

## **Apostle of a Humane Economy**

Remembering Wilhelm Roepke (1899 -1966)

by

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(Footnotes were deleted from this edition)

Wilhelm Roepke entered my life, with immense effect on me, more than 50 years ago. That was a time in which the political and intellectual climate was rather different from today. The world was just beginning to rise from the ashes of the greatest war, World War II. Socialism was everywhere in the ascendant. The Soviet colossus bestrode half the planet. China was soon to become a monolithic Communist state. And the United States stood virtually alone, if we except Switzerland, as guardian of the market economy. Who could then have foreseen that in 1998 the Soviet empire would be no more, that a united Germany would have arisen like a phoenix to become the economic powerhouse of Europe, that "socialism" and "planned economy" would become derisory, even pejorative terms (except maybe in Cuba), and that expressions such as "social market economy," "third way," and "a humane economy" would become the fashionable slogans of the moment?

### 1. Roepke in China?

Consider the case of China. Who could have imagined that China, of all places, the mysterious, impenetrable, isolated land of a billion people, tyrannized for 45 years by the monstrous Mao Tse-tung—that China would go capitalist, or at least partway capitalist? The question of interest, of course, to this meeting is: what did Wilhelm Roepke have to do with these momentous happenings, with those in China in particular? A very great deal, indeed, as it turns out.

Last year, my wife, a native Shanghaiese, and I, an American professor emeritus of economics, spent a month traveling through central China. Among the highlights of the trip was a three-day visit to a Chinese university, where, at the invitation of the university's president, I lectured on market economics. His very first comment to me was startling: "There are two things," he opined, "that account for America's great success: first, democracy, and second, high technology." Equally eye-opening were my exchanges with senior and junior faculty members. One heard nothing of Marxism-Leninism or of central planning, but many references to and searching questions about the price system, profits, incentives, and entrepreneurship, especially as they function in the U.S. These faculty members expressed particular interest in the differences they claimed to see in the approaches of Western economists to economic analysis: on the one hand, the school that emphasizes abstract theorizing and mathematical model-building, that is, a preoccupation with the market economy viewed as a self-contained machine; and the other approach, which they felt to be less influential in the West, and in which they were greatly interested, which stresses the role of the unique institutional framework—of cultural traditions, of historical forces, of government itself—within which each national economy is embedded.

I found these insights to be quite astonishing since the model of a socio-economic system that emphasizes the primacy of the institutional framework—viz., the decisive influence of tradition, of law, of culture in the broadest sense, of philosophy even, and the subsidiary, if still crucial role of the market per se—was precisely the design Wilhelm Roepke had spent a lifetime devising, refining and elucidating. So I was not totally unprepared, I think, though I did experience a small shock of recognition, when after one of my lectures to a large group of under-graduates, a student came up to show me proudly a very dog-eared, very battered copy of Roepke's *Economics of The Free Society*. Whether any other students beyond this one had ever heard of Roepke, I was unable to find out. But I felt nevertheless emboldened in a subsequent lecture to pass along to these students some of the Roepkean wisdom I had myself received so long ago. While emphasizing the awesome power of a market economy to generate wealth, which the Chinese are happily discovering, I reminded my audience of the limits of the market, of its inability, for example, to address collective needs, such as that for national defense, or for a clean environment, or for a financial system which is proof against the ravages of inflation. It is upon these limits, I argued, that the economic role of government is predicated. And it is also because of them that an array of other institutions and virtues is required, without which the free market tends to degenerate into the kind of "wild capitalism" that has made Russia's transition

from Communism to a market economy so precarious. Among these I cited the rule of law, vigorous competition, a sound currency, an efficient central bank and, on the part of individual participants in the market economy, a modicum of honesty, self-discipline, and civic-mindedness.

I further reminded these Chinese students that some of the most important elements of our lives, the values we cherish most highly in both of our countries, lie beyond supply and demand. These sentiments were greeted with prolonged applause.

One can only speculate as to how these Chinese young people, who are being trained for top jobs in the Chinese Ministry of Finance in Beijing, came to have their fairly sophisticated understandings of the modern market economy. It is hardly credible that one dog-eared old textbook could have triggered such transformative thinking. The simple truth is the easier answer. It was the overwhelming success of the market economy over the past 50 years wherever on our planet it has been installed—with the appropriate institutional safeguards in place—that enormously impressed the Chinese, beginning with Deng Xiaoping. And however one labels this socio-economic design, it is Wilhelm Roepke who can lay claim to being its spiritual father. Were he alive today, I believe he would be greatly encouraged by China's turn towards economic freedom, although reserving judgment, of course, as to whether this will lead to political freedom. In that regard he would argue, as he did untiringly throughout his life, that freedom is indivisible, that true economic freedom requires intellectual and political freedom, and vice versa. The ignominious collapse of the so-called Asian model—economic freedom combined with political despotism—has shown how prescient Roepke was on this point.

China is eternal but my time at this podium is not, so this is the point at which to vault over geography to another place, Geneva, and to another time—appalling thought—exactly fifty-two years ago.

## ***2. Revelation in Geneva***

It was in October, 1946 that I first encountered Wilhelm Roepke. The setting of that encounter has remained with me: a crisp Fall day, in a handsome chateau housing the Graduate Institute of International Studies, on the shores of Lake Geneva; and, in the distance, across the Lake, the majestic white cone of Mont Blanc, faintly visible through the morning haze.

In the classroom, a group of some 30 students waited expectantly. As I recall, they included a half dozen young ladies from Smith College, all lined up in the front row and all but one, remarkably, writing, as do I, with the left hand, a circumstance that confounded the non-Americans in the room. Even in free Switzerland, I discovered, left-handedness is regarded as an affliction, best extirpated in a child's earliest years. "Do you mean that in America they actually let you write the wrong way when you were a child?" was the inveterate refrain that was heard. But if my handedness was left and genetic, my ideological sympathies were moderately rightward and self-chosen. I was ready for Roepke of whom it was bruited about, "He is the most conservative member of the faculty!" The class included, as well, students from France, Italy, Lebanon, England, and Switzerland. Since it was 1946, and the war hardly over, there was no student from Germany. There was to be only one German in the classroom that day, and for some years thereafter, and that was Professor Roepke.

As it turned out, Roepke was a German with a difference. He was born at Schwarmstedt near Hanover in 1899, the son of a country doctor and the descendant of a long line of Lutheran pastors. The year of his birth, marking a transition not only between two centuries, but between two profoundly different worlds, had a special significance for Roepke who, as he pointed out to me at a later time, felt himself to be a true child of the 19th century, though with one foot in the 20th. The Great War, in which Röpke served and was decorated for valor, was a shattering experience for the teenaged recruit, collapsing the world of his youth while offering nothing to replace it. The insanity of that fratricidal conflict and the barbarities he witnessed in the trenches of Picardy came to stand, for Roepke, as symbols of the modern condition at its worst: the physical and moral degradation of "mass existence, mass feeding, mass sleep." His anguish and indignation over the war were ultimately transmuted into anger at the "unlimited powers of the state" which had inflicted this horror on mankind.

It was the experience of the war, ironically, that was to furnish Roepke with his life's mission: to discover and proclaim the economic, social and moral truths that would prevent war, preserve freedom and salvage what was left of human dignity. The search led initially to socialism. For was it not a capitalistic society that had spawned the War? But then, for Roepke and a handful of like-minded contemporaries, there were second thoughts and intensive reflection on the ultimate consequences of such a choice. It became clear that a consciously constructed economic order is not only necessarily tyrannical—the designers and implementers of such an order are the rulers of

those being ordered—but is also exclusively national (and nationalistic), since only one national economy at a time can be planned. And with that kind of nationalism (which the War was allegedly fought to eradicate), "my generation," declared Roepke, "wanted nothing to do."

In pursuit of his self-prescribed mission, he took his doctorate in political science at the University of Marburg in 1921. Subsequently, he taught economics at the Universities of Jena and Graz, and, at the age of 29, received an appointment as full professor at Marburg. The galloping inflation which beset the Republic in 1921-23 and the havoc it wreaked amongst the German middle class left an indelible impression on the young economist and provoked him to the battle with inflation which was to continue all his life. In 1931, nevertheless, in a gesture characteristic of his realism and balance, Roepke, then serving as an advisor to the Bruening government, vigorously opposed its deflationary policies to which he attributed the rising unemployment in Germany. In this sense, Roepke was espousing Keynesianism *five years before Keynes did so* in his monumental treatise, *The General Theory of Employment, Interest, and Money* (1936). Had Roepke's urgent pleas to the German government to enact "Keynesian" policies been taken seriously, the unemployment crisis conceivably could have been mitigated which, in turn, might have averted the assumption of power by Hitler. In the event, the advice of the young economist, unfortunately for the world, was rejected.

It is of significance that Roepke also favored a rapid expansion of credit and thus of demand in the United States to counter the depression that had just begun there (1931) and was subsequently critical of the Roosevelt Administration for not moving more aggressively in this direction. Thus he wrote in 1942: "Immediately before the new President assumed office [March, 1933], deflation in the United States had reached such proportions that there was no alternative but to adopt a vigorous and bold policy of expanding domestic purchasing power ... instead ... an effective expansion policy was introduced much too late and with too much hesitancy."

In later years, he (Roepke) was wont to give full credit to Keynes for his contribution to the advancement of theory, but also to warn against making temporary remedies for depression permanent policy prescriptions. He charged Keynes with doing psychological damage to the propensity to save—a crucial pre-requisite to capital formation and thus to progress—and with accustoming a new generation to a kind of economic logic which revolves solely about the question of how "effective demand" can be most securely maintained at the highest possible level. This error was to prove fateful, he maintained, given that

the real problem of the postwar era was how an inflationary boom can be braked in time.

Those were the years not only of economic tumult but of real political danger to the young professor and his family. Anti-totalitarian to the core, Roepke early came into conflict with the tribunes of the Third Reich. Even before the elections to the Reichstag in 1930, he had delivered a warning to the farmers of Lower Saxony which was unmistakably directed against the Nazis. "No one," he declared, "who votes National Socialist on September 14, can later say he had not known what the result would be. He should know now that he voted for chaos instead of order, destruction instead of reconstruction. He should know that he voted for war within and for mindless destruction without. Vote, but vote so that you will not share the guilt for the disaster that is likely to befall us!" In an address delivered at Frankfurt on February 8, 1933, one week after Hitler's assumption of the Chancellorship, he described the new regime as a "new form of barbarism." A threatening visit to his family by representatives of the SS soon followed. Rather than knuckle under to the Nazis, Roepke quit his post at Marburg and chose exile, the first German professor to do so following Hitler's takeover. It was the beginning of a tumultuous and perilous odyssey for him and his family, first to Holland and Switzerland, then to Turkey where the Kemal Ataturk government entrusted him with the reorganization of the department of economics of Istanbul University, and finally, in 1937, to the Institute in Geneva, whose chair of economics he occupied with *éclat* and growing renown for the next three decades.

### 3. Beyond Supply and Demand

However, in 1946 I was not privy to all of this information. Indeed, as a recently arrived American exchange student, Roepke's name, other than his general political orientation, meant little to me—his major works were not yet available in English. Also, economics was not yet my discipline. I had come to Geneva fresh from Columbia University where I had received a master's degree from the School of Journalism. My prior academic work was at a Jesuit university in languages, the arts, history, and philosophy. Economics and business were subjects of which I knew little, and that little I didn't really care for very much. However, at Columbia I had acquired a taste for political science, political science of a conservative cast, I should add, and this partly in self-defense since many of my fellow students at the Journalism School were considerably to the left of center. Possibly my classmates were merely exhibiting a youthful exuberance for the dominant *Zeitgeist* in which the Soviet Union was idolized as a Utopia and in which the West, with the United States

in the lead, was in the process of turning over eastern Europe and half of conquered Germany almost casually to the Communists. But here I was, anyhow, pursuing a degree in political science and in Roepke's classroom at the suggestion of a friend, i.e., more or less by accident, sampling his course entitled "European Economic Reconstruction" — a highly pertinent label, given that Europe, in 1946, was still very much a basket case economically, and with the defeated enemy, Germany, still knee-deep in rubble.

As I think back on that first encounter, on what became for me a life-altering event, I was prepared to be informed, possibly entertained, perhaps bored. I was not prepared to be put under a spell as was the case when Roepke strode into the classroom: a man in his middle forties, of medium height and build, with a handsome leonine head and sandy hair, ruddy complexion, blue eyes that burned with some inner fire, but free of any hint of fanaticism, a voice of heavy timbre and somewhat louder than normal due to a chronic condition of deafness, and finally, Roepke's signature trait, craggy brows shading the intent eyes. His lecture was in English which he used with sensitivity and precision. His text was rich with literary and historical allusion: a verse from Goethe, a maxim from Montaigne, a quip from Shakespeare, or apt quotations from de Tocqueville, Jacob Burckhardt, Edmund Burke, Benjamin Constant or Adam Smith. Even after all these years, I feel still the intensity and the power of his thought and of his presentation which combined passion with a wit that was sometime playful, sometimes mordant, never wounding of another person, but always precisely on point. The finely honed humor was infectious, keeping his hearer's lips slightly curled in anticipatory merriment.

Particularly amusing was the manner in which Roepke employed his hearing handicap to manage the discussion. In those years, his seminars, conducted around a long table, occasionally drew a couple of socialists who came not so much to learn as to heckle him. For the most part these nay-sayers were silenced by rapier thrusts of Roepkean wit which, though gracefully delivered and shedding little or no blood, left the antagonists squirming and red-faced. Rarely did things turn obnoxious, but when they did, Roepke resorted to his secret weapon — a volume control on his hearing aid concealed on his belt. When the hostile voices reached a certain level of stridency, a slight movement of Roepke's left shoulder indicated to me that he was tuning them out and that it was time for me to raise my hand to pose a question. "Yes, Mr. Boarman," he would say brightly, the slight movement of his shoulder indicating that he was now turning the volume control back up. Notwithstanding such occasional divertissements, learning from Roepke in the

seminar format was like taking part in a totally absorbing interactive mystery play, with us students hanging on every word.

More importantly, it was clear in Roepke's classes that his consummate rhetorical and pedagogical skills were but means to overriding ends. Thus, his lectures, of which I kept faithful, if sketchy notes, while they were minor master-pieces of economic wisdom, were more than just exercises in economic analysis. They were infused with Roepke's own deep humanity and his burning devotion to the grand principles of liberalism in the best sense, i.e., to the causes of human freedom and human dignity. At Roepke's feet, the student was the recipient not only of his acute insights into the economic issues of the day; he learned that the things which lie beyond supply and demand are the most important things, and that an economist who understands only economics doesn't even understand that.

Roepke's students learned quickly as well that although he was an extraordinarily accomplished economist with a world-wide reputation for the depth and rigor of his scholarship, he was no ivory tower academician. He was a fighter and contender from the beginning—the quintessential public intellectual. In an unending stream of scholarly treatises and articles in the popular press, he, figuratively speaking, went into the street and onto the barricades and there defended, as few before him, the ideals in which he so fervently believed. It was our impression in his classroom that he was un homme engage in every sense. He was a "clerc" to use Julien Benda's word, who kept the faith. In discharging this mission, he had the advantage of a singular literary gift. His prose style—in German—was so transparent, so lucid, so incisive and rich in compelling allusion, so far removed from scientific jargon that it commanded the attention not just of an elite but of numberless readers who would otherwise have been immune to his message.

#### 4. Roepke at Home

In short, in those lectures and seminars long ago, Wilhelm Roepke snared my soul, so to speak. I determined then and there to change my focus and to become an economist. Though Roepke was probably the most distinguished professor at the University of Geneva at that time, he was always accessible, or at least I found him so. In those first years after the War, automobiles were rarities in Geneva. Bicycles filled the streets and often Roepke and I would ride our bikes home together from the Institute. I was a frequent visitor to his home, then and some years later when, as a married man with three children (and, of course, a wife), I returned to Geneva to finish my

doctoral dissertation. Evenings at the Roepkes, where his wife, Eva, presided as hostess and which might include prominent personages temporarily in the City—a Ludwig Erhard, a Friedrich Hayek, a Walter Eucken—were a genuine delight.

Incidentally, as many of you may know, Hayek and Roepke were co-founders with some three dozen others, of the Mt. Pélérin Society, of which Roepke was later President. Roepke subsequently resigned from the Society in a dispute with some members over the direction it should take. Though Hayek's and Roepke's views were not always congruent on all issues, I recall hearing Roepke in class lavishly praise Hayek's ideological bombshell of 1945, *The Road to Serfdom*. It was subsequently translated into German by Roepke's wife, Eva.

At these evening gatherings, Roepke showed himself to be a gifted raconteur who could appreciate and tell a good joke. Pompous personages, academic and other, were nicely deflated with barbed, but good-humored comment as the wine flowed, after which the talk turned solemn and sometimes portentous. To this young and impressionable would-be economist, participating in a Roepke soirée was, in the language that my children now use, a totally awesome experience.

Roepke's scholarly output was even then phenomenal but given the academic demands a graduate student was sunder, it was possible only to sample only a few of his books. There was one in which I, as a neophyte economist, was particularly interested, his basic economics textbook, not yet translated into English. Great was my rejoicing when I found in the Institute's library a French version of that book, *Explication Economique du Monde Moderne*. I read it virtually at one sitting, finding it to be not only a splendid layman's introduction to the arcane science of economics but an eloquent anti-totalitarian tract as well. I determined then and there to translate the book into English, an ambition which was eventually realized. The circumstances of the publication of this French translation were remarkable. It appeared in Paris in 1940 under the noses of the Nazi censors. "The probable explanation of this miracle," Roepke wrote later, "is that the German censors were too uneducated to understand the book, while those Germans who understood it were civilized enough to rejoice at such a discovery and not to betray it. There were, indeed, many Germans who reported in later years of how happy they were during their Paris sojourn to come upon the book. *Habent sua fata libelli*." In Brooklynese this says: "little books have their fates." How Roepke would have delighted in knowing that his little book had made it all the way to China in 1998!

## 5. The "Third Road"

There was another reason for my gratification at having come upon this book. The reading of it was a liberating experience. For it showed a way around or through the frozen dialogue between the adherents of old-style capitalism on the one hand and of a government-run economy on the other, to which much of the discourse among academic economists of that time seemed to reduce. In this textbook, in his great trilogy *The Social Crisis of Our Time, Civitas Humana*, and *International Order and Economic Integration*, and in innumerable publications in the years that followed, Roepke argued for the rejection of socialism and the reconstitution of the market economy as the only economic system compatible with human freedom. The market economy for which he pleaded, however, differed fundamentally from the system which, under the vague and emotion-charged label of "capitalism," had persisted in Europe until the 1930s and then perished of its own degeneracies. Capitalism for Roepke was a highly imprecise noun, freighted with the ideological ballast of the nineteenth century which gave birth to the term, and even today carrying the value tags, positive or negative, of whomever happens to be defining it. In contrast, the market economy, at its core and unencumbered with labels from the right or the left, was for him a term embracing those universal human behaviors associated with acquiring and using economic resources and famously codified in the laws of supply and demand. Indiscriminate mixing of the concept of a market economy with "capitalism" results in the attribution of qualities to the market mechanism that properly are only ascribable to some specific capitalist societies of the past, notably those of the 19th and early 20th centuries. Thus, the market economy that was installed in West Germany after World War II—and which the Germans chose to call a "social market economy"—represented a deliberate attempt to divorce the market idea from historical capitalism. The lasting achievement of Roepke's friend, Erhard, was his abstraction of the powerful concept of the market from the institutional matrix of nineteenth century capitalism in which it was embedded and his demonstration that the market can yield a quite different result within a different institutional framework.

The social market economy itself, in turn, echoed one of Roepke's conceptions of a much earlier date, that of the "third road." In his numerous elaborations of this idea, he showed how the old antitheses of laissez-faire and planned economy could be transcended in a new synthesis of the "third road," later rebaptized as a "humane economy." In such an economy, the laws of supply and demand, while allowed full play to maximize the wealth of the nation, were yet constrained within a framework of (market-conforming) rules,

including, importantly those intended to preserve competition. The concept envisaged, as well, the continuous influencing of economic behavior by *extra-economic institutions* rooted in moral and spiritual values (law, tradition, religion, etc.). For in the absence of such rules and institutions, the benevolent social outcomes of the pursuit by each individual of his self-interest, posited by the classical economists, are extinguished; the market becomes an arena for a dog-eat-dog struggle. It is a thesis for which Russia today furnishes the unhappy proof. In effect, the Russians desired to have the fruits of a free market and democracy but without being able or willing to put in place the infrastructure of civic and personal virtues that democracy and economic freedom require.

It is striking that for all the many years that the concept of the "third road" or the "third way" has been imprinting itself on policy, especially in Germany, but in other places in Europe as well, thanks to Roepke—we are just now hearing about it in this country in the most influential circles. In *The New Yorker* of July 6 of this year, we are told that Larry Summers, Clinton's potent Deputy Treasury Secretary is "the leading intellectual exponent of the 'third way,' a nascent, and occasionally derided political philosophy associated with the names of both Bill Clinton and Tony Blair [its central notion being] how to reconcile the free market with a social conscience."

Even the First Lady has been reported by *The New York Times* as being engaged with scholars and bankers in "mapping a 'third way' between laissez-faire capitalism and the welfare state." Amazingly, we are told in this same report that Mr. Clinton "was the man who could break the ideological deadlock of left and right, for no one," we are breathlessly informed, "had yet coined the phrase 'third way' ... "! Some suspected that the "third way" in which the President was more urgently interested was the one that might offer safe passage between dishonorable impeachment on the one hand and a disgraceful resignation on the other. One can only imagine Wilhelm Roepke's consternation at all this, were he to know of it—and perhaps he does.

With all the brouhaha about the concept, it is time to nail it down more precisely. "The third way"—understood as a path between the extremes of a paleo-capitalism based on laissez-faire and a socialist planned economy—is, as noted above, a Roepkean construct, going back to his earliest days as a publicist. I had occasion to comment on it at some length more than 20 years ago in Russell Kirk's *The University Bookman*. There I remarked that Roepke's thought moves unerringly towards the vital center and away from extremes, an inclination expressed in the title of one of his most characteristic works, *Mass*

*und Mitte*, freely translated as "measure and moderation." On the other hand, Roepke did not achieve his legendary status as a fighter for freedom by diluting his principles or by yielding to compromise for the sake of harmony. The harmony he sought was not in the area of polemics or ideology. The harmony he espoused was an organic phenomenon, the natural harmony of both man and nature that results from a right order of things, not only in the economic sphere, but in all the multitudinous and intersecting frameworks—historical, cultural, political, environmental, moral, even religious—that make up the totality of human life.

One may ask: what has this third way to do with, for example, the famed "middle way" of Sweden? Virtually nothing. Thus, Sweden's overall public spending today is 63% of gross national product, compared to about 36% for the U.S. and 46% for Germany.. The Swedish government spends 46% of Sweden's GNP *on welfare alone*, more than any other country, and the income taxes required to support this gargantuan public generosity take 59% of the pay of people earning as little as \$30,000 a year. This is a middle way, or a third way if you wish, which has led Sweden into a swamp of rising unemployment, social spending on a megalomaniacal scale, and precipitate falls in its competitiveness and standard of living. In the OECD's current review of its members' economic performance, Sweden fell from 4<sup>th</sup> to 15<sup>th</sup> place in per capita income.

All of this, of course, has nothing to do with Roepke's third way. Indeed, he was a fierce opponent of the welfare state in the form it had taken in his last years (the mid-1960s) precisely in such places as Sweden and in Great Britain, the United States, and especially in his native Germany. He believed every effort should be made to secure to those unequipped to play the market game a minimum standard of material welfare without, however, jeopardizing the voluntary arrangements made by individuals to provide security for themselves and their families against the contingencies of age and sickness. The quest for security through "welfarism" and through a continuous expansion of the public sector in which the state is looked upon as a kind of "fourth dimension" able to satisfy the demands of any class for help, Roepke held to be an illusion.

But again, in keeping with his commitment to "Mass und Mitte," to the avoidance of extremes, Roepke wrote censoriously of the delusions of an unrestrained capitalism, of an obsessive "economism" in which human society was led ineluctably towards a soulless mechanization and standardization and he pleaded incessantly for the adoption of measures aimed at reducing the crowdedness and hothouse atmosphere of modern life. In this context, he was a

strong proponent of population controls, of decentralization of industry, and of the securing of the remnants of a rural way of life against urban erosion.

In particular, Roepke saw the unrestrained growth of population as helping to spawn the psychic and spiritual toxins afflicting the contemporary culture. He conceded that the power of modern technology has enabled living standards to increase along with growth of population. But he argued that living standards in the broadest sense, including many non-material dimensions of the good life, would have risen even faster if population growth had slowed. And he posed the plaintive question: "Why is it necessary that every enlargement of economic room which is achieved by the labors and the ingenuity of the existing population, be immediately filled by millions of new individuals instead of serving to increase the well-being of those now on earth?" In this sense, Roepke was an environmentalist before the term had been invented. In today's lexicon he would appear as a slow growther. For him it was not a matter of turning back the clock—a fatuous romanticism which he repudiated—but of refusing to continue heedlessly along the path that had brought us to our present vexations.

## 6. Spiritual Roots of a Humane Economy

Roepke's influence is hardly to be explained merely in terms of the contribution of Roepke the economist. Its deeper sources lie beyond economic science and are to be found in a comprehensive understanding of human happiness, in philosophy and in religion. These aspects of his *œuvre* were, in turn, decisively influenced by life in the small German village on the edge of the Lueneburger Moors in which he grew up. The simplicity and naturalness of this village existence left the sensitive youth with a host of memories which were to influence the whole cast and direction of his professional work in economics and social theory. The warmth, the love, the stability, the small joys and sorrows of this rural childhood, in which family, church, school, parents, friends, and nature were melded into an organic whole—an existence made to the measure of man, as he was wont to express it—became for him an ideal to which he frequently referred. In later years, he remarked on how rare this experience of growing up in a village was becoming in the wake of an ever-advancing industrialism.

Of this existence, Roepke wrote:

"People helped each other with labor and with tools, wherever and however the opportunity arose, whether in the fields, at slaughtering time in the Winter, or on other occasions and each was generous with what at the moment

he happened to have a surplus of. It would have occurred to no one in this giving and taking to make a precise calculation of how he would come out in the deal. Everybody knew when or where a birth had occurred, or was imminent. We all took part in weddings, at least to the extent that, with the help of a scarf spread in front of the marriage coach, we kids exacted the tribute of a few pennies from the groom. When the funeral bell sounded from the old church tower, everyone knew for whom it tolled this time, and whoever could manage it, walked the last mile with him."

And Roepke added:

"This colorful, variegated, and nevertheless closely integrated village community was, so my memory goes, embedded in the rhythms of the changing seasons and in the natural order that determines this rhythm. It is surely this union of community and closeness to nature which explains the secret of how life in our village, in spite of its narrowness and apparent uniformity, was so vibrant and lively and soul-satisfying."

The satisfying of men's souls, and the consequences of the spiritual starvation of modern life, became in later years major themes in Roepke's programs for economic and social reform. As a young man, he was formed in the great classical traditions of the West and learned to see in Latin, Greek, history, and literature, the indispensable keys to the legacy of the past and thereby to the understanding of the present. He never failed to be appalled by and to denounce the arrogance of the futurists and modernists for whom history, traditions, experience, and the moral and spiritual legacy of Western civilization were merely so much burdensome baggage holding back the advent of a better tomorrow. In this, he anticipated the excesses of "political correctness" and were he alive would be in the forefront of those exposing and denouncing it.

The progressive cutting back of attention to classical studies, including Greek and Latin, he viewed as a work of desecration and destruction than which there could be none more dangerous. In this context, he cited an incident in the German Parliament—the Bundestag—in which a Social Democratic member angrily responded to the use of a three word Latin phrase, "Vigilia praetium libertatis," as follows: "Reden Sie deutsch im deutschen Bundestag!" ("Speak German in the German Parliament!"). It was against this grotesque putting down of the cultural legacy of the West that Roepke fought an unending, if often discouraging battle. He took a dim view of much of modern architecture, painting and music, and Le Corbusier's well-known dictum, "Il

faut recommencer à zero," provoked in him an explosion of scorn. In this connection, he was fond of quoting Goethe's verse:

"He who of three thousand years  
Knows not account to give  
Unknowingly through the darkness peers  
From day to day to live."

Exile though he was, Roepke remained deeply attached to the nobler parts of his German patrimony. As a German, he could write an incisive analysis of what he called the dark regions of the German soul—*Die deutsche Frage* (The German Question)—which attracted international attention when it appeared during the war and in which the concatenation of events, movements, ideas, and national characteristics that made Nazism possible were pitilessly laid bare. Notwithstanding, it was for this German patriot with his unforgettable memories of his Lueneburger Heimat, a source of deep personal disappointment and even anguish that no great German university thought it fitting after the war to recall him, perhaps the most widely known of German economists, to a chair of economics.

Nevertheless, his post in Geneva—the international center of a neutral state—served him well. It enabled him to take a more detached, a more Europe-wide view, unencumbered by what might have proved to be awkward local allegiances. And if Geneva was not exactly Heimat, it was home. There he, his wife and companion-in-arms Eva, and their son and twin daughters sent down roots. Indeed, Switzerland, a country in which the apparently old-fashioned bourgeois virtues of industriousness, morality, and self-reliance were not yet laughed at, came close to satisfying Roepke's conception of an ordered and organic community which still retained the dimensions of the human. He was strongly attached to that small country. But his affection for his own country nevertheless remained primary and he retained his German nationality to the end.

## 7. Adieu

Thus the years passed, in the course of which my relationship with Roepke deepened. We communicated often and at length about the issues that tormented the world of the 1960s: the welfare state and its handmaiden, inflation, and their attendant miseries; the pursuit of what he saw as a baleful

new bureaucratic order in Europe under the rubric of a "Common Market"; the enduring power of the Communist myth and the danger of an open conflict with the Soviet Union. In the United States, he appeared with some frequency, in my and others' translations, in *The Wall Street Journal*, *Modern Age*, *Social Order*, *National Review*, and other newspapers and journals, with essays and books all the while continuing to stream from his pen in German, with translations into French, Italian, Japanese, Swedish, Finnish, etc., quickly following.

Came the year 1965, a red letter year for me, for in that year Roepke extended to me an urgent invitation to come to Geneva as a Visiting Professor at the Graduate Institute of International Studies with the intention that I should succeed him in his Chair there. This was a compliment than which I could think of none higher. Also, in that year, my doctoral dissertation, a study of the German economy done under Roepke's guidance, was published. I accepted Roepke's invitation with the understanding that it would be an experimental undertaking, initially for one year—I had my fully Americanized family to consider—and transplanted myself, with wife, four small children, and books, to Geneva. What a joy and privilege it was to work alongside my great teacher, now my colleague, a man whom I had always addressed as "Professor" and who now beseeched me to skip this formality and to call him simply "Roepke." We visited often with Roepke and his wife—they were fond of my children. This close acquaintance emphatically confirmed my previous impression of him as a true gentleman: generous to a fault to his rivals and opponents (of whom there were many), with never a hint of the *odium academicum* that infects so much of university life, at Geneva and elsewhere. And I greatly enjoyed my teaching duties at the Institute.

Then came that Saturday morning in February, 1966, when, for a reason I have now forgotten, I drove to the Institute. It was a crisp wintry day. The refurbished chateau on the shores of Lake Geneva housing the Institute was open for students who wanted to use the library. The trees on the grounds were bare of leaves, imparting to the place a mournful aspect, as I recall. There was a thin haze on the Lake but one could see the glistening peak of Mont Blanc in the distance. I mounted the steps and saw that some students had gathered at the door. There were murmurs and I heard the name "Roepke." They looked at me, their faces were ashen, some tear-stained, and I knew that Wilhelm Roepke, doughty champion of liberty and human dignity, colleague, and beloved friend, was dead.

His obsequies were attended by leading scholars and high officials from half a dozen European nations. Condolences came to Eva Roepke from the President of Germany, Heinrich Luebke, from Chancellor Ludwig Erhard, from former Chancellor Konrad Adenauer, from President Saragat of Italy, and from scores of other distinguished persons in Europe and beyond. In his telegram Chancellor Erhard praised Roepke as one of the strongest, most courageous fighters for a free society and an indomitable defender of the rights and dignity of man. "I have lost a true friend," he said, "who was unflinching in offering me guidance and strength. The German Government thanks him for his enormous contribution to the building of the scientific foundations of the social market economy." From the little church in Coligny, not far from his beautiful home on the shores of Lake Geneva, where the funeral services were held, we, several hundred of us, students, friends, and colleagues, followed his bier, banked high with flowers, through the narrow village streets to the cemetery where he was laid to rest. *Requiescat in pace.*

It is important to note that when Wilhelm Roepke died on February 12, 1966, in his 67th year, at his home in Geneva, in the floodtide of his powers, full of honors, and with a veritable mountain of achievement behind him—his bibliography then comprised over 900 items, including some 20 books—this calamitous event was noted on the front pages of virtually every major newspaper in Western Europe. Had there been a Nobel prize for economics during his lifetime—it was first awarded in 1969—he surely would have been a strong contender for it. And for many days thereafter Roepke's life and works were the subject of extensive comment and analysis, not alone in professional economic circles, but in the popular media.

## 8. Roepke and American Economists

In contrast, in the United States his passing went practically unnoticed, though *The New York Times* did manage to squeeze in a reference to it in four lines in the back of the paper as follows: "Prof. Wilhelm Roepke, a German economist and sociologist, died suddenly in Geneva yesterday, following a heart attack, his family said. He was a former advisor to the German Government and author of many books on economic subjects." Worse, in another report of the death, a conservative columnist in a Midwestern newspaper, otherwise admiring of Roepke and his work, referred to him as "this relatively obscure man"! And elsewhere there was silence as well. The wire services carried no account of his passing. But this was simply reflecting an unfortunate fact: though famous in Europe, and in Japan for that matter, and with his name now being heard even in China, Roepke was and is still not

known in United States by any but a few specialists, including those attending this meeting, and the more's the pity.

As late as 1996, this situation had not changed. During the Presidential campaign of that year, audiences were startled to hear from one of the Republican candidates impassioned denunciations of heartless employers and greedy corporations that exported American jobs overseas in search of profit. Such rhetoric had more commonly emanated from ultra-liberal Democrats. The candidate in this case was Pat Buchanan. "Executioners" was the term he applied to such as A.T. & T. that lay off thousands of employees. "These companies are like the creatures in Jurassic Park," he told reporters. Were he to be elected President, he promised a crowd of lustily applauding supporters in New Hampshire, he would "stand up for the working men and women whose jobs are threatened by unfair trade deals done for the benefit of huge corporations."

Where did Pat Buchanan claim to get his economic ideas? When *Time* Magazine posed this question to him, he answered: Wilhelm Roepke, whom *Time* then described as "an obscure German economist who died in 1966." It is to Buchanan's credit that he displayed a more accurate awareness of Roepke's real stature than the *Time* reporter. Doubtless too, Buchanan saw in Roepke's philosophy of "the third road" a worthy exemplar for the United States. More wrong facts, in any case, appeared just this year in Buchanan's book, *The Great Betrayal*, in which, and apart from misspelling Roepke's name, he again claims intellectual kinship with Roepke, though his book is an aggressively protectionist tract at odds with everything Roepke believed and taught concerning the international economy. Compounding the misinformation was a lengthy review of Buchanan's book in *The New York Review of Books* which misidentifies Roepke as an Austrian economist!

If Buchanan could find much in Roepke to support his American-style "conservatism of the heart," it is also clear that the two would have parted company on a number of basic issues, though this is not the place to explore these. It suffices to note here that unlike Buchanan, Roepke is an unequivocal supporter of an international economy in which goods and capital and labor move freely across borders, holding that if the maximization of the welfare of the whole population is the legitimate goal of a market economy, protectionist policies collide directly with that objective by enforcing a lower level of economic efficiency, both at home and abroad, than otherwise would be possible. A large part of his published work is devoted to this theme. To

Roepke, Buchananite xenophobia and economic autarky would have been simply anathema.

Still, thanks to Buchanan, Roepke is today somewhat less "obscure" than he was. It is clearly a puzzle that a man of his immense stature in Europe and who exercised such profound influence on the shape and direction of postwar economic policy there, should have merited so little attention here. It is also paradoxical in that one would have thought it would be precisely in the United States, viewed as a kind of paradigm of capitalism, where Roepke, the eloquent apostle of the market economy, would be an honored prophet. The paradox is only seeming, however—there are explanations. There is first and most obviously the fact that the greater portion of his polemical work—the hundreds of articles on controversial questions of economic policy scattered through the newspapers and journals of Europe—remains as yet unavailable in English. And not all of the English translations, even of Roepke's major works, have been of a quality to ensure a wide readership.

### 9. Roepke's Conservatism

More significant, in my judgment, in accounting for the American ignorance of and/or disinterest in Roepke, is that his "Weltanschauung"—his total conception of economy, society, and human destiny—has found relatively little echo among those in this country who could be presumed to be his closest ideological confreres, the conservative economists. Among these latter, a few of them giants in their own right, will be found those who are straightforward, unapologetic supporters of a laissez-faire economy. But, as noted, one of Roepke's major contributions has been to show the threat posed to the very survival of a free economy by a policy of laissez-faire. Also, there is room for doubt whether Roepke's frequent denunciations of industrial giantism, of the cult of the colossal and of the super-colossal, in short, *of monopolism in all its forms*, has earned him many points with another segment of the American public that might logically be expected to support his ideas—the business community. Consider, for instance, this statement from *Economics of the Free Society*:

"Our economic system stands or falls with competition, since only competition can tame the torrent of private interest and transform them into a force for good... the conclusion can no longer be avoided that the growth of monopoly represents an extremely serious disfigurement of our economic system. To effectively fight monopoly ... it is necessary to have *a strong state* (italics added)—impartial and powerful—standing above the mêlée of

economic interests, quite contrary to the widely held opinion that "capitalism" can thrive only where there is a weak government. The state, unmoved by ideologies of whatever brand, must clearly recognize its task: to defend "capitalism" against 'the capitalists' as often as they try to travel a more comfortable road to profit than the one indicated by the sign 'principle of service' and to shift their losses onto the shoulders of the community."

Further, those who espouse "rugged individualism" and the enthronement of the market economy as the final arbiter in human affairs will not find much to support them in Roepke's work. He was, after all, the author of a book with the title *Jenseits von Angebot und Nachfrage*, i.e., "Beyond Supply and Demand." And in a foreword to an early edition of *Economics of the Free Society*, he had written: "It would be a profound misapprehension to imagine that a slogan embodying a mere return to old-style rugged individualism is the battle-cry that will help us win the spiritual victory over collectivism. For we cannot ignore the fact that the debacle of economic liberalism [read conservatism—PMB] is due in great part to its own insufficiencies, to its abortive endeavors, to its degeneration."

At a later point, he drew a decisive line between his conception of a humane economic order and nineteenth century liberal [i.e., conservative] utilitarianism and its echoes in contemporary economic discourse. Thus he wrote:

"There is a school today which we can hardly call by any other name than liberal anarchism, if we reflect that its adherents seem to think that market, competition, and economic rationality provide a sufficient answer to the ethical imperatives of an economic system.

What is the truth? The truth is that economic life does not go on in a moral vacuum. It is in constant danger of straying from its indispensable ethical moorings unless buttressed by strong moral supports. These must simply be there and, what is more, must constantly be impregnated against rot. Otherwise, our free economic system and, with it, any free state and society must ultimately collapse.

The market, competition, and the play of supply and demand do not create these ethical reserves; they presuppose them and consume them. These reserves have to come from outside the market and no textbook on economics can replace them."

Were Roepke alive today, I believe he would have been appalled by some aspects of what a capitalist culture in the closing years of the twentieth century seems to produce: an obsessive cult of the self, coupled with a lust to have it all now; the rise of the "raiders" and leveraged buyout artists and merchants of junk bonds assiduously dismembering established companies in pursuit of a fast buck, all the while taking on the status of folk-heroes; a chronic blight of homelessness; and the emergence of a seemingly permanent underclass of the poor and uneducated, nourished by crime and drugs. Considering these phenomena and their extension to most parts of the industrialized world, I suspect Roepke would have been moved to ask: Has the market economy lost its soul?

## 10. The Role of Government

Those American conservative economists whose escutcheons bear the maxim "government is the problem, not the solution," will not be enthused by Roepke's approach to the market economy. In the real world, he contended, a viable market economy requires an effective and energetic government committed to providing essential physical infrastructures and establishing and maintaining a stable monetary and fiscal system as well as securing competition and restraining monopoly, whether of capital or labor.

In his view of the functions of government, Roepke had much in common with his great predecessor, Adam Smith. When we read *The Wealth of Nations* with care, we note, some of us, I presume, with great surprise, that Smith was not the unconditional champion of a limitless laissez-faire policy as he is often portrayed. Even in 1776, it was evident that if the maximizing of one's own interests were pursued in an inappropriate or conflicting context of the larger society, e.g., under the threat of war, or where competition is enfeebled or absent, or where other necessary elements of the meta-economic structure are missing, the postulated benevolent social outcomes of the market will be frustrated.

Like Roepke, Smith was an exceptionally harsh critic of individuals and groups whose interests collided with the general welfare and argued in consequence for a strong state to ensure that the two converged. In particular, he worried about the fragility of competition, noting in a famous line that "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." How contemporary that sounds! Would Smith have approved such governmental interventions as the antitrust laws? I

believe he assuredly would have. Certainly Roepke did, approvingly citing the American Sherman and Clayton Acts as examples for all market economies to follow. I venture to say that Roepke, while he would have been admiring of the entrepreneurial spirit of Bill Gates, would also have been solidly in the corner of the U.S. government in its current effort to rein in Gates and his behemoth Microsoft Corporation. Parenthetically, Germany's own antitrust law enacted in 1958, a first of its kind, was modeled after the U.S. law and became known as the "little Sherman Act."

Roepke's teaching concerning the role of government was straightforward and unambiguous. In *The Social Crisis of Our Time* he avers:

"By renouncing this interventionism and the ruthless exploitation of the state by the mob of vested interests, we can create the prerequisites for a trustworthy state and clean public life. But on the other hand, this same renunciation presupposes *a really strong state* (italics added), a government with the courage to govern. A strong state is by no means one that meddles in everything and tries to monopolize all functions. On the contrary, not busyness but independence from group interests and the inflexible will to exercise its authority and preserve its dignity as a representative of the community, mark the really strong state, whereas the state that acts as a maid of all work, finally degenerates into a miserable weakling and falls victim to the vested interests.

A market economy and our economic program presuppose the following type of state: a state which knows exactly where to draw the line between what does and what does not concern it, which prevails in the sphere assigned to it with the whole force of its authority, but refrains from all interference outside this sphere—an energetic umpire whose task it is neither to take part in the game nor to prescribe their movements to the players, who is, rather completely impartial and incorruptible and sees to it that the rules of the game and of sportsmanship are strictly observed. That is the state without which a genuine and real market economy cannot exist. Benjamin Constant envisaged it when he wrote the words 'Le gouvernement en dehors de sa sphère ne doit avoir aucun pouvoir; dans sa sphère, il ne saurait en avoir trop.' ['Outside of its proper sphere, the government should have no power; within its sphere, it cannot have too much.']"

For Roepke, with his pragmatic understanding of and acceptance of flawed human nature, of man as a being who is, in Pascal's words, "ni ange, ni bête" —neither angel nor beast—laissez-faire was always an illusion. Like Adam Smith before him, Roepke thoroughly rejected the notion that the good

society could be best served by a government armed only with the power to protect against external attack and internal civil disorder—the "nightwatchman state, in Lassalle's sarcastic terminology. Hence the positive role he assigns to government, and not only to government but to the institutions of law, politics, history, culture (broadly understood), science, and religion—all of which sustain the market economy and help it to work efficiently and equitably. Collectively, these institutions have the ability to shape and modify the environment within which market processes occur, to the end that inequities and inefficiencies are minimized.

## 11. Public Goods

Over the years, I've endeavored to codify Roepke's teaching with respect to the role of government in a couple of simple propositions. His teachings have, of course, been transmuted through the mysterious lucubrations of the mind of Patrick Boarman, so I hope that Roepke's spirit doesn't suddenly appear to smack me upside the head for distorting or otherwise inaccurately conveying his intentions. But for what it's worth, here is what I've distilled. Government exercises its necessary functions in three major ways: (1) quantitatively, as a supplier of public goods (national defense, fire departments, etc.) and of essential infrastructures (roads, courts, prisons, sewage systems, etc.) which the market cannot or will not supply on its own; (2) qualitatively, as a gyroscope holding the economy to a non-inflationary growth path, to the extent possible, through an uncertain and often turbulent environment, using monetary and fiscal policies for that purpose; and (3) again, qualitatively, as a rule-maker and enforcer.

In the matter of public goods, the essential point is that since the benefits of such goods, as in the case of a lighthouse, for example, will be available to all, there is no incentive for the supplying of it on the part of any private person or group. The lighthouse, in short, qualifies as a "public good" because its benefits are indivisible: if one fisherman receives the good, all do. By analogy, if today one American citizen has a credible national defense, all do. Such a good will not be supplied on a quid pro quo, one-on-one basis, like a loaf of bread or a pair of shoes. This is not due to any inherent defect in the market economy but because it is simply an inappropriate device for the supplying of public goods. This is how it came about that in Philadelphia in 1787 it was agreed that we would all coerce ourselves voluntarily (nice irony) to collectively ante-up the resources needed to supply (or purchase) the required public goods.

Consider: you can't get a bag of national defense at the local supermarket, nor a bag of protection against fraudulent securities dealers or falsely labeled drugs, nor a bag of clean air, for that matter. The same holds true for price stability (absence of inflation), vigorous competition (absence of monopoly), and high levels of employment. None of these desirable things are automatically supplied by an unaided market mechanism. In short, we agreed voluntarily to tax ourselves (forget for the moment about the form of the tax) to provide the wherewithal for the political arm to supply these things, refusers to be subject to fines and/or imprisonment.

In the matter of rules: I now cite Roepke directly in noting that there is a critical distinction between government interventions which are constructive and intended to make the markets work better, such as antitrust laws, and those which are harmful, such as price controls. The latter constitute non-conformable interventions which vitiate the supply–demand mechanism. In other words, market-conforming interventions simply add data to the decision-making process. They alter the rules of the game or add new rules, but they do not intrude into the internal mechanics of the market. On the other hand, government interventions may be counterproductive, even if they are "conformable," where they are excessive in number or obsolete or simply unnecessary. Here Roepke offers a useful analogy with alcohol. Methyl alcohol (non-conformable intervention) is poison and should never be consumed. But even ethyl alcohol (conformable intervention), which is potable, and the source of the great gift to humankind which is a fine wine, can be abused, leading ultimately to sickness or even death.

It is of vital importance to note that the Roepkean model allows for and expects evolutionary change over time in the economy and in the social institutions that surround it. The possibility and desirability of reform, as circumstances change, is the underlying premise of his model. It is at once dynamic, accepting of change and prepared to adapt to it, but also in this process holding to what is permanent in economic science, namely, to those constants in human behavior, embodied in the laws of supply and demand, which, when frustrated or opposed, produce social and economic disorder.

What in the last analysis complicates the issue of where Roepke stands among certain American conservatives is that his interests, as noted above, extend far beyond the merely economic, the merely sociological, the merely political, to the very bedrock of the human condition, to the moral and spiritual, and yes the religious foundations of human existence. With much of this effort to view and to understand man, not only in the exercise of his economic and

social functions, but in the totality of his being, Roepke's colleagues in the economics profession, both here and elsewhere, are undoubtedly uncomfortable. Especially is this likely to be the case for those for whom Roepke's value judgments are either a matter of complete indifference or are grounds for active dislike of his work. This, and the fact that Roepke's purely economic program says in effect to the laissez-faireists on the one side, to the liberal interventionists on the other, and to the totalitarians of whatever hue, a plague on all your houses, helps to explain why his work is a so little appreciated here. He simply does not fit into the defined and accepted ideological categories. But this is our fault, not his.

## 12. Economic Models: the German and the American

**T**he striking current success of the American economy—the unprecedented coexistence of high employment, low inflation, and substantial real growth over an extended period which has characterized it—would have been applauded by Roepke. He would, however, have pointed out that in economics, as with the weather, the future remains uncertain and that the United States, no more than any other nation, is not immune to what is happening in the international economy. Similarly, Germany's economic policy blunders and its repeated deviations in recent years from the prescriptions of the social market economy would have earned his scorn, as indeed they did during his lifetime. He would have been especially heartened by these critical components of the U.S. performance: the unwavering anti-inflationary posture of the American central bank, the Federal Reserve; the trimming back of the overblown American welfare state; and the elevation of fiscal integrity, i.e., the holding of government spending within the limits of its revenues, as a top national priority.

Certainly, too, the current budget surplus of the United States he would have found especially worthy of congratulation, much as had looked back with nostalgia to similar such surpluses in the early years of the German social market economy. He would, I believe, also have cautioned against reading too much into Germany's current economic problems. After all, it remains the strongest economic power in Europe by far; its currency, though soon to be eclipsed by the euro, is the bellwether of all others in Europe; and while unemployment remains too high, per capita income is at an historically high level and rising. Presumably these indicators would be even more favorable but for the enormous additional burdens on the economy attendant on the reunification with East Germany. One may add that precisely because Gerhard

Schroeder, the new Chancellor, is to the left of Helmut Kohl, he may be more successful than the latter could be in trimming back Germany's welfare state to a more sustainable level, much as Clinton managed to do following two Republican Administrations with their legacy of budget deficits. In the German case, that is, of course, a hope rather than a firm conviction.

At a deeper level, Roepke would have been preoccupied by certain cultural and sociological elements that differentiate German, and more generally, European capitalism from the American variant. In his conception of the social market economy, while the autonomy of the individual is accorded first place, attention is also paid to the factors that make for success of the organism, of the group as a whole, as opposed to an exclusive preoccupation with the success of discrete individuals. Thus, companies are seen as organic institutions, deserving of and contributing to continuity and stability. Long-term market success is preferred to short-term gain. Investment in human capital via a universal apprenticeship system assures a relatively frictionless transition of school-leavers into jobs and professions (assuming other key elements of the original German formula are in place). Also, in the German model, businesses rely to a much greater extent on bank credit than on funds procured in the stock market. This allows for long-term investment strategies to be pursued versus the short-term focus of stock financing in which quarterly earnings reports drive decision-making.

The American model, in contrast, lays greatest stress on promoting opportunities for the success of individuals in isolation from group considerations. Further, in this model, in the matter of raising capital there is heavy reliance on stock markets and the short-term calculations that stem from it. A business is seen as a commodity and its assets as acceptable targets for raiders and for friendly or hostile takeovers. Companies are vulnerable to dismemberment, their assets to piecemeal dispersion, with the goal of the arbitrageurs being to make enormous profits quickly. The profits in turn become a magnet attracting the best and brightest young Americans into finance where they become adept in the manipulations and machinations of the "casino economy." Maurice Allais, recipient of the 1988 Nobel Prize for Economics, has noted that the American economy "seems to have given itself over to a kind of frenzy of speculative finance which produces enormous incomes based on nothing really solid, and whose demoralizing consequences have been seriously underestimated." In contrast, in the uncorrupted German model, such mergers as occur are normally pursued in the context of long-term benefits to the fused entities and a commitment to make something and sell it, not just engage in a complex game of exchanging pieces of paper.

In the American model, defending against raiders and predators tends to preclude the elaboration of any kind of rational industrial strategy. Rather, the efforts of managers and workers alike are directed to channeling energy and resources into maximizing of short-term profitability to keep the stock price high and placate shareholders. The organic concept of a company in which managers, employees, shareholders and directors are joined in a community of mutually shared interests is replaced by a concept of a company as a cash-flow machine. Companies, their employees and their customers, are seen as disposable, expend-able quantities. As he had in the past, so too, I believe, would Roepke today deplore and abjure this kind of capitalism. And he would point to the supreme irony in which the elevation of "the bottom line" to the first place in the scale of values, i.e., the pursuit of profit in a moral vacuum, can also weaken capitalism.

### 13. Homo Economicus vs. Homo Religiosus

The concerns expressed in the foregoing section are arrayed in a more general, partly philosophical context in Roepke's partly autobiographical essay, "The Economic Necessity of Freedom":

"The defender of a 'liberal' economy must make plain that the realm of economy in which self-interest develops, constrained by legislation and competition, is not set against but enclosed within the realm in which is developed man's capacity for devotion, his ability to serve ends that do not look to his own immediate betterment. Society as a whole cannot be based on the law of supply and demand, and it is a good conservative conviction that the state is more than a joint-stock company. Men have to be united by a common ethic; otherwise competition degenerates into an internecine struggle. Market economy is not in itself a sufficient basis of society. And man is more than a mere economic animal. The desideratum of orderly freedom requires that man voluntarily accept the community's prior rights as against certain short-term satisfactions of his own, and he must feel that in serving the community, he ennobles his own life with the *philia* by which, according to Aristotle, men are united in political society. Without this, he leads a miserable existence, and he knows it."

In this same essay, Roepke exposes to us the core value around which his life and work revolved:

"This brings me to the very center of my convictions, which, I hope, I share with many others. I have always been reluctant to talk about it because I am not one to air my religious views in public, but let me say it here quite

plainly: the ultimate source of our civilization's disease is the spiritual and religious crisis which has over-taken all of us and which each must master for himself. Above all, man is *Homo religiosus*, and yet we have, for the past century, made the desperate attempt to get along without God, and in the place of God we have set up the cult of man, his profane or even ungodly science and art, his technical achievements, and his State. We may be certain that some day the whole world will come to see, in a blinding flash, what is now clear only to a few, namely, that this self-idolatry has created a situation in which man can have no spiritual and moral life, and this means that he cannot truly exist as man for any length of time, in spite of television, motor speedways, pleasure cruises, and air-conditioned modern architecture. It is as though we have wanted to add to the already existing proofs of God's existence, a new and ultimately convincing one: the destructive consequences of His assumed non-existence."

So spake the Sage of Geneva.

#### 14. Il faut cultiver notre jardin.

I close with a passage from one of Roepke's last letters to his sister, Grete Willgerodt, dated April 1, 1965, that displays, among other things, his passion for gardening.

"My dear Grete,

When I rest, I feel exceptionally well and recently I've been sleeping quite soundly. Rest is what my two doctors have prescribed as the most important medicine: no physical exertion and no psychic stress. Conclusion: no more trips, neither to Rome, nor, as we were hoping to manage as a substitute, to southern Germany, or even to Zurich.

The business of being confined to Cologne is not at all cause for disappointment. We have discovered a new formula for happiness: to plan a trip and then to stay home, where it's so beautiful. At this very moment, there's all kinds of things to be taken care of in the garden. Hyacinth, tulips, narcissus, scilla, arabis, crocuses of course, anemone—everything is already blooming; and ribes sanguinea and forsythia will soon be sprouting buds. The lawn awaits its first mowing; in that massacre will be caught up, regretfully, dandelion and similar inferior species! It's time for the first seeding, and so on. I must clean out the pond, drain it to the bottom, and in the process speak nicely to the fishes so that they understand that I only mean them well. Watching them dart about

in the clear water so merrily, I have the feeling that they've understood that a guardian angel has watched over them. Are we not really like these fishes?"

That is the end of the letter. In tandem with it, it is worth noting that Voltaire's famous aphorism, "Il faut cultiver notre jardin," was one of Roepke's favorites. It appears often in his writings and illumines his two deepest attachments: on the one hand to home and hearth, to all that is made to the measure of man, and beyond that, to liberty. Thus his fierce determination to battle tyranny from wherever and whomsoever it might come.

## 15. Honors

Wilhelm Roepke was the recipient of innumerable honors and decorations, among them the Cremisini prize for literature in translation (Italy), the doctorate honoris causa from Columbia University, the University of Geneva, and the Technical University of Munich, and the Grand Cross of Merit with Star of the Federal Republic of Germany. The citation which accompanied the presentation to him of the Pirkheimer Medal in 1962 expresses tersely but accurately the essential orientation of his whole system of thought: "The measure of the economy is man. The measure of man is his relation to God."

### **Major Works of Wilhelm Roepke in English or English Translation**

*German Commercial Policy*, William Hodge & Co., London, 1934.

*Crises and Cycles* (tr. of *Krise und Konjunktur*), William Hodge & Co., London, 1936.

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