Wilhelm Ropke’s Political Economy, by Samuel Gregg [review]

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Samuel Gregg’s study of Wilhelm Röpke is an honest and not infrequently critical account of an economist who belonged to the quirky and – outside Germany – virtually unknown group of ‘ordinoliberals’ that was most active in the period between the end of the First World War and the early 1960s, i.e. in that cauldron of intellectual reappraisal that generated a number of new approaches to macroeconomic policy in the countries of the developed capitalist world. Were it not for the fact that Germany’s ‘social market’ model, popularised by Ludwig Erhard in west Germany, had initially drawn strongly on the work of ordoliberals like Walter Eucken and Wilhelm Röpke, this particularly German variant of economic liberalism might have remained even more obscure than it is today. A study of this kind is nevertheless valuable, not because it reveals any undiscovered universal truths about economic life; German ordoliberalism is arguably characterised by staggeringly naïve prescriptions, based on intellectual syllogisms and utopian romanticism. Rather it illustrates the way in which some critical bourgeois thinkers coped with the rapid transformation of Germany’s latecomer political economy and the negative political side-effects of this process for both German society and for international relations in the first half of the twentieth century.

The intellectual prism through which Röpke, along with Franz Böhm, Walter Eucken, Alexander Rüstow and Ludwig Erhard, viewed Germany’s political economy, was crucially determined, firstly, by the authoritarian mercantilist character of Germany’s transition to industrial capitalism, secondly, by the political fragmentation of the bourgeoisie caused by the failure of national democratic revolution in 1848-9 and the Bonapartist tactics of the aristocratic state under Bismarck and Kaiser Wilhelm II. The political landscape of both the Wilhelmine Empire (1871-1918) and the Weimar Republic (1918-1933) reflected this fragmentation with the emergence of some very odd variants of political ‘liberalism’ which included the anti-democratic and protectionist National Liberal Party (!) and social-liberal groupings that were selectively ambivalent towards social and economic liberties and to the role of the state in economic affairs. This fragmentation was also mirrored in Germany’s universities. However, most of the exponents of ‘state sciences’ (Staatswissenschaften), which included political economy, favoured one form of corporatist organised capitalism or another. Before the First World War, the main critics of Germany’s cartelised economy and its abuse of social liberties were to be found in the labour movement rather than among either Reichstag ‘liberal’ deputies or their academic counterparts.

Ordo-liberalism emerged out of the industrialised slaughter of the First War and involved economists and exponents of ‘state sciences’ some of whom toyed briefly with socialist ideas, but soon rejected socialism as just another variant of ‘collectivism’. The ordo-liberal critique of Germany’s political economy in fact took the rejection of ‘collectivist’ prescriptions and the sanctity of market-determined prices as its points of departure. The abuse of market price mechanisms by monopolies, cartels and organised interests was seen by ordo-liberals as the fundamental cause of the disfigurement of German capitalism. Anti-monopolism thus became a consistent feature of the writings of Röpke, Eucken and Böhm. Along with
sound monetary policy, monopoly control was to be the main political pillar of the liberal ‘order’ which the otherwise non-interventionist state must ensure. Röpke, in an astonishingly voluminous publishing life developed a vision of a ‘third way’ between laissez-faire capitalism and collectivist socialism, like many in his generation and beyond. In a two-pronged strategy, involving ‘deproletarianization’ and ‘decentralisation’, Röpke envisages a limited but ordering state whose economic policy gives priority to:

‘small and medium-sized business in every branch of economic life, in favour of moderation, of what can be overseen and of what is suited to human dimensions, in favour of the middle classes, of the re-establishment of property for the widest circles, in favour of that policy which can be described in the catchphrases “deproletarianization” and economic decentralization’1 (Civitas Humana 1944)

This ‘third way’ state – in accordance with the sporting semantics of ‘competition’ – functions:

‘as an energetic umpire whose task it is neither to take part in the game nor to prescribe their movements to players, who is rather, completely impartial and incorruptible and sees to it that the rules of the game and of sportsmanship are strictly enforced’2 (The Social Crisis of our Time 1942).

Gregg rehearses Röpke’s ‘normative’ political economy with a great deal of attention to detail and with an evident admiration for his dogged defence of the market determination of prices and his persistent rejection of Keynesian interventionism. The picture he paints is certainly sufficient to reflect the conservative idealism which underpins Röpke’s thinking, as he swam against a series of orthodox tides: against organised, cartelised capitalism in Germany up to 1945, against macro-economic demand management in practically all states after the Second World War, against the Bretton Woods system of fixed exchange rates underpinning the post-war international economic order. It is a picture of a Quixotic but admirable kind of intellectual heroism which intuitively eschews economic power as something dangerous in principle, but without the comfort of a practicable solution! The complete failure of anti-monopolism in Germany’s ‘social market economy’ must have been a great disappointment to this champion of the artisanal economy of ‘human dimensions’. While Gregg identifies several contradictions in Röpke’s political economy, he does not pursue this central paradox of an increasingly concentrated national economy on the one hand, dominated by industrial corporations and big banks, where policy-makers like Erhard could nevertheless continue to claim the intellectual heritage of ordo-liberalism on the other. There is a crucial contrast to be drawn between Röpke, Böhmb and Eucken and their concern for the monopolised abuse of market-pricing, and Hayek and Mises who were essentially indifferent to the problems of economic concentration. This contrast is insufficiently stressed by Gregg. What is also less evident in Gregg’s account is the consistent social elitism which pervades Röpke’s thinking and which makes his intellectual universe fairly difficult to grasp for more recent generations committed to democratic political cultures. Reading Röpke’s Social Crisis of our Time, published in Switzerland in 1942, one cannot but be struck by the barely concealed contempt for the ‘the masses’, the ‘herd’ and an equally strong preference for the strong leadership of a political and intellectual elite. In one of his last books – Beyond Supply and Demand – published in 1966, the year of

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2 Wilhelm Röpke, Gesellschaftskrise der Gegenwart, Erlenbach-Zürich 1942
his death, Röpke describes this elite as ‘a genuine nobilitas naturalis… an elite which derives its aristocratic title only from the most supreme achievements and from an unsurpassable moral example and which is cloaked in the natural dignity of such a life’. There is something tragically unreflective about Röpke’s social elitism – which was shared by so many of his generation of Bildungsbürger – and which informs his political economy in a more fundamental way than Gregg manages to convey. Gregg is nevertheless to be applauded firstly for providing readers with an opportunity to become acquainted with Röpke and a school of thought which reflected the dilemmas of a dangerously misshapen German political economy in a crucial period of European economic history; secondly, for revealing directly or indirectly a thinker who falls under the German category of Querdenker, a thinker who questions the intellectual and moral foundations of orthodoxies and keeps critical discourse going, even if his/her hypotheses and prescriptions were and remain flawed.

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1 Wilhelm Röpke, Jenseits von Angebot und Nachfrage, Erlenbach-Zürich-Stuttgart, 1966, p. 192