

Skepticism About Markets and Optimism About Culture



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1 Introduction

“The ultimate moral support of the market economy lies outside the market. Market and competition are far from generating their moral prerequisites autonomously” (Röpke 1960, p. 126). It is in this sentence that Röpke sums up the philosophy of his economics in *A Humane Economy*. Here he uses three concepts that require a deeper understanding: market, market economy, and moral prerequisites.¹ Apparently, according to him, there is a type of economy based on the market which necessarily relies on morals. One might call this moral prerequisite culture.

This paper analyzes the relationship between market and culture in Röpke’s normative thought. “Normative” denotes here the fact that Röpke not only offers an explanation for economic and social phenomena and phenotypes, but also expresses his preference as to what these social and economic relationships ought to be. Röpke’s “Weltanschauung” is by nature normative. It will be argued here that Röpke, in his normative thought, is both overly skeptical about markets and overly optimistic about culture.

This might come as a surprise, since Röpke is thought of a liberal² and also as a cultural pessimist criticizing what he perceives as the downfall of culture with the

¹There are more concepts that require definition in that brief passage, for example, competition and the difference between moral support and moral prerequisite. However, the three mentioned above are the most important in light of this paper’s subject.

²The term “liberal” will be used here broadly to encompass the thinking that assigns to the market—either as an institution or as a process—a fundamental role (at least) in the economic organization of a society. Liberals will call for free markets and the broad use of markets in economic and social settings. This, however, is not the place for an analysis of the different usages

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rise of “mass society” and large-scale economies in which families disintegrate and individuals become powerless. How, then, is it possible to claim that Röpke was overly optimistic about culture? For one, Röpke’s negative diagnosis of the contemporary culture he witnessed reflects his preference for a much better culture, the desire for which caused him to be (overly) optimistic with regard to that preferred superior configuration. His idea was the Christian-humanistic agricultural society and culture, the stark preference for which caused him to deplore any deviation from it. He was a pessimist in his judgment of what he saw as factual, given culture but an optimist regarding his normative claim of what ought to be. This analysis will be the main focus of this paper.

After having established what culture is for Röpke, this paper will critically assess if his conception of culture contributes as much as he wanted for his *A Humane Economy*. Especially, it will be asked if Röpke has a clear understanding of what culture is, by which (epistemic) criteria he is guided, and if there are contradictions between his understanding of culture and the whole of his economic philosophy. Then, the role of markets in Röpke’s economic philosophy will be analyzed. It will be contended that although he employs markets much as any liberal would, he falls short of recognizing that the market can play a much more fundamental role in the advancement of a “Humane Society” as he envisioned it. A third and last section briefly summarizes the argument and discusses Röpke’s merits, in particular in comparison to other liberals.

Before commencing with the analysis as outlined above while quoting Röpke as much as possible, three caveats must be voiced. The first is of normative nature. To many a contemporary reader, Röpke seems a reactionary. While this might be true, it will neither be qualified nor judged by this paper. Here, Röpke’s ideas will be discussed in function of himself as a benchmark. Naturally, this does not mean that the author of this paper either agrees or disagrees with Röpke. Second, although there is a focus on *A Humane Economy*, the whole body of his work will be read in an attempt to understand it as consistently as possible. This approach is based on a broadly understood “principle of charity” (Davidson 1974). Third, this paper is a discussion of ideas, mainly as presented in *A Humane Economy*, not of texts, history, historical importance, or the like.

2 Culture and Its Enemies

In *A Humane Economy*, Röpke argues that the market economy, and with it, social and political freedom, can thrive only as part of and with the protection of a bourgeois culture. For Röpke, this culture is in itself important but is also the backbone of any defense against communism, still the most important danger in

of the term nor is the market the only component of liberal thought—many would claim that freedom is. For these discussions, see, e.g., Mirowski and Plehwe (2009) or Schneider (2014).

his time and from his point of view. However, what exactly is this bourgeois culture? Why assign a pivotal role to it? And is it coherent? This section deals with these questions by first explaining Röpke's conception of culture and then critically assessing it.

2.1 Röpke's Conception of Culture

A Humane Economy does not define culture in a systematic way but rather in opposition to what Röpke considered threats to his preferences. These threats are mass society, mass economy, the welfare state, inflation, and centralization. This list is extensional, i.e., it enumerates different states considered threats to bourgeois culture. But the list lacks the intensional criteria for counting or discounting something as proper to bourgeois culture. Still, Röpke seems to have at least one conception of what this bourgeois culture entails. What is it?

The attempt at a neutral definition of culture might ease the way to understanding Röpke.³ Culture is the characteristics and knowledge of a particular group of people, defined by everything including language, religion, cuisine, social habits, music, and arts. It consists of shared patterns of behaviors and interactions, cognitive constructs, and understanding that are learned by socialization. Thus, it can be seen as the growth of a group identity fostered by social patterns unique to the group. In short, culture is a set of cooperative practices (Spencer-Oatey 2012).

Spencer-Oatey (2012) develops the following twelve characteristics of culture: culture is manifested at different layers of depth; culture affects behavior and interpretations of behavior; culture can be differentiated from both universal human nature and unique individual personality; culture influences biological processes; culture is associated with social groups; culture is both an individual construct and a social construct; culture is always both socially and psychologically distributed in a group, so the delineation of a culture's features will always be fuzzy; culture has both universal (etic) and distinctive (emic) elements; culture is learned; culture is subject to gradual change; the various parts of a culture are all, to some degree, interrelated; and culture is a descriptive, not an evaluative concept.

Röpke, on the other hand, does not seem to care about a systematic characterization of culture, but advances his normative preferences without much ado:

My picture of man is fashioned by the spiritual heritage of classical and Christian tradition. I see in man the likeness of God; I am profoundly convinced that it is an appalling sin to reduce man to a means [. . .] and that each man's soul is something unique, irreplaceable, priceless, in comparison with which all other things are as naught. I am attached to a humanism which is rooted in these convictions and which regards man as the child and image of God [. . .]. (Röpke 1960, p. 5)

³The word "culture" itself derives from a French term, which in turn derives from the Latin *colere*, which means to tend to the earth and grow or cultivation and nurture.

Röpke claims that a market economy without this solid basis does not work, for example (Röpke 1960, p. 6), “The market economy is not everything. It must find its place within a higher order of things which is not ruled by supply and demand, free prices, and competition.” And:

Market economy is one thing in a society where atomization, mass, proletarianization and concentration rule; it is quite another in a society approaching anything like the “natural order” which I have described [elsewhere, HS]. In such a society, 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. (Röpke 1960, p. 35)

It seems that Röpke uses the terms moral and culture synonymously. It also appears that he has a clear-cut conception of the culture he prefers: it is the bourgeois culture. In a footnote, he explains the extension of the word (Röpke 1960, p. 98): “The word ‘bourgeois’ is here used to correspond to the German word ‘bürgerlich’, in a completely non-pejorative and non-political sense.” He also discusses its intention:

The true role of ownership can be appreciated only if we look upon it as representative of something far beyond what is visible and measurable. Ownership illustrates the fact that the market economy is a form of economic order belonging to a particular philosophy of life and to a particular social and moral universe. This we now have to define, and in so doing the word ‘bourgeois’ imposes itself, however much mass public opinion (especially of the intellectual masses) may, after a century of deformation by Marxist propaganda, dislike this designation or find it ridiculous. In all honesty, we have to admit that the market economy has a bourgeois foundation. [...] The market economy, and with it social and political freedom, can thrive only as a part and under the protection of a bourgeois system. This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relationships: individual effort and responsibility, absolute norms and values, independence based on ownership, prudence and daring, calculating and saving, responsibility for planning one’s own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the present and the future, proper tension between individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one’s own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values. (Röpke 1960, p. 98)

This idea is further nuanced:

It was a ‘bourgeois’ philosophy in the true sense of the word, and one might also legitimately call it ‘liberal’. It taught us that there is nothing shameful in the self-reliance and self-assertion of the individual taking care of himself and his family, and it led us to assign their due place to the corresponding virtues of diligence, alertness, thrift, sense of duty, reliability, punctuality, and reasonableness. We have learned to regard the individual, with his family, relying on his own efforts and making his own way, as a source of vital impulses, as a life-giving creative force without which our modern world and our whole civilization are unthinkable. In order to appreciate just how important this ‘bourgeois’ spirit is for our world, let us consider the difficulty of implanting modern economic forms in the underdeveloped countries, which often lack the spiritual and moral conditions here under

discussion. We in the West take them for granted and are therefore hardly aware of them, but the spokesmen of the underdeveloped countries frequently see only the outward economic success of Western nations and not the spiritual and moral foundations upon which it rests. A sort of human humus must be there, or at least be expected to form, if Western industry is to be successfully transplanted. Its ultimate conditions remain accuracy, reliability, a sense of time and duty, application, and that general sense of good workmanship which is obviously at home in only a few countries. With some slight exaggeration, one might put it this way: modern economic activity can thrive only where whoever says “tomorrow” means tomorrow and not some undefined time in the future. (Röpke 1960, p. 119)⁴

Reading this material, it could be claimed that Röpke, despite focusing on his normative preference, also had a conception of culture as consisting of virtues, norms, and institutions (Röpke 1960, p. 125). The virtues needed for a bourgeois society are: “Self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, respect for human dignity, firm ethical norms—all of these are things which people must possess before they go to market and compete with each other. These are the indispensable supports which preserve both market and competition from degeneration.” Then, there are institutions: “Family, church, genuine communities and tradition are their sources. It is also necessary that people should grow up in conditions which favor such moral convictions, conditions of a natural order, conditions promoting co-operation, respecting tradition, and giving moral support to the individual.” And finally, there are norms: “Ownership and reserves, and a feeling for both, are essential parts of such an order. We have, a little earlier, characterized such an order as ‘bourgeois’ in the broadest sense, and it is the foundation upon which the ethics of the market economy must rest. It is an order which fosters individual independence and responsibility as much as the public spirit which connects the individual with the community and limits his greed” (Röpke 1960, p. 125).

Now one might ask if Röpke is aware of the historicity of culture. In *Economics of the Free Society*, Röpke makes an allusion to his understanding of the historical background of the bourgeois society (Röpke 1963, p. 38): “There is some evidence that this interpretation of costs reflects the moral climate in which the English bourgeoisie of the eighteenth and nineteenth centuries lived, a climate in which every honest gain was thought to require a corresponding sacrifice.” Also, in *A Humane Economy*, he condemns the ancien régime and its lack of concern for the future (Röpke 1960, p. 100). Both allusions reveal that he is at least conscious that culture has its own historicity, i.e., there are not unchanged sets of values, but they change over time and even change their basic paradigm—for example, the ancien

⁴The second part of this quote might have a reactionary and/or exclusivist ring to it. However, it is interesting to observe that many a monetarist and so-called neoliberal in the 1990s—this irony must have made Röpke turn in his grave—went around the world preaching the causal relation of free market and free society. Based on this postulate, many pro-market reforms were made, which were no doubt a step in the right direction. But many a country proved them wrong: markets came and even became freer than before, but free society did not follow. According to Röpke, however, free markets can only unfold on the basis of the bourgeois society.

régime turning into bourgeois culture. On the other hand, many of the passages quoted above also convey the idea that bourgeois culture—at least the one Röpke prefers—is an anthropological constant. During his time in Istanbul, Röpke seems to have reached the conclusion that there are anthropological criteria for this natural, bourgeois culture.⁵ This shall be addressed more in depth in the next subsection.

What is the overall picture of Röpke's understanding of culture, then? For one, he seems to have an overlapping view of culture and morals or of culture and values. The virtues⁶ of the individual and of the small group are the backbone of his conception of culture. These are individual reliance on family, self-discipline, justice, moderation, and proportionality, among others. Apart from these virtues, there are some legal norms that seem to be as fundamental as the virtues themselves, namely, private ownership and the unconditionality of obligations. Then, some important institutions can be discerned: family, church, village, and civic society are among them. Further evidence speaks for the state as the body politic also to be counted among them. If this is Röpke's conception of bourgeois culture, some critical questions arise.

2.2 Questions

This assessment should answer the following four closely interrelated questions: (1) Is Röpke's understanding of culture natural or historical? (2) Does it allow for change or evolution over time? (3) How institutional is it? (4) Is it coherent? The characteristics of culture introduced above (Spencer-Oatey 2012) should facilitate this discussion.

The first question probably addresses the most important dichotomy. Is culture something that emerged from the history of Europe or is it something natural that just has to be unveiled? Röpke seems to be aware of a certain historicity. He admits that there were other dominant forms of culture before his preferred bourgeois mode. And by criticizing the social crisis of his time, he at least concedes that even a bourgeois culture can change in the wrong direction. Röpke is, then, aware that culture is maybe not bound to but at least exists in time. On the other hand, he often makes allusions to a natural order, identifying his preferred bourgeois culture with

⁵For Röpke's development in Istanbul, see the chapter by Antonio Masala and Özge Kama in this volume.

⁶There are three dominant theories in normative ethics. Röpke was a profound critic of utilitarianism/consequentialism. This is the position holding that the best moral action is the one that maximizes utility. Röpke's opinion of deontology, the position that judges the morality of an action based on the action's adherence to a rule or rules, is less clear. Here, however, he will be treated as a virtue ethicist. Virtue ethics emphasizes the role of one's character and the virtues that one's character embodies for determining or evaluating ethical behavior. His conception of culture as bourgeois morality will be seen in this paper as an influence on the character of individuals (Crisp and Slote 1997).

it.⁷ According to natural law moral theory, the moral standards that govern human behavior are, in some sense, objectively derived from the nature of human beings and the nature of the world (Coleman and Murphy 1990). While “natural law” might be acceptable for many liberal philosophies,⁸ it is one thing to claim that there is a natural moral content of behavior and another to claim that there is a natural order of things or a culture that comes naturally. This involves, namely, a threefold claim. First, it identifies culture as a thing; second, it sees culture as a homogenous whole uniformly distributed among its members; and third, it presupposes that all virtues, norms, and institutions are on the same level of importance.

This threefold claim faces several problems. First, as seen above, culture is not a thing or even an independently acting entity, but more a set of cooperative practices with different features influencing individuals in their behavior and being influenced by the individual. One important consequence is that culture is not the necessary basis upon which contingent relationships might unfold. Many aspects of culture are contingent as well and are influenced by these relationships. Culture is neither homogenous nor uniformly distributed among individuals. The idea that there is a “culture pack” for each person and that each person at any given time can go back to that pack full of items that are identical to everyone else’s packs can be challenged at two levels. On one level, even if the packs were the same, all individuals might not use the same item in comparable situations. For example, if there is a conflict of interest between the norm of property and the institution of the state, one individual could try to solve it by relying on the virtue of moderation, while another individual could resort to justice. Argumentatively, it is not possible to defend homogeneity by stating that the content of the “culture packs” is the same, or their result would be the same. If this path is to be trodden, then questions regarding the role of different items of the “pack,” i.e., virtues, arise as well as concerns regarding determinate futures, human freedom, and the like. The other level of challenge to the “culture pack” theory is based on the prima facie fact that the packs are simply not the same. Even in a region that more or less resembles Röpke’s normative preference, Switzerland’s Appenzell,⁹ there is quite a diversity of situations judged differently by its citizens (see, e.g., Nentwich 2006; Maissen 2009; Baumann 2001). These problems combined, considering culture a thing and treating it as homogenous entity, lead to yet another problem which is one of completeness. If culture is a homogenous entity, all its parts are necessary. So, all

⁷Also, in *Civitas Humana* Röpke acknowledges anthropological constants: relationships toward private property, gender, the community, work, and leisure (Röpke 1979, p. 159). Also, he speaks of a “consensus saeculorum” (sic!)—a consensus emerging from human history—regarding aesthetics (Röpke 1952, p. 164).

⁸For example, in Hayek (Posner 2005) and Ayn Rand (Rand 1964).

⁹The region of Appenzell consists of two cantons (states) that were separated after a civil war concerning which Christian denomination to adhere to: Innerrhoden remained Catholic and Auserrhoden became Protestant, but even Innerrhoden claimed differences with the Catholic Abbey of St. Gall, which is only 17 km away, and became an exempt region, i.e., directly under the administration of the Pope rather than the Bishop of St. Gall.

the virtues, norms, and institutions discerned above are a necessary part of culture, and if any is missing, the normatively preferred culture does not exist. This would make Röpke extremely exclusivist leading to propositions like the following: “in a small city, there is no bourgeois culture,” “a single person cannot have bourgeois culture,” and “where there is no church, there is no bourgeois culture.” While these claims are not by necessity false, they are troublesome because of their burden of proof and because of the fact that bourgeois culture originated in towns, was developed by single people, and often faced the resistance of the church.

Since Röpke was aware of some historicity of his preferred bourgeois culture, it is highly doubtful that he would have endorsed the full extent of the claims above. Nonetheless, his many recurrences to the “natural order of things” might indicate that he was not aware of this bifurcation when he developed his own conception. However, there is a way to read him that minimizes these problems, namely, by reading him as advocating a culture, rather than a combination of virtues, institutes, and institutions, that would be appropriate to his time, rather than corresponding to the best possible abstract order. This reading minimizes the problems of interpretation, but it also incurs the risk of minimizing some dimensions of Röpke’s thought and the appeal he wanted to make.

The second question posed is whether culture is static or can change over time. This is slightly different from the question of historicity since even a nonhistoric culture could allow for its evolution (Schehr 1997) and a culture deeply rooted in history could lead to a normativity of the static (see, e.g., Han Fei’s philosophy in Schneider 2011). In order to answer this question, a more precise definition of change is needed. Change can occur at the level of virtues, forms, and institutions, for example, when one of them is replaced by another or a new one or becomes obsolete and is no longer needed in the body of culture. From the answer to the first question, it seems that Röpke’s conception of culture would be extremely hesitant toward any change in this sense. However, there might be another dimension of evolution, namely, the one that occurs within the system. Take, for example, Röpke’s endorsement of some redistribution and some subsidies (Gregg 2010). If his conception of culture is understood statically, redistribution is not possible because it infringes on the institution of property and subsidies cannot be accepted by any member of the bourgeois culture because it goes against the virtue of self-reliance. However, the mere introduction and acceptance of both these policies—*independent of their merit or adequacy*—show that culture allows for some inner dynamics as it allows for trade-offs of virtues, forms, and institutions according to circumstances. If a time arises in which both these policies are necessary, the cultural system readapts to it. So, in this reading of Röpke, his preferred culture is in some institutional sense static but allows for enough dynamism to adapt to certain circumstances.

If his conception of culture is in some institutional sense static, the third question already poses itself: how institutional is Röpke’s culture? Institutional means here that bourgeois culture as a whole would be some sort of building that one might choose to enter and to remain in. Only inside of that building could freedom and free markets fully work. This idea of culture as an organization, or a building, goes

hand in hand with the problems of entity and homogeneity discussed above. It has a different nuance since even an “organized” culture allows for inner differentiation, as in corporate culture, for example, (Denison 1990), and the Roman Catholic milieu (Heilbrunner 2000). “Organized” cultures can also have “cultural referees,” symbols, or people that mark or judge if behavior is commensurate with the “organized” culture. Going to church on Sundays and a person in charge of corporate identity are examples of these “cultural referees.”

Röpke, when thinking about which culture to normatively prefer, is acting as such a “cultural referee.” *A Humane Economy*, *The Social Crisis of our Time*, and *Economics of the Free Society* are full of symbolic markers of culture, some of which regard acting virtuously—being moderate, respecting private ownership, and taking care of the family—and others of which regard upholding single institutions, participating in civic society. Also, he exemplifies how freedom and free markets fail outside this “organized” bourgeois culture. All of this points in the direction of an “organized” view of bourgeois culture. At first glance, it seems a possibly conservative worldview. However, from the perspective that is relevant here, there are more profound problems with this understanding than first meets the eye. Among these are as follows: for culture, as an organization, to work, it should at least have worked as such in the past or have a possibility of realization. While it is very difficult to claim that the envisaged bourgeois culture ever existed in this form in the past, Röpke himself makes it clear how difficult it is to implement. Capping, for example, the maximum inhabitants of villages (at 3000 people) (Röpke 1979, p. 80) and advocating global population control (Gregg 2010, p. 138) expose the immense difficulty of organizing this culture. Röpke would also have difficulty in accounting for the successes of freedom (at least relative) and free markets (also in an absolute sense) in non-bourgeois regions and countries like the USA, Canada, Australia, and New Zealand. It is even more difficult when analyzing Israel, Korea, Taiwan, and Japan. The most important problem that the view of culture as an organization faces is the one imposed by individual behavior, which shall be returned to shortly.

The fourth and last question summarizes what has been assessed in this subsection. How consistent was Röpke in his conception of culture? There are several perspectives from which to examine this question. One is the individual and his behavior. Röpke constantly reminds his readers that he has the freedom of the individual in mind. On the other hand, he places this individual into his preferred bourgeois culture. This is still not problematic per se, since all individuals’ behavior is culturally influenced. A problem would emerge if Röpke thought that culture makes individuals act in a predetermined way. This does not seem to be the case. To the contrary, Röpke seems to see it as the individual’s task to maintain a culture that, in turn, influences individual behavior. While this is good news on the determinacy front, it is bad news for what most of the scientific community considers the permeability of culture.

Individuals may belong, at the same time, to sometimes overlapping, sometimes completely different cultures. Just as a speaker of a language normally understands different levels of that language—from poetry to slang—and sometimes even its

dialects, individuals in a culture know how to navigate its different facets. Some individuals even know how to navigate in very different, even contradictory, cultures. Strangely, some of these individuals mastering different cultures are taken as tokens of bourgeois culture by Röpke himself, such as Montesquieu and Adam Smith. There are also examples not mentioned by Röpke that come to mind, like Wilhelm and Alexander von Humboldt and Reginald Fleming Johnston. And yet, these individuals and many unnamed more were not only able to live with the contradictions of different languages and cultures but also to engage in (or for) liberty.

Another apparent inconsistency in Röpke's cultural normativity is its function. At the same time, it serves as a necessary precondition for freedom and free markets as well as a bulwark against collectivism of different sorts. But is Röpke not himself a collectivist when determining population growth and density policies (and declaring them part of the bourgeois culture)? By subjecting the individual to an "organized" culture, Röpke is allowing for a possible collectivist body to determine the behavior of an individual.¹⁰ This problem of interpretation, however, can be mitigated, using the same approach as above. If Röpke is read as encouraging the individual to constantly work toward bourgeois culture, which is by itself a set of cooperative practices, at least the direction of the social vector is different: culture exists because of individuals. But the problem still remains, albeit in weaker form: individuals work toward a collective culture.

The result of this review is that Röpke has a conception of culture but lacks a systematic theory backing it. This lack of theory creates some problems in the interpretation of what he considers to be ideal. It is in this sense that Röpke can be seen as overly optimistic about culture. He criticizes the "crisis of his time" with a view to that bourgeois culture he prefers, but bourgeois culture itself is more an abstraction than a reality, and, as all culture, it is heterogeneous, porous, dynamic, and malleable. Not reflecting critically what culture is, Röpke becomes overly optimistic about aligning most of his philosophy with an abstraction that is very difficult to implement.¹¹ And once it is implemented in the way he wants, it becomes a facet of collectivism. Market economies and liberty can be, however, implemented even if there is no full-fledged "bourgeois culture." On the contrary, the market as a process can even influence the advancement of that culture or at least of many aspects that belong to it. This is due to a dynamic feature of (bourgeois) culture: it is a constant negotiation between normative ideals and reality. Röpke's pessimism about markets led him to neglect this feature, which shall be explained in the next section.

¹⁰Karl Renner, an Austrian Social Democrat, described Röpke as a "communitarian liberal."

¹¹One could go even further and say impossible to implement (a) since that culture never existed in Röpke's normativity and (b) because of the inner problems of his conception of culture.

3 The Market and Its Friends

A Humane Economy is by no means written against the free market. On the contrary, it is subtitled *The Social Framework of the Free Market*. Röpke understands it as a foundational work not only for a free society but also for free markets. This section will first understand what the market is for Röpke and then assess why he neglects its potential with regard to the “bourgeois culture.”

3.1 Free Markets and Not Capitalism

As with culture, Röpke often prefers to tell his readers what something is not, so he defines free markets in opposition to many other concepts. First, the free market is opposed to communism, because it attains to individual property, individual responsibility, and free exchange. Second, free markets are not capitalism. Capitalism is a mix of markets, monopolies, and command-and-control economies, whereas free markets are by necessity competition among individuals. Capitalism, on the other hand, dampens competition with large enterprises and state- and privately held monopolies. Third, the free market is an institution of bourgeois culture and not a principle in itself. The principled view of “economism” subjects all relationships to the mechanism of the market. As such, it is utilitarian-consequentialist which is what Röpke criticizes in the first place. The free market belongs to bourgeois culture but “economism” tries to replace it and is, therefore, opposite to it (Röpke 1960, p. 99).

As with culture, Röpke is very clear about his normative preferences. While arguing robustly, he leaves it open to interpretation which conception he prefers. The following excerpts illustrate this point:

[O]nly the blind could fail to notice that commercialism, that is, the luxuriance of the market and its principles, causes the beauty of the landscape and the harmony of the cities to be sacrificed to advertising. The reason that the danger is so great is that although money can be made from advertising, it cannot be made from resistance to advertising’s excesses and perversions (Röpke 1960, p. 138). [...] The supporters of the market economy do it the worst service by not observing its limits and conditions [...] and by not drawing the necessary conclusions (Röpke 1960, p. 141). [...] These, I believe, are the reasons why I so greatly distrust all forms of collectivism. It is for the same reasons that I champion an economic order ruled by free prices and markets—and also because weighty arguments and compelling evidence show clearly that in our age of highly developed industrial economy, this is the only economic order compatible with human freedom, with a state and society which safeguard freedom, and with the rule of law. For these are the fundamental conditions without which a life possessing meaning and dignity is impossible for men of our religious and philosophical convictions and traditions. (Röpke 1960, p. 5)

Does Röpke, however, offer more content to his definition of the market? In *Economics of the Free Society*, he does. Labeling it a “Third Way” between collectivism and capitalism, Röpke comes up with a free market economy, which

he calls Social Market Economy, not because it pays attention to social rebalancing or redistribution but because it is based upon the values—or virtues—of freedom, justice, and moderation:

This “third road” of economic policy is, above all, a road of moderation and proportion. It is incumbent upon us to make use of every available means to free our society from its intoxication with big numbers, from the cult of the colossal, from centralization, from hyper-organization and standardization, from the pseudo-ideal of the “bigger and better,” from the worship of the mass man and from addiction to the gigantic. We must lead it back to a natural, human, spontaneous, balanced, and diversified existence. It is incumbent upon us to end an epoch in which mankind, in the triumph of its technological and organizational accomplishments and in its enthusiasm over the vision of a future of unending growth and unrestrained progress, forgot man himself: forgot his soul, his instincts, his nerves and organs, heedless of the centuries’ old wisdom of Montaigne (*Essays*, Book III, Chap. 13), that even on the highest stilts we must still walk with our legs and even on the world’s highest throne we must still sit on our bottom. Such a “road” signifies, above all, the favoring of the ownership of small and medium-sized properties, independent farming, the decentralization of industrial areas, the restoration of the dignity and meaning of work, the reanimation of professional pride and professional ethics, the promotion of communal solidarity. The prospects for the success of such a policy would be not too good, were it not for the fact that a slow-down in population increases is eliminating one of the principal causes of the rise of the proletariat, and were it not obvious that the advantages which up to now have been attributed to large scale enterprises have been seriously exaggerated. The notion that we are faced with an irresistible trend toward large-scale enterprise has been shown to be completely inapplicable to the broadest and most important segments of the economy, particularly agriculture, the handicrafts, and small business. Even with respect to industry, it can be assumed that the notable increase in average-sized enterprises in recent decades is explainable less in terms of the technical-economic advantages which would be thereby gained, than as a reaction to that megalomania to which the world has so heedlessly surrendered. It is everywhere apparent that the dimensions of many areas of our lives—economic as well as noneconomic—have expanded far beyond the optimum, and that they must be deflated to more reasonable proportions, a process which will prove to be painful but, in the long run, beneficial. In this connection, there must be due recognition of the fact that contrary to a widely held opinion, technological development itself has very often had the effect of strengthening the viability of the small as opposed to the large-scale enterprise. (Röpke 1963, pp. 256–257)

The link between this “Third Way” and his own philosophy of culture is made in *A Humane Economy*. There Röpke acknowledges some “educational” features of the market:

The market economy is a constantly renewed texture of more or less short-lived contractual relations. It can, therefore, have no permanence unless the confidence which any contract presupposes rests on a broad and solid ethical base in all market parties. It depends upon a satisfactory average degree of personal integrity and, at the margin, upon a system of law which counteracts the natural tendency to slip back into less-than-average integrity. Within that legal framework, the market’s own sanctions undeniably foster the habit of observing certain minimum rules of behavior and thereby also integrity. Whoever always lies and deceives and breaks contracts will sooner or later be taught that honesty is the best policy. For all its resting on utilitarian calculation, this pattern of behavior is valuable and reliable, as we can see in the extreme example of Soviet Russia, which, in its relations with the outside world of the market, has tried systematically and successfully to acquire the reputation for prompt payment while adhering, in other respects, to the ethical code of gangsters. Even if we conscientiously credit the market with certain educational influences,

we are, therefore, led back to our main contention that the ultimate moral support of the market economy lies outside the market. Market and competition are far from generating their moral prerequisites autonomously. This is the error of liberal immanentism. These prerequisites must be furnished from outside, and it is, on the contrary, the market and competition which constantly strain them, draw upon them, and consume them. (Röpke 1960, p. 125)

Summing up, Röpke's market is an institution governed by the principle of competition. In the free market, individuals exchange their surpluses and this leads to a state of competition. For this free market to work, however, some rules are needed, since every institution needs them. Among these rules are the power equivalency of demanders and suppliers, the fair value of goods, moderation of marketing activities, and fomentation of the local economy. Since the market is an institution and every institution needs rules, it becomes apparent why these rules have to come from culture. No institution makes its own rules on the go; it needs a rule book and by logical necessity, the rule book comes from outside. No football game would succeed if players were to make up rules as they play. But even rules will not guarantee the functioning of markets. Individuals must adhere to these rules. Virtuous individuals will find it easier to adhere to the rules. Here again, Röpke goes back to his bourgeois culture and the virtues that are part of it. Since free markets are dependent on culture, Röpke devotes his attention to the bourgeois society as the backbone of the free market.

3.2 *Questions*

If Röpke is such a great friend of the market, why label him here as a skeptic? In order to answer this question, this subsection will ask the following: (1) What, exactly, is Röpke's conception of the market? (2) If Röpke recognizes the "educational" role of markets, why does he not assign them a more important role in fomenting bourgeois culture? (3) Is there something about the market that Röpke misses and would help his intention to solidify both the market and culture?

First, regarding Röpke's conception of the market, his vision of economic and social order, while offering a "Third Way," also forces a choice between utilitarianism and loyalty to ideals that transcend the material and the utilitarian or between a capitalistic economy of fragmented special interests, technologism, and excessive urbanization and a humane economy that seeks balance. Röpke holds that liberty and correct reasoning go together. Correct reasoning about the objective reality of values is the basis for genuine freedom, including that of a free market. The distinction Röpke makes between the essentials of the free market system and its historical accidents allows him to overcome the stalemate of the false either/or discussion of socialism or capitalism/liberalism. He is conservative in keeping the essentials and radical in jettisoning the historical deformities. Röpke firmly believes in free markets as the only legitimate way to harness self-interest in

the service of others. However, Röpke also understands the need to place markets and the entire economy in proper perspective.

When presenting his ideal alternative model of the economy, Röpke's arguments depend strongly on an essentialist rhetoric and philosophy. He insists that there is a difference between the "essence" of the free market system and its "exchangeable accessories." Again, in distinguishing essentials from historical incidentals, he speaks of competition; within this framework of essential distinctions, Röpke is able to argue for a form of the competitive market economy that is still significantly different from that of historical liberalism. He is conservative in the sense that its essential norms (freedom, competition, and private property) are retained but radical in his willingness to dispense with deforming accretions of history. Also, he did not seem to believe in a mechanism of self-correction inherent to markets: far from assuming that the market would correct itself, Röpke proposes a policy of consumer education that begins in the schools with an intensive program. The appropriate direction and schooling of demand will have to be complemented with keeping the advertising of rich enterprises within bounds or counterbalanced with advertising by artisans' associations. In some cases, consumers need help to purchase handicraft products—even through installment buying.

For Röpke, the ordinary person is not simply a homo economicus. Economics is also about the logic of relationships and should focus on interdependencies—on willingly incurred independencies, which are a form of relationship based on individualism and responsibility, and on non-willingly incurred ones, which are a form of collectivism and therefore go against the idea of a free market and a free bourgeois society. The free price mechanism is at the center of the market, first, because it is the product of competition and, second, because it operationalizes the different preferences of freewilled individuals freely incurring relationships. Therefore, thirdly, the free market is an expression of a free society and not vice versa, i.e., not in the manner "society is free if there is a free market."

This understanding of the market leads to the answer to the second question. If the market has an "educational" side, why cannot it be used in alignment with the ideal of the bourgeois culture? Röpke's problem is what he considers to be a utilitarianism naturally, or necessarily, embedded in the market. Knowing that man is more than producer and consumer, Röpke rejected utilitarianism and thought that most of his fellow economists perceived human existence imperfectly, being blinkered by utilitarian dogma. Murray Rothbard analyzes Röpke's rebuttal of utilitarianism as follows:

In brief, utilitarian social philosophy holds the 'good' policy to be the one that yields the 'greatest good for the greatest number': in which each person counts for one in making up that number, and in which 'the good' is held to be the fullest satisfaction of the purely subjective desires of the individuals in society. Utilitarians, like economists [...] like to think of themselves as 'scientific' and 'value free', and their doctrine supposedly permits them to adopt a virtually value-free stance; for they are presumably not imposing their own values, but simply recommending the greatest possible satisfaction of the desires and wants of the mass of the population. But this doctrine is hardly scientific and by no means value free. For one thing, why the 'greatest number'? Why is it ethically better to follow the wishes of the greater as against the lesser number? What's so good about the 'greatest

number’? [...] Secondly, what is the justification for each person counting for one? Why not some system of weighting? This, too, seems to be an unexamined and therefore unscientific article of faith in utilitarianism. Thirdly, why is ‘the good’ only fulfilling the subjective emotional desires of each person? Why can there be no supra-subjective critique of these desires? Indeed, utilitarianism implicitly assumes these subjective desires to be absolute givens which the social technician is somehow duty-bound to try to satisfy. But it is common human experience that individual desires are not absolute and unchanging. They are not hermetically sealed off from persuasion, rational or otherwise; experience and other individuals can and do persuade and convince people to change their values. [...] Modern welfare economics is particularly adept at arriving at estimates (even allegedly precise quantitative ones) of ‘social cost’ and ‘social utility’. But economics does correctly inform us, not that moral principles are subjective, but that utilities and costs are indeed subjective: individual utilities are purely subjective and ordinal, and therefore it is totally illegitimate to add or weight them to arrive at any estimate for ‘social’ utility or cost. (Rothbard 2002, pp. 201–203)

So, even if Röpke thinks that the market has some “educational” component, he cannot use it to foment bourgeois culture but has to place it as an institution of that prerequisite. Markets as institutions obey a utilitarian logic that may be useful in that situation, but cannot be the basis of a society. Also, markets have no rule-giving mechanisms and only very limited self-correction mechanisms.

However, in answering the third question above, there might be something that Röpke did miss about the free market—something that could have helped him align it even more to his preferred culture. This shall be explored now. Methodologically, Röpke argued against the collectivisms of socialism and capitalism and also Keynesianism. Economically, Röpke associated the welfare state’s growth with Keynesian full-employment policies and the temptation of inflation as an escape from unemployment. Crucial in this conception is the Keynesian concept of aggregate demand. Röpke methodologically opts to fight Keynes on Keynes’ own field and uses aggregate demand as well as its correspondent in microeconomics, individual demand, and supply. It is in the same methodological vein that Röpke worked on business cycles. Unlike Keynesians and some Austrian economists, Röpke was less concerned with escaping the business cycle than with facilitating a society capable of absorbing business cycle upheavals, thereby reducing opportunities for adventurism and soft despotism.

Why is this methodological explanation of Röpke’s economics important in answering this third question? Often, methodologies influence conceptions. Using methodologies that understand the market as an entity, most probably as an institution with clearly defined rules (or mechanics), agents, and equilibria,¹² Röpke forgets alternative views. Among these alternatives is conceiving the market as a process in which individuals or groups of individuals voluntarily engage in exchange. If thought of in this way, the term market becomes a linguistic denotation

¹²In *Die Lehre von der Wirtschaft*, Röpke dedicates a chapter to the imbalances of the market identifying the sources of the imbalances and how to stabilize the market. To be fair, he also states that the more policies of stabilization are implemented, the less stable the markets become (Röpke 1943, p. 292).

of a phenotype instead of the description of a mechanism with the implicit claim that the mechanism can be built, expanded, regulated, and so on. This is even more important from Röpke's point of view. Understanding the market as the free exchange among individuals, without any other quality to it, would bring it in line with other elements of Röpke's thought and make it immune to the "dangers" of economism, capitalism, and so on. If markets are understood just as a linguistic marker for relationships, there is nothing more to it than the relationships. And these are grounded on the cooperative practices that make up culture and values. In this logic, markets are part of culture. And if Röpke prefers a culture fomenting virtues, these virtues are applicable to the exchange process without intermediaries. This understanding of markets would dissipate yet another dichotomy, that of how to reconcile market utilitarianism with the priorities of culture and virtue. Röpke's failure to recognize the market as just another process embedded in culture leads him to an uneasy situation in which he accepts markets as an institution of culture but at the same time tries to assign them a place and function (like the state or the welfare system) in order to stop them from overpowering other institutions and becoming a determinant in the life of the individual.

And it is in this last sense that Röpke can be considered a skeptic about markets: by treating them as an institution, he failed to recognize that markets can be thought of as processes of exchange between individuals and groups of individuals. This second concept of markets would be more in line with his normative preference for bourgeois culture by in fact identifying the actions on the market with moral actions, which by themselves presuppose individual virtue as well as the cultural norms discussed above. Röpke is a skeptic because he failed to see that markets as processes are harmonious with his claims. And instead of markets as institutions, markets as linguistic markers of individual exchange do not need to be assigned to specific realms and regulations.

4 Conclusion: A Different Mind

Samuel Gregg¹³ once said: "It is a good thing Röpke died before 1968; he would not have survived it." In this short sentence, Gregg explains two peculiarities and problems of Röpke in one. First, Röpke was among the few economists setting out not only into economic inquiries but acknowledging that the economy is just a subset of cooperative practices. Culture, as he called it, is the basic precondition for every economy that cannot work independently from it. Second, Röpke set out to define the culture he normatively preferred and came up with a set of virtues, institutes, and organizations; in them were, for example, the virtues of the individual, the institutes protecting the individual, and the organizations that enable free individuals to pursue their respective liberties, such as the market.

¹³In a private conversation (March 2016).

By doing so, Röpke's theory faces two problems that are quite severe. By engaging in a definition of what culture should be, he simply wanted too much from his theory. If he was an optimist about culture, then he was it in the sense that he expected too much from culture—so much that it would be an error in being as optimistic as he was. However, Röpke's second mistake was not to further develop his ambitious plan. And because of this, he remained overly skeptic about markets. Developing his theory more ambitiously, Röpke might have encountered a different concept of the market, one that is not based on utilitarianism but reconciles the market as a process with those virtues he preferred. In fact, understanding the market as a process in which virtuous people engage in exchange turns the market in one cooperative practice out of the set of cooperative practices that culture is.

These two errors should not, however, obscure the important messages of Röpke: markets do not exist for their own sake—they do not bloat in vacuo.

At the end of this discussion, and independently from what one's personal opinion of Röpke or his conceptions of culture and the market is, this peculiar economist should have the last word. Independently from the timeliness of his other ideas, the warning expressed in *A Humane Economy* remains timeless:

Once we have recognized this necessity of a fundamental choice, we must apply it in practice and draw the conclusions in all fields. It may come as a shock to many of us to realize how much we have already submitted to the habits of thought of an essentially unbourgeois world. This is true, not least, of economists, who like to think in terms of money flows and income flows and who are so fascinated by the mathematical elegance of fashionable macroeconomic models, by the problems of moving aggregates, by the seductions of grandiose projects for balanced growth, by the dynamizing effects of advertising or consumer credit, by the merits of "functional" public finance, or by the glamor of progress surrounding giant concerns—who are so fascinated by all this, I repeat that they forget to consider the implications for the values and institutions of the bourgeois world, for or against which we have to decide. It is no accident that Keynes—and nobody is more responsible for this tendency among economists than he—has reaped fame and admiration for his equally banal and cynical observation that "in the long run, we are all dead." And yet it should have been obvious that this remark is of the same decidedly unbourgeois spirit as the motto of the ancien régime: "Après nous le déluge." It reveals an utterly unbourgeois unconcern for the future, which has become the mark of a certain style of modern economic policy and inveigles us into regarding it as a virtue to contract debts and as foolishness to save. (Röpke 1960, p. 100)

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