

Daniela Ortiz

ETHICS AND ORDER OF THE FREE MARKET

Wilhelm Röpke's Fundamental Political Ethics



MARKETS, CULTURE AND ETHICS

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OF THE FREE MARKET

WILHELM RÖPKE'S FUNDAMENTAL
POLITICAL ETHICS

DANIELA ORTIZ

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To my parents

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But economic science has another very special function to fulfill in a modern democracy, it has the modest, yet even more useful mission to give free rein, in the midst of the hurly-burly of politics and the interests of the economy, to the incorruptible logic of events, to throw light on inconvenient facts and circumstances, to observe a judicious sense of fairness in placing everything where it belongs, to prick soap-bubbles, to unmask illusions and confusions and to defend, against the whole world, the simple fact that two times two are four. Economics is predestined to be the anti-ideological, anti-utopian, debunking science par excellence. In this respect, it renders society the inestimable service of cooling the fever of political passions, fighting against mass myths, making life miserable for all the demagogues and financial whizz-kids and economic conjurers, whilst, at the same time, making sure that it does not itself become the willing slave of emotions.

Röpke, "Ethics and Economic Life," 375–76

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LIST OF ABBREVIATIONS

CST	Catholic Social Teaching
IHEI	Institut de hautes études internationales
MPS	The Mont Pèlerin Society
WWII	World War II

INTRODUCTION

I WHAT IS AT STAKE

i The Point of View of Political Philosophy

The core motivation for this study is a philosophical one, and thus, it adopts the perspective of political philosophy. The author under investigation, originally trained as an economist and sociologist, was a convinced liberal and humanist. His writings, directed to a very diverse public, were addressed not only to economists, but also to philosophers, theologians, sociologists, lawyers, political scientists and the public in general. Wilhelm Röpke's aim was never to merely describe or provide a more or less scientifically founded "opinion" about the nature of economic life. Rather, from the beginning, he adopted the perspective typical of a political philosopher, who—as Leo Strauss states—is not satisfied with describing different "opinions" about the nature of political things—i.e. of things which pertain to human beings as social beings—, but who strives for genuine philosophical knowledge of the standards by which economic and social phenomena (i.e., the matter of politics) need to be judged. Strauss explains:

Political things are by their nature subject to approval and disapproval, to choice and rejection, to praise and blame. It is of their essence not to be neutral but to raise a claim to men's obedience, allegiance, decision or judgment. One does not understand them as what they are, as political things, if one does not take seriously their explicit or implicit claim to be judged in terms of goodness or badness, of justice or injustice, i.e., if one does not measure them by some standard of goodness or justice. To judge soundly one must know the true standards. Political philosophy is the attempt truly to know both the nature of political things and the right, or the good, political order¹.

Political realities are thus *per se* subject to ethical judgments. In order to be able to judge them soundly from the ethical point of view,

¹ Strauss, "What is political philosophy?" 344.

certain basic assumptions concerning the nature of these “things” have to be made, assumptions which not only concern the given political situation but also political or human life in its entirety.

From this perspective, Wilhelm Röpke was a liberal economist who on the basis of strong philosophical assumptions concerning the dignity of the individual person and the value of freedom engaged in the judgment of the economic and social realities, while simultaneously contributing to the development of what he considered a more humane economic order, i.e. an economic order in accordance to his philosophical conception of human nature. Thus, in his work, Röpke seemed to adopt that objective which, according to Martin Rhonheimer², also defines the discourse of political philosophy: namely, he made the foundations of the liberal, modern political and economic system explicit, in order to be able to evaluate its appropriateness.

For Röpke, the classic liberal economic order is the most desirable as it reflects the social character of human nature³, the natural will to cooperate and to engage in a mutually beneficial relationship⁴. Moreover, it also recognizes the personal dignity of every individual, as it acknowledges the ability of each person to contribute to economic welfare, by drawing upon his specific initiative and originality. Hence, the individual person is not understood by Röpke as a mere functional part of the system but as an active participant and the objective by which the results of the system are to be measured. In short, while it rests upon the understanding of the human being as “being created by the image of God”⁵, the liberal economic order should not only be pursued as the most functional order but also as the most ethical one. Röpke’s political philosophy can therefore also be considered “fundamental political or economic ethics”⁶. For this reason, his work is highly relevant for the ethicist and the philosophical anthropologist.

² Cf. Rhonheimer, “Perché una filosofia politica?”

³ Cf. Röpke, “Economic Necessity.”

⁴ Cf. Röpke, *Economics*, 21. As Rhonheimer also states, “capitalism” is structurally non-egoistic, but rather social and beneficial to many (Rhonheimer, “Capitalism,” 237).

⁵ Röpke, *Humane Economy*, 5.

⁶ Rhonheimer, “Perché una filosofia politica?,” 256.

ii The Distinction between Institutional and Individual Ethics

As aforementioned, the present study will analyze Röpke's work primarily from the perspective of political philosophy. At the same time, philosophical anthropology will play a very important role, as the aim is to make explicit the fundamental starting points of Röpke's reflections upon a possible most "humane" economic order⁷. The question by which Kant defined the object of philosophical anthropology—"What is a human being?" ("Was ist der Mensch?")—will thus recur through the exposition, as the present study seeks to elaborate Röpke's answer to this question⁸.

However, it is important to stress that when considering the moral or ethical dimension of political life, there is an important distinction to be made between individual and institutional ethics. The former answers the question of "how to act" or "what to do" in a concrete and precise situation, taking its orientation from the individual's personal life as a whole; ethics is thus considered to be the continual realization of the good life, *des Guten*. The latter perspective, that of institutional ethics, considers social structures of interaction, such as the catallactic order of the market or laws, as forms of action normally not chosen by individuals for each concrete situation, but implemented more or less permanently or constantly by the members of a social group in order to achieve a commonly sought goal, the *bonum commune* of society. This *bonum commune* is at the same internal as well as external to these chosen forms or structures of interaction.

⁷ We find the adjective "humane" in the English translation of Röpke's *Jenseits von Angebot und Nachfrage* (1958), which was translated into English in 1963 with the title, *A Humane Economy*. Röpke himself wrote that it was his aim to think about an economic order developed and structured according to the person's real needs ("nach Maß des Menschen"). Indeed, Röpke held that one of the roots of the economic and social crisis of his time was the lack of consideration of the real constitution of the human nature.

⁸ This aspect will be discussed in further detail. The importance of philosophical anthropology will be stressed in this study, as I think that one of the primary deficiencies of modern political philosophical discourse is precisely that it leaves this question unresolved or considers it of lesser importance, focusing rather upon the question "How should social structures be designed, i.e. how should a human being behave in society?"

I follow here the definition proposed by Francis Russell Hittinger: “When two or more persons engage in a common structure of action for a common end, and where the common action (what Aristotle would call the ‘form of order’) is an intrinsic good, we have something like a common good. The union of the members in common activity is not an end that comes after some other purpose but is the good being continuously aimed at and sought. The scholastic philosophers called such a union *bonum commune*, always in the singular. The salient mark of a *bonum commune* is that it cannot, just as such, be distributed or divided in exchange but only participated by its members”⁹. For Hittinger, the union in common activity will very often produce results or goods which he calls *bona communia*, these are the goods pooled in a common good order that cannot be distributed but only participated by the members of the society. As part of this *bona communia*, which can also be called the “commons” of a given society, he counts the catallactic order of a market, the rule of law, or even a group portfolio of a mutual fund. He stresses the importance of making this distinction, which is very appropriate and helpful for the further discussion.

In a general political sense, the common good or *bonum commune* of the modern liberal society can be defined as peace, freedom and justice, which are indivisible goods shared by every member of the community¹⁰. The morality of the structures of interaction that rule political and economic life needs to be judged as regards their compatibility with this *bonum commune* and their effectiveness for achieving that commonly sought good¹¹. Hence, in this study liberal economic institutions will be understood as the *bona communia* historically defined by most

⁹ Hittinger, “Divisible Goods,” 49.

¹⁰ Cf. Rhonheimer, “Perché una filosofia politica?”

¹¹ Cf. in detail Rhonheimer, “Stato costituzionale,” Rodríguez Luño, *Ética general* and Sutor, *Politische Ethik*. Rodríguez Luño explains: “La distinción entre ética personal y ética política se fundamenta en el modo particular en el que la sociedad política es un todo: existen acciones propias del todo político en cuanto tal, que son el resultado de la colaboración de las partes en vista del fin específico de la sociedad política, llamado bien común político, pero los individuos y los grupos que la componen conservan un campo de acciones y de fines propios. La ética personal se ocupa de todas las acciones realizadas por la persona individual en cuanto tal, también de aquellas que se refieren a la sociedad política (por ejemplo, pagar los impuestos), valorando la congruencia de esas acciones con el bien de la vida

Western societies to order economic and political life. As such, they need to be judged from an ethical, and not merely functional, point of view¹².

Classic moral philosophy did not make this distinction between institutional and individual ethical ; instead, it focused primarily upon the individual perspective of the good life when considering rules of interaction, laws or economic and social structures. For Aristotle, life in the polis, the political life under a just regime, is at the same time the content of *eudaimonia*. “The common good of the polis is also the supreme good”¹³. Through citizenship, individuals take part in this common good and through active political deliberation, decision and action each citizen contributes to *eudaimonia*¹⁴.

personal tomada como un todo o, lo que es lo mismo, valorando su moralidad, que comprende también la virtud de la justicia. La ética política se ocupa, en cambio, de las acciones realizadas por la sociedad política, es decir, la ética política dirige los actos a través de los cuales la sociedad política se da a sí misma una forma y una organización, constitucional, jurídica, fiscal, administrativa, económica, sanitaria, etc., valorando esa estructuración desde el punto de vista del fin propio de la comunidad política en cuanto tal, que es el bien común político. De la congruencia con el bien común político depende la moralidad de la forma que bajo diversos aspectos la sociedad política se da a sí misma” (Rodríguez Luño, *Ética general*, 32).

¹² Commenting upon paragraph 7 of the encyclical *Caritas in Veritate* (2009), Rhonheimer writes: “The common good is not so much seen as a determined outcome, a social pattern or a pattern of distribution of wealth and opportunities, but as the institutional framework, which then generates as a result of free cooperation of citizens, an outcome which is to be considered just and according to the common good, because it has come about in a just and ordered way. Such perspectives might be the starting point of a so far missing piece of Catholic Social Doctrine: an ethics of institutions which does not focus on moral norms for personal conduct, but on moral norms concerning the creation and securing of political, juridical, economic and social institutions, and this precisely as moral requirements, in this context: as requirements of justice and charity” (Rhonheimer, “Capitalism,” 34). “Institutionen sind also nicht Selbstzweck. Sie sollen das gute Miteinander von Menschen ermöglichen, stützen, erleichtern. Da sie diesen ihren Sinn auch verfehlen können, ist Institutionenkritik notwendig. Aber diese Kritik wird sinnlos, wenn sie von der utopischen Vorstellung geleitet wird, das gesellschaftliche Leben sei ohne Institutionen möglich” (Sutor, *Politische Ethik*, 26–27).

¹³ Sison and Fontrodona, “Common Good of the Firm,” 214.

¹⁴ Cf. Aristotle, NE 1097 and Plts 1275b and the very good summary of Aristotle’s position in Sison and Fontrodona, “Common Good of the Firm,” 214–15.

Visible in this method of evaluation is the all-important assumption of classic thought that natural law, which governs individual as well as social behavior, is a part of human rationality; therefore, every individual person is capable of knowing and following what is prescribed by natural law, which forms the content of the fulfilled existence or “the good” (*eudaimonia*). Within this tradition, personal virtues constitute basic capabilities or skills of the individual by which he is able to better recognize and implement in every concrete situation of his life that action most appropriate to *eudaimonia* or, in other words, the action prescribed by natural law¹⁵. In this regard, a very good definition of virtue was given by Ignacio Ferrero and Alejo Sison:

a freely acquired habitual disposition or trait of character that enables one to perceive, deliberate, decide, act and experience emotions in a proper way (i.e., in accordance with reason–practical wisdom–, in particular situations). Although virtue is not the only element, it is considered the controlling factor to attain *eudaimonia* (human flourishing)¹⁶.

Thus, a virtuous action would be the kind of action that could be properly judged as “good.” Politics, as Aristotle defines it, seeks this kind of life for all members of a community and should therefore be concerned in issuing those laws and structuring governments such that individual behavior can lead a life of virtue. The most important skill of the political man is therefore prudence or *phronesis*, that specific trait of practical rationality, which consists in knowing in every situation which kind of action would correspond to a virtuous life, i.e., which

¹⁵ Cf. the definition given by Rodríguez Luño: “Entendiéndola en su sentido ético más básico, la ley natural es la orientación fundamental hacia el bien inscrita en lo más profundo de nuestro ser, en virtud de la cual tenemos la capacidad de distinguir el bien del mal, y de orientar la propia vida, con libertad y responsabilidad propia, de modo congruente con el bien humano. (...) La ley moral natural se llama “natural” porque tanto la razón que la formula como las tendencias o inclinaciones a las que la razón práctica hace referencia son partes esenciales de la naturaleza humana, es decir, se poseen porque pertenecen a lo que el hombre es, y no a una contingente decisión que un individuo o un poder político puede tomar o no. De aquí procede lo que suele llamarse “universalidad” de la ley moral natural” (Rodríguez Luño, “Ley natural”).

¹⁶ Ferrero and Sison, “A Survey,” 30.

action forms part of *eudaimonia*. These concepts will be discussed in further detail in Chapter 2, when Röpke's philosophical approach is compared with other modern ethical approaches¹⁷.

The relationship between politics and natural law is questioned in modern ethical philosophy, especially since the strong secularization of political life. Such a secularization has led to the practical denial of the ability to hold a rational discussion about the content of the "good life" and, even more so, about the political institutions which would best support such a life¹⁸. Modern moral thought thus divides human action into two completely independent areas, private and political life, which practical philosophy should address separately: the first and more relevant question in moral philosophy will be then the question of how to achieve justice in political life. Hence, "the right," instead of "the good," becomes the structural goal of social institutions. Social groups will then have to lead discussions about what is to be considered right and develop political structures capable of achieving this standard. In fact, the discourse of moral philosophy in modernity, specifically the so-called "ethics of the third-person perspective"¹⁹, focuses primarily upon this issue.

The question of how to achieve a "good life," is thus "ruled out" from practical or moral philosophy, and left to individual preference. Consequently, the modern concept of liberal State arises, which considers the State as the legitimate defender and promoter of a system of legal duties, implementing justice while permitting each individual to pursue,

¹⁷ Cf. Chapter 2.1.1 Morality or Ethics as the Pursuit of the "Good Life."

¹⁸ According to Strauss, this has led to a kind of practical nihilism in the social sciences (cf. Strauss, "What is political philosophy?"). For a thorough study of the relationship between the history of philosophy and political philosophy, cf. also the interesting work of Wolin, *Politics and vision*.

¹⁹ Giuseppe Abbà elaborates in detail the distinction between the "first person" and "the third person" perspectives in moral philosophy. The first is used to describe the approach primarily pursued by the classical as well as specific contemporary philosophers, such as MacIntyre and Anscombe, which considers the striving for a fulfilled life of the individual as the ultimate criteria by which to judge moral actions. The latter is meant to account for the approaches of modern philosophy, in which ethics is defined primarily by objective criteria, independent of the final orientation of individual person. For a more detailed study of these concepts, cf. Abbà, *Quale impostazione*.

without interference, a life structured according to their personal preferences. In order for such to occur, a minimum consensus in regard to the State's legal duties must be reached amongst the members of a given community or society governed by that State. This consensus leads to the declaration of a Universal Charta of Human Rights, a Magna Charta or a Constitution²⁰. Virtuous behavior, in contrast, would pertain to the kind of moral behavior which lies within the area of discretion of each individual and is therefore only subject to his personal preferences and subjective convictions. The State does not take virtue as a criteria of morality; it merely pursues justice from an institutional perspective, a perspective meant to lead to freedom, equality and peace²¹.

Although this conception of the modern State in moral philosophy has led to certain positive developments, such as the separation of religious and temporal power and the achievement of an all-encompassing definition of human dignity and personal freedom, it has also some fundamental problems, or *aporiae*. Wilhelm Röpke formulated these *aporiae* in a statement regarding the liberal economic order:

The sphere of the market, of competition, of the system where supply and demand move prices and thereby govern production, may be regarded and defended only as part of a wider general order encompassing ethics, law, the natural conditions of life and happiness, the State, politics, and power. Society as a whole cannot be ruled by the laws of supply and demand, and the State is more than a sort of business company²².

What Röpke wants to contest is the pretension of some advocates of the liberal, secularized State, or of the liberal free-market system, that these social structures must necessarily lead to the right moral order, irrespective of the individual, ethical behavior of the citizens acting therein. He claims, on the contrary, that in order for these structures to effectively conduce to a just moral order, they need to be supported by a fundamental ethos shared by the members of the political community, i.e., the conviction that justice is a desirable objective of political action.

²⁰ Cf. Anzenbacher, *Christliche Sozialethik*, 71.

²¹ For a more detailed explanation of the development of ethos of the modern State, cf. Rhonheimer, "Perché una filosofia politica?"

²² Röpke, *Humane Economy*, 90–91.

The State itself cannot define a standard of what is to be considered right or wrong, desirable or undesirable, for a given social community. Neither can the market. Rather, these institutions depend upon the common ethical standards defined by the group of persons or social community which they order; these standards must be met, or at least cannot be contradicted, in order for the formal mechanisms by which the State or the market function to be considered “right,” or correct. These common ethical standards are reflected in a constitution enforced by the State and are normally formulated as rights and duties of individuals acting within the system. The questions which arise here are: How can this fundamental ethos, which brings forth and respects institutions, be defined? In other words, what fundamental ethical principles underlie the establishment of institutions leading to just moral orders? What can be considered “right” by all members of society? These are some of the questions that Röpke addresses.

At this point of the discourse, the reader will have noticed that, with these questions, there is a return to what was considered to be the specific task of political philosophy at the beginning. It must be admitted that within the sphere of practical philosophy, it is not possible to provide answers without considering concrete circumstances of time and place. Being this as it is, one could say that the strength and value of a specific political philosophy—i.e. of a specific political philosopher—lies not primarily in the answers it offers to these questions, but in the methodology it proposes so as to develop possible answers. Once more, a reason for following the path of Wilhelm Röpke arises: in his thought, the contingent structures of the economic order have an incontinent, stable point of reference, which is the intrinsic dignity of the human being. Röpke’s discourse will thus be followed in order to discover if it can aid in understanding the current economic order and its flaws and if his proposal for the moral or ethical framework of a free market system can make a contribution to establishing the foundations for a contemporary economic order capable of responding to the real needs and the constitution of the human person.

iii The Specific Perspective of Catholic Social Ethics

This study will also include an analysis of the correspondences and analogies of Röpke's thought with Christian social teaching, in particular with the four basic principles of Catholic Social Doctrine: personality, common good, subsidiarity and solidarity.

Röpke did not comment the Constitutions of the Second Vatican Council. However, he did read and comment the encyclicals which appeared during his lifetime: *Quadragesimo Anno* (1931) and *Mater et Magistra* (1961). Nevertheless, Röpke's affinity with the Social Doctrine of the Catholic Church is primarily individuated in a fundamental aspect formulated by the Second Vatican Council in the Pastoral Constitution on the Church in the Modern World, *Gaudium et Spes*:

Man's social nature makes it evident that the progress of the human person and the advance of society itself hinge on one another. For the beginning, the subject and the goal of all social institutions is and must be the human person which for its part and by its very nature stands completely in need of social life²³.

Thus, the centrality of the human person makes it necessary to question to what extent his development is hindered or promoted through economic structures. This is the primary focus of Röpke's work.

II STATUS QUAESTIONIS/LITERATURE REVIEW

The life and works of Wilhelm Röpke have stirred up interest among many scholars in different disciplines. Table 1, at the end of this introductory chapter, provides an overview of the most important works published during the last 50 years. This review presents the secondary literature on Wilhelm Röpke's works that focus specifically on some aspect of his political or social philosophy. The entirety of those works in which Röpke has been alluded as representative of a more philosophical or sociologically oriented "wing" within the tradition of ordoliberalism have not been considered; these works focus primarily on

²³ Second Vatican Council, *Gaudium et Spes*, Nr. 25 in AAS 58 (1966) 1045.

the philosophical roots of ordoliberalism in general, and not specifically on Röpke's own thought, the object of the study. Nor does this overview include all of the articles contained in various conference proceedings published "*in memoriam* Wilhelm Röpke," as most of these contain statements addressed to particular themes or quotations and only rarely adopt a comprehensive interpretation of Röpke's work. Thus, only those contributions which offer a more comprehensive view of Röpke's thoughts have been listed. After reviewing this literature, the conclusion arises that there is not any possibility of studying Röpke without describing and commenting upon his political philosophy in some way—even if such comment takes the form of critique. His work cannot be read from a mere technical or economic perspective. Regarding his philosophical and anthropological stance, Röpke has been especially compared with his colleague and contemporary, Alexander Rüstow²⁴.

The most important issues of his political philosophy, constantly emphasized in the secondary literature, are: the centrality of the individual, the human person, as decision maker or actor of the economy, as well as "standard" against which the economic order has to be measured; a proclaimed unity of the economic, social, and political orders, also in the form of a methodological claim; the influence of the social structure upon individual development, i.e. small communities as fundamental anchorages for the individual, and the importance of the *gcorps intermediaires*; his proclamation of the unity of the social sciences, especially his warning against an over-specialization leading to reductionism; and at last, his overall liberal-conservatism, which is especially reflected in his defense of traditional institutions, such as the family and religious communities, but maybe more vehemently in his plea for the return to an "agrarian" social structure, in which he took the Swiss village as paradigmatic example. This latter aspect has been also one of the most criticized in the literature by those who detect in it a pronounced cultural pessimism.

²⁴ I will describe Röpke's intellectual relationship with Rüstow more thoroughly in Chapter 1.

In the literature regarding Röpke's relationship with Catholic Social Teaching, we find a study by Tim Petersen²⁵ which gives a very interesting overview of the academic discussion between Wilhelm Röpke and specific Catholic scholars about the relationship of neoliberalism and Catholic social thought. Röpke was convinced that both doctrines possessed the same fundamental assumptions regarding human nature, and therefore, he found strong arguments in favor of his own case in the social encyclicals. However, not all of the moral theologians of his time agreed with him²⁶.

However, other representatives of Catholic Social Teaching (CST), such as Wolfgang Ockenfels²⁷, argue that it is primarily thanks to the practical and theoretical contributions of Wilhelm Röpke, that a conversion (*Konvergenz*) or consensus, in the sense of a strong synthesis, of Catholic social ethics and the ideas of economic liberalism can be achieved. Röpke is, according to Ockenfels, an important "pontifex" (*Brückenbauer*) between certain schools of economic liberalism and Catholic social ethics²⁸. Additionally, Marcelo Resico²⁹ points out that Röpke's definition of the concept of decentrism is clearly

²⁵ Cf. Petersen, "Wilhelm Röpke."

²⁶ Certain moral theologians of his time, such as Nawroth and Utz, held the view that neoliberalism had a nominalist stance, which was simply irreconcilable with the Thomist foundation of Catholic Social Teaching (cf. Petersen, "Wilhelm Röpke"). I will not go into detail regarding this discussion, as it would take us very far from the questions that are of interest here.

²⁷ Cf. Ockenfels, "Wilhelm Röpke."

²⁸ Ockenfels writes: "So sehr man sich auch bemühen mag, Positionen Röpkes zu finden, die einer christlichen Sozialethik widersprechen, es wird kaum gelingen. Vielmehr verdient er höchste, wenn auch nachträgliche Anerkennung, wo er sich als sozialetischer Vermittler, weitsichtigen Vordenker und umsichtiger Gesellschaftskritiker zu erkennen gibt" (*ibid.*, 59). Cf. also Langner: "Man wird nach allem festhalten können, dass auch die deutlich katholizismusfreundliche Tendenz bei Neoliberalem mit hohem Ansehen wie Müller-Armack, Röpke und Rüstow auch die katholisierende Tendenz in der damaligen Publizistik der Unternehmerverbände und in der Wirtschaftspresse gefördert und dazu beigetragen hat, katholische Wirtschaftsethik in einen traditionell ganz besonders protestantisch dominierten Bereich einzubringen" (Langner, *Katholische und evangelische Sozialethik*, 526).

²⁹ Cf. Resico, *Fundamentos*, 91.

shaped by the concept of subsidiarity found in Catholic Social Doctrine.

However, other authors, such as Sylvia Skwiercz³⁰, state that CST—especially what is contained in the aforementioned social encyclicals—cannot be considered a source of Röpke’s thought, but simply an intellectual and humanistic tradition which Röpke discovered only subsequently as convergent with his own. The thorough study made by Andrea Hotze, in which we find a description of the more important features of Röpke’s *theory of the person (Menschenbild)*, supports the thesis that his conception has many parallels and congruencies with what she calls *Christian anthropology*³¹.

Following the authors who see a convergence and strong relationship between Röpke and CST, the present study will conclude with an analysis of the main correspondences and analogies of Röpke’s principles of social ethics with the social teachings of the Catholic Church, after having described his philosophical stance and his methodological approach.

III RESEARCH QUESTIONS AND GOALS

As has been already described, Röpke’s political philosophy has been the subject of study of many scholars. One of the central points of his political philosophy is his postulation of the unity of political, economic, social and moral orders. According to this thought, these orders not only complement each other, but as interdependent, they mutually influence one other; this interdependence should be taken into account in the formulation and evaluation of economic action. Therefore, the manner in which Röpke’s philosophical anthropology

³⁰ Skwiercz adopts a comment Friedrich August von Hayek made in the introduction of the first edition of Röpke’s *Die Lehre von der Wirtschaft* (cf. Skwiercz, *Der Dritte Weg*, 49).

³¹ Cf. Hotze, *Menschenbild*, 189. Regarding Christian anthropology, Hotze fundamentally follows the definition given by Lehmann, K. (2000). Das christliche Menschenbild in Gesellschaft und Kirche. In R. Biskup & R. Hasse (Eds.). *Das Menschenbild in Wirtschaft und Gesellschaft*. Beiträge zur Wirtschaftspolitik, Bd. 75 (pp. 51–78). Bern.

and his political philosophy require and determine each other will be analyzed.

As has been already stated, this study holds the view that ethical judgments regarding the institutions of economic life, such as the market, business enterprises, and laws and regulations, have to be measured by a standard different from that of individual ethical. In terms of modern moral philosophy, there is the need for a distinction between the means of achieving a political common good in an “ordered society,” and the means of achieving a “good life,” two ends which follow different lines of reflection. On the questions regarding how to realize “the right” according to political morality, Western society has more or less found a consensus in a liberal-democratic political conception and established institutions corresponding thereto, such as parliamentary constitutionalism and an economy based on free markets³². However, within a modern, pluralistic society, many different conceptions regarding the “good” concur, and the liberal institutional order must admit and protect this pluralism while achieving social order. Taking such a task as its starting point, modern moral philosophy, as aforementioned, is based upon a notion of right and wrong which is diverse from the individual conceptions of the good which can prevail in a society.

The question posed is thus: how is it possible to hold and even foster the absolute separation between individual and institutional ethics without undermining a liberal order? This study holds, following the line of thought proposed by Sandel,³³ that three possible solutions to the problem can be found:

- 1) Ignoring the individual positions regarding justice and the good life allows for the construction of an institutional order completely independent of individual conceptions of the “good” and based upon a concept of “right” which is “a moral category given prior to the

³² I acknowledge the fact that these concepts are neither theoretically nor practically clearly delimited, but following Röpke’s *forma mentis*, I will use the term liberal order as general opposition to a totalitarian political order. Within the discussion of Röpke’s thought, I will then distinguish between different forms of liberalism and of free market orders.

³³ Cf. Sandel, *Liberalism*.

good and independent of it”³⁴. This is what Sandel denominates “deontological liberalism”³⁵.

- 2) A consensus can be reached amongst the members of each individual society on the fundamental values shared by all the members of the community and the establishment of the necessary institutions for their protection. This could be denominated a “communitarian” approach.
- 3) A philosophical enquiry can be attempted, which reflects upon the anthropological and ethical condition of man, not only theoretically but also empirically, and its demands for a specific institutional order. This is the approach proposed by “practical teleology”³⁶.

Wilhelm Röpke took up the latter method in order to solve the question proposed. His line of argumentation will be followed herein, specifically in regard to the development of a moral framework for the market order and the evaluation of its reasonability and plausibility. The primary intention of this investigation is to elaborate Röpke’s contribution to the current debate regarding the ethical foundations of the economic system and the ethical evaluation of economic and business life. In order to achieve such a goal, it will be necessary to critically assess the foundations of his social philosophy and his methodological approach in order to distinguish what is contingent from what is perennial in Röpke’s postulation of the interrelationship of orders. The possibility of using this concept to develop an instrument

³⁴ *Ibid.*, 1.

³⁵ Sandel writes: “‘Deontological liberalism’ is above all a theory about justice and in particular about the primacy of justice among moral and political ideals. Its core thesis can be stated as follows: society, being composed of a plurality of persons, each with his own aims, interests, and conceptions of the good, is best arranged when it is governed by principles that do not themselves presuppose any particular conception of the good; what justifies these regulative principles above all is not that they maximize the social welfare or otherwise promote the good, but rather that they conform to the concept of right, a moral category given prior to the good and independent of it.” (*Ibid.*, 1) The main proposers of this approach are, according to Sandel, Kant and Rawls.

³⁶ Cf. Rodríguez Luño, “Un anno dopo.”

capable of analyzing concrete economic policies and decisions will also be investigated.

Hence, the primary research questions of this study are the following:

- What are the main philosophical foundations of Röpke's ethical proposal? Are these clearly recognizable and delimited?
- What methodological approach does he apply to analyze economic phenomena, and especially to formulate economic policies?
- How does Röpke conceive of the relationship between individual and institutional ethics? How does he distinguish between ethics of economic institutions and the fundamental shared ethos of a society which has to support a liberal economic order? How are these interrelated?
- Is his conception based upon contingent cultural assumptions or does it contain elements able to transcend concrete historical and sociological circumstances?
- How does he describe and put into concrete terms his claim for a necessary moral or ethical flanking order of the market?
- Which are the analogies between CST and Röpke's thought?

In order to answer these questions, recourse will be primarily made to the exposition and interpretation of Röpke's most important works, especially his so-called "wartime trilogy" and the articles and essays in which he specifically addresses Catholic Social Doctrine as well as other central questions of his social philosophy³⁷. As Röpke did not compose a systematic work in which he gave an account of his fundamental methodological and philosophical assumptions, these assumptions will be reconstructed by a cross-examination of his primary works, in order to give a consistent answer—i.e., an answer reflecting Röpke's *formae mentis* as faithfully as possible—to the questions posed. Thus, the first

³⁷ A description of the sources used in this study can be found in Chapter 1 of this book.

chapter of this book will provide an overview over Röpke's intellectual biography and the works relevant to the present inquiry.

In the second chapter, Röpke's own position as social philosopher and economist will be defined. This can be very well illustrated by describing his fundamental ethical approach, as well as his criticism of rationalism. His account of the "interrelationship of orders" will also be further examined.

In the third chapter, a focus upon his understanding of social sciences, specifically upon his development of his own methodology in which he strives for a comprehensive synthesis in order to enhance economic analysis, will be central. The application of these principles by Röpke to the ethical analysis of a concrete issue, namely the State support of consumer credits in post-war Germany, will also be discussed.

In the fourth chapter, the fundamental principle on which Röpke's moral framework for the economic order is built upon, decentrism, will be elaborated. Decentrism and the fundamental principles of CST will be compared: personality (human dignity), the purpose of the economic order (common good), the principle of reciprocity (solidarity) and decentralization (subsidiarity). These concepts will be connected with Röpke's central philosophical propositions elaborated in the previous chapters.