

WILHELM RÖPKE AND THE THIRD "NEO-LIBERAL" PATH

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World history has not become a long, tranquil river as some had hoped. Various tragic events tell us otherwise – September 11, 2001, the economic crisis of 2008 and finally the identity crisis of the 2010s (crisis of conscience or perception of cultural and historical roots that affects the countries of Europe and, likely perhaps to a lesser extent, the rest of the West).

Since the 2008 crisis, many have expressed the strongest reservations about the evolution of Western economies and societies. [Economic reductionism](#), the cult of the market, the capitalist logic of interest have never been so denounced in the media.

Combined with liberalization, deregulation (especially the financial markets), the withdrawal of the state, the disproportionate power of the "giants" of business and finance, the concentration of wealth, the explosion of inequality and wild competition, the word "neoliberalism," ubiquitous in the vocabulary of the general public, has become a kind of synonym for "[hypercapitalism](#)," "[market fundamentalism](#)," an absolute repellent. A label so overused and depreciated in Europe that it can no longer be used openly by neo-liberal or social-liberal political leaders, but only surreptitiously, the French presidential election of 2017 being, in this respect, a real case in point.

A plethora of philosophers and ideologues, a minority of whom seem to want more or less consciously the return of wage and price control, state leadership, and even the resurgence of "sweet collectivism," also support the thesis of the fundamental unity of liberalism. At the root of political and economic liberalism, they believe, there should be, above all, individualism and universalism.

The neo-liberalism of the turn of the 21st century would only be the logical and inevitable culmination of the individualistic and [universalist](#) philosophical project, defined since the 17th century in particular by the philosophy of the Enlightenment. Even the most radical of these philosophers and ideologues, risk prophesying that liberalism and neo-liberalism are coming to an end. But for the historian of ideas and facts things are not so simple.

Contrary to what some have suggested, liberalism and neo-liberalism are not univocal or monolithic currents. Their stories are diverse and plural, made up of ruptures and disagreements, as well as continuity and convergence. There is a political liberalism and an economic liberalism, with concomitances, and no doubt, simultaneity, but both of which are far from absolute and permanent.

On the political level alone, we can distinguish five liberalisms: first, a legal-economic liberalism based on a minimum state or "gendarme" (as per [David Hume](#), [Frédéric Bastiat](#), [Friedrich Hayek](#), or even [the Chicago School](#)).

Second, there is libertarian liberalism, which regards the state or political power as useless (as per the [Austrian School](#), [Murray Rothbard](#), [Walter Block](#), etc.).

Third, there is the liberalism which wants a state whose mission is to foster a level playing field, and which is close to redistributive and bureaucratic social democracy (as per [John Stuart Mill](#), [John Rawls](#), [Keynes](#), etc.).

Fourthly, there is a Jacobin, centralist, egalitarian, statolatry, or even totalitarian liberalism (as per [Jean-Jacques Rousseau](#)).

And, finally, there is a realistic or skeptical liberalism, which recognizes the existence and necessity of power as the inevitable component of social and political life – in other words that which considers "the political (i.e. the essence of politics and not the "policy that it is contingent," to use [Julien Freund's](#) distinction) as the sociological articulation of the "polemos," that is, as the inevitable theatre of recurrent conflicts and struggles (as per [Tocqueville](#), [Isaiah Berlin](#), [Mosca](#), [Pareto](#), [Ortega y Gasset](#), [Unamuno](#), [Max Weber](#), [Croce](#), [Wilhelm Röpke](#), [Raymond Aron](#), Julien Freund, etc.).

With regard to economic liberalism, the differences between the Vienna School ([Ludwig von Mises](#) and Friedrich Hayek), or the Chicago School ([Milton Friedman](#) and [George Stigler](#)) at the Fribourg-en-Brigau School ([Walter Eucken](#) and Wilhelm Röpke) are blatant and profound.

Forged to oppose the older liberalism (or paleo-liberalism), the term neo-liberalism is not new. It appeared in the late 1930s; the updated version of the book by the German economist [Franz Oppenheimer](#), *Der Staat* (1929), undoubtedly played a pioneering role in this field. But at that time, the meaning of the word neo-liberalism was very different. It was almost the opposite of the one it took in the 1970s, following the experience of the "Chicago Boys," Friedman's ultra-liberal disciples, who were much under the influence of English and American think-tanks that supported a minimal state, such as the Institute of Economic Affairs (London), or the libertarian Foundation for Economic Education (Atlanta).

In the emergence of neo-liberal thought, an important first step must be pointed out: the [Walter Lippmann Symposium](#), convened in Paris in 1938 at the initiative of [Louis Rougier](#). For the twenty-six participants, it was a question of defining a neo-liberalism conceived as a third way between the "laissez-faire" of old liberalism ("the providentialism of the invisible hand"), and the [dirigisme](#) of Marxist communism, National socialism, fascism, and the various forms of Keynesianism, [Planists](#) and Neo-Socialists.

The economists, political scientists and sociologists of the time had largely aligned themselves with Lippmann, Rougier, [Jacques Rueff](#), [Alexander Rüstow](#) or Wilhelm Röpke. The "old or paleo-liberals" such as Ludwig von Mises and Friedrich Hayek were in the minority at the time. For the majority of participants, it was clear that neo-liberalism had to accept a good deal of interventionism and integrate a political, social and moral dimension. Their neo-liberalism – ordo-liberalism or "rule liberalism" – was defined by four points: priority to the price mechanism, free enterprise, a competitive system, and a strong, impartial state.

The second major stage was the birth of the [Mont Pèlerin Society](#) (Vevey, Switzerland), in April 1947. Founded, among others, by Hayek, [Albert Hunold](#) and Röpke, this organization was to bring together, at its first conference, thirty-seven members, fifty percent of whom were American. Significantly, the final statement stressed the "need for a legal and institutional framework to preserve the proper functioning of competition" (point 5), and "the need and presupposition of a free society," namely, "a moral code widely accepted which would govern public and private actions" (point 8). Hayek served as president from 1948 to 1960, and Wilhelm Röpke succeeded him from 1961 to 1962. But it is well known that there were significant disputes within the "Society" over how to understand liberalism.

At the first regular meeting, held in Seelisberg (Switzerland) in 1949, the ordo-liberal, Walter Eucken, opposed the utilitarian, Ludwig von Mises. Dissension broke out again at the Turin assembly in 1961, which saw Friedrich Hayek and Wilhelm Röpke oppose each other. Severe lamenting of the "tragedy and crisis of historical or [Manchesterian](#) capitalism," German ordo-liberals and more generally European economists who favored third-way neoliberalism (such as, [Bertrand de Jouvenel](#), Rueff, Rougier or [Maurice Allais](#)), were all-too-often considered "too socialist," at times labeled as "reactionary utopians," and even occasionally accused, perfidiously, of "hidden connivance with fascism." They were soon relegated to the background by the supporters of the Austrian and Anglo-Saxon schools, all of which favored the return of classical liberalism.

The Mont Pèlerin Society evolved, got radicalized, and became, in the late 1970s, a kind of ultra-liberal think tank. In view of the history and political and economic debates of the turn of the 21st century, the thought of Wilhelm Röpke, a great rival and loser to Friedrich Hayek, takes on an unexpected dimension. Forgotten and unknown for nearly forty years, his intellectual figure deserves all the more to be rediscovered.

Röpke was born in Schwarmstedt, Lower Saxony (near Hanover) on October 10, 1899, and died on February 12, 1966 in Coligny (in the canton of Geneva). His thinking is an interesting synthesis of the defense of market economy and that of political-ethical-religious conservatism.

His respect for traditional life forms, his hostility to the gigantism and cult of the colossal, his denunciation of the consumer society and commercial advertising, his criticism of the catastrophic destruction of urban landscapes and the natural environment, his opposition to globalization and the homogenization of political communities that he considered incompatible with the cultural heterogeneity of European civilization, and finally, his deploring the loss of the sense of community, made him a leading neo-liberal economist who advocated the "third way," beyond liberalism and socialism. Röpke also used the terms "constructive liberalism" and "economic humanism, but he preferred the designation the "third way" (*der dritte Weg*).

During his lifetime, Röpke held a prominent position. His prestige even eclipsed that of other ordoliberal economists and political writers such as Walter Eucken, [Franz Boehm](#), Alexander Rüstow or [Alfred Müller-Armack](#).

Mobilized in September 1917, a year before the end of the First World War, he was wounded in 1918 at the Battle of Cambrai. Decorated with the Iron Cross Second-Class and demobilized, he resumed his studies in law and economics, which he had begun at the University of Göttingen. He then joined the University of Tübingen, and finally the University of Marburg, where he defended his doctoral thesis, under the direction of the economist, [Walter Troeltsch](#), in January 1921.

He was not only a professor and an economic theorist, but also an advisor to the prince. He first worked at the Ministry of Foreign Affairs in Berlin as a consultant in charge of payments for war reparations. Between 1924 and 1928, he taught at the University of Jena.

Then, on a Rockefeller Foundation grant, he visited the United States where he studied agrarian economics. In 1928, he gave courses in political economy at the University of Graz (Austria) and, barely a year later, obtained a chair at the University of Marburg. In 1930-31, he was part of a commission of experts charged with proposing counter-cyclical policies against unemployment to the government.

On the eve of the elections of September 14, 1930, which would see a breakthrough by the [National Socialist Party](#), he clearly opposed the NSDAP. A controversy pitted him against the intellectuals of the [Die Tat group](#), which was the emblematic reference-point of the Conservative Revolution up to 1937. He published three articles on anti-capitalism in the magazine, which he considered "catastrophic;" and, in particular, attacked [Ferdinand Fried](#) (Friedrich Zimmermann), the outspoken propagator of National Socialist theories about the end of capitalism and the need for autarky.

Once again, in a speech in Frankfurt on February 8, 1933, he criticized the demagoguery of National Socialist rhetoric. His university career ended three weeks later, on February 27, 1933, the day of the [Reichstag fire](#). As Dean of the faculty, and given the responsibility of giving the funeral oration for his teacher, Walter Troeltsch, at the cemetery of Ockershauser (Marburg), Röpke denounced: "an era that likes to convert the garden of civilization into a primitive forest."

Declared an enemy of the people and expelled from the university on April 25, 1933, he refused to publicly recant and join the NSDAP. He had to leave Germany with his wife, son and two daughters. After a brief exile in England and Holland, the family sailed for Turkey, where the regime of President Ataturk, then considered in the West to be "a good dictator," welcomed university exiles of the Reich.

At the University of Istanbul, he was reunited with his colleague and friend, Professor Alexander Rüstow. He held the chair of political economy until September 1937, when he joined the Graduate Institute of International Studies in Geneva. During the war, he wrote a famous trilogy: [Die Gesellschaftskrisis der Gegenwart](#), 1942 (*The Social Crisis of Our Time*), [Civitas Humana](#), 1944 (*Civitas Humana or the fundamental questions of economic and social reform*), and [International Ordnung](#), (*The International Community*). This trilogy was translated into several languages and helped establish his reputation.

At the end of the Second World War, he published a more polemical essay, *Die deutsche Frage*, 1945 ([The German Question](#)), which earned him the hatred of both the right and the left, because for Röpke the tragedy of Germany was a consequence of the Prussian spirit, romanticism, and a certain

fundamentalism in the realization of ideas.

According to him, the solution for Germany could only come from a moral revolution, a re-education of the values of Western civilization, a deproletarianization, and a confederation of autonomous states. More specifically, he wanted the absolute prevention of Russian collectivism, which also explained his desire for Germany to join the Atlantic community.

His thinking and rhetoric very soon informed the speeches of Minister Ludwig Erhard, who had obtained allies as early as 1945 to be appointed Economic Minister in the Bavarian government. Röpke was a first-time ministerial and then presidential adviser in [Konrad Adenauer's](#) government. He defended the "social market economy," a term already used by Muller-Armack and supported in France, Italy and Spain by Jacques Rueff, [Luigi Einaudi](#) and [Alberto Ullastres](#).

But he eventually broke with the [CDU](#) (Christian Democratic Union) because of his opposition to German integration into the European Communities. The supranational path, which opened in the 1950s, seemed dangerous to the future of the homelands and cultures, spiritually, and damaging to the market, economically.

Röpke's thinking is marked by the doctrinal criticism of totalitarianism, the welfare state, and Keynesian policies, but also by a stated sympathy for political-moral neo-conservatism. He drew the various strands of his doctrine from [Sismondi](#), [Proudhon](#), [Le Play](#), [Kropotkin](#), [Chesterton](#) or [Belloc](#), but his school of thought is that of Ortega y Gasset, Lippmann, [Johan Huizinga](#), [Guglielmo Ferrero](#), Jouvenel, [Halévy](#), [Benda](#) or [Hazard](#).

The experience of the crisis of the late 1920s was proof to him that the economy cannot organize itself. Collectivist responses to capitalism are reactions he regarded as understandable in the face of misery, but he also thought that they reinforced the miserable condition of the proletariat and that they inevitably lead to tyranny.

Just as forcefully he rejected the welfare state as "an expression of the emotion and passion of the masses," which "institutionalizes the proletariat and disempowers the citizen." But he nevertheless very harshly denounced the blindness of classical liberalism, the so-called liberal apoliticism, which he considered a mystification. His economic liberalism was associated with political realism.

He recognized the social irrationality of capitalism, in particular the inevitable concentration of ownership, the expansion of wage-earning and proletarianization, which were fatal steps on the path of collectivism, and proposed ways to avoid them, in order to restore the entrepreneurial vitality of workers.

The real cause of the discontent of the working class was the devitalization of existence which could not be cured by higher wages, holidays or games. Instead of locking workers in the Welfare State, he said that it was necessary to promote their freedom and responsibility, to make them want to be owner-occupiers.

The ordo-liberalism of Röpke held that markets need an ethico-legal-political framework to ensure the survival of liberal values. For him, competition was essential and the deproletarianization of social relations, such as the fight against capitalist concentration and in favor of the promotion of free enterprise, were the duties of the state.

The neo-liberalism of Röpke did not identify with a weak state, at the mercy of economic forces, but rather with a strong state; a state capable of restricting competition and ensuring the social and ideological conditions of a free economy. Economic freedom and political authority are two sides of the same coin for him. There is interdependence of the two; the economy does not have an independent existence.

The free market is unable to provide an integrated society on its own. The tendency towards proletarianization is inherent in capitalist social relations; and when it is not controlled, it results in social crises and disorder. This containment is the responsibility of the state; so, it is a political responsibility.

The market economy cannot survive without moral capital, without the support of tradition, religion and civic sense. The state must intervene in the economic and non-economic spheres to ensure the ethical and social conditions on which effective competition is based.

Röpke wanted economic activity on a human scale, based on the social fabric of small and medium-sized enterprises. He wanted legislation against monopolies, the widest possible dissemination of ownership, market control to ensure healthy competition, state intervention limited to indispensable sectors only, and strict application of the principle of subsidiarity.

Warning of the danger of extreme inequality, he accepted income redistribution and subsidies when they did not interfere with the market economy. He refused to exalt the private sector at the expense of legitimate functions of the state. He deplored the uncritical adoption of all technological advances and concerns, the consequences of the destruction of the traditional family, demographic decline and unlimited immigration.

Hedonism, selfishness, idol pleasure, psychological atomism, naturalism and determinism were values and ideas that were entirely foreign to him. The quarrels over the comparative importance of identity and sovereignty were, in his view, specious, illusory and dissolving.

Identity (linked to the historical-cultural community) and sovereignty (the political power associated with the consent community) could not be opposed. They are two complementary and inseparable aspects of the unity of destiny in the universal. Demassification, deproletarianization, decollectivization and social decentralization are the key words of his thinking.

He was a Protestant, but he held in high esteem the social doctrine of the Church with which he sought to build a bridge from liberalism. His concern for the deterioration of the Western Christian tradition and the irreligiousness of contemporary man continued to grow during his life. "Europe's decadence is not only moral or political," he wrote, "it is also religious." And again: "Everything is held together and toppled by religion" (*Civitas Humana*).

The neo-liberalism of Röpke is, in fact, the perfect alternative to the neo-liberalism of the turn of the 21st century. While the latter defends capitalism against the state, the neo-liberalism of Röpke defends the state against capitalism. The theorist of American conservatism, Russell Kirk, *bête noire* of present-day neoconservatives and neo-liberals but a fine connoisseur of the disagreements between the utilitarian Mises and the ordo-liberal Röpke, liked to tell the following anecdote.

A professor at the University Institute of Advanced International Studies, Röpke welcomed the success of the workers' gardens, the plots of land made available to the inhabitants by the municipality of Geneva.

One day he showed Mises, workers digging away in their plots. At this sight, Mises pouted, sadly shook his head and lamented, "A really very inefficient way of producing food." To which Röpke replied,

"Perhaps, yes, but perhaps not, because it is also a very effective way of producing human happiness."

A pioneer, though pessimistic, as were his most prestigious ordo-liberal and neo-liberal colleagues of the 1930s and 1970s, Röpke had the reasoned conviction that a society obsessed with GNP, exclusively concerned with so-called efficiency and profitability, regardless of the consequences on human beings, inevitably runs out of steam.

Having said that, it is clear that at the beginning of the 21st century the conditions of a democratic, entrenched community, respectful of the human freedom of civic sense and of small and medium-sized property, are no longer compatible with the requirements of a model grossly disfigured free trade economy.

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This article was translated from the original French by N. Dass.

The [image](#) shows Wilhelm Röpke, ca. 1951.

