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**Colloque Wilhelm Röpke (1899-1966)**

The Relevance of his Teaching Today:  
Globalization and  
the Social Market Economy

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## Summary

<b>Biographical note</b>	<b>5</b>
<b>Introduction</b>	<b>6</b>
<b>Préface du professeur Peter Tschopp</b>	<b>7</b>
<b>Wilhelm Röpke, the Social Market Economy and Today's Domestic and International Order</b>	<b>8</b>
Otto Hieronymi, Head, Program of International Relations, Webster University, Geneva	
<b>Wilhelm Röpke, l'Europe et le modèle suisse</b>	<b>33</b>
Peter Tschopp, directeur HEI	
<b>Röpke: le rôle du visionnaire</b>	<b>37</b>
Franz Blankart, ancien secrétaire d'Etat, associé commanditaire de MM. Mirabaud & Cie, professeur associé HEI	
<b>Wilhelm Röpke et l'explication économique du monde moderne</b>	<b>42</b>
Emilio Fontela, professeur honoraire, Université de Genève	
<b>The Teachings of Röpke and Today's Students</b>	<b>44</b>
Alessandra Roversi, President, Student Association Committee HEI	
<b>Wilhelm Röpke and Humanism and Humanitarian Values Today</b>	<b>52</b>
Chiara Jasson, Graduate Student and Assistant, Program of International Relations, Webster University, Geneva	

### **Globalization and the Social Market Economy**

The Relevance of Wilhelm Röpke's Teaching Today

Proceedings of a Seminar Held in the Framework  
of the 75th Anniversary of the Graduate Institute of International Studies (HEI-Geneva)  
on 18 April 2002.

## Biographical note

Wilhelm Röpke, economist, philosopher and sociologist, was Professor at the Graduate Institute of International Relations from 1937 until his death in Geneva in February 1966. During this period, he was one of the best known among the Institute's professors in Europe and overseas.

Röpke was one of the most articulate liberal critics of collectivism and of both communist and national-socialist and fascist totalitarianism of the 20th century. Having warned from an early date of the consequences of national socialism, once Hitler came to power Röpke was removed from his professorship in Marburg and had to flee from Germany.

As a scholar, Röpke made great contributions to the understanding of the functioning of the market economy, of the role of the state and of recreating a liberal international economic order. A life-long liberal, he also believed that without respect for moral and ethical values and a sense of solidarity, the market economy could not survive.



Röpke belonged to the small group of scholars whose work had a decisive impact in shaping the world after 1945. He made a major contribution to the development and implementation of the "social market economy" in Germany, probably the most successful economic and political model of the 20th century. Beyond his influence as an adviser of Ludwig Erhard, Röpke also played an important role in the broader moral and political reconstruction and recovery of Germany and of its reintegration into the Western community of nations. In 1959 Harry Gideonse wrote about Röpke: *"[he] has been classically liberal in the enduring sense of a commitment to a balance between individual and community life. No single individual in this generation has done more to clarify the basic requirements of a free society or to expose the fallacies in exclusive pursuit of one social value at the expense of all others"*.

His principal books include *Crises and Cycles*, *The Economics of the Free Society*, *International Economic Disintegration*, *The Social Crisis of Our Time*, *Civitas Humana*, *International Order*, *The German Question*, *Mass und Mitte*, *Gegen die Brandung (Against the Tide)*, *The Humane Economy*.

## Introduction

### Wilhelm Röpke (1899-1966)

#### The Relevance of His Teaching Today

Röpke, a refugee from Hitler's Germany, was a Professor at the Institute from 1937 until his death in February 1966. An economist and philosopher, Röpke was also a courageous fighter for freedom, human dignity and a humane society. Röpke played an important role in shaping the free and multidisciplinary tradition of the Institute and through his writings contributed to establishing its international reputation. He is probably best remembered for his contribution to the concept and the success of the social market economy, which has been one of the main factors responsible for the prosperity and social stability of Germany and Europe during the last 50 years.

Röpke's writings also remain highly relevant for today's "great debates" about economic policies, moral and political values, and international and domestic order. As an example, one may recall his warning against the dire consequences of excessive concentrations of power whether in business or in government. Equally important to remember today is his demonstration that excessive *laissez-faire* attitudes and policies (which ignored the social and moral dimensions of the economy) and the collectivist authoritarians on the right and the left bore the joint intellectual and political responsibility for the crises of the 1920s and 1930s and for the destruction and suffering that these crises engendered.

**Otto Hieronymi**  
**Chiara Jasson**  
**Alessandra Roversi**  
Organizers

## Préface

Ce compte-rendu d'un colloque tenu le 18 avril 2002 rend hommage à l'un des professeurs de l'Institut dont l'influence et le rayonnement ont été exceptionnels. Il aurait été inconcevable de ne pas se souvenir de Wilhelm Röpke dans le contexte des événements qui ont jalonné le 75<sup>e</sup> anniversaire de HEI.

Röpke est l'un des rares expulsés d'Allemagne qui ait été contraint de quitter son pays en raison de ses convictions plutôt qu'en raison de la politique raciste de l'époque. Il était l'un des derniers économistes humanistes à marquer profondément le devenir des économies de marché. Depuis sa disparition le rôle de *Vordenker* de nos économies et de nos constitutions sociales a glissé de l'Europe vers l'Amérique.

L'initiative de ce colloque est due au professeur Otto Hieronymi, ancien de HEI et professeur à la *Webster University*. L'Institut lui exprime sa gratitude en publiant les actes de ce colloque dans sa série des « Cahiers HEI ».

**Peter Tschopp**  
Directeur de l'Institut

## Wilhelm Röpke, the Social Market Economy and Today's Domestic and International Order

Otto Hieronymi, Head, Program of International Relations, Webster University, Geneva

In my paper I will address three main issues:

First, I will indicate the main reasons for holding this discussion dedicated to Röpke's work and why I believe we should be paying more attention to what Röpke had to say about the problems of his time and to the remedies he suggested<sup>1</sup>.

Second, I will give a brief overview of the scope and some of the key aspects of Röpke's work, of his diagnosis of the origins and nature of the terrible crises and disorders of the 20th century not only at the level of the economy and society, but also at the level of ideas and values, and of his contribution to the emergence of a new domestic and international order to which we owe in the Western world our unprecedented record of freedom, peace, prosperity and social promotion and stability since the 1940s.

Third, I will discuss the concept and the relevance of Röpke's ideas and of the social market economy in the context of the current debate about globalization and about domestic and international order.

### 1 Why Röpke?

Wilhelm Röpke was a professor at the Graduate Institute of International Studies (HEI) for almost 30 years, from 1937 to 1966, the year he died of a heart attack at the age of 66. He was one of the early refugees from Hitler's Germany. First, he followed an invitation by Kemal Atatürk to teach in Turkey. He came to Geneva to join the faculty of the Institute in 1937 on the invitation of William Rappard<sup>2</sup>.

Röpke was a gifted and prolific writer<sup>3</sup>. His numerous books and articles were written both for his fellow scholars and for a broader public. During his years at the Institute Röpke was one of the best known among the Institute's professors in Europe and also overseas. Röpke helped shape the spirit of the Institute and made a major contribution to its international reputation.

Jacques Freymond, Director of the Institute, wrote about Röpke in 1959:

*«Tous ceux qui, pendant ces vingt dernières années, sont passé par l'Institut s'accordent pour reconnaître en Wilhelm Röpke un de ces maîtres en qui s'incarne la tradition séculaire de l'Université, un maître qui est à la fois professeur et pro-*



*phète, qui suscite des vocations et des disciples... Tous les étudiants...lui sont reconnaissants de leur avoir appris à sortir des cadres étroits de l'économie politique, pour tenter d'expliquer la société dans son ensemble»<sup>4</sup>.*

This, by itself, would be a sufficient reason to remember him on the occasion of the 75th anniversary of the foundation of our *Alma Mater*. In fact, his name was closely associated with the Institute during almost half of the life of HEI. Beyond the respect for tradition and the interest in the origins of today's Institute, there are also other more important reasons for taking up a dialogue with Röpke's ideas beyond our desire to pay our respect to an important scholar from the past.

The 20th century was the period that witnessed the greatest contrasts in terms of war and peace, in terms of prosperity and poverty, and ultimately in terms of the quality of economic, political and social systems.

The first half of the century saw the First World War, followed by the emergence of totalitarian ideologies of the Left and of the Right, of Communism, Fascism and National Socialism, the Great Depression and the Second World War.

If the world in which we are living today is not a copy of the first half of the 20th century, this is due to a large extent to the development of concepts and policies that helped put the Western countries first and increasingly also other areas of the world, on a different track.

Harry Gideonse wrote about Röpke in 1959:

*“He has been classically liberal in the enduring sense of a commitment to a balance between individual and community life. No single individual in this generation has done more to clarify the basic requirements of a free society or to expose the sophomoric fallacies in exclusive pursuit of one social value at the expense of all others”<sup>5</sup>.*

Thus, Röpke belonged to the small group of scholars whose work played an important role in shaping the world after 1945. Most of these worked during and after the War in the United States and England. Some of them, like Röpke, wrote in Switzerland, Australia, New Zealand, or other countries that had been preserved from Nazi domination, whereas others were to be found on the Continent, in France, Italy, or Germany.

In fact, rarely in the history of mankind was the role of ideas as important as in the wake of the Second World War.

The unique challenge was:

- (1) to analyze and to understand the factors that led to the profound crises of the interwar period, to the emergence of the totalitarian regimes of the extreme left and the extreme right, to the Great Depression and ultimately to the Second World War, and
- (2) to draw the right lessons and conclusions and to make the right recommendations both to political leaders and decision-makers and to a disoriented public at large.

The list of titles and the themes of some of Röpke's books show the scope and the depth and vision of his scholarship. It also reads like a veritable program for a *humane society*.

My list of his principal books includes *Crises and Cycles*, *The Economics of the Free Society (Die Lehre von der Wirtschaft)*, *International Economic Disintegration*, the trilogy, *The Social Crisis of Our Time*, *Civitas Humana*, and *International Order*, *The German Question*, a very important book, which unfortunately is out of print in German as well as English, *Mass und Mitte*, the title of which is very difficult to translate (the best I can come up with is *Measure and Balance*) but which expresses the best his philosophy and character, *Gegen die Brandung (Against the Current)*, *The Humane Economy (Jenseits von Angebot und Nachfrage, Beyond Supply and Demand)*, and finally, *Confusion and Truth (Wirrnis und Wahrheit)* and *The Fronts of Freedom (Fronten der Freiheit)*<sup>6</sup>.

Röpke was both an economist and a political philosopher, and today we would also call him a theorist of international relations.

It has often been said that for many economists Röpke was too much of a philosopher, whereas for many philosophers (especially those who saw the world through the narrow or distorted vision of Nietzsche, Wittgenstein, Heidegger or Jean-Paul Sartre) he was too much of an economist, who paid too much attention to such mundane issues as the material well-being and freedom of people.

In fact, Röpke saw himself foremost as an economist, and his theoretical and practical contributions were the most important in the area of economics. He was, however, much more than an economist in the narrow technical sense, especially according to present day definitions. This was not only because of his extensive interest and knowledge and his ability to understand and to innovate in complex areas beyond the narrow field of economics. It was primarily because he believed and taught that in order to be a good economist one had to have a broader knowledge of the workings and the values of society.

The unprecedented success since the 1940s of the Western liberal-democratic political, economic and social model has been the result to a significant aspect the outcome of the analyses and of the often passionate debate about the main features of the good society and about the best road to reach it.

The principal contributions of Röpke's ideas to the recovery and prosperity of Germany, Europe and the Western world at large can be summed up in two points:

- 1 the liberal open market economy is an essential part of a liberal democratic political system. For the market economy, however, in the long run, the social dimension of society must not be neglected. Also, the government has important responsibilities to assure the proper working of markets.
- 2 the second point is that competition and the narrow pursuit of self-interest cannot be the only organizing principles of society. We need a set of meta-economic values that assure that the interest of the community and not only of the individual will be respected. (*"It cannot be said often enough that in the last resort competition has to be circumscribed and mitigated by moral forces within the market parties"*)<sup>7</sup>.

These are in fact the two points that by themselves would justify a reading or rereading of Röpke today: these are the points today, when the liberal market economy has triumphed beyond all previous hopes, that are most systematically forgotten and denied in our globalized world and world economy.

## 2 Key Ideas and Contributions

### *Domestic and International Economic and Financial Instability*

As a young economist Röpke, like so many of his contemporaries was deeply concerned about the causes and consequences of the Great Depression of the 1930s. As a member of the so-called Braun Commission, he was opposed to the ill-fated attempt to combat unemployment through fiscal restrictions.

In his book *Crises and Cycles* Röpke distinguishes between ordinary fluctuations in the business cycle from economic crises when additional shocks and downward pressures prevent the normal course of recovery. In this second type of situation clearly there is need for stimuli to break the downward cycle. At the same time, Röpke warned throughout his professional career that the attempt to eliminate altogether fluctuations in demand and production through an activist monetary and fiscal policy leads to inflation and to additional economic distortions<sup>8</sup>. Röpke also saw exchange controls as a danger-

ous interference with both economic freedom and with economic efficiency. He was, however, also very much aware of the dangers of *destabilizing short-term capital movements*: these can interfere with efforts to maintain domestic monetary stability and can also lead to excessive external indebtedness. Efforts to check speculative short-term capital movements while allowing freedom for long-term loans, portfolio investments and direct investments are an example of government interventions that strengthen rather than weaken the market economy<sup>9</sup>.

One of the central themes of Röpke's work was the importance of a healthy and open world economy. Protectionism and discrimination, quotas and exchange control, were not only sources of economic inefficiencies and of reduced living standards, they were also an unwarranted interference with economic freedom. They were also frequent causes of frictions between nations and could ultimately lead to war. Röpke believed with Adam Smith that trade contributed to global prosperity and that liberal states that trade with each other are less likely to settle their differences through war than through negotiation.

In his book on *International Economic Disintegration* he analysed the international transmission and amplification of economic instability and disturbances. One of his major conclusions was, that without adequate safeguards and discipline, international economic integration could lead to the rapid transmission and amplification of economic and financial instability. Röpke clearly saw that this was a direct cause of the backlash, i.e. the return to protectionism and the collapse of the international monetary system.

#### *The Critique of Classical Liberalism: the Third Way*

Among all the leading liberals and advocates of the return to a market economy in the post-war period, Röpke was probably the one who had provided the most incisive analysis of the shortcomings of "unbridled classical capitalism" and of "Manchester type liberalism". Before and during the Second World War he argued time and again that "genuine market economy and a competitive structure are just what capitalism has not been for the past fifty years, and this has been to an ever greater and disturbing extent"<sup>10</sup>.

The central thesis of *The Social Crisis of Our Time (The Third Road)*, the path-breaking first volume of his famous trilogy (the second and third volumes bear the titles: *Civitas Humana and International Order*) is that these shortcomings of classical freewheeling capitalism played an important role in the

collapse of the liberal economic and political order. There was in fact an excessive concentration of private economic power, which ultimately undermined the proper working of markets.

The state and its institutions provided sufficient safeguards neither against the exploitation and pauperization of large segments of society, nor against the abuses of private economic and market power. Thus, according to Röpke, the state has an important responsibility to assure the proper and equitable working of the market economy. This task of monitoring cannot be left exclusively to the "self-discipline" of market participants.

*The Social Crisis of Our Time* (the literal translation of *Gesellschaftskrisis der Gegenwart* is the *Crisis of contemporary society* or *Today's crisis of society*) was the first pillar. In this book, Röpke analyzed the intellectual, moral and economic crisis of Western values and Western civilization: for him, the emergence of the mass society, the emergence of totalitarianisms as ideologies and as oppressive power systems represented both the intellectual and moral confusion of the 20th century. However, this was also the result of the shortcomings of the prevailing liberalism. Liberalism without a community spirit, capitalism without responsibility and without solidarity, were bound to lead to a profound societal crisis. The solution was not collectivism or a return to the 19th century model of *laissez-faire* capitalism. It was *The Third Way, Der Dritte Weg*, which was the subtitle of this important book: "...we are trying to solve the problem of reconstructing the world economy by a "Third Way", i.e., by an economic and social structure which releases us from the sterile "either-or" of collectivism and *laissez-faire* and which seems us the only possible way out, both domestically and internationally"<sup>11</sup>.

#### *The Dangers of Centralization and of Concentration of Power*

Decentralization was an important political, social and economic objective for Röpke. He saw in all concentrations of all kinds of power a threat to freedom and ultimately also to peace.

One of the recurring preoccupations of Röpke had to do with the "cult of bigness, for the sake of bigness". Röpke was too much of a liberal economist to be a simple romantic marked by simple nostalgia for smallness or for pre-industrial ways of life. He strongly believed in competition, in the benefits of trade, of innovation and of free entrepreneurship. His concern with the pursuit of bigness was based both on an analysis of economic, and of social and political factors: "...in the name of a genuine market economy we have

turned our back on monopolies, concentrations of business and mammoth capitalism; and in the name of a positive economic policy guided by wisdom and humanitarian principles declared ourselves in favour of an amelioration of the hardships and trials of the weaker elements in society...<sup>12</sup>". Without trying to reproduce the whole range of the results of his observations, the following points illustrate the convergence of the economic, social and political arguments.

At the *economic level* three key points should be mentioned: (1) the threat represented by both private and state monopolies and oligopolies to competition and economic efficiency. He recognized the tendency of companies to try to eliminate competition and he argued that the freedom of markets had to be protected not only against state intervention but also against private greed. Röpke also correctly pointed out that the actual or potential economies of scale are often exaggerated by companies in order to justify their anti-competitive policies; (2) excessive economic and financial concentrations would lead to greater economic fragility, and (3) excessive concentration would squeeze out small and medium-sized enterprises who play an essential economic role as a source of innovation and flexibility.

At the *social level* also three points will be enough to show the main thrust of his arguments: (1) economic concentration creates an excessive dependence of people on a single or a few employers, it reduces the space for freedom, initiative and the right to be different; (2) as a result it contributes to depersonalizing social relations and leads to "homogenization", to a "mass society" ("Vermassung"), and (3) economic concentration tends to increase rather than attenuate income differences.

Finally, excessive concentration of economic and financial power is a major political threat: (1) there is a real danger that the line between the common or public good or interests, on the one hand, and the interests of large companies becomes increasingly blurred; (2) the second danger is that economic concentration, directly or indirectly, tends to corrupt the political system, by the holders of private economic power exercising an undue influence on government decisions, on legislation, on public opinion and on the electoral process; (3) finally, the concentration and actual or potential misuse of private economic power are among the most powerful arguments for the transfer of economic decisions from the private to the public sector and for the concentration of economic power in the hands of the government. Thus, excessive concentration of economic power may undermine the necessary

political support for the market economy and may lead to increased government control and even to a planned economy.

### *Economics and the Free Society*

In Röpke's philosophy *freedom* was among the highest values and objectives both for individuals and for society at large. This marked deeply, throughout his life, both his political combat and his scholarly work. The twentieth century produced some of the most systematic and extensive deprivations of freedom in human history – and often in the name of ideologies that misused the very term “freedom”. For Röpke freedom was not an abstract concept that could be ignored when dealing with more “technical” economic or social issues.

At the same time true freedom must not be confused with the anarchy of the state of nature. The concepts of freedom and responsibility, freedom and community are concepts that are closely interconnected. Thus, “the equilibrium of the forces of individuality and collectivity is the indispensable condition and prerequisite for the wholesome development of individual energies and for the accomplishment of lasting freedom<sup>13</sup>”.

The 1940s and early 1950s were a period when many economists, in particular among those who were advising the American and British governments maintained that the market economy may be an appropriate economic system for a strong economy like the United States, but the weak economies of Europe (and in particular the German economy) could not afford a strong dose of economic freedom.

These prominent economists, who otherwise were great advocates of democracy and political freedom, maintained that in order to be able to reconstruct the European economies and to start improving living standards, systematic government controls and planning were indispensable. One of the leading lights among these opponents of a return to a liberal market economy in Europe in general and in Germany in particular, was the famous Swedish economist Gunnar Myrdal, for many years Secretary General of the Economic Commission for Europe of the United Nations here in Geneva.

Röpke was a convinced and articulate exponent of the case for the market economy over the collectivist, planned economy. He argued convincingly that the superiority of the market economy over the collectivist economy was not due only to its greater efficiency, but also because it was the only system compatible with a free and responsible society. Röpke even maintained that were the market economy less efficient than the collectivist economy (which is not the case),

the former would still be preferable because of the severe restrictions imposed on the citizens' freedom by the state in a collectivist, planned economy.

Röpke strongly rejected the view, held by many before and after the Second World War, including the famous Italian philosopher and historian Benedetto Croce, that economic freedom was not an essential category of freedom, and a society where all the major economic decisions were made by the state and all the factories, etc. were owned by the state, could still be called a free society, provided the citizens retained the political right to vote<sup>15</sup>. His disagreements were even more pronounced for example with the influential English political scientist Harold Laski who in his case against the market economy, argued that not only was the lack of economic freedom not a major political and societal issue, but even the lack of political freedom was excusable if the goal was to build a socialist society<sup>16</sup>.

#### *Röpke and the Social Market Economy*

The expression "social market economy" designates the most successful European approach to achieving simultaneously economic growth and efficiency, on the one hand, and social cohesion and stability, on the other hand. Since the 1948 German currency reform it became synonymous with the "German economic miracle". Also, much of the credit for the enviable performance of Switzerland during most of the postwar period, in terms of general prosperity, economic, monetary and social stability, and general quality of life, has to go to the model of the social market economy.

Although the use of the term has been usually limited to Germany and Switzerland, during the last fifty years the concept has had a profound influence on economic and social objectives and policies, legislation and institutions throughout continental Western Europe. Under different designations, the concept has been largely responsible for the unprecedented performance in terms of economic growth and social cohesion of the majority of the Western European economies in the last fifty years.

It may also be argued that today, this model deserves particular attention in the light of the debate about the social impact of globalization.

Röpke was not only German (as many were in that group of scholars I mentioned above) but he also followed very closely what had happened and what was happening in Germany.

Röpke's diagnosis and recommendations had a particular relevance for Germany and had a unique echo in post-war Germany. Röpke's influence and close



intellectual ties to Ludwig Erhard and his contribution to the development of the concept and to the success of the model of the German social market economy are well known and well-documented<sup>17</sup>.

The success of the German economy, the German economic miracle (*Wirtschaftswunder*) after 1948 was based on the concept and the implementation of the social market economy, which until today remains the most successful economic and social policy model in modern history. Ludwig Erhard, in public and private, regularly paid full tribute to the role of Röpke's books and advice in shaping his own ideas and policies.

The expression "social market economy" was not coined by Röpke. But he developed some of the essential elements of this concept, in particular in his famous trilogy written during the war in Geneva.

The principal thesis of Röpke's *Social Crisis of Our Time* is that *social and societal cohesion are an essential condition for the efficient working of a liberal economy*:

"The grave risks involved in the intricate inter-dependence of individuals can only be borne if a strict legal order and an unwritten but generally recognized code of minimum ethical standards ensure that all members of a society based on the division of labor, feel secure in an atmosphere of mutual confidence and safety. Economic integration ... can only develop to the extent to which the conditions providing a successful legal system and an accompanying ethical code are fulfilled<sup>18</sup>".

As mentioned above, according to Röpke, it was the crisis of the community, the absence of an adequate social cohesion and network that led to the crisis of the capitalist economy. The rise of collectivist and totalitarian economies, the Great Depression of the 1930s did not prove the superiority of the planned economy over the market economy. They showed, however, that in the liberal market economy, with its competition and performance-based distribution of income, it is indispensable to create compensating mechanisms to protect the less efficient, the underprivileged from marginalization.

The conditions for the development of such a societal and social cohesion were described in *Civitas Humana*, the second volume and one of Röpke's most beautiful books, and the need for a liberal, open world economy as a condition for peace in *International Order*, the third volume of the trilogy.

Contrary to widespread misconceptions the "social market economy" is not to be confused with the so-called "welfare state" (based primarily on the redistribu-

tion of income and government control of the economy).

While based on a liberal philosophy, the “social market economy” is also fundamentally different from the extreme versions of liberal economics, in particular those identified with the Chicago school of economics.

As noted above, the central element is the theoretical insight, borne out by experience that social strife, lack of social policies and of social cohesion tend to reduce economic efficiency and weaken public support for the market economy.

The fundamental difference between the “social market economy” and the “welfare state” is that the value system of the social market economy is based on solidarity, whereas that of the welfare state on egalitarianism, which is contrary to the liberal philosophy. This is also the meaning of the core contribution of Röpke that without ethical and political values, which are above or beyond economics the liberal market economy cannot function properly and will not survive in the long run.

What distinguishes the social market economy in general and Röpke’s philosophy in particular from the hard-core “libertarians” who take their lead from Ludwig von Mises and Milton Friedman, is that the former do not consider the social concern as an unnecessary (or even dangerous) luxury, but as an essential condition for the efficient functioning of the market economy.

The social market economy creates the basis of a widely based prosperity. At the same time, an efficient market economy generates sufficient resources to pursue a social policy in favor of the less successful or the underprivileged. This point was summed up by Jacques Rueff at the time of the successful monetary reform carried out by the French government based on the “Rueff plan”: *«Son néolibéralisme...n’est que l’expression d’une exigence majeure: celle d’une société fraternelle, mais efficace, qui ajoute au souci de donner, celui de produire les richesses à donner. Wilhelm Röpke est trop réaliste pour ne pas savoir qu’une politique sociale généreuse exige une politique économique de large production et de rendements»*<sup>19</sup>.

#### *Beyond Supply and Demand: The Moral Recovery of Germany*

From the start, the Federal Republic benefited from the presence of outstanding political leaders (Adenauer, Erhard) who were not tainted by any sympathy for National Socialist ideas or involvement in the crimes of the Nazi regime.

At the same time, the United States and American leaders, (the names of President Truman, George Marshall, Christian Herter, Dean Acheson, Lucius Clay, President Eisenhower and John Foster Dulles come immediately to the mind)

deserve great credit for helping define and transmit some of the basic concepts and values for the new democratic Germany and for providing guidance and support in this complex task as well for extending the same solidarity to Germany as to the other European nations.

Similarly, the leaders and the founding fathers of the "new Europe" (the names of Churchill, Attlee, Bevin, Schuman, Spaak, de Gasperi, Luigi Einaudi belong on any short list in this context) through their trust in the possibility of a fundamental change for the better contributed to the success of German political and moral recovery.

It is clear that without a profound change in Germany itself neither the American, nor the European trust and help could have achieved the hoped for reintegration of Germany into the European and Western community of nations.

Röpke was not only aware of this challenge (cf. *The German Question*), but he also played a unique role in helping give Germany a *new moral compass*.

A quote from an article of his in the *New York Times* at the time of the 1948 economic crisis and the German currency reform sums up well Röpke's perception on political and economic order in the new Germany before and after 1948:

"The fifth condition to assure success (of the currency reform) is the most far-reaching and perhaps the most important one. Can monetary and economic reform attain its goal of incorporating western Germany economically, politically and morally into western Europe if it is not accompanied by a complete change of the general political and moral atmosphere in western Germany? It would be a fatal mistake to believe that economic recovery is a question of the proper technique of economic and monetary policy and to conceive in terms of material conditions and incentives (alone)<sup>20</sup>."

In fact, Röpke's influence in Germany went well beyond the field of economics and economic policy and his role as an adviser of Ludwig Erhard, however important his contribution was in this context. In fact, Röpke played an important role also in the broader moral and political reconstruction and recovery of Germany and of its reintegration into the Western community of nations.

Röpke had recognized from an early date, well before 1933, the mortal danger that National Socialist ideology represented for Germany and its humanist tradition and ultimately for civilization as a whole. Unlike so many other German professors, including Martin Heidegger, he had been a fearless and articulate opponent of the National Socialists, before and after the arrival of Hitler to power.

Thus, from 1945 on Röpke had unique intellectual, moral and political credentials to help Germans understand the nature, the origins and the extent of the

moral, intellectual and political catastrophe that they had brought on themselves and on the world, and to help them find their way back to *the values and the structures of a decent, humane and free society*.

Thus, there is no doubt that among the German scholars in exile mentioned above, Röpke was the closest to the reality and the needs of Germany after the war, and that his ideas met by far the broadest echo.

Today, it is difficult to reconstruct what the books and articles of Röpke meant for what had been the German elite, and for the German population at large, that realized how deeply Germany had sunk, and that were in desperate need of political and moral orientation for a return to the community of civilized nations.

Today, almost sixty years later, we know how important the Federal Republic's undisputed success in this broader area beyond economics of a *return to normalcy*, accomplished without forgetting the weight of the sins of the past, has meant not only for Germany, for the German people, but also for Europe, the Western Community and the world at large. That this success could not be taken for granted from the start was well illustrated by the political and moral bankruptcy of the East German regime, which had incorporated, under a different color and ideology many of the habits and methods of the National Socialists.

#### *Reform and Tradition*

Röpke was a defender of the principle of "subsidiarity" well before this term entered the vocabulary of European integration.

For Röpke the crises of the 20th century resulted both from (1) a breakdown of "systems" and (2) from a crisis at the level of ideas and values. The two phenomena were connected and reinforced each other, leading to the two world wars and to the emergence of the totalitarian regimes on the left and on the right.

The origins of the two categories of crises go back to the 19th century. The excessive emphasis on material progress, the lack of corrective mechanisms in the "Manchester model" of liberalism, the concentration of economic power in private hands and/or in the governments, the lack of solidarity with the disadvantaged, all contributed to the undermining of the liberal economic and social model.

Röpke believed in the need and in the possibility of economic and social reforms. He also saw the importance of institutions and of the appropriate legislation in assuring the success of the market economy.

At the same time he also saw the danger of excessive reliance on “social engineering”. He believed in the importance of traditions, but was not an unconditional defender of all traditions for the sake of traditions. Finding the right balance between traditions and reform and innovation, between defining and selecting general principles and applying them to the specific conditions of each country and nation, represented the main tasks and challenges for scholars and political leaders.

### **3 Röpke, globalization and the current debate about domestic and international order**

The last 25 years have seen a strong reaffirmation, in theory and practice, of the market economy over state interventionism, of the open economy, free trade and convertibility over protectionism and exchange control. The triumph of the “market” over the “State” at the intellectual level as in practical policies has not been limited to the Western world, to the advanced industrialized countries.

The revival of liberalism, which gave the intellectual underpinning to the phenomenon of globalization (liberalization, deregulation and privatization) initially started in the United Kingdom and in the United States. Having started in Britain and in the United States (where intellectual and academic as well as political resistance had been the greatest until the early 1970s to the ideas of liberalism in the European sense), it has become a veritable universal phenomenon in the last 15 years.

As we all know, it has contributed in a major way to the end of the Cold War and to the collapse of the Soviet empire. Liberalism, in the best sense of the word, has been and remains our best hope for a peaceful, free, democratic and prosperous world for a long time to come.

#### *Globalization and Liberalism*

Despite the great achievements of this “second liberal revolution” since World War II, despite the political and intellectual triumphalism, it is clear that globalization in its present form is far from having provided a solution for all problems of contemporary society.

There is a growing awareness that globalization in its present form has created new problems for domestic and international order. In fact, some of the dangers resulting from unbridled liberalism, materialism and economism against which Röpke had systematically warned, are clearly with us again.

One of the principal sources of the problem is that this “intellectual and political revolution” in favor of the market economy was carried out under the banner of the much more radical version of liberalism of Friedrich Hayek, Milton Friedman and Ludwig von Mises, than the more balanced, more complex and more humane liberalism of Wilhelm Röpke.

As a result, today there is also a new polarization between the rigid dogmatism of the “globalizers” who want to extend the “market principle”, the principle of economic power, to more and more areas of life, and those increasingly vocal segments of the political and intellectual community who want to reject once more liberalism as a whole.

#### *Röpke and his Friends*

One of the principal reasons for organizing a seminar today about Röpke, beside the influence that his work had exerted on the past, is his *particular relevance* in today's great debate about domestic and international economic, political and social order, and in particular in the *great debate about globalization*. Added to this is the danger that his views and his approach *could be or are being distorted* and his name and prestige are being used to defend much more extreme and one-sided positions and policies than would be justified by the spirit of his work.

If Röpke was a great master in the debate with his intellectual adversaries, he had no problems or hesitation either in marking his differences and disagreements with his intellectual and personal friends.

Röpke was a founding member of the Mont Pèlerin Society, created on the initiative of his friend Friedrich Hayek, after the Second World War. The goal of this group of scholars was to contribute to the revival of liberal ideas and of liberal policies and institutions in a world dominated by a belief in the need for an all-powerful, interventionist state in the economy. They all shared a common conviction about the superiority of the market economy over the collectivist, interventionist planned economy, and about the need to combat protectionism and exchange control and to restore an integrated world economy of open markets and non-discrimination. They also shared a common belief that the basic liberal ideas, the respect for the freedom and dignity of the individual represented essential values in the search for the good society in general and not only in the economic sphere.

There were, however, also important differences, in their diagnosis as well as in their policy recommendations, among the scholars who fought an intellectual com-

bat from the end of the War onward for a return to liberalism. Those between Röpke, on the one hand, and Hayek, Milton Friedman and Ludwig von Mises, on the other hand, were recognized as significant already forty or fifty years ago. Today, in the light of the evolution of the last 25 to 30 years and of the current of academic and intellectual debate and of the state of the world, these differences both in method and content assume added importance. In the mind of the organizers of today's event, we are not here to have one more celebration of the success of the present-day interpretation of the Hayek-Friedman-von Mises version of liberalism and the market economy<sup>21</sup>.

In the mind of this life-long disciple of Röpke, and as a result a life-long liberal, today, more than ever what counts are the differences rather than what overlaps in the doctrine expounded by the Institute of Economic Affairs, the Cato Institute and affiliated other think tanks, on the one hand, and Röpke's work and the experience of the social market economy, on the other hand.

It is truly unfortunate that today's young generation is much more familiar with the more *fundamentalist* liberalism of Hayek, Friedman and von Mises (or of their epigones) than with the work of Röpke an essential part of which is the analysis of the limitations and shortcomings of the theory and of the practice of the classical, integral liberalism.

Today, when we seem to be at the height of victory of hard-core liberalism and there seem to be no credible alternatives and policy proposals to the ideas not even of Hayek, but to those of the epigones of Hayek, it is all the more important to try to draw lessons from the work of Röpke.

#### *Globalization, Competition and the Cult of Bigness*

Röpke's warnings against concentrations of economic power have rarely been more timely than today. In fact, for many years the concern about excessive concentration of economic power (one of the arguments against nationalization of the productive sector) had been in the center of public debate in most of the advanced industrialized countries, not only in those explicitly following the model of the "social market economy" but also in North America, Japan, Australia, etc.

Today, however, these arguments are increasingly ignored in the name of the "requirements" of globalization. At a time, when excessive concentrations are taking place no longer at the national but at the world level, there is a *growing amnesia to the economic, social and political consequences* for both individual countries and national economies (be they "developed"

economies, “emerging” markets or “less developed” economies), and for the international economy as a whole, of excessive concentrations of economic and financial power.

It is normal that companies will try to cope with the consequences of freer trade and open markets by fighting competition. It is normal that they will argue, as they have been arguing throughout the last hundred fifty years that they seek alliances, agreements, mergers, etc. in order to “increase efficiency and to take advantage of economies of scale”. It is also normal, in the light of past experience with intellectual fashions, that they will always find politicians, economists and professors, stockbrokers and editorial writers who will swallow the arguments that the best way to remain competitive in a globalized economy is to absorb the potential competition, and that the fewer competitors remain, the better it is for the world economy.

The greater the distance between the citizens and the rulers, the management and the employees, the corporate decision makers and the community where people work, the less likely the possibility of a real dialogue and the more probable that arbitrary decisions will be made and taken in the name of the broader collectivity, when it comes to politics, or of the “company as a whole” when it comes to mammoth companies. There is no doubt that today Röpke would be seriously concerned about the degree of concentration in most sectors. He would be critical of this trend because of the inevitable distance between the decision makers and people directly affected by these decisions: workers, consumers, towns, cities, and countries. While probably he would be very critical of the primitive opponents of trade liberalization and globalization, he would be equally outspoken against the silence of today’s ultraliberals about the spreading of “faceless, anonymous and morally and socially indifferent capitalism” across the globe.

Röpke would be concerned because of the lack of solidarity and the lack of justice, and ultimately the lack of respect for moral values that can be detected in the dominant doctrines held by many managers as well as by many economists who limit their sight to the technical efficiency and optimum of the economic system. While his moral concern and condemnation would be important by itself, coming from one who played an eminent role in the restoration and the defense of the market economy at a crucial time of world history. In addition, however, he would be gravely concerned because he would see the current trend leading to a dangerous backlash, that is to say a rejection of the market economy and of an open liberalized world economy<sup>22</sup>.



### *Globalization and Financial and Monetary Instability*

One can observe a close intellectual and institutional link between the “liberal revolution” and the “monetarist revolution” of the last twenty-five years. A general reason for this is that economic liberals usually recognize the importance of money and in particular of monetary stability. Another, more random reason was that the three apostles of contemporary economic liberalism, i.e. Ludwig von Mises, Friedrich Hayek and Milton Friedman are also seen as the main sources of the hard-line monetarist doctrines.

Here again, Röpke today would be more critical of some of the excesses of financial globalization and of the general laissez-faire attitude towards financial supervision, speculation and the international monetary system than a man like Milton Friedman or the disciples of Hayek or von Mises.

As mentioned above, as early as the early 1930s Röpke was extremely critical of those who did not recognize the differences between long-term international capital movements and short-term, speculative capital flows. He would certainly not be able to understand that economists who consider themselves liberal supporters of the market economy can accept as “normal” the financial and monetary upheavals that have characterized the world economy in the last thirty years and that they also find it “normal” that as a rule it is the weakest, most vulnerable countries and social classes that have to pay the bill for this allegedly inherent instability of the capitalist economy.

### *Globalization and the European Model*

The current state of globalization is the result of a trend that began 50 years ago: the gradual liberalization of international trade and payments, the gradual abolition of domestic and external government intervention, and the recognition of the superiority of the market economy over collectivism, government planning and economic nationalism.

The progress of international economic and financial integration, the diffusion of new technologies, of products and of organizational innovation have brought unprecedented economic growth and prosperity as well as social stability to the countries that have actively participated in this process. The Western European countries, along with the other OECD countries, have been major promoters and beneficiaries of this trend.

The process of globalization, as the whole process of international integration, requires major and continued adjustments. Also, the benefits are not immediate and the costs and advantages are not equal for all the participants. In fact,

while in the long run the “newcomers” ought to reap the highest benefits from switching from a collectivist to a market model, as a rule the relative costs of adjustment are the highest for the weakest, the least prepared members – at the national level, as well as among the members of the international community. Thus, there is a case for solidarity and measures easing the process of adjustment at the national level and in the international context.

This is clearly recognized in most of the European economies, as well as at the level of the European Union. This means in other words that it is recognized that in order to secure the advantages of the market economy and of European and worldwide integration, the social cost of globalization has to be kept politically acceptable.

The European countries are fully participating in the process of globalization (deregulation, liberalization, privatization, etc.). They are also accepting and even encouraging the numerous structural changes and adjustments brought about by market forces and increased competition.

At the same time, however, they are consciously and systematically seeking to find new ways to uphold the social dimension of the market economy. They believe that this is the only way to maintain their competitive position as well as to maintain the indispensable political support for European integration, and ultimately for a non-interventionist market economy.

There is a real pragmatic foundation of these policies: i.e. the fear of a social and political backlash that would deprive the European economies of both economic prosperity and of political union.

This approach corresponds to the best tradition of the social market economy.

#### *A European Super-State?*

A thorough student of history, Röpke was weary of the great European empire builders. In particular he was no admirer of Napoleon or of Bismarck for that matter. He saw in them the predecessors of the 20th century European conquerors: Hitler, Stalin and Mussolini. For Röpke, a European “*de la première heure*”, the essence and the strength of Europe was to be found in its diversity. He believed not only in the necessity but also in the possibility of a permanent (liberal) peace in Europe. He was, in particular a fervent supporter of French-German reconciliation and friendship. At the same time, he warned about the danger of a European super state. According to Röpke, European integration must not lead to the elimination of authentic national identities and to the centralization of all political powers in a “supranational author-

ity". Such a construct would be both contrary to the true European spirit and would also be extremely fragile.

Röpke would also find it absurd that a country like Switzerland, the very model of a peaceful, multiethnic, diverse political community, that unites greater diversity of cultures, languages and religions than any other Western European country, could be considered as not meeting the criteria of being a "good European", especially if these criteria were to be applied by countries with much shorter and more questionable records of democracy and of successfully managing diverse societies. Without necessarily espousing the line of reasoning of a Christoph Blocher, Röpke would probably insist, that it is in the interests not only of Switzerland but also of Europe that European integration should not undermine the unique political system that is Switzerland.

#### *Switzerland and the Social Market Economy*

The problem is not only that we are no longer reading Röpke. The fact is that in the last 15-20 years we have not only achieved a *useful and necessary dose of liberalization, deregulation and privatization*, and greatly expanded the geographic scope of the market economy, but *we have been increasingly also dismantling policies and institutions that have contributed to the success of the postwar social market model*.

Röpke always claimed that he drew some of his key insights from what he had learned from observing the working of Switzerland, from the Swiss tradition and experience. It is well known that the Swiss model, in particular the division of tasks between private and individual responsibility, on the one hand, and the tasks of the community or of the public sector, on the other hand, had a significant influence (partly through Röpke's writings) on Ludwig Erhard's thinking and on the development and implementation of the concept of the social market economy.

At the time, it was clear for both Erhard and Röpke that the division of labor between the public sector and the private sector was not purely a matter of market efficiency. Within the concept of the social market economy there was an important place for the concept of *public service*.

Since then, however, we have come a long way, also in Switzerland. To illustrate this I will simply mention that last weekend the *Neue Zürcher Zeitung*, in the same edition that brings a review of a biography of Röpke, delivers a scathing attack on the *very idea of public service*. Also, is it not a sign of confusion of our time when the fact that Christoph Blocher's liberal use of Röpke quotes

to support his views of Switzerland and of the world did not bring any rebuttal from the *NZZ*?

### *Missed Opportunities and Challenges for the Future*

To conclude my paper:

First, I would like to mention two major missed opportunities that clearly mar the record of the success of the market economy in the last 20 years.

Second, I will simply mention two major challenges that we have to meet in order to avoid a possible major backlash, both at the national and the international level, and in order to be able to reap the benefits of a liberal economic and political order in the world.

First the missed opportunities. We all know that the extension of the *geographic scope of the liberal market economy* (based on private property, competition, open market, etc.) to the *great majority of developing countries and to the (former) communist countries* was one of the greatest historical changes (and opportunities) of our time.

While this was no doubt a great beneficial change for both the countries concerned and for the Western world as well, I would argue that we have also missed important opportunities in this process.

The thesis of this article, based on the theories of Röpke and on the experience with the successful Western model of society of the last fifty years (and this includes also the American experience), is that the proper functioning of the market economy needs societal solidarity to assure that the cost of competition (competition also has costs not only benefits) and the costs of adjustment will be acceptable in political and social terms.

It is clear that we have completely disregarded this lesson, from the 1980s onward with respect to the *developing countries*. The great majority of these countries had been suffering from the consequences of closed, inefficient, interventionist economic systems and from the crushing burden of external debt. A minimum degree of international economic and financial solidarity by the rich countries of the OECD would have been an inexpensive way, not only to ease the hardship of adjustment of millions, millions of helpless families, but also of preventing profound and pervasive resentment among simple people against what is seen as *the new Western tool of imperialism: political and economic freedom, democracy and the market economy*.

As for the former communist countries, from Hungary to Russia, from Poland to Yugoslavia: the move from communism to the market economy represented

the challenge of choosing the best model of political, social and economic reconstruction for half a continent.

There can be no doubt that by far the most successful case of reconstruction and of passing from a command economy to a market economy, was that of Western Europe after the Second World War. The key factors in this success were, on the one hand international solidarity (Marshall Plan) and the approach of the social market economy, on the other hand.

The only country in the region that attempted to carry out its market transformation under the heading of the social market economy was Hungary under the leadership of Prime Minister Antall. This, I think has played a significant role in the fact that Hungary is among the best prepared candidates today to join the European Union and that it has had the best record of social and political stability in the region, despite the high costs of the transition<sup>23</sup>.

That Hungary received neither encouragement nor praise for this attempt to introduce the European (social market) model, instead of seeking inspiration in the famous "Washington consensus" I can confirm from direct personal experience. That no one had heard about the "social market economy" at the IMF and the World Bank, or in the US Treasury was easy to understand. That Hungary received scorn and discouragement rather than praise from countries like Switzerland and Germany, the original inventors and practitioners of this model, really added insult to injury (i.e. the injury due to the lack of economic solidarity). I don't think I will ever forget the explanations by Otto Schlecht, Secretary of State in the Ministry of Economy in Bonn, long-time right-hand man of Ludwig Erhard, or of Theo Waigel, CSU Minister of Finance in the Kohl Cabinet: "the social market economy is not an export model" .

Well, if the social market economy is not an export model, then we will continue to have "coup d'états" and Chavezes not only in Venezuela but also in other important parts of the world<sup>24</sup>.

If we do not heed the warnings of Röpke about the dangers of *concentration of private economic* power, we will have not competition and innovation, but increasingly cartels, monopolies and restrictive trading practices not at the national level but on a world scale.

If we believe that all social solidarity is a straight road back to communism I think we will have to start to fortify and surround permanently by tanks the building next door to the Institute, the World Trade Organization.

And I could continue the list, e.g. with the environment, or with international monetary and financial instability, which are two constant legitimate sources of concern.

I believe that we have no right to be pessimists and even less cynics. Personally, the reason why I refuse to be a pessimist is that I believe in the lesson I have learned from Wilhelm Röpke: *if we are willing and able to learn from the errors and the successes of the past, we do not have to fear for the future.*

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- 1 I would like to thank all those long-time friends and colleagues as well as my students and co-editors whose encouragement, participation and support have made the seminar of April 18, 2002 and this publication possible: Peter Tschopp, Franz Blankart, Emilio Fontela, Chiara Jasson and Alessandra Roversi. Special thanks are due also to Mariangela Brunet and to Carine Leu-Bonvin.
  - 2 Monnier, Victor, *William E. Rappard. Défenseur des libertés, serviteur de son pays et de la communauté internationale*, éd. Slatkine, Genève, 1995, pp.493-494. This monumental biography of Rappard is full of information about the origins and the history of the Graduate Institute and the role it was designed to play in the intellectual and political struggle for a liberal international and domestic order in a world threatened by the ideologies and the force of totalitarian powers.
  - 3 A list of his publications established in 1968 contained 808 titles. *In Memoriam Wilhelm Röpke*, N. G. Elwert Verlag, Marburg, 1968
  - 4 Röpke, Wilhelm, *Gegen die Brandung*, ed. by Arnold Humbold on the occasion of Röpke's 60th birthday, Eugen Rentsch Verlag, Erlenbach-Zürich, 1959, p.20
  - 5 *ibid.*, p.25
  - 6 *Die Gesellschaftskrisis der Gegenwart*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1942 (in English: *The Social Crisis of Our Time*); *Civitas Humana, Grundfragen der Gesellschafts- und Wirtschaftsreform*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1944 (latest edition in English *The Moral Foundations of Civil Society*, Transaction Publishers, 1996); *Internationale Ordnung*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1950; *Jenseits von Angebot und Nachfrage*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1958 (latest edition in English: *A Humane Economy, The Social Framework of the Free Market*, Intercollegiate Studies Institute, Wilmington, 1998); *Die Deutsche Frage*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1950; *International Economic Disintegration*, William Hodge, London, 1942; *Mass und Mitte*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1950; *Gegen die Brandung, (Against the Tide)* ed. by Arnold Humbold, Eugen Rentsch Verlag, Erlenbach-Zürich, 1959; *Die Lehre von der Wirtschaft*, Eugen Rentsch Verlag, Erlenbach-Zürich, 1937 (in English *Economics of the Free Society*, Henry Regnery, Chicago, 1963); *Briefe, Der Innere Kompass*, edited by Eva Röpke, Eugen Rentsch Verlag, Erlenbach-Zürich, 1976; *Das Mass des Menschlichen, Ein Wilhelm Röpke-Brevier*, ed. by Gerd Habermann, Ott Verlag, Thun, 1999; *Krise und Konjunktur*, Verlag Quelle & Meyer, Leipzig, 1932
  - 7 *A Humane Economy. The Social Framework of the Free Market*
  - 8 The importance of Röpke's definition of the concept of "secondary deflation" that requires an active countercyclical fiscal policy is recognized in the contemporary economic literature. Cf. e.p. Gottfried Bombach & al. (Eds): *Der Keynesianismus III. Die geld- und beschäftigungs-theoretische Diskussion zur Zeit von Keynes*, Springer Verlag, Berlin, 1981, p.313. His deep concern with the economic and political consequences of the restrictive policies recommended by the Braun Commission can be illustrated with the following quote from 1931: "Der soeben betrachtete Einwand läuft auf einen konjunkturpolitischen Liberalismus hinaus, der in seinen Konsequenzen zu einem wahrhaftigen «konjunkturpolitischen Nihilismus» führt. Bei aller Sympathy für den Liberalismus als allgemeines Wirtschaftspolitisches Program muss ich gestehen, dass ich je länger, je weniger Verständnis für diesen Standpunkt aufbringen vermag", *op.cit.*, p.327

- 9 *ibid.*, pp.328-334
- 10 Röpke, Wilhelm, *Civitas Humana*
- 11 Röpke, Wilhelm, *The Social Crisis of Our Time*
- 12 Röpke, Wilhelm, *Civitas Humana*
- 13 Röpke, Wilhelm, *ibid.*
- 14 Röpke, Wilhelm, *The Economics of the Free Society*
- 15 Röpke, Wilhelm, "Ethik und Wirtschaftsleben" (1955) reprinted in Ludwig Erhard Stiftung, *Grundtexte zur Sozialen Marktwirtschaft*, Gustav Fischer Verlag, Stuttgart, 1981, p.440
- 16 The following is a sample of how Laski saw the relationship between freedom and planning in a postwar planned British (and European) economy: "I see no reason to suppose that the experience of planning in Russia justifies the inference that it is incompatible with either freedom or democracy (...) this leads to the limits of opposition in a society which is fundamental to the meaning of freedom (...) the acceptance of a planned economy involves the necessity to think of freedom in terms of the assumption that the decision to plan is broadly accepted (...) the mass of citizens must conform (...) freedom, obviously again, has a context that is different from that of an unplanned society in which the use of resources is determined by supply and demand in the markets. Laski, Harold, *Reflections on the Revolution of Our Time*, New York, The Viking Press, 1943, pp.382-383. On Laski's influence on the British and American left and on the future political and intellectual leaders of the Third World, see Hayward, Jack, "British Approaches to Politics" in Hayward, Jack, Barry, Brian, and Brown, Archie, *The British Study of Politics in the Twentieth Century*, Oxford University Press, Oxford, 1999, pp.15-20
- 17 Ludwig Erhard always acknowledged, in private conversations as well as in his writings and speeches, the importance of Röpke's contributions and the intellectual debt he owed to Röpke. For an excellent history in English of the social market economy, of the role of Erhard and of Röpke as well: cf. Nicholls, A.-J., *Freedom with Responsibility, The Social Market Economy in Germany, 1918-1963*, Clarendon Press, Oxford, 1994
- 18 Röpke, Wilhelm, *The Social Crisis of Our Time*
- 19 Rueff, Jacques, *Gegen die Brandung*, p.32
- 20 *ibid.*, p190
- 21 A recent biography of Röpke by an American freelance journalist mentions very briefly some of these differences but fails to bring out their importance for the current situation. Zmirak, John *Wilhelm Röpke, Swiss Localist, Global Economist*, Intercollegiate Studies Institute, Wilmington, 2001. These differences become much more evident from a reading of a much more thorough discussion of the theories of Ludwig von Mises published by the same organization. Cf. Kirzner, Israel M., *Ludwig von Mises, The Man and His Economics*, Intercollegiate Studies Institute, Wilmington, 2001. See also Hieronymi, Otto, «Wilhelm Röpke et la crise de notre temps» in *Cadmos*, Genève, été 1980, pp.32-46
- 22 Hieronymi, Otto, "Agenda for a New Monetary Reform" in *Futures*, vol.30, n°8, 1998, pp.769-781; Lamfalussy, Alexandre, *Financial Crises in Emerging Markets. An Essay on Financial Globalisation and Fragility*, Yale University Press, New Haven, 2000
- 23 Hieronymi, Otto, *Economic Policies for the New Hungary: Proposals for a Coherent Approach*, Battelle Press, Columbus, 1990. On applying the concept of the social market economy in Hungary see in particular pp.10-18. This independent study, financed by the Swiss government, was completed in January 1990, a few months before the first free elections in Hungary since the 1940s. It was distributed by the Swiss authorities to all OECD Governments and to all the major international economic organizations. While in the OECD countries the reference to the "social market economy" found no or mainly a negative echo (in the IMF, in the IBRD, and even in Brussels, very few economists had even heard of the "social market economy" let alone understood what it was about) this was the concept that Jozsef Antall, who was to become the first freely elected Prime Minister after the end of communism, had already identified as the model for the reconstruction of the Hungarian economy. Antall was one of the few Hungarian intellectuals

who in 1989 was familiar with Röpke's ideas. Also, Antall, as a historian, was well aware of the contribution of Ludwig Erhard and of the nature of the social market economy, in contrast to many economists not only in the former communist countries but also in the OECD region. See also Hieronymi, Otto: «Du communisme à l'économie de marché social» in «Du socialisme à l'économie de marché», sous la direction d'Andras November, *Nouveaux Cahiers de l'IUED*, N°12, Genève, 2001. In fact, *The Social Crisis of Our Time* was published in Hungary in 1943 during the war and found a strong and lasting echo among Hungarian liberals. In the Hungarian version the subtitle – The Third Way – became the main title and the original title the subtitle. the Wilhelm Röpke: *A Harmadik Ut. Korunk Társadalmi Válsága*. Aurora Kiadás, Budapest, 1943. Even before the publication of the Hungarian edition, Alexander Mărai, Hungary's most important novelist and social thinker in the Western-European tradition, referred to Röpke's book in his widely-debated text on Hungarian culture and education, published in 1942. Mărai Sándor, *Röpirat a Nemzetnevelés ügyében* (manifeste sur l'éducation nationale), Budapest, 1942

24 Hieronymi, Otto, "The Main Features and the Current Relevance of the European Model of the Social Market Economy", May 2000, 12 p. (unpublished manuscript in English and Spanish). This text was written following a visit to Venezuela.



## Wilhelm Röpke, l'Europe et le modèle suisse

Peter Tschopp, directeur HEI

J'aimerais tout d'abord, en prenant la parole à la suite de l'excellent exposé introductif d'Otto Hieronymi, remercier ce dernier (et ami de toujours) de son initiative. Il est rare de trouver des gens qui rendent hommage à leur maître. C'est le cas de M. Hieronymi. Il est peut-être encore plus rare de voir, dans le contexte des festivités du 75<sup>e</sup> anniversaire de HEI, un «joint venture» entre *Webster University*, l'Association des Anciens de HEI et l'Association des étudiants de HEI autour de la mémoire de Wilhelm Röpke, qui est sans aucun doute l'un des *Vordenker* en matière économique et sociale les plus importants du milieu du siècle passé.

En ma qualité de directeur de l'Institut, j'aimerais dire toute ma gratitude à Otto Hieronymi d'avoir été la cheville ouvrière de cette commémoration et j'aimerais aussi remercier Alessandra Roversi, représentante des étudiants actuels de l'Institut, pour son concours.

Le programme qui vous a été distribué m'appelle à dire en cinq minutes ce que le maître à penser Röpke a eu à dire par rapport à *Europe and the Swiss Model*. Vous me permettrez de ne pas parler en anglais, mais plutôt en français et, à la faveur de quelques citations, en allemand.

### 1 Le message

C'est une énigme pour des institutions telles que la nôtre de voir combien elles dépendent d'archives bien tenues par d'autres et combien elles négligent leurs propres archives. Quelle aventure pour trouver à notre Institut les documents fondateurs de la vie de Wilhelm Röpke. J'ai finalement débusqué deux classeurs fédéraux riches d'enseignement. Si d'aventure il y a des étudiants parmi vous, sachez qu'il y a là une mine de renseignements sur un nombre incroyable de facettes de ce grand homme qui vous attend pour faire une thèse de valeur.

Puisque nous en sommes aux confidences, je puis aussi vous dire que si j'ai choisi l'économie comme discipline d'études, c'est pour avoir lu, gymnasien, *Jenseits von Angebot und Nachfrage* de Röpke, en 1957. J'ai été séduit à l'époque de voir que l'économie politique pouvait être autre chose qu'un assemblage de formules mathématiques réservées à une dizaine de spécialistes à la pointe de

leur discipline; qu'elle peut être une attitude dans la vie qui met au diapason les conditions pour un ordre socio-juridique et économique cohérent.

Ce qui distingue Röpke de ses contemporains est le fait que l'ordre röpkeien ne part pas d'un a priori d'un nouvel homme sorti d'un moule reproductible à loisir, l'homme collectiviste, mais, au contraire, de l'idée que l'avenir de l'humanité est assuré par des règles libérales, qui permettent à l'ensemble des hommes, vous et moi, de s'épanouir en concurrence les uns avec les autres pour édifier une société d'individus libres, responsables et fiers de l'être.

## 2 Une lecture de deux classeurs

Ce que les classeurs et les archives de l'Institut révèlent également, c'est la complexité des grandes personnalités qui l'ont fait vivre, et Röpke en était une. Quel invraisemblable mélange de témoignages teintés de la haute estime que le grand homme avait de lui-même et qu'il partageait avec ses contemporains ainsi que de considérations fondamentales qui faisaient, à l'époque, de l'Institut de hautes études internationales, l'un des pôles majeurs, en Europe, de la liberté.

C'est pour cette raison que l'Institut tient ses archives à disposition de chercheurs qui veulent saisir dans toute sa complexité l'ensemble des facettes d'une grande personnalité.

Qu'il me soit permis ici de dire combien étaient importants dans la destinée de Röpke les fondateurs de cet Institut, les professeurs Mantoux et Rappard. C'est en particulier ce dernier qui savait, avec un art consommé, mettre des bornes aux velléités de Röpke pour l'endiguer dans ce qu'il avait de meilleur intellectuellement. Je pense que l'humour bâlois de Rappard hérité de sa mère transparait dans les innombrables lettres que mon illustre prédécesseur a dû écrire à Wilhelm Röpke. En l'occurrence, il s'agit de la réponse de W. Rappard à une lettre de Röpke annonçant qu'il venait d'être distingué par le chancelier Adenauer :

*« Mon cher collègue,*

*Merci de votre aimable lettre du 24 juin dont je transmets immédiatement copie à M. Picot. Ci-joint vous trouverez la copie de celle que je lui envoie par le même courrier. En vous félicitant vivement de l'honneur qui vous est fait par le chancelier du Reich (sic), je vous prie, mon cher collègue, de me croire votre bien cordialement dévoué.»*

William E. Rappard 27.6.50

### 3 L'influence de Röpke sur la Suisse de l'après-guerre

Pour terminer, j'aimerais encore dire un mot sur le sujet qui m'a été imparti. Sans aucun doute, Röpke a profondément influencé le devenir de l'après-guerre de l'Allemagne fédérale et de sa petite province alémanique, de la Suisse. C'est autour de la personnalité de Ludwig Erhard que la vision du monde de Röpke a trouvé son intendant capable de mettre en scène le nouvel Ordo libéralisme qui a parrainé le miracle économique de l'Allemagne renaissante de ses cendres (Wirtschaftswunder) de l'Allemagne des années 1950 et 1960. C'est sur ce même modèle que la Suisse l'a suivi, en bon élève de Röpke.

La question de savoir qui était le modèle de qui est donc sans objet. Laissons quand même à la Suisse le mérite d'avoir accueilli le maître à penser de cette approche parmi les siens alors que l'Allemagne était aux prises avec ses démons.

Mais Röpke n'était de loin pas incontesté:

*So etwas wie ein geistiger Führer ...* • Das Volk - Olten - 24.6.44

«Kürzlich schrieb Dr. Wieser in der "Nationale Zeitung" über den streitsüchtigen Wilhelm Röpke, Professor am Institut universitaire de hautes études internationales Genf, dass dieser "fast etwas wie ein geistiger Führer im Kampf gegen den Kollektivismus" sei. Wir haben uns nun seit Jahren mit diesem geistigen Führer befasst und uns auch schon mehr als einmal gefragt, ob sich die Mühe lohnt, wenn man sich weiterhin mit Röpke auseinandersetzt. Wir sind dann aber zur Ansicht gekommen, dass es geradezu unsere Pflicht ist, sich mit diesem Repräsentanten der liberal-kapitalistischen Gedankenwelt auseinanderzusetzen, um an seinen "wissenschaftlichen" Irrtümern unsere eigenen sozialischen Erkenntnisse zu stählen (...).»

### 4 Et maintenant?

A un moment où, dans la mouvance d'une globalisation gérée par des Etats-Unis omni-puissants, la doctrine unique est redevenue à la mode, le message de Röpke est, à nouveau, d'une extraordinaire actualité.

Que l'on se réfère à son *Jenseits von Angebot und Nachfrage* ou aux innombrables témoignages que recèlent les archives de l'Institut, une chose éclate à l'évidence: le danger fondamental qui hante l'humanité depuis bientôt 200 ans est celui des régimes totalitaires, que ceux-ci soient d'essence gouvernementale ou privée. Des dérives de l'importance d'*Enron* n'ont rien à envier aux dérives de n'importe quel conglomérat d'un Etat totalitaire.

Permettez à l'élève de Wilhelm Röpke et au vieux libéral que je suis de m'étonner des excès actuels de conglomerats dignes des années 20 et 30 qui germent un peu partout et de leurs abus de pouvoir.

## 5 Epilogue

Zum Gedenken an Wilhelm Röpke • Basler Nachrichten - 18.2.66

«(...) Und dann kam das Jahr der Entscheidung zwischen der europäischen Tradition und einem ins Barbarische absinkenden Deutschland. Er hat jeden Kompromiss, der ihm nahegelegt wurde, verschmäht und hat Deutschland verlassen und sich zunächst zur äussersten Grenze der europäischen Tradition gewandt, in die Türkei und an die Universität Istanbul, wohin ihn eine Einladung Kemal Atatürks rief. Vier Jahre blieb er in der Türkei, mit zwiespältigen Gefühlen den hektischen Betrieb der Modernisierung um jeden Preis betrachtend. Dann aber 1937 lud ihn William Rappard an das Institut des hautes études internationales in Genf ein. Er folgte der Einladung und fand in Genf nicht nur eine Wirkungsstätte bis zu seinem Tode, sondern auch eine zweite Heimat. Denn in der Schweiz fand er Europa wieder, eben jene organisch gewachsenen Verhältnisse und das Bemühen jedenfalls, in behutsamem Planen das in Generationen Gewachsene und die Notwendigkeiten des Augenblicks miteinander in Einklang zu bringen. Schweizer im engen Sinne wurde er freilich nicht, und wozu auch? Er ist Europäer im ganz grossen Stile geworden – und auch Deutscher geblieben. Er hat dies nie verleugnet. (...)»

## Röpke: le rôle du visionnaire

Franz Blankart, ancien secrétaire d'Etat,  
associé commanditaire de MM. Mirabaud & Cie, professeur associé HEI

C'est dans la crise que l'intellectuel fait ses preuves. Ce sont la *perspicacité*, le *courage*, la *crédibilité* et le *sens de la responsabilité* qui lui permettent de montrer le chemin à ceux qui errent dans le brouillard. La question de savoir s'il est entendu et suivi dépend du degré d'irrationalité des politiciens et de leur opportunisme, dépend de la confusion émotionnelle du peuple. L'intellectuel qui met en garde est perçu depuis toujours comme un trouble-fête, que ce soit dans la politique, dans l'administration ou dans des conseils d'administration. Face à la masse, l'intellectuel n'a pas de chance.

Röpke était un prophète d'une *perspicacité* visionnaire. Dans son appel adressé au peuple de la Basse Saxe le 11 septembre 1930, il exprime les propos terrifiants suivants :

« *Aucune personne, qui vote le 14 septembre pour le Parti national-socialiste, ne pourra dire plus tard qu'il n'a pas su quelle en serait la conséquence. Il doit savoir qu'il choisit le chaos à la place de l'ordre, la destruction à la place de la construction. Il doit savoir qu'il opte pour la guerre à l'intérieur comme vers l'extérieur, pour une destruction insensée* »<sup>1</sup>.

Celui qui lit et relit cette phrase n'arrive plus à s'en défaire. Elle est un avertissement sans compromis ni réserve, adressé à un peuple humilié et aveuglé, un peuple qui dans son amertume désire « tester quelque chose d'autre » et qui, par conséquent, ne peut et ne veut entendre.

A la *perspicacité* visionnaire se joint le *courage*. Le 8 février 1933, une semaine après la prise de pouvoir par Hitler, Röpke prononce à Francfort sur le Main un discours passionné, en décrivant l'événement politique intervenu: « (...) *il ne se passe rien de moins qu'un soulèvement des masses contre tout ce que nous appelons la culture, un soulèvement contre la raison, la liberté, l'humanité...* »<sup>2</sup>. Peu de temps après ce discours, il est démis de ses fonctions et quitte sa patrie. Röpke a sauvé son honneur et, ce qui n'est pas peu, il a contribué à sauver l'honneur de l'Allemagne. Mais son engagement n'a eu aucun effet. Certes, l'échec peut avoir une dimension existentielle, comme Karl Jaspers l'a démontré. Mais dans la réalité immédiate, l'échec ne change rien. Il peut cependant ouvrir la porte à la *crédibilité*.

Cette *crédibilité*, Röpke l'avait quand, après la guerre, il mettait en garde le monde

occidental contre le communisme, car ce dernier « a ceci en commun avec le national-socialisme : la destruction de la liberté et des droits de la personne ainsi que toutes les atrocités qu'implique cette destruction » (discours du 10 mai 1965)<sup>3</sup>. Hélas, cette mise en garde également se dissipait dans « l'optimisme illusionnaire »<sup>4</sup> et dans l'opportunisme de maints intellectuels. « Ein Leben gegen die Brandung » – une vie contre le courant – n'obtient son sens qu'après coup.

La situation se présente différemment si, comme après la guerre, on cherche collectivement une nouvelle politique économique qui pourtant était dans l'ordre des choses, mais que personne n'arrivait à formuler. C'est alors que l'intelligence politique d'un économiste de prestige peut porter ses fruits.

Comme libéral, Röpke ne pouvait que plaider la liberté du marché et la libre concurrence. Il s'opposait à une « *politique faite d'un mélange entre inflation et bureaucratie* »<sup>5</sup>, à « *un cocktail fait de marché, de monopoles et d'économie d'Etat* »<sup>6</sup>. Dans de multiples écrits analytiques et empiriques, il a démontré que seule l'économie de marché, liée à une discipline monétaire de fer, pouvait garantir l'épanouissement de chacun. C'est le message qu'il adressait à la République fédérale d'Allemagne qui cherchait une nouvelle politique économique, après la débâcle de 1945.

Ce message, Röpke le lie à un second, à savoir : une économie de marché basée sur la concurrence « *ne peut pas flotter librement, mais doit être tenue et protégée par des conditions cadre sociales, politiques et morales* »<sup>7</sup>. Il appelait cela la « *soziale Marktwirtschaft* ». Ce message était conçu comme « *appel à la raison* »<sup>8</sup>, que Röpke et les architectes de la politique économique allemande ont adressé au peuple de la RFA. La clarté de cette politique a eu d'évidents succès dans la réalité économique.

Tout cela nous semble aujourd'hui aller de soi, nous semble presque banal. Or ceci n'a pas du tout été le cas lorsque l'Europe a tenté toutes sortes de différentes troisième voies entre économie d'Etat et économie de marché, lorsqu'il y avait plus de communistes convaincus à Berlin Ouest qu'à Berlin Est, lorsqu'on voulait à tout prix imposer au Tiers Monde des modèles socialistes. Röpke était clair : marché libre oui et en toute circonstance, mais seulement dans des conditions cadre claires et stables :

« *La partie institutionnelle des conditions cadre implique : le droit, l'Etat, les mœurs et la morale, normes et valeurs, un ordre monétaire stable lequel dépend d'une banque centrale et d'un gouvernement responsables et non pas de*

*l'automatisme du marché. La partie politique des conditions cadre contient la stabilité économique, sociale et financière au-delà du marché, une égalisation des intérêts, protection des faibles, confinement des excès, limitation du pouvoir, création des règles du jeu et surveillance de leur respect»<sup>9</sup>.*

La combinaison du marché libre avec l'Etat de droit social est la recette de la «soziale Marktwirtschaft», son paradigme économique, qui a suscité le succès inégalé de la République fédérale d'Allemagne. Parmi les architectes, je nommerais en premier lieu Ludwig Erhard qui a rendu possible le miracle économique grâce aux idées d'Adam Smith, Wilhelm Röpke, Alfred Müller-Armack, Franz Böhm, Walter Eucken, Friedrich A. von Hayek, Ludwig von Mises, Otto Schlecht, pour ne citer que les plus importants.

Le livre «Die Gesellschaftskrisis der Gegenwart», rédigé par Röpke à HEI en 1941, englobe la synthèse de sa pensée. Il est la preuve de «sa recherche sans réserve de la vérité et de la clarté»<sup>10</sup>. Il démontre les causes de la crise, il les décrit dans des propos lucides, il définit les conditions d'un renversement de la vapeur. Il appelle cela le «pessimisme constructif»<sup>11</sup> et en déduit «le grand objectif d'une société libre, juste, sans masse et sans prolétariat»<sup>12</sup>. Ceci était à l'époque, au sein d'une société occidentale décadente, la vision de l'économie sociale de marché.

La politique doit créer les conditions cadre permettant aux acteurs économiques d'agir librement, mais en respectant l'ordre public et social. Röpke a analysé comme premier ce que nous appelons la "Ordnungspolitik", c'est-à-dire le concept de notre constitution économique et, de ce fait, le capital de base de notre compétitivité. Ce concept définit le partage des rôles entre Etat et économie. Le premier doit déterminer des règles libérales, la seconde peut en profiter, les deux dans l'intérêt bien compris de l'ensemble de la société.

Cette brève description de la constitution économique interne serait incomplète si je ne présentais pas sa conséquence logique sur le plan de la politique économique extérieure. Car des biens de haute valeur ne peuvent être produits que si les frais fixes liés à leur production (formation, recherche, investissements) sont répartis sur de grandes séries. Et de grandes séries ne peuvent être produites qu'à condition d'avoir accès à de larges marchés extérieurs dans des conditions de concurrence équitables. Et puisque l'ouverture des marchés se fait en règle générale sur une base de réciprocité, le pays exportateur doit compenser l'ouverture d'un marché extérieur par l'ouverture de son propre marché, ce qui crée une pression concurrentielle saine pour sa

propre industrie. L'ouverture des marchés dans des conditions de concurrence équitables constitue donc une nécessité de base pour chaque pays. La liberté de commerce et de l'industrie, d'une part, et le libre échange, d'autre part, se conditionnent mutuellement. Ce constat, ainsi que les avantages du multilatéralisme par rapport au bilatéralisme, sont aujourd'hui généralement reconnus. En 1941, quand Röpke écrit son livre, le contraire est le cas : des contingents bilatéraux, des droits de douanes élevés et le *clearing* conditionnent le commerce mondial, ou ce qui subsiste du commerce mondial. Un système multilatéral de commerce mondial n'avait jamais existé.

Comme négociateur commercial, il est fascinant de lire le dernier chapitre de cet ouvrage. De manière visionnaire et *responsable*, Röpke projette ce qui, plus tard, sera créé sous le nom de GATT. Parmi les lignes, apparaît le postulat de la clause multilatérale de la nation la plus favorisée, l'interdiction des restrictions quantitatives et du *clearing*, la requête de « *tarifs raisonnables* »<sup>13</sup>, le « *special and preferential treatment* » sous le sigle « *suum cuique* »<sup>14</sup>, la cohérence entre politique économique interne et politique économique extérieure, tout ceci englobé par un système monétaire mondial stable et sans contrôle des devises. Röpke postule le retour vers « *une économie mondiale libre et multilatérale* »<sup>15</sup>, nous libère du choix entre collectivisme et laissez-faire<sup>16</sup>. Il postule ce que nous appelons aujourd'hui à l'OMC "a rule-based world economic system". Ce n'est qu'avec des règles prévisibles, sûres et imposables du commerce mondial que le libéralisme et le protectionnisme sauvages, tous deux néfastes, peuvent être endigués. En même temps, Röpke nous met en garde contre la politisation des relations économiques mondiales et reconnaît les dangers protectionnistes du régionalisme et du bilatéralisme.

Le commerce est un puissant véhicule de la liberté, puisqu'il ne peut être opéré qu'entre hommes libres. De ce fait, le commerce constitue aussi un véhicule de la vérité et de la paix. Car comme l'a dit Karl Jaspers: sans liberté, pas de vérité, sans vérité, pas de paix. La question de savoir si un tel objectif est atteint « ne dépend pas d'un pouvoir extérieur, mais finalement que de la maturité spirituelle et morale de l'individu »<sup>17</sup>.

Avec cet appel, plus actuel que jamais, l'oeuvre se termine. Il est prononcé par Röpke dans la capitale de la paix, Genève, rédigé à HEI, à quelques centaines de mètres du futur GATT. La Suisse lui est infiniment reconnaissante d'avoir choisi Genève comme lieu de refuge, et cette reconnaissance est d'autant plus grande que Röpke a conditionné la politique commerciale de la Suisse jusqu'à nos jours.



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- 1 Röpke, Wilhelm, *Fronten des Freiheit, Wirtschaft - Internationale Ordnung - Politik, eine Auslese aus dem Gesamtwerk* v. Grete Schleicher, hrsg. u. eingel. v. Hans Otto Wesemann, 2. Aufl., Stuttgart-Degerloch 1965, S. 167
  - 2 *ibid.*, p. 169
  - 3 *ibid.*, p. 266
  - 4 *ibid.*, p. 260
  - 5 *ibid.*, p. 125 (ex: *Jenseits von Angebot und Nachfrage*, 1958)
  - 6 *ibid.*, p. 229 (ex: *Die Stellung des Wissenschaft in der Industriegesellschaft*, 1963)
  - 7 *ibid.*
  - 8 *ibid.*, p. 211 (ex: *Standortbestimmung der Marktwirtschaft*, 1961)
  - 9 *ibid.*, p. 229 (ex: *Marktwirtschaft ist nicht genug*, 1957)
  - 10 Röpke, Wilhelm, *Die Gesellschaftskrisis der Gegenwart*, Erlenbach-Zürich, 1942, S. 8
  - 11 *ibid.*, p. 44
  - 12 *ibid.*, p. 313
  - 13 *ibid.*, p. 377
  - 14 *ibid.*, p. 378
  - 15 *ibid.*, p. 377
  - 16 *ibid.*
  - 17 *ibid.*, p. 379

## Wilhelm Röpke et l'explication économique du monde moderne

Emilio Fontela, professeur honoraire, Université de Genève

La science économique du XX<sup>e</sup> siècle aura vécu le triomphe de la connaissance positive sur l'intuition normative; elle s'est efforcée d'éviter les jugements de valeur, toujours à la recherche de la logique interne des phénomènes économiques. Les économistes purs ne nient pas l'existence de liens étroits entre l'économie, la politique ou la société, mais délèguent l'étude de ces liens à des « collègues fictifs » dans les domaines des autres sciences sociales.

Pourtant, pour beaucoup d'économistes, l'économie est une science de l'action efficace et il est difficile d'agir, même en termes purement économiques, en faisant abstraction du contexte.

Röpke s'est toujours maintenu en marge du réductionnisme du *mainstream* américain, qui a été renforcé après la chute du mur de Berlin en passant de la synthèse néoclassique à la pensée unique. Il a dit aux économistes: « Nous ne devons pas nous soucier exclusivement des problèmes économiques, mais aussi, dans la mesure de nos forces et de nos connaissances, des fondements juridiques, sociologiques, anthropologiques, politiques, moraux et même théologiques de la société ».

Cette vision holistique n'est pas incompatible avec la rigueur instrumentale, ni même avec les hypothèses fondamentales de l'économie positive; mais elle les transcende. Pour Röpke, le positivisme scientifique sans jugement de valeur est une aberration; on ne peut faire abstraction d'un concept de vie en société qui relie liberté et solidarité, justice et équité, concept qui, au XX<sup>e</sup> siècle, a caractérisé ce que l'on peut appeler l'Esprit de Genève. C'est ce que Röpke a cru percevoir au cœur de la Suisse et qu'il a transmis à Erhard pour inspirer la reconstruction allemande.

Derrière l'économie sociale de marché à laquelle nous devons le nouveau grand projet européen, on ne peut pas ne pas entrevoir l'image de Wilhelm Röpke.

Entre le libéralisme dogmatique et le communisme totalitaire, Röpke, dans son *Explication économique du monde moderne* (un livre honoré par une saisie et la destruction par la Gestapo à Vienne), défend un juste milieu pragmatique et solidaire qu'il appelle le « tiers chemin ».

Libéral au plus profond de lui-même, Röpke a toujours défendu la supériorité fondamentale, pour le fonctionnement de l'économie, de l'ordre spontané sur

l'ordre commandé, du marché sur la planification, mais il a en même temps justifié un Etat fort, capable au besoin de défendre le capitalisme contre les capitalistes.

Nombreux sont ceux qui ont affirmé que, comme les artistes, les grands économistes ont surtout de l'influence après leur mort. Röpke a eu une grande influence de son vivant, mais de nombreux problèmes du présent auraient aussi besoin d'être repensés aujourd'hui à la lumière de ses enseignements.

La transition des économies planifiées vers les régimes d'économie de marché de ces dix dernières années n'a pas été un succès. Les économistes qui l'ont guidée n'ont pas su trouver le tiers chemin.

La crise de la dette des pays en voie de développement n'a pas été résolue par le consensus de Washington. Encore une fois, les économistes n'ont pas su trouver le tiers chemin.

Le passage délicat entre théorie et réalité est plus qu'une science, c'est un art. C'est la grande faiblesse de l'enseignement de l'économie aujourd'hui; on s'efforce de former des scientifiques en les dépouillant de leur éventuelle capacité artistique, au sens de leur capacité de perception de la complexité sociale. Le réductionnisme académique conduit inexorablement à une « pensée mutilée et mutilante » selon les termes d'Edgar Morin.

Espérons un retour rapide à la recherche interdisciplinaire, à la multiréférentialité académique, au monde de Wilhelm Röpke. L'économie globalisée, mondialisée, en a de plus en plus besoin.

## The Teachings of Röpke and Today's Students

Alessandra Roversi, President, Student Association Committee HEI

To be honest with you, I had no idea who Röpke was until Dr. Hieronymi approached me for the conference. Talking around with people here at HEI, I realized that nobody knew about him even though his name is mentioned at the entrance of the library as one of the first great professors at the Institute. Röpke has never been mentioned in any of the economics books I have used in my classes, nor was he ever quoted by my professors. Bearing these facts in mind, I looked at the title of the presentation I was asked to give today "Röpke's relevance to the students of today" and I felt a bit uncomfortable because the students of today do not know Röpke's teachings. I started discovering them and what I would like to share with you are my first striking impressions and thoughts. Also, I would like to encourage all of you to read Röpke with the hope that some of his thoughts will challenge your views on economics and on economic thinkers.

Do not underestimate Röpke's effect on your convictions and opinions. As I was reading on Röpke I found these words:

"Wilhelm Röpke entered my life, with immense effect, more than fifty years ago. [...] In those lectures and seminars long ago, Röpke snared my soul, so to speak. I determined then and there to change my focus and to become an economist. His lectures, of which I kept faithful, if sketchy notes, while they were minor masterpieces of economic wisdom, were more than just exercises in economic analysis. They were infused with Röpke's own deep humanity and his burning devotion to the grand principles of liberalism in the best sense, that is to the causes of human freedom and human dignity. At Röpke'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"<sup>1</sup>.

These are the words of Patrick Boarman, professor of economics at National University, a former student of Röpke who wrote two articles on him in Spring and Fall 2000 in two journals. I have heard more or less the same words from Dr. Hieronymi, also a former student of Röpke.

Röpke's message then definitely had a profound impact on some students, this student changed his focus to become an economist (he had studied political science before). I admire professors like that and I also would like to be able to say in fifty years' time, that the wisdom of one of my professors is still accompanying my thoughts and that I have kept the notes of her or his classes. So, my first message is not directed to the students of today but to the professors of today: give us more than information and teach us more than knowledge. Try to be mentors, share your visions with us so that we can bring them along, grow with them and develop our own. Do not try to be too scientifically objective, bring us with you in your system of beliefs and challenge us in ours.

I think this is the first reason why Röpke is still relevant nowadays, why he, in a way, is still alive through his students.

I guess it is important to be remembered for an individual but also for an institution.

Röpke wished that the Institute would hold an important place in history as a centre of scientific cooperation where urgent problems of the world are discussed. In his contribution to the 10th anniversary of the Institute in the book «La Crise Mondiale» he wrote:

«Par une œuvre de réflexion positive sur les problèmes devenus urgents dans notre société, le monde de demain se prépare en ce moment même, dans quelques cabinets de travail et dans quelques centres de coopération scientifique. J'ajouterai seulement que mon vœu le plus ardent est que, plus tard, sur les tablettes de l'histoire, notre Institut universitaire de hautes études internationales se voie conférer la place d'honneur parmi eux»<sup>2</sup>.

Today we are celebrating the 75th anniversary of this Institute and the world of 2002 is also faced with urgent problems as it was in 1939, of course very different ones. The world of tomorrow is indeed decided and prepared in some governments' cabinets and in certain centres of knowledge. How can we bring to reality Röpke's wish and put the Institute at the place of honour in the list of Institutions to be remembered for their contribution to the world of tomorrow?

Some of Röpke's teachings, I think, can help us. By "us" I mean of course the professors of the Institute, our spiritual guides, but now I mainly turn my focus on students, the human capital of this Institute, the intellectual humus from where ideas have to grow. I have taken four "lessons" out of the Röpke's readings I have been doing.

The first lesson I will remember from Röpke and which can help us to bring the Institute to the forefront of a movement for change is that we have to come out of our tendency for pessimism and cynicism.

Röpke wrote after WWII: "Difficult as it may have become at the present time to drag ourselves out of a tired and passive pessimism, we have known all along at bottom, that we have no right to give way to this feeling. So long as we continue to struggle against a fatalistic pessimism the main predisposing condition for its fulfilment will be lacking, namely, our own weakness and lack of will power. We must turn our pessimism into a source of the most robust energy true to the beautiful saying of William of Orange: «*Point n'est besoin d'espérer pour entreprendre, ni de réussir pour persévérer*»<sup>3</sup>.

I think that students of today renounce a bit too often to fight for their beliefs because they feel that it is of no use or that they will not be able to really bring a change. Students of today lose themselves in wrong fights. I will bring a very blunt example to you. The chairs you are sitting on are brand new and in the other rooms they have replaced the tables that used to be there in round shape for seminars. Many students have been complaining about the change: that the table is too small, that it shakes when you write, that there is not enough room, etc. Some of them have even asked if the Student Association could do something, mentioning that they would be more than happy to circulate a petition. I have heard about another petition for a photocopying machine and another one for housing in the pavilions. My dear fellow students, don't we have better things to petition for? Where is all the energy that you have for complaints when the Student Association needs you to organize other events, other meetings? Actually, where are all the other students who are not in this room? Why do we always see the same people at conferences, at debates where new issues are brought up, discussed and challenged?

Too often, we are very disillusioned, it is difficult to find students completely carried away by an ideal. Indeed, it seems a bit old-fashioned or even stupid to have ideals and to speak in absolute terms.

Again Röpke's words in the 40s: "The old conceptions have been worn out or devaluated, everything has become soft and flabby, what used to be absolute has become relative, the firm fundament of norms, principles and faith has been undermined and is rotting away, scepticism and the "bogy of ideology" (H. Plessner) are corroding everything. As Renan said: «*Nous vivons du parfum d'un vase vide*»<sup>4</sup>.

I believe that in each of us there is an aspiration for much stronger perfumes, for all kinds of powerful smells and strong tastes. I guess we do not realize how important it is to voice these needs.

This brings me straight to the second lesson I have taken from Röpke and which is already a bit contained in the first one. You have a responsibility as intellectuals to stand up and fight against what Röpke called a "dull-witted world"<sup>5</sup>. Do we, students, realize how privileged we are to be studying in this castle near the lake, to be close to centres such as the UN and the WTO where decisions are taken that have an impact on the world's fate?

In Röpke's word: "Any privilege, be it a privilege of birth, mind, honour and respect, or of wealth, confers rights only in exactly the same measure in which it is accepted as an obligation. It will not do to hide ones' talent in the earth; each must remain conscious of the responsibilities which his privileged position entails"<sup>6</sup>.

And this responsibility is heavy, it is not an easy task, in «La Crise Mondiale», 1939, he said already:

*«La responsabilité des intellectuels n'a jamais été aussi lourde qu'à présent où toutes les choses se trouvent en suspens, où une incertitude générale règne au sujet de ce qui se passe réellement et de l'orientation à adopter et où, dans un tumulte assourdissant, des millions d'hommes attendent, plus impatients que jamais, le nouveau message qui doit les guider»<sup>7</sup>.*

Do we have this inner consciousness of our responsibilities, I mean really? Do you know what is the message that people are waiting for? Do you feel strong enough to take the lead as intellectuals? Are you ready for the "revolt of the elite" that Röpke mentioned as a complement to revolt of the masses?

Maybe you think here, that I am going completely away from the topic of today and that I should discuss Röpke and European monetary integration. I think that if I understood the message of Röpke correctly, we are at least as much *homo religiosus* as *homo aeconomicus* and that this spiritual dimension of life is crucial.

This is the third message from Röpke: let us not lose sight of the spiritual dimension of our lives.

First, as I was just saying, let us listen to our inner consciousness that brings us to the realization that we have responsibilities.

"Life is not worth living if we exercise our profession only for the sake of material success and do not find in our calling an inner necessity and a meaning which

transcends the mere earning of money, a meaning which gives our life dignity and strength.[...] We must answer to ourselves for the social functions for which society rewards us with our income”<sup>8</sup>.

So, what is the social function of a student today? What is the social function of a student in economics?

That is the second spiritual dimension we need to reconcile, not only the one with ourselves but more generally, the one between a material dimension of our reality and a non-material one. One of Röpke's favorite quote was «*Science sans conscience n'est que ruine de l'âme*» – Rabelais, Pantagruel.

We need to reconcile economics and spirituality as Röpke was suggesting and I have heard this same idea coming very strongly from different sources nowadays, for instance from the World Bank representative in Geneva, Alfredo Sfeir-Younis, senior economist and vice-director for European operations. So, this notion is growing even in the financial and trade institutions today. Sfeir-Younis wrote “ We must address the questions of whether the economics we practice today will be the economics we will be practicing in the future and whether we will be able to formulate economic policies and programs that are essentially void of – or at least indifferent to – the spiritual dimensions of peoples' lives”<sup>9</sup>.

I read Röpke again: “Excessive specialization furthers the disintegration of the social sciences' body of knowledge; esoteric exposition, taking obvious pride in the handling of mathematics, tends to close off hermetically the separate fields of knowledge; certain intellectual acrobatics, lacking all sense of proportion, tend to lose themselves in hair-splitting arguments and in the construction of models without even a basis of approximation to reality, arrogant intolerance is spreading. When one tries to read an economic journal nowadays, often enough one wonders whether one has not inadvertently picked up a journal of chemistry or hydraulics. Economics is not a natural science, it is a moral science and as such has to do with man as a spiritual and moral being. [...] The crucial things in economics are about as mathematically intractable as a love letter or a Christmas celebration: they reside in moral and spiritual forces, psychological reactions, opinions which are beyond the reach of curves and equations”<sup>10</sup>.

I was talking about responsibility, there is a very special responsibility falling on representatives of economics, in the words of Röpke still:

“Some people seem to think that the principal function of economics is to prepare the domination of society by specialists in economics, statistics and planning,



that is a situation which I propose to describe as *economocracy*, a horrible word for a horrible thing. The true task of economics appears to me to be quite different, especially in a modern mass democracy. Its unglamorous but all the more useful mission is to make the logic of things heard in the midst of the passions and interests of public life, to bring to light inconvenient facts and relationships, to weigh everything and assign it its due place, to prick bubbles and expose illusions and confusion and to counter political enthusiasm and its possible aberration with economic reason and demagoguery with truth”<sup>11</sup>.

Röpke’s text were/are “rich with literary and historical allusion: a verse from Goethe, a maxim from Montaigne, a quip from Shakespeare or apt quotations from de Tocqueville, Edmund Burke, Benjamin Constant or Adam Smith”<sup>12</sup>. His books don’t even look like economics books! He rejected the criticism of romanticism: “Man simply does not live by radio, automobile, and refrigerators alone, but by the whole unpurchasable world beyond the market and turnover figures, the world of dignity, beauty, poetry, grace, chivalry, love and friendship, the world of community, variety of life, freedom and fullness of personality”<sup>13</sup>.

These words, today as yesterday maybe sound cheesy or easy to say because we can all agree on that. Now, do we really agree on that? Then, do you feel that the Institute provides you with a class in economics that answers questions on the unpurchasable world, do you get Shakespeare and Montaigne quotations in your economic classes very often? Do we talk about ethics in economics at HEI?

This is my fourth message: let us all get together tomorrow or next week and ask for a class in the economics department called “Ethics and economics”. Röpke said: “*Pacta Sunt Servanda* in international trade is crucial, contractual behaviours are central. Even the prosaic world of business draws on ethical reserves by which it stands and falls and which are more important than economic laws and principles”<sup>14</sup>. The World Bank is mainstreaming environment and social development, holding seminars on Buddhist economics, Stanford has classes on social entrepreneurship and corporate responsibility.

Economics is about the relation of human beings to a material dimension, we need to talk about the relation of human beings to others (social aspect), the relations of human beings to their environment (environmental aspect) and the relations of human beings to their self and to their moral values (spiritual aspect). A lot of development programs now focus on these components:

economic, social, environmental and spiritual dimension of sustainable development. The concept of sustainability itself is above all a moral principle: not so much what is but what *should be*, so it's not just about development economics with graphs and theories.

Do we want the Institute to be remembered? Then I think that we should not miss the opportunity given to us in these years of questioning to teach a different kind of economics. Let's be romantic for a change. People, students are expecting different answers, different visions, different perspectives.

One day, we, students coming out of the Institute, will make decisions for the world of tomorrow. People make decisions based less on what they know than what they believe. It follows that value choices ought to be examined as carefully as facts. We need to transform public attitudes and internalise values through education and ethics need to be taken into account in decision-making.

The methods of policy analysis developed in recent years often seem to amount to elaborate dances around the tough value choices at the centre of an issue. Environmental impact analysis, risk analysis, fiscal impact analysis, and similar methods concentrate on assembling facts and examining alternatives; they steer clear of looking at what is right and wrong. They are attempts to bring scientific tools to bear on public policy and nothing makes a scientist more uncomfortable than to be shown to have made a moral assumption. Exactly what Röpke regretted strongly in his text: "A value judgement on value judgements".

Policy analysts cultivate a professional image as purely technical advisors whose work is value-free and apolitical. The administrators who are their bosses are reluctant to encourage ethical investigations both because the inquiry itself might raise questions concerning established program goals and because the style of analysis conflicts with the technocratic ethos which dominates bureaucratic politics.

Wouldn't it be memorable if students coming out of the Institute became policy analysts raising ethical questions and spiritual dimensions of programs? Of course it is easier said than put into practice, but why don't we address the question on how we could offer such a class? What is important to know for an average 25-year-old future decision-maker?

I have enormous hopes for the Institute, I also want it to be remembered, like Röpke, I believe it has a great potential to be an agent of change. I believe that many professors can be mentors, can bring us back to more faith, more intellectual fights. I believe that many students do not live from the *parfum*

*d'un vase vide*, but that they have a great "secret garden to cultivate" (this idea coming out of another favourite quote of Röpke from Voltaire).

Out of the 4 topics taught at HEI, we can, as licencees, leave one of them for the final exam. I chose not to do economics this year, I was a bit bored by graphs, curves and multiple-choice questions. I know I am very far from understanding the logic of it all and Röpke has reconciled me with economics and economists. I think Röpke's teachings could be very relevant to HEI students today. Let's bring some of Röpke (his idea on spirituality, on responsibility) in our readings, in our discussions, in our texts and most importantly in our classes. I think this could be the best tribute that HEI could do for its 75th Anniversary to one of its former professors.

Thank you for your attention.

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## Wilhelm Röpke and Humanism and Humanitarian Values Today

Chiara Jasson, Graduate Student, Program of International Relations, Webster University, Geneva

Today, there is once more an urgent need to reaffirm the importance of humanism and of humanitarian values. Once more, we have to emphasize the need to respect the human person, the need to work and to fight for a *humane society*.

Humanism and humanitarian values are not purely Western values: they have universal validity. I believe that the success or failure to bring humanism into the center of our political and societal concerns will determine the quality of the future, especially for us in the younger generation.

I believe that it is only if humanism and humanitarian values are our guiding principles that we will be able to achieve lasting peace, prosperity and justice in the world. If we fail to do so, the very future of humanity may be threatened.

This is where I see the relevance of Röpke's example today. Röpke was an economist, a political philosopher and a sociologist. In all these capacities, he was above all a *fighter for a more humane society*.

Wilhelm Röpke (in contrast to another famous German scholar, Martin Heidegger) had warned, even before Hitler came to power, of the mortal danger that National Socialism represented for civilization.

Its exponents rejected the very basic principles of freedom and liberalism (which they derided as a sign of weakness). They were driven by a theory of violence, brutality and immorality, cutting themselves from the humanist and liberal traditions in Western civilization. Röpke's analysis of the "social crisis of our time" covered not only National Socialism, but also other forms of totalitarian ideologies such as Communism.

Röpke's contribution lay not only in his diagnosis but also in finding solutions to some of the major problems of his time. Röpke perceived liberalism, constituted by civil, political and economic freedom, as part of humanity's most important intellectual heritage. He believed that the idea of humanity was an important component of liberalism. In fact, this concept involves the rejection of violence in favor of reason. Violence lies at the very bottom of the scale of values, and should be used only as a last resort and with great reluctance<sup>1</sup>. Instead, freedom requires the law of reason, based on:

*“truthfulness instead of obscurantism, clarity instead of hysteria, the advancement of knowledge instead of sensationalism for the masses, logic instead of wallowing in moods of emotion . . . It is only the liberal ideal of the use of Reason in the service of truth that has engendered science...that alone has liberated Europe from the stupor and wretchedness of barbarism”<sup>2</sup>.*

What also ought to inspire students today, is the idea of a balance between economic needs (and the search for improved material conditions) and the respect for the individual, for the human person. Röpke helped define and advocated the principles of a new approach to economics: his concept of a humane economy was based on a strong market economy, coupled with a sound system of values and a respect for the social dimension of the economy.

Wilhelm Röpke argued in favor of freedom with responsibility. He believed that in a free society no one should have an overpowering role. In fact, free societies are not constituted by the mere possibility to vote. They require responsible citizens and a balance between freedom and innovation and the respect for tradition and institutions<sup>3</sup>. Röpke, a refugee from Hitler's Germany, had great respect for the freedom, stability and tolerance of the “Swiss model”, which he saw as a source of inspiration for both Germany and Europe.

While it is clear that I am not an economist, or a specialist of Röpke I have learned about him in the course of my studies. Röpke's book *Civitas Humana* is one, I believe, of particular relevance today. At the very beginning of it, I was struck by his vision of the world towards the end of the Second World War. In fact, Röpke contrasted two opposite scenarios, and sought to see which one of them, and under what conditions, was more likely to become representative of the future political events.

*The first one was based on the worst eventualities.* The then recent World War II would have marked the beginning of many other wars; “increasingly destructive weapons would wipe out countries and most of the world's material wealth ... tyranny, collectivism or anarchy would prevail ... our culture and the spiritual inheritance of centuries would melt away ... there would be economic decay accompanied by inflation as well as mass unemployment, despair, monopolies, secret police, concentration camps, destruction of middle classes ... no genuine peace or international order, but a world with new frontiers ... after the war (WWII) the US will have reverted to an isolationist policy; the deep societal crises observed before the war, will have worsened even further<sup>5</sup>” .

*The second scenario involved the most favorable developments.* According to this one, the Second World War and its outcome would have been a turn for the better; “humanity would devote itself to end a period of moral confusion, oppression, exploitation and tyranny, of industrial monopoly, of nationalism ... a new world order would come about based upon a genuine consciousness of international solidarity ... the democratic-liberal world would have a new sense of their responsibility for cooperation ... a new market economy giving a new impulse to economic life and prosperity would be set up; monopolies would be combated successfully; exchanges would be stabilized and finances put in order ... all these factors would prevent mass unemployment which great industrial countries had come to know during the last decade and would lead to a greater stability of life as a whole”<sup>5</sup>.

One could argue that in the last 50 years most parts of the so-called Western world have moved towards the conditions defined in the second, more favorable scenario defined by Röpke in *Civitas Humana*. In most Western countries the violation of our core values is no longer acceptable. In a way, the existing international order is based on international solidarity, support and cooperation, and economic life and prosperity have been increasing.

However, this is still not the case in many other regions that, unfortunately, are still quite close to the scenario based on the worst eventualities. And even in the Western world we have to reaffirm time and again the moral foundations of our society, in particular the one of domestic and international solidarity with the weaker and with the victims of violence and persecution.

Today, we know that the outcome has been something in between these two options. War and violence are still part of reality, but so are many of the positive elements of Röpke’s favorable scenario. Instances of success have been achieved through the implementation of ideas like Röpke’s and through systematic efforts at different levels.

The recent developments and the emergence, after last September, of a new threat to the achievement of international peace and stability, could lead one to reconsider Röpke’s initial scenarios.

In fact, the present situation raises several questions on the direction the world will move to. Nowadays, one could argue that the world stands once again at a crossroad. Therefore, it might be useful to consider the alternative turns which some of the most crucial issues could take.

The last decade has brought about some of the worst humanitarian disasters. The worst atrocities were committed in the name of race, ethnicity and religion.

The world was faced with instances of genocide and mass persecution. Basing oneself of these atrocities, one could easily argue that the future is likely to be shaped by the persistence and development of some of the most negative factors. If Röpke were to explore this possibility, he would be likely to consider the following circumstances:

Negative outlook: The threat of terrorism will weaken peace and the existing international order, leading to new frontiers. Its attacks will be carried out in the name of religions or extremist ideologies, killing thousands of people and creating further divisions and gaps between developed and developing countries, isolating Western civilization. Weapons of mass destruction will fall in the hands of terrorist organizations, which will not hesitate to employ them, annihilating entire countries or regions, destroying most of our environment and natural resources. Regional conflicts will further exacerbate. Public opinion will lose interest in the protection and assistance of the victims, increasing states' reluctance to get involved. Values of charity and solidarity will be persecuted. Religion (e.g. extremist Islam) will become the organizing principle of many states, while it will be the target of attacks and persecution in Western states. Ethnic origins and differences will continue to create conflicts and genocide. Wars and instability will have disastrous economic effects. Developed nations will become enslaved by technology and by the excesses of the consumer society. The effects of globalization will lead societies to forget the social and human dimension of the economy, leaving losers behind. There will be an excessive concentration of political and economic power in the hands of one single nation.

In contrast, recent years have witnessed several important improvements at different levels. For instance, humanitarian values have become a fundamental component of most societies despite the fact that the level and the extent of their implementation might not be equal everywhere<sup>6</sup>. One of Röpke's major strengths was the awareness of the importance of such values. From the very beginning, he fervently advocated the importance of humanitarian values for the good of the society we live in. The crises of the 1990's, with the expression of genocide, large-scale persecution and forced displacement of people have confirmed the urgent need to reaffirm and strengthen these values. Nowadays, it must be understood that a society lacking humanitarian values is not compatible with our need for ethical and moral standards of behavior. Also, international cooperation has improved significantly, contributing to improved security and protection regimes. The last decades have witnessed

the strengthening of organizations such as the ICRC and UNHCR, which fight to provide the victims of man-made disasters with effective assistance and protection. On the basis of such positive developments, one could consider a more positive scenario based on the following hypothetical evolutions.

Positive scenario: Terrorism will lead to improved security, to a new world order based on a genuine consciousness of international solidarity. People will understand that terrorism is carried out by limited groups of fanatic individuals who distort the principles of Islam and political causes to gain the support of the masses. Countries will cooperate to prevent weapons of mass destruction from falling in the hands of terrorist organizations. The democratic-liberal world will increase its sense of responsibility for cooperation, improving its policies towards developing countries. The market economy will give new impulse to economic life and prosperity in those regions. Regional conflicts will not spread, but will be deterred by intelligent sanctions or by the intervention of third parties such as collective security organizations. Public opinion will remain interested in the protection and assistance of the victims, and states will realize that peace and stability are vital to their own interests. Values of charity and solidarity will be strengthened and reaffirmed. Religion will not be persecuted, but it will not become the organizing principle of our society. It will be recognized that ethnic origins and differences should be tolerated and are not a valid motivation for violence and war. All nations will continue to benefit from new technology (which will be shared with developing nations), but they will not become enslaved by it, or by the excesses of the consumers' society. The negative effects of globalization will be controlled, and societies will not forget the social and human dimension of the economy. Losers will not be left behind. Political and economic power will not be concentrated in the hands of a single nation, but will be shared by different cooperating actors.

This would be the ideal scenario. Many would call it utopian but, like Röpke believed, we should not fall victims of pessimism. While perfection is not likely to be achieved, we should do more than simply criticize the existing system. Our society has to define its core principles, strengthen the existing values and work on it. Just like Röpke during the Second World War, we must look forward to the future and work for a better society.



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N°6

Colloque Wilhelm Röpke (1899-1966)

The Relevance of his Teaching Today:  
Globalization and  
the Social Market Economy

**Institut universitaire  
de hautes études internationales**

Rue de Lausanne 132  
Case postale 36  
CH - 1211 Genève 21

info@hei.unige.ch  
heivwww.unige.ch