal limit of one’s will to power, while the possession of goods under one’s control is what allows one to lead a life in which one can come to the aid of those in need of help and support.

If Macpherson connected the theory of individual freedom to possessive individualism (thus suggesting illiberal solutions) (Macpherson 1962), Röpke upheld opposing ideas. He believed, in fact, that the legal order, as a barrier created to protect individuals, cannot survive in a society deprived of the ethics of respect toward others – that is, a society governed by the notion that it is legitimate to turn every desire and need into a positive right. As Gottfried Dietze remarked, Röpke believed that “a market economy is not an end in itself but a means for the welfare of the individual. It is a necessary, but not sufficient, prerequisite for a free, happy, prosperous, and just society” (Dietze 1969, X).

---

27 “Communism is based more on empty souls than on empty stomachs” (Röpke 1960, 85–86).
For Röpke, “freedom is impossible without any supreme moral ties” (Röpke 1960, 92). In this sense, Christianity had the historical merit of destroying any “pharaonic” spirit and any pagan celebration of public powers, as well as extolling the authentic characteristics of the classical tradition. This is why Röpke held that the market economy requires “the ethical heritage we have reached to date thanks to the millenary development of Antiquity through Christianity” (Röpke 1960, 87). Opposing on the one hand the moral premises of the market to those of socialism on the other, Röpke harshly criticized Raymond Aron’s thesis that Communism was “a different form of the modern industrial society” (Röpke 1960, 86), therefore not a completely illegitimate way of rescuing Russia and China from their barbarous, dark, “feudal” past. In truth, Röpke saw Communism as a spiritual (though criminal) project, which cannot be represented as a mere technical solution.

A Christian inspiration surfaces in Röpke’s thought. He did not see himself as a prophet and always adhered to his role as an economist and a scholar committed to the study of society. It is clear, however, that his thought aimed at grasping more than just the positive influence of Christian culture within the secular order; he wanted to understand the intimate connection – beyond any social effect – between the principles of a market society and the morality generated by the historical experience that had its origin in Christ. When quoting from Cardinal Henry Edward Manning, according to whom all human differences are connected to religious issues, Röpke immediately added that he remained faithful to a classical Christian view of man and to the tradition that considers each individual as “an image of God which is sinful to use as a means” (Röpke 1959b, 72).

This is the sort of metaphysics that led Röpke to consider any sort of collectivism as illegitimate and to regard coercion with great suspicion, no matter how insignificant. This is why Röpke’s attention to Catholic encyclicals was far from ritualistic; Röpke saw the principle of subsidiarity in the social doctrine of the Church as valuing the individual and voluntary associations created by individuals; it is therefore a re-elaboration, within a specific theological framework, of the supremacy of society claimed by classical liberal culture.

In his comment on the encyclical Mater et Magistra, Röpke wrote that “we must recognize the strong relationship between the direction where the encyclical is looking for a solution, and the real world of ‘neoliberalism’.” He therefore believed that Western liberals, whether Christian or not, should consider the

28 According to Campbell, “Röpke always knew well that he was not building the City of God, or a church. He knew his own limits as much as his own strengths; he was a social scientist, not a religious prophet. He was not Saint Augustine. He left the Civitas Dei, the City of God, to other people” (Campbell 2002, IX).

29 On this theme see also Yamawaki (2001, 188–201).
reflections of Pope John XXIII as a “priceless ally” (Röpke 1962, 126–27). Even though in the papal document competition is unfortunately condemned and inflation is almost ignored, it is also true that property is considered “an indispensable element for a correct organization of society” (Röpke 1962, 131), and the dignity of a free and responsible individual is strongly affirmed against any form of statism.30

The social doctrine of the Church upholds the centrality of Creation and the creative dimension of man. In this sense, the Christian tradition is much closer to liberal freedom than socialist coercion, because “a free economic system leads to useful ends the extraordinary force generated by the effort for individual self-affirmation, while socialist economy based on coercion annihilates this force” (Röpke 1959b, 73).

The application of Christian social philosophy, which as a rational endeavor is understood as well by those who are not believers or who support a different faith, always carries within itself the traces of its own time, and it is easy to recognize the limitations of those who must put it into practice. In fact, in re-elaborating of the Christian message, it is impossible to avoid the necessity of understanding and adopting the lessons proposed by economists and social scientists, which, however, are not always accepted by religious people when asked to give guidance.

Hence there is always the possibility of distortions and misunderstandings, which, however, according to Röpke, do not overshadow the ultimate goodness of the ideas. He was not surprised by the economic ignorance of those who wrongly interpret the Christian lesson, since a similar kind of moralism is typical of his times and can be found, for instance, in the well-known aphorisms of Albert Einstein against profit and capitalism, with which many a representative of the Catholic and Protestant clergy – then as well as now – could readily agree.

The most important point is that Röpke never considered the Christian faith as a political ideology; he always stressed that there can be no fidelity to the gospel message where there is no respect for the rights of others. In all his writings, Röpke emphasized that Christianity defended the dignity of men and taught them freedom and anti-statism.

The present rediscovery of Röpke testifies not only to the fact that the theme of liberty is once again becoming crucial, but that the debate should entail reconsidering the metaphysical and theological implications of the whole question of freedom.

30 To be precise, the only actual criticism that Röpke formulated against the 1961 encyclical is that it is too reticent against Communism, which should be judged, instead, as “the most terrible danger ever to have threatened Christianity” (Röpke 1962, 122).
Acknowledgements: I thank the “Fondazione Ferdinando e Laura Pica-Alfieri” of Lugano (Switzerland) for its support to my research on Wilhelm Röpke.

References


