



A HUMANE ECONOMY

The Social Framework of the Free Market

Wilhelm Röpke

Introduction by Dermot Quinn

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of the Free Market*

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FOREWORD

Around the turn of the last century, the finial of a church steeple at Gotha was opened. In it was found a document, deposited there in 1784, which read as follows: “Our days are the happiest of the eighteenth century. Emperors, kings, princes descend benevolently from their awe-inspiring height, forsake splendor and pomp, and become their people’s father, friend, and confidant. Religion emerges in its divine glory from the tattered clerical gown. Enlightenment makes giant strides. Thousands of our brothers and sisters, who used to live in consecrated idleness, are given back to public life. Religious hatred and intolerance are disappearing, humanity and freedom of thought gain the upper hand. The arts and sciences prosper, and our eyes look deep into nature’s workshop. Artisans, like artists, approach perfection, useful knowledge germinates in all estates. This is a faithful picture of our times. Do not look down upon us haughtily if you have attained to greater heights and can see further than we do; mindful of our record, acknowledge how much our courage and strength have raised and supported your position. Do likewise for your successors and be happy.” Five years later, the French Revolution broke out; its waves have still not subsided, still throw us hither and thither. Gotha itself, famed for its *Almanach de Gotha* and its sausages, has been engulfed by the most monstrous tyranny of all times.

There could be no greater distance between the honest happiness of the document quoted and the spirit of this book. We may hope, of course, that the German language as written in 1957 would still be intelligible to a burgher of Gotha in 1784. But what, except dumfounded horror, would be his reaction if he were to become acquainted with our world of today—a world shaken by tremendous shocks and menaced by unimaginable disasters, the prey of anxiety, a world adrift and deeply unhappy?

The science of economics had no doubt come to the notice of the erudite in Gotha, thanks to Adam Smith’s work, published a few years

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earlier. But it would seem as incomprehensible as all the rest to our burgher that a representative of that science should be writing a book such as this. Our own contemporaries will comprehend it all the better, in so far as they understand their own situation and the problems of their epoch. To further such understanding is the purpose of this book, as it was the aim of its predecessors. This volume is, however, more than its predecessors were, a book full of apprehension, bitterness, anger and even contempt for the worst features of our age. This is not a sign of the author's growing gloom, but of the progressive deterioration of the crisis in which we live. It is also a book which takes the reader up and down many flights of stairs, through many stories, into many rooms, some light, some dark, into turrets and corners—but that is perhaps the least reproach to be leveled against the author.

What other thoughts I wish to place at the head of this book, I entrust to the French tongue, once more claiming its place as the *lingua franca* of Europe. I could not express these thoughts better than my friend René Gillouin has done in his book *L'homme moderne, bourreau de lui-même* (Paris, 1951): "Ainsi nous sommes tous entraînés dans un courant qui est devenu un torrent, dans un torrent qui est devenu une cataracte, et contre lequel, tant que durera le règne des masses falsifiées, vulgarisées, barbarisées, il serait aussi insensé de lutter que de prétendre remonter le Niagara à la nage. Mais il n'est pas toujours impossible de s'en garer ou de s'en dégager, et alors de se retirer dans ce 'lieu écarté,' dont parle le *Misanthrope* pour y cultiver, dans la solitude ou dans une intimité choisie, loin des propagandes grossières et de leurs mensonges infâmes, la vérité, la pureté, l'authenticité. Que des sécessions de ce genre se multiplient, qu'elles se groupent, qu'elles se fédèrent, elles ne taderont pas à polariser un nombre immense d'esprits droits et de bonnes volontés sincères, qui ont pris le siècle en horreur, mais qui ne savent ni à qui ni à quoi se vouer. Ainsi pourraient se constituer des centres de résistance inviolables, des équipes de fabricants d'*arches* en vue du prochain Déluge, des groupes de reconstruteurs pour le lendemain de la catastrophe inéluctable."

—Wilhelm Röpke, Geneva, August, 1957

PREFACE TO THE ENGLISH-LANGUAGE EDITION

In Dante's time, scholars were, at least in one respect, better off than they are today. They all wrote their books in the same language, namely Latin, and thus did not have to worry about translations. Otherwise, one might surmise that Dante would have reserved to scholars an especially gruesome spot in his *Inferno*: to punish them for their vanity—a failing reputedly not altogether alien to them—they would be made to read translations of their own works into languages with which they were familiar. That this is, as a rule, indeed torture is well known to anyone who has had the experience.

This is the image by which I seek to give adequate expression to the gratitude I owe Mrs. Elizabeth Henderson for the skill and devotion she has brought to the translation of this book, together with her fine feeling for the two languages here to be transposed. What usually is torture for me, she has made a pleasure, and she has lifted me from *Inferno* to *Paradiso*. To be quite honest, it was not an unmitigated pleasure, for she has humbled me by discovering an undue number of errors in the German original. The reader of the English version is the gainer. Indeed, its only essential difference from the German original is the absence of these errors.

I am afraid, however, that even the qualities of this English rendering, while perhaps disposing my critics in the Anglo-Saxon world towards a little more indulgence, will not disarm them. As in the German-speaking world, I expect that my book will meet with four major types of response.

One group of critics will reject the book *en bloc* because it is in flat contradiction with their more or less collectivist and centrist ideas. Another will tell me that in this book, called *A Humane Economy: The Social Framework of the Free Market*, they really appreciate only what is to be found in the world of supply and demand—the world of property—and not what lies beyond. These are the inveterate ratio-

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nalists, the hard-boiled economists, the prosaic utilitarians, who may all feel that, given proper guidance, I might perhaps have attained to something better. Third, there will be those who, on the contrary, blame me for being a hard-boiled economist myself and who will find something worth praising only in that part of the book which deals with the things beyond supply and demand. These are the pure moralists and romantics, who may perhaps cite me as proof of how a pure soul can be corrupted by political economy. Finally, there may be a fourth group of readers who take a favorable view of the book as a whole and who regard it as one its virtues to have incurred the disapproval of the other three groups.

It would be sheer hypocrisy on my part not confess quite frankly that the last group is my favorite.

—Wilhelm Röpke, Geneva, January, 1960

INTRODUCTION

BY DERMOT QUINN

Economists do not stand high in public esteem, and for good reason. For one thing, they seem to get it wrong as often as they get it right. Offering certainties with the confidence of hard scientists, their predictions dressed in the best mathematical finery, they seem to have a record of success somewhere between that of a fairground madame and a reader of tea-leaves. The public, embarrassed and bemused by this nakedness, rightly prefers the *Farmer's Almanac* to Keynes's *General Theory*. Another problem is that they have power without responsibility. Economists are the unacknowledged legislators of the modern world, the shadowy eminences who determine all our destinies. Yet where are they when their theories explode? No where close to a ballot box. Indeed they not only escape censure but seem to imagine their services to be more indispensable than ever. Like the drunkards in Milton's *Comus*, unaware that wine has made them ugly, they "not once perceive their foul disfigurement/but boast themselves more comely than before." Politicians, not averse to similar boastings of their own, indulge these deceptions. The rest of us have to clear up the glasses. Yet these complaints only touch the surface of the problem. Mostly the public resents not so much the economist's showy obscurantism—graphs, formulas and the like—as the behaviorism that lies behind it. Like ghosts in someone else's machine, we are reduced to the measurable, the predictable, the banal. Not much humanity remains when all our strivings, our work and play, are known in advance and forecast with a slide-rule. Thus a paradox. The economist likes to speak of rational choice, but having conferred upon us the dignity of reason he renders it useless by describing *homo oeconomicus* as nothing more than an amalgam of rational choices. Ortega y Gasset once wrote of the expulsion of man from art. In *A Humane Economy* Wilhelm Röpke penned a brilliant

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denunciation of the expulsion of man from economics. The proper measure of mankind is man, said Alexander Pope. Man is also the proper measure of economics. "It is the precept of ethical and humane behavior, no less than of political wisdom," Röpke wrote, "to adapt economic policy to man, not man to economic policy." That, in sum, is the central insight of the book.

The point is simple enough: Economics is a dismal science precisely because it claims to be a science. It turns human effort into a quadratic equation. Yet it was not always this way. Adam Smith, first of the moderns in economic thinking, would have deplored the mathematical aridities of his neo-liberal disciples, who, like Oscar Wilde's cynic, seem to know the price of everything and the value of nothing. Smith was a moral philosopher before he was an economist. For him, the wealth of nations was not to be measured simply in money but in all of those social excellences that promote human flourishing: neighborliness, community, family, self-reliance, provision for the future. Economic activity removed from moral understanding was inconceivable to him. After all, buying and selling presumes some measure of trust between individuals, a disposition towards honorable mutual advantage. He would have found it strange that someone might write a book called *A Humane Economy* as if there could be any other kind. If Smith's moral theory is in some ways flawed—there is more psychology than philosophy in it—at least he recognized that economics does not stand alone but forms part of a broader understanding of the human person. Some of his followers disagree, generally with baneful results. The declension of economics into calculation and calibration remains the besetting weakness of the subject. Art should not ape science; morality should not mimic mechanics.

Human dignity is, then, the central concern of economics. Yet to read *A Humane Economy* is to be made aware, with a terrible insistency, that precisely this dignity is threatened by the social and economic arrangements of our day. Consider the phenomenon which Röpke termed *vermassung* or "enmassment," the sheer crowdedness of contemporary life:

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As we increasingly become merely passively activated mass particles or social molecules, all poetry and dignity, and with them the very spice of life and its human content, go out of life. Even the dramatic episodes of existence—birth, sickness and death—take place in collectivized institutions.... People live in mass quarters, superimposed upon each other vertically and extending horizontally as far as the eye can see; they work in mass factories or offices in hierarchical subordination; they spend their Sundays and vacations in masses, flood the universities, lecture halls and laboratories in masses, read books and newspapers printed in millions and of a level that usually corresponds to these mass sales, are assailed at every turn by the same billboards, submit, with millions of others, to the same movie, radio and television programs.... Only the churches are empty, almost a refuge of solitude....

This grim sociology of vastness, with its emphasis on collective over individual experience, largeness over smallness, self-indulgence over self-reliance, tends to fragment the human personality if it does not obliterate it entirely. The herd must be soothed, rendered passive, by magazines, television, gadgets and assorted electronic trinketry. The muzak of the malls ought to be Bach: "Sheep may safely graze." That is modernity's anthem.

Such jeremiads may seem excessive. Progress has its problems, it might be argued, but these are unavoidable in a crowded planet. Anyway is this not a price worth paying for universal material prosperity? Yet distaste for "the noise and stench of mechanized mass living" is not—as some might think—elitism or cultivated contempt for the herd. Nor is it pre-industrial romanticism, although, as Röpke pointed out, the cult of the standard of living amounts to a profound spiritual disorder. The point is not the banality of mass culture—although that is even more evident than when Röpke wrote—as its degraded moral sensibility. In the age of the masses, proletarianized man has chosen that others should make choices for him. Decisions are forever shifted upwards, from the individual, the family, and the group to corporations, federations, the state itself. There is a kind of

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moral infantilism in such dependency. But there is also, as with infants, a curious petulance. Children can be willful, as if aware from time to time of their own weakness. Mass man, for all his shop-bought opinions and second-hand attitudes, congratulates himself on his own individualism. And indeed, Röpke argued, there is a dangerously individualistic strain in modernity. Detached from tradition, community, and family, from the moorings of natural law, modern man is left to his own devices. Rootless, he embraces any roots. Isolated, he seeks any society. Disintegrated, he craves any creed that might make him whole. "Loneliness, separateness, and isolation," suggested Röpke, "are becoming the destiny of the masses." It is a situation pathological to the point of collective lunacy.

The lineaments of a social vision begin to emerge. Röpke stood squarely in the Burkean tradition that celebrated "little platoons"—family, church, community, civic association, rootedness in local things—as the best bulwark against the "bloated colossus" of the state. "The freedom of society resides in its pluralism," he argued, not in the tyranny of uniformity and centralization. This localism was not the smothering smallness that some critics see in conservatism, the elevation of the merely old and familiar into political principle. On the contrary it was a recognition that human societies must have human identity. Röpke did not propose miniaturist or naive social anthropomorphism so much as simple common sense. What was the alternative? The state as some Leviathan of rationalist planning that destroyed its subjects, then itself. That kind of totalitarianism, he suggested, is a defining characteristic of the age of the masses: the government assumes duties not its own and discharges them poorly, confiscates money not its own and disburses it prodigally, claims rights not its own and exercises them prejudicially. The collectivist experiment may begin with high ideals, but it ends by infantilizing the citizenry, creating a pocket-money state and a bureaucracy of nannies to run it.

Röpke was Burkean in another way. In the thought of both men there is an elegiac quality, a longing for lost virtue, a desire for recovery. The "unbought grace of life" is gone, lamented Burke: decency, honor, heroism are despised. Röpke also spoke of those unbought

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graces—nature, privacy, beauty, dignity, and repose which are the gifts that lie beyond prosy utilitarianism. This sorrowful tone causes trouble for conservatives. It smacks of nostalgia and cultural despair, self-pity and snobbery compounded into a flimsy philosophy of regret. *A Humane Economy* is certainly suffused with a sense of loss. Consider its autobiographical evocation of life before the age of the masses. “A village and small-town childhood, with its confident ease, its plenty, and its now unimaginable freedom and almost cloudless optimism” gave way, Röpke wrote, to war, revolution, inflation, depression, and unemployment. The dichotomy seems overdone. Yet it is accurate enough. Röpke’s world *did* disintegrate in 1914: so did that of millions of others.

All the same, nostalgia is the weakest foundation for conservatism, no matter how historically plausible it may be. But nostalgia is precisely what Röpke did *not* offer. He did not wish to set the clock back: rather, as he said, he wished to set it right. To do so he offered specific remedies for specific problems, all of them technically sophisticated, economically well thought out. But what kind of society did he seek to restore? It was one in which

wealth would be widely dispersed: people’s lives would have solid foundations; genuine communities, from the family upward, would form a background of moral support for the individual; there would be counterweights to competition and the mechanical operation of prices; people would have roots and not be adrift in life without an anchor; there would be a broad belt of an independent middle class, a healthy balance between town and country, industry and agriculture.

This has a familiar ring. If *A Humane Economy* owes a debt to Burke, it also draws on Chesterton, Belloc, and the English distributist tradition. Compare, for instance, Belloc’s distaste for monopoly capitalism and its proletarianization of the masses with Röpke’s distaste for the “concentration” of wealth that allowed government, administration and wealth to be controlled by the powerful few at the expense of the powerless many. Monopoly, he said, was the worst form

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of commercialism, "economically...questionable and morally...reprehensible." He might almost have been quoting from *The Servile State*. There are other similarities. *A Humane Economy* condemned the politics of "anonymous, unchallengeable and inscrutable" decisions, the inevitable concomitant of "concentration." *The Servile State* decried the "tendency to govern by clique" which "could not possibly arise in a genuinely democratic society." The list could be extended. Both men recognized the insolence and fraudulence of plutocracy, whether it speaks with an English or German accent.

If "concentration" is the problem, dispersal, it would seem, ought to be the answer. Both Röpke and the distributists held that private property widely diffused was the principal foundation of political freedom, the surest defense against the self-aggrandizing state. When property ceases to be a natural and primary right and is held instead at the whim of government, then "the end of free society is in sight." Why? Because "property" enshrines notions of privacy, independence, self-reliance, freedom, and dignity which are principles that tyranny cannot abide. Ownership at once presupposes individual rights and promotes them. Röpke saw it as the cornerstone of the humane economy; Chesterton saw it as the outline of sanity; Belloc saw its absence as characteristic of a servile state. Its primary purpose and true merit lay beyond the visible and measurable. Property broadly understood represented a "particular philosophy of life,...a particular social and moral universe."

This plea for property was a plea against proletarianization. Only through ownership—of house, or land, or skill, or savings—could workingmen free themselves from dependency. (Welfare is the most obvious dependency but wage-slavery is another.) But it was also, in a more positive sense, a plea for embourgeoisement. Property implies the existence of a society in which "certain fundamentals are respected and color the whole network of social relationships." Those foundations are:

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

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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.

Property, in short, is social propriety. Without it the particular moral universe of bourgeois values simply ceases to exist.

Yet if property is a trust it also requires trust. It enshrines a particular relationship between the citizenry and the state. To be sure, the state is more than an insurance arrangement between owners. Hobbesian or Lockean Man is not the best face that humanity can collectively muster. Nonetheless a key function of the state is fiduciary. It must protect property. When it fails to do so it embarks upon its own dissolution, even if—the irony is obvious—it conceals that fact by ever greater acts of enlargement and bureaucratic centralization. Citizens may reasonably expect that governments should be fiscally responsible and financially sound; that property should be freely heritable; that its use may be enjoyed primarily by themselves and their beneficiaries; that it should be protected from predatory taxation and predatory inflation; that it should not be redistributed, with prodigies of moral self-regard, to fund welfarism that is itself morally corrosive. Likewise easy credit should be avoided: it is improvidence in another form. Saving should be encouraged. Regulation should be reduced. Progressive taxation should be pared back. The private should be preferred over the public. Monopolies should be dismantled. Banks should defend money, not dispense it at every turn. Small businesses should be promoted. Inflation should be fought without quarter.

These may seem like poujadist imperatives: shopkeeper economics, nothing more. That is hardly alarming. They have formed the basis of sound political economy for centuries and are not false for being unfashionable. To be sure, Röpke wrote against the tenor of his times, confident of later vindication. In obvious ways, that vindica-

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tion has come. Keynes, his nemesis, has been exposed and deposed; the state is a little less bloated than before. Yet to read *A Humane Economy* in a spirit of smugness is manifestly to miss the point. The struggle against collectivism is never entirely won: it must be waged again and again in every generation. But it must be fought with proper understanding of the nature of the struggle. Free markets are preferable to tyranny not because they enrich us but because they moralize us. They connect us to authentic human communities, allowing us to be self-reliant yet also honorably dependent on the efforts of others. And precisely for that reason, to make a *cult* of the market is to detach it from its own moral imperatives. Markets do not generate moral norms: they presume them. Moreover, they offer the freedom of self-discipline, not unanchored greed. Besides, for all their excellence, markets are not everything. The vital things, Röpke realized, are those that lie beyond supply and demand, beyond the world of property, beyond the calculator's reach. Such is the point and paradox of the book. A humane economy is only, in the end, a shadowy reflection of the divine one.

To make a government requires no great prudence. Settle the seat of power; teach obedience: and the work is done. To give freedom is still more easy. It is not necessary to guide; it only requires to let go the rein. But to form a free government; that is, to temper together these opposite elements of liberty and restraint in one consistent work, requires much thought, deep reflection, a sagacious, powerful, and combining mind.

—EDMUND BURKE, *Reflections on the Revolution in France*, 1790

Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the counsels of the wise and good, in preference to the flattery of knaves. Society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters.

—EDMUND BURKE, *A Letter from Mr. Burke to a Member of the National Assembly in Answer to Some Objections to His Book on French Affairs*, 1791