

## PHILOSOPHY, HISTORY, AND METHODOLOGY OF ECONOMICS

### Wilhelm Röpke's Political Economy

**Samuel Gregg**

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In the United States there are several ways to handle the complex thought of Wilhelm Röpke. One is to simply affirm that he is a classical liberal in the traditions of Mises and Hayek. Another is to affirm that he is not a classical liberal but deserves condemnation because of his deviations from the pure ideals of liberty. A third is to affirm that he is not a classical liberal but deserves encomiums of praise for his Third Way conservative alternatives to capitalism and socialism.

By paying close attention to his political economy, Sam Gregg avoids all of the three mistaken approaches. The only other recent American book devoted to Röpke, John Zmirak's *Wilhelm Röpke: Swiss Localist, Global Economist* (ISI, 2001), does justice to the conservative side of Röpke but does not pay enough attention to the classical liberal and straight economic themes in Röpke. Although neither Gregg nor Zmirak is a professional economist, Gregg comes closer to drawing a perfectly accurate picture of Röpke's political economy. He is concerned to "do justice to the breadth, depth, and above all complexity of Röpke's work in the area of political economy."

The partial views of Röpke stem from the fact that you can easily get the Röpke you want by cherry picking your quotations. Like the blind Indians describing the elephant, they are all touching the same elephant even though their blindness does not allow them to see the elephant in the middle of the room. Speaking of elephants, I would say that Gregg is not blind—his eyes are wide open—but he does not see the whole elephant. I believe that the elephant is the George Nash view—fleeting referred to by Gregg—that

Röpke is the ultimate conservative fusionist. Röpke is devoted to economic liberty and competition, which distinguishes him from anticapitalist traditionalists in this country. He is also devoted to traditional virtue and objective ethical goods, which distinguishes him from *many* libertarians and *most* economists.

In the beginning of his book, Gregg acknowledges that he will be “quite critical” of the “tensions” and “contradictions” in Röpke. There are two aspects of Gregg’s criticisms that I wish to discuss. One is his treatment of Keynes and Adam Smith. The other is the importance of history and culture.

Gregg suggests that Röpke was a little harsh on Keynes’ scientism. Röpke argued that the mathematization of economics that occurred after publication of *The General Theory* was due to the Keynesian influence. The aggravation of aggregation certainly became more pronounced in Keynes’ followers. I would encourage Gregg, however, to be quite critical of Röpke for not being harsh enough in his criticism of Keynes. In the essay on Keynes in Röpke’s *Against the Tide* he says: “Keynes was a man of genius to whom we owe remarkable and fruitful stimulation ... and I myself ... have compared him to Adam Smith, albeit with strong reservations.” Röpke goes on to add, “it is cold comfort that Keynes himself always regarded himself as a liberal, professing his belief in the freedoms of the bourgeois world and meaning to serve them after his own—in our view, strange—fashion.”

Gregg refers to this article but does not include these quotations. Given that he places Röpke in the Smithian Scottish Enlightenment tradition in his final chapter, I would like to have seen him follow up Röpke’s identification of “strong reservations” and “strange fashion.” Gregg and Röpke might have discovered that just as important as Keynes’ contributions to a scientific derailment of economics was his avowed immoralism. At the core of Keynes’ priority of ethics over economics was his rejection of any vestige of bourgeois morality and the Christian religion at the root of it.

Keynes’ flirtations with Franciscanism owed much more to the closet than to the cloister. However, if one prefers the cloister, Keynes would be the heir of the immoral Monks of Medmenham and John Wilkes’ Hellfire Club, sexual preferences notwithstanding. Keynes’ ultimate values were based on his rejection of all the threads of Röpke’s bourgeois moralism.

Gregg is also uneasy with Röpke’s defense of Western civilization in the light of the remarkable changes in intellectual climate since 1968. In addition, he wants to find a peg for promoting Röpke’s economic vision to non-Western cultures. He thinks that the right method would be to apply the kind of natural law framework that Röpke used for his international economic analysis to his national analysis. Gregg wants arguments that have universal appeal and overcome Röpke’s embrace of history.

I believe it is true that Röpke’s occasional distrust of capitalism and bigness stems from his European historical perspective. Capitalism often was historically tainted by its slow movement from feudalism and mercantilism. The historical baggage meant that Europe was not traveling light. The similarities to crony capitalism in Russia and Latin America are striking. The United States, although less corrupted at its core by its legal

and political structures, has not remained free from special interests, privilege, and other devices of rent-seeking capitalists.

The mixture of nature and history that Röpke provides is the major reason for his uniqueness. He is the only economist, to my knowledge, who has heeded Richard Weaver's thinking about the relationship between rhetoric and dialectic. Dialectic, or pure reasoning in logical categories, tends to the amoral and technocratic solutions of the ideologue. Dialectic in science (including economics) has an important role to play, but the results of such dialectic must be historically mediated in concrete cultures and concrete situations by rhetoric.

Willmoore Kendall, in a brilliant appreciation of Weaver's thought, has a footnote that describes exactly the treatment of Röpke:

This is the aspect of Weaver's thought for which the libertarians would never have forgiven him had they grasped it. Weaver's favorite examples of 'dialectic' gone wild are taken from science, but all that he says in this regard would apply equally to those who seek to implement conclusions arrived at *via* abstract reasoning about 'the market,' without mediation by techniques appropriate to rhetoric, in the living flesh of a going society.

Gregg is aware of the residual positivism in Austrians like Hayek and Mises who may talk about ultimate values but mean that ethical questions or the understanding of the good are beyond reason. In economics, the extreme manifestation of this is a libertarianism focused entirely on individual liberty or a Chicago school economics fixated on wealth. It is a shame that Gregg did not wait another year or two to publish this book. The fact that it was finished in June of 2009 did not give him time to apply his findings to the current swirl of debates engendered by our economic crises. He could have made it a *Tract for the Times*.

Contemporary economists have been revisiting Hayek and Keynes in their analysis of the current economic crises. The arguments about the causation of our current difficulties are as knotty and prickly as the question of what to do now that we are in a serious economic recession. As Gregg recognizes, Röpke's analysis of "secondary depressions" drew him to Keynes in the early thirties. Röpke, however, realized that what might be warranted in an extreme situation should not be made the basis of a "general theory." As the decades proceeded, he drew closer to Hayek and Mises and farther away from Keynes.

The references and bibliography that Gregg provides are extremely helpful in keeping the text uncluttered with unnecessary footnotes. Even if his bibliography of Röpke's writings is not complete, he does stress the English translations; he only draws on Röpke's unique contributions in European languages when something is not available in English.

In conclusion, Gregg's book is the single most illuminating treatment of the richness and complexity of Wilhelm Röpke's political economy in English. It should be the starting point for all future treatments of his thought.

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