

A HUMANE ECONOMY: THE SOCIAL FRAMEWORK OF THE FREE MARKET

(WILHELM RÖPKE)

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This classic book, by a long-dead and almost-forgotten German economist, is suddenly relevant again. I have had a copy on my bookshelf for thirty years, never read, and I was startled by how timely *A Humane Economy* is. Today, elements of Left and Right are ganging up to kick neoliberalism when it's down, aiming to break the long-dominant alliance between the corporatist Left and Right, and thereby to overturn the instrumentalist view of humans as fodder for an economic machine. We are simply awaiting the next crisis to see what will emerge. Wilhelm Röpke foresaw the problems we face today, because he lived through their early days—though I am not sure his solutions are practical, at least until a lot more chaos first sweeps across the land.

Röpke is associated with the Austrian School of economics, even if he is nowhere near as famous as others in that school, such as Friedrich Hayek or Ludwig von Mises. The original Austrian-school economists, around the turn of the twentieth century, focused on the development of concepts like marginal cost, individual utility, and opportunity cost. These now-uncontroversial ideas bubble throughout Röpke's thought, along with the idea, more controversial today, that mathematical modeling of economic activity is inferior to a qualitative analysis of how humans behave in real life. But this book is not an Austrian-school tome. In fact, it is really not focused on economics as such, nor will I discuss economics much today.

Instead, as its subtitle suggests, *A Humane Economy* is social analysis as informed by economics. Austrian-style economics has been successfully cast as coldhearted and tied to Ayn Rand's Objectivism; for many, it conjures up visions of the poor dying in the dirty gutter while their entrepreneurial overlords glide by, dressed in black tie, in self-driving Teslas built of Rearden Metal. Röpke's writing is a good counterforce to this narrow, jaundiced view. True, Röpke does adhere to core tenets of the Austrian school, calling repeatedly for curbing inflation and the welfare state, as well as making a minor pitch for the gold standard, and he engages in several drive-by shootings of John

Maynard Keynes. But this is secondary to, and not the main pillar of, his vision of an economic system that underpins, and in part makes possible, a flourishing society that exemplifies Christian virtue. For Röpke, the key question is whether an unfettered free market, even if theoretically utility maximizing, should be supreme, overriding other considerations. He answers strongly in the negative.

Röpke's views changed over his long career, as is the norm for most economists. The socially-oriented views of this book are a relatively late addition to his thought. He was once famous mostly as the technician behind Ludwig Erhard's "economic miracle" (*Wirtschaftswunder*) of the late 1940s and early 1950s, whereby a destroyed Germany was resurrected, nearly overnight, as an economic powerhouse. Of course, Germany had the advantage of being full of Germans, but then and since credit has been largely given to the Austrian-school economics adopted by Erhard, who refused to listen to the howls of anguish from the dominant, Keynesian and collectivist, economists of the day. The result of, as I understand it, currency reform, the elimination of price controls, low tax rates, and the rejection of collectivism, the *Wirtschaftswunder* is largely forgotten today. When I first became politically aware thirty years ago, though, the *Wirtschaftswunder* was well known, probably because Reaganite economics tried to wear its cape, and Keynes was regarded as totally discredited. Today, it's the reverse in both cases, probably because the Left never sleeps and never gives up, unlike conservatives.

But we are not here to discuss the *Wirtschaftswunder*. I am not qualified to analyze it, anyway, as to how it was accomplished, but certainly Röpke takes, without false modesty and without any apparent hesitation, full credit for the principles he espouses having been responsible. What I want to focus on is social systems as tied to economic life. Röpke's mature thought focuses on "the nature of man and the sort of existence that [is] fitting to that nature." He called his thinking, broadly, "economic humanism," an implicit rebuke to mechanistic or utilitarian views of economics—found, in their most extreme form, in Objectivism, which still has large purchase on today's Right (but is found throughout the corporatist Left and Right). *Atlas Shrugged* was published at almost exactly the same time as *A Humane Economy*, in 1960, and the contrast embodies two incompatible visions of the flourishing of Man. What Röpke offered was an analysis of reality in the service of actual humans,

not an ideology that would remake reality to serve an abstract humanity. His ideas, sadly, got little traction, and the pathologies he identified and feared are much, much worse today. True, in Europe at least, conceptually his ideas were paid lip service under labels such as “Christian democracy,” but that soon left far behind what Röpke wanted, turning statist and collectivist instead, and he would be horrified by what the European Union has become—he didn’t even like the Coal and Steel Community. But let’s take his ideas on their own terms.

Röpke begins with a concise outline of why the free market is better for man and society. He rejects socialism, as he rejects all “-isms.” They are, as Eric Voegelin (another man forced to flee from the Nazis) said, “social Gnosticism,” the false idea that man can be perfected, if only the right techniques are performed with the right tools. Socialism, “that is, economic planning, nationalization, the erosion of property, and the cradle-to-grave welfare state,” sees man as a means, rather than each man as a unique individual in “the likeness of God.” In the economic realm, therefore, the free market, as opposed to socialism, “is the only economic order compatible with human freedom, with a state and society which safeguard freedom, and with the rule of law,” thereby leading to “a life possessing meaning and dignity.” But the free market is not some magic instrument either; it is merely the best economic order, and it also must be viewed with an eye to the ends of meaning and dignity for Man.

Communism is no longer the main threat to the Western social order (Röpke presciently predicts its collapse), but that should not hide that socialism is just as much as Communism an affront to meaning and human dignity. Still, the market economy is not, of itself, the complete answer to social Gnosticism. We also need a society where “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 would not be adrift in life without anchor; there would be a broad belt of an independent middle class, a healthy balance between town and country, industry and agriculture.” This set of basic concepts is the core of *A Humane Economy*. Certainly, none of these, Röpke’s ends, are fashionable, except perhaps the first;

in fact, most of them are usually rejected as bizarre, reactionary, or simply offensive, in today's facile public discourse. But that's Röpke's point, of course. He would not be surprised.

The protean word "freedom" occurs often in this book, which might lead the modern reader to think that Röpke would endorse modern liberal democracy, the core of which is exaltation of freedom to do whatever one wants. But to Röpke, freedom explicitly does not mean "license, arbitrariness, laxity, [or] unlimited demands." Thus, Röpke rejects the Enlightenment, or what it has led to, whether he admits it or not. How can there be "higher purposes of life and society" if each person is completely free to choose for himself what is the good? He directly knocks man's comfort and ease, the goal of Enlightenment thinkers from Francis Bacon onwards, off its pedestal. "Economism, materialism, and utilitarianism have in our time merged into a cult of productivity, material expansion, and the standard of living." Enough is abundance to the wise, says Röpke, and freedom means the ordered freedom of virtue.

Given this frame, what problems and decisions must still be made in respect of the free market? To Röpke, there is no problem worse, there is no problem that threatens individual meaning and dignity in the modern world more, than "mass and concentration." Röpke is very, very down on "mass." He tells us that a formless mass of atomized individuals has been created by modernity, exacerbated by certain aspects of the free market, so we must limit the free market in order to obtain, instead, "decentralization and deproletarianization." Only in this way can the society Röpke identifies as ideal be approached.

Unsurprisingly, Röpke begins by citing and channeling José Ortega y Gasset, who originated the concept of the "mass man." Röpke notes that Ortega's words, from thirty years before *A Humane Economy*, have become absorbed such that they have largely lost their impact; everyone thinks the "other fellow" is the mass man, or that it is all a false alarm—"these people would have us believe that everything is as it should be and that paradise is just around the corner; the paradise of a society whose idea of bliss is leisure, gadgets, and continuous fast displacement on concrete highways." Too many believe that everything is awesome "just because of the ever rising consumption of things by which the standard of life is thoughtlessly measured." The goods culture rules all,

fueled by the vice of easy consumer credit, but everyone is bored and dissatisfied, in large part because their personal connection with work has been severed, for which more goods, or as I like to say, five percent more cheap Chinese crap every year, does not substitute. (Here Röpke sounds much like Oren Cass in *The Once and Future Worker*, or Matthew Crawford in *Shop Class as Soulcraft*.) Along the same lines, mass also means everyone is crowded together and permanently isolated from even casual contact with nature. None of this is the fault of the market economy; it is a condition of modernity. "On the contrary, the market economy, with its variety, its stress on individual action and responsibility, and its elementary freedoms, is still the source of powerful forces counteracting the boredom of mass society and industrial life, which are common to both capitalism and socialism. Only, the market economy must be kept within the limits which we shall presently discuss."

All this is convincing, although unlike Ortega, whose objection to mass was reduction in the quality of the real, organic aristocracy, Röpke's objection seems mainly to be all those damn people and their damn concrete jungles. True, it'd be much better if we spent less time traveling to work and more time in solitude with nature. But Röpke seems to think the world is one giant New York City as shown in 1950s movies, full of alienated commuters wearing gray wool suits. This is silly and takes a part for the whole. Thus, when he takes his focus to its logical conclusion, Röpke falls apart, or at least undermines his own argument. He decides, and shrieks, to the extent the descendant of Lutheran pastors can shriek, that the real problem for the West is—overpopulation. He is terrified that Europe and America have become too full, and it's getting worse, both because it's jam-packed and because all those people can't possibly have a decent spiritual life, even if they can be fed. Why precisely either of these things is true Röpke does not explain. But with words that now have bitter irony, he demands immediate, strong action to cut the birth rate, praising that "public opinion in Japan, for example, has by now come around to the view that the birth rate must be adapted to the death rate." He flatly rejects that improved agricultural methods can ever keep pace with population growth, predicting starvation, along with the degradation of the masses. In short, in Charles Mann's typology, Röpke is a Prophet, not a Wizard. But the Prophets have all, always, been proven wrong. Röpke has also

been proven wrong, catastrophically so, and this whining about what was even then a nonexistent problem debilitates his entire argument about mass society, even though it does not obviate it.

Röpke finally gets to some other objections to mass, although again, unlike Ortega, he focuses on quantity, not quality. (He does think quality also is a problem—the mass is undereducated and under civilized, proud of it, and bitterly opposed to any form of natural hierarchy or aristocracy, which results in the degradation of all finer aspects of culture.) Collectivism necessarily follows enmassment (*Vermassung* in German); the destruction of intermediary institutions and the furtherance of mass, atomized, life in a self-reinforcing process. Ideologies such as Communism come to seem attractive, and their attractiveness is not reduced by shorter working hours or improvements in the standard of living. Röpke notes that social disintegration is a much more important contributor to the appeal of Communism; “Communism prospers more on empty souls than on empty stomachs.” He also makes points commonly made today but prescient then, such as that mass leads to conformism, but not the conformism of eccentricity, which is found in tradition, or the conformism of stagnation, but rather the “conformism of being non-conformist,” attacking everything traditional just to show how daring one is.

Ultimately, this enmassment leads to despotism. Here (and often throughout the book), Röpke cites Tocqueville, noting how he foresaw that the new egalitarian, Jacobin-type, democracy of America could easily end in a soft despotism. Röpke’s only disagreement is that he thinks the despotism’s end is totalitarianism, with nothing soft about it. It’s not that Röpke doesn’t like democracy—he is fine with a federalist, subsidiarist, mixed democracy of the older English or Swiss type (he lived in Switzerland for the rest of his life after fleeing the Nazis in 1933). It’s modern democracy, what is now called “liberal democracy,” that he doesn’t like, because it recognizes nothing outside the changeable and often odious will of the mass, which, in particular, tends to destroy recognition of property and lead to socialism and collectivism, always wanting to “forever reopen every question.” “Mass democracy,” where the sovereignty of the (imaginary) people is supreme, necessarily ends in despotism. Still, Röpke does sound a note of hope, that since all this is “a violation of human nature . . . which is bound, sooner or later, to

end in an acute crisis, which might just possibly have the salutary effect of bringing us back to our senses." He would not be pleased to see that exactly the opposite has happened, and liberal democracy has already descended into the early stages of its totalitarian phase, in an accelerating downwards trend. But perhaps that does not contradict Röpke, and the crisis has simply been delayed.

Given this analysis and these problems, Röpke's next theme is how precisely the market should be made to serve man, not man the market. "[The market] must be firmly contained within an all-embracing order of society in which the imperfections and harshness of economic freedom are corrected by law and in which man is not denied conditions of life appropriate to his nature." Both free competition and inviolable private property are essential for these goals; without the latter, there can be no freedom at all. Röpke would be horrified at corporate concentration today, which at least is one of the few things on which the anti-corporatist Right and Left can wholly agree. However, the means, the free market, should not be confused with the end, human flourishing, the "higher purposes of life and society."

Even in his strictly economic choices, "the ordinary man is not homo economicus, just as he is neither hero nor saint. The motives which drive people toward economic success are as varied as the human soul itself." The free market itself collapses without strong moral supports—not only basic morals, such as not cheating and lying, but also a commitment to free competition, and opposition to monopoly, whether by producers or labor unions, and these morals must come from outside the market, from a strong society. This implies that the market cannot dominate society—that large areas of society must remain outside the market. But, in the modern world, everything is infected with advertising and everything, even Mother's Day, is commercialized. The result is a market that is not controlled, and which contributes to the problems caused by enmassment.

Of course, the problem with noting that "it cannot be said often enough that in the last resort competition has to be circumscribed and mitigated by moral forces within the market parties," is that it presupposes that there are external moral forces still extant. Again channeling Ortega, Röpke calls explicitly for a "revolt of the elites," of "a minority that forms and is willingly and respectfully recognized as the apex of

a social pyramid hierarchically structured by performance.” They are a “class of censors,” without which “no free society . . . can subsist.” The rich, in particular, need to both serve in this class, and contribute to the common good through subsidies of art and other cultural goods, “in honest self-assessment of one’s ability to pay and in voluntary fulfillment of an honorary duty.” This class has both rights and duties not applicable to the mass, unrelated to, and above, the market. A fine vision, and I’m all for a class of censors, but such a class setup is so alien, both in practice and thought, to today’s society, despite the best recent efforts of Jordan Peterson to rehabilitate hierarchy, as to be laughable as a realistic program.

In the second half of the book, Röpke turns more to economics with a social gloss, instead of social policy with an economics gloss. Here, he castigates the welfare state, which beyond a minimum that helps people in true need and only until they can stand on their own, is destructive of all the important things in society that he has already identified; it enables enmassment and concentration and is destructive of excellence. For the most part, the West has outgrown the welfare state, and now it has become merely “a tool of social revolution.” He discusses inflation in what I assume are Austrian-school terms, insisting that growth should be funded by saving (noting that the welfare state discourages saving) and finding in chronic inflation the source of many societal disorders. He discusses challenges facing developing economies, criticizing those that cannot internally generate capital and instead demand capital from the West, without adopting any of the necessary systems or mechanisms to make that capital fruitful. (Sixty years of trillions of dollars being pumped into the Third World, to no effect whatsoever other than to enrich a few despots, have proven Röpke more than right. This brings up a point that Röpke does not make explicitly but is necessarily true from his premises, which is that any society that does not have the spiritual and moral underpinnings of the West, or rather that the West once had, cannot really succeed in either economic or human flourishing. Röpke does point out the importance of the bourgeois values, in combination with the free market and aristocratic excellence, all informed by a strict moral code, as key to achieving a flourishing society. He does not point out such a combination has never existed anywhere else in the world outside the West.)

That it has been six decades since Röpke wrote, and all the problems he identified are infinitely worse, suggests that either they are not problems, or we are blinded to the existence of the problem by being subsumed within it, like the proverbial fish who does not know what water is. Or, perhaps, wealth papers over the problem for the classes that have control, leaving two types of mass-men, the wealthy in the professional-managerial elite, who get by even if they are largely unhappy and alienated, and the rest of society, hanging on by their fingernails, spiritually vacuous and desperate, with many falling into degradation and despair, as in J. D. Vance's *Hillbilly Elegy*, when they cannot hang on any longer. Given that on every single measure society is far, far worse off than in his time, it is little surprise that much of Röpke's "humane economics" seems like a fantasy—a pleasant one, but one seen from very far away.

Therefore, I am not sure what to conclude from this book. Despite the modest optimism he sometimes displays, what Röpke describes as necessary is so far from reality, and today's world so much more degraded than the world in which Röpke lived, that implementing any aspect of Röpke's program seems more like science fiction than realistic social policy. This is not a problem unique to Röpke—all the popular books nowadays on the Right with similar complaints fall down on solutions. Similarly, while I am not as expert on such books on the Left, and their (very different) solutions would give Röpke conniptions, with their collectivist demands for more, rather than less, state control, I suspect their solutions aren't any more realistic. My guess is that this is at root a problem of enmassment, the Gordian Knot of our advanced, consumerist society. But, after all, there was a way to untie that knot, with enough will.

For my part, since my purpose in reading this book is to continue constructing my own political movement, Foundationalism, I note that economics should be subordinate to politics. It is not that politicians should dictate economics, but that they should recognize that certain general principles are the most likely to create flourishing, and work within those principles, not treat economics like Asimov's Multivac, able to create a precise answer and effect for every question and request. For the most part, as far as I can tell with my limited economics knowledge, those principles are essentially those Röpke advocates. As I say, I don't

see a path to implementing them in the immediate future; if anything, the immediate future is likely to see a turn back to leftist collectivism and other massively destructive and pernicious theories that Röpke, with the *Wirtschaftswunder* in his rear mirror, thought had been mostly left behind. But if anything of my political program can be implemented, it can all be implemented, if the upheaval is great enough, and Röpke “economic humanism,” or some close variant of it, probably holds the key to sustainable economic progress that enhances, rather than harms, human flourishing.