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Source: *World Affairs*, Spring 1979, Vol. 141, No. 4 (Spring 1979), pp. 307-312

Published by: Sage Publications, Inc.

Stable URL: <https://www.jstor.org/stable/20671790>

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THE THIRTY YEARS that have elapsed since the conclusion of the Second World War have witnessed the proliferation of countless variations on the theme of how best to avoid a repetition of the disastrous events of the Great Depression. Postwar federalists, functionalists, "neo-functionalists," and other theorists of integration and interdependence have offered their views—more or less cumulative—as to the most feasible paths to future world order in international society.

It has become commonplace to point out the deficiencies of these schools of thought. Their utilitarian biases, mechanistic dynamics, simplistic optimism, and idealistic predilections have been thoroughly reviewed in scores of recent studies, some of them the evident product of disillusion on the part of leading exponents of the earlier optimism.¹ In summary, early postwar thought on the subject of the roots of international order overstressed the economistic, utilitarian gratification of felt physical needs as the overweening imperative of modern man. By reducing the function of politics to the gratification of primarily material, consumptionist needs of atomistic individuals, it became possible to deduce and predict the inevitable spread of new and more rational forms of political organization as a result of the need to solve urgent problems no longer resolvable by the outmoded, essentially atavistic (and "feudal") nation-state. It was precisely the intrusion of such obsolete nationalistic preoccupations, the argument runs, that plunged the otherwise smoothly functioning system of international payments and trade into the chaos of the depression and the ensuing world war.²

The trend of contemporary research in the problems of world economic relationships has been diametrically opposed to these earlier economic speculations and, indeed, has inspired a revival of the term "international political economy" to best describe the course of global relationships. The critical importance of the political framework of harmonious trading and payments relationships has once again come to the fore in research on the world economy and likely world order prospects.³

It should be noted that the paramount importance of the extra-economic "framework conditions" of any mutually beneficial exchange process has historically proven to become most clearly visible precisely during those periods of declining hegemonic orders, when the normative and socio-political underpinnings of existing global order come unhinged. For example, Rostovtzeff's history of the decline of Rome has emphasized the inadequacy of Roman economic imperial organization to withstand the general deterioration in the legal, normative, and even spiritual fabric of the global Roman imperial order.⁴ Pirenne's history of the fragmentation of the medieval world order reflects a similar concern with those noneconomic, intangible elements of normative and socio-political order that underlay the medieval system, and that made that system much more truly a "world economy" than is commonly understood.⁵

For the antecedents of contemporary discussions about extra-economic conditions surrounding integration of the world political economy, the most prolific period appears to be the later interwar period of reflection that attended the Great Depression and the total disruption of the world economy. While, as we have noted, the depression overturned the emphasis on economic causes and cures for problems of the world political economy, it is also the period during and immediately after the depression that saw increasing reference to the normative, moral, sociological and political conditions that had undergirded the nineteenth century free-trade era. The absence of these conditions in the interwar period spelled the collapse of beneficial economic exchange and the onset of chaos.

Rediscovering Extra-Economic Factors

A key contribution to the effort to rediscover the extra-economic bases of international and national order has been the work of Wilhelm Röpke. As George Nash has argued in his recent history of conservative thought since the Second World War, Röpke contributed substantially to the "fusionist" school of conservatism that sought to defend the fundamentalist laissez-faire liberal ideals but emphasized the holistic societal, noneconomic factors without which the market economy could not survive. Röpke wrote:

The market economy is a form of economic order belonging to a particular philosophy of life and to a particular social and moral universe. The market economy, and with it social and political freedom, can thrive only as a part and under the protection of a bourgeois system. This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relationships: Individual effort and responsibility, absolute norms and values, independence based on ownership,

prudence and daring, calculating and saving, responsibility for planning one's own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the present and the future, proper tension between individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one's own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values.⁶

Thus, market economy presupposes a definite social structure and normative moral context in Röpke's analysis. He rejects the sort of "social rationalism" that views the market economy in mechanistic terms as a technique applicable and transferable in any spiritual or social setting. His arguments in *The Humane Economy* are quite blunt on the nature of the "embeddedness" of economics in socio-political reality. Referring to advocates of market economy, he notes that:

... in so far as they are at all intellectually fastidious, (they have always recognized that the sphere of the market, of competition, of the system where supply and demand move prices and thereby govern production, may be regarded and defended only as part of a wider general order encompassing ethics, law, the natural conditions of life and happiness, the state, politics, and power. Society as a whole cannot be ruled by the laws of supply and demand, and the state is more than a sort of business company, as has been the conviction of the best conservative opinion since the time of Burke.⁷

For Röpke the market economy clearly cannot promise mutually beneficial exchange relations unless its operation is heavily qualified.

Individuals who compete on the market and there pursue their own advantage stand all the more in need of the social and moral bonds of community, without which competition degenerates most grievously. As we have said before, the market economy is not everything. It must find its place in a higher order of things which is not ruled by supply and demand, free prices, and competition. It must be firmly contained within an all-embracing order of society in which the imperfections and harshness of economic freedom are corrected by law and in which man is not denied conditions of life appropriate to his nature. Man can wholly fulfill his nature only by freely becoming part of a community and having a sense of solidarity with it.⁸

The significance of the extra-economic framework for international as well as domestic economic processes is clearly the focus of Röpke's earlier research efforts inspired by the Great Depression. As part of a project to comprehend the debacle of the postdepression world economy, Röpke produced in 1939 an "Interim Report on International Economic Disintegration" for the Graduate Institute of International Studies at Geneva. Finally issued in revised form in 1942, the study noted several critical noneconomic factors that constitute essential prerequisites of any stable, integrated, international economic system. Taking his departure from those who extolled the virtues of the great "mechanism" that was the international gold standard, Röpke argued that, on the contrary, the working of the gold standard depended upon a set of political, legal, and moral conditions, in the absence of which drift and chaos were inevitable. Röpke explicitly rejects the "fundamentalist" vision of

Cobdenite liberalism in favor of what this paper will term a “holistic” model of international political economy:

So far the competitive market economy was considered sociologically autonomous: It needed no special laws, no special state or special society, required neither a special morality nor any other irrational or extra-economic forces and sentiments. Rarely or never was this belief stated so crudely, but surely few will today deny that the general tendency of the liberal philosophy ran—and in some quarters still runs—in this direction. It was supplemented, however, by the other belief that the competitive market economy, while standing on its own feet sociologically and obeying its own laws, exerted a strong regulating, integrating and educating influence on society as a whole, and worked for peace, good will, solidarity and a mild, but general morality with its motto “honesty is the best policy.” *Far from consuming and being dependent on socio-political integration from outside the economic sphere, the competitive market economy produces it—or so runs the argument.* When Cobden coined his famous slogan: “free trade, good will and peace among nations,” he may have meant that all three condition each other, but there is a strong suspicion that the main emphasis was on “free trade” as the agent, which brought peace and good will in its wake.⁹

Röpke felt (as did Talcott Parsons and others concerned with the solidity of Western institutions in the face of unprecedented strains) that the easy assurance of the eighteenth-century trust in the invisible hand was clearly no longer tenable. The conditions of stability in an integrated economy, heretofore merely assumed to exist, had to be investigated and emphasized.

But we are forced emphatically to deny that this order is anything like an *ordre naturel* independent of the extra-economic framework of moral, political, legal and institutional conditions, without which the competitive market system can no more work than any other economic system characterized by a high degree of economic integration. Under the system of the competitive market economy, as well as under any other economic system, *economic integration cannot, in the end, go further than the socio-political integration based on laws, institutions and psychomoral forces.* The latter is the indispensable condition of the former whereas it is highly doubtful . . . that economic integration can be sufficiently relied upon to produce automatically the degree of socio-political integration it requires.¹⁰

For Röpke the competitive market system is not readily transferable across borders or across continents:

It is a highly sensitive artifact of occidental civilization, with all the latter's ingredients of Christian and pre-Christian morality and its secularized forms; and it should not be forgotten that the ‘economic man’ of the classics was really an English gentleman of the eighteenth or nineteenth century, whose normal code was fixed by the Church and by tradition.¹¹

On the basis of such reflections, the conclusions one reaches regarding the scope for beneficent “spillover” from utilitarian problem solving and need gratification is necessarily highly qualified and cautious:

It is hard to see how competition, much as it is indispensable and beneficial from the point of view of the production of material wealth, can be capable of breeding social

integration. It should be obvious that, morally, it is a highly dangerous arrangement, and one which must be balanced by the strongest of counter-forces from outside the economic sphere.¹²

It is therefore clear that the contemporary resurgence of interest in the foundations of beneficial, cooperative, or at least nonconflictual international economic exchange processes could profit from a systematic review of Röpke's works. More generally, research on problems of world economic affairs could benefit from a renewed acquaintance with the works of essentially conservative political thought.

Because of its paramount concern with the noneconomic grounds of political order and social cohesion, and its skepticism toward utilitarian economism in favor of more holistic conceptions of man and the state, conservative political thought offers a potentially rich source of speculation on processes of global economic integration. Conservative thinkers have, of course, traditionally resisted the option of totalitarian societal direction by the state, and have tended instead to emphasize those intangible and institutional grounds of effective social solidarity and cohesion that also contribute to (and set the limits of) the transformative capabilities of any society.

As noted above, a complement to such a reorientation of focus towards the normative dimensions of stable interdependence might include a careful study of the burgeoning literature on international global world economy and the American and British imperial experience. In addition to many standard classics cited above (Polanyi, Röpke, Pirenne, Rostovtzeff) one might include the growing literature (Gilpin, Tucker, Keohane and Nye, Calleo, Kindleberger)¹³ that argues for or against the necessity of a core hegemonic power and "collective leadership" in the global political economy if a truly liberal and harmonious world economy is to be attainable.

In short, the core reality of global political economy remains the paradoxical fact that any truly liberal and open (and basically free) world economy requires a prior framework of order—of rules, norms, negotiated agreements, and enforceable codes. The most consistent articulation of this fundamental insight may be discerned in the corpus of conservative thought. Within this tradition, the contributions of Wilhelm Röpke represent a lasting and significant contribution to our understanding of the complexities of the modern world political economy.

Notes

1. See for example Ernst B. Haas, *The Obsolescence of Regional Integration Theory* (Berkeley, Calif.: The Institute of International Studies, University of California at Berkeley, 1977). An attempt to summarize and synthesize the criticism of integration studies may be found in James P. O'Leary, *Systems Theory and Regional Integration: The Market Model of International Politics* (Washington, D. C.: University Press of America, 1978).

2. See the useful and comprehensive survey of postwar intellectual reasoning on these subjects in Charles Pentland, *International Theory and European Integration* (Englewood Cliffs, N.J.: Prentice-Hall, 1972).

3. See, among many other sources: R. Gilpin, *U.S. Power and the Multinational Corporation*

(New York: Basic Books, 1974); Robert W. Tucker, *The Inequality of Nations* (New York: Basic Books, 1977); R. Keohane and J. Nye, *Power and Interdependence* (Boston: Little, Brown & Co., 1977); Stephen Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, N.J.: Princeton University Press, 1978); David Calleo and Benjamin Rowland, *America and the World Political Economy* (Bloomington: University of Indiana Press, 1973). On the specific topic of the Great Depression and its roots in the collapse of the political framework, see Charles Kindleberger, *The Great Depression* (Berkeley, Calif.: University of California Press, 1973). See also the recent study by Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, forthcoming).

4. M. Rostovtzeff, *Social and Economic History of the Roman Empire* (Oxford: The Clarendon Press, 1957).

5. H. Pirenne, *Economic and Social History of Medieval Europe*, (New York: Harcourt, Brace and Co., 1937). Wilhelm Röpke notes that "there is overwhelming evidence to show that toward the end of the Middle Ages, i.e., roughly from 1300-1500, there was a highly developed economic system of an international character, in which the urban centers of commercial activity in Europe intercommunicated with each other on a quantitative scale and with a commercial technique which, relative to the general stage of the economic and technological development of that time, were altogether remarkable." See Wilhelm Röpke, *International Economic Disintegration* (London, England: W. Hodge & Co., 1942), p. 21.

6. Wilhelm Röpke, *A Humane Economy* (Chicago, Ill. Henry Regnery Company, Gateway edition, 1971), p. 98. See also George Nash, *The Conservative Intellectual Movement in America Since 1945* (New York: Basic Books, 1976).

7. *Ibid.*, pp. 90-91.

8. *Ibid.*

9. *Idem*, *International Economic Disintegration*, pp. 67-68, emphasis added.

10. *Ibid.*, p. 68.

11. *Ibid.*, pp. 68-69. Röpke drives home the point still further: "In fact, the market economy is an economic system which cannot exist without a minimum of mutual trust, confidence in the stability of the legal-institutional framework of the economic process (including money), contractual loyalty, honesty, fair play, professional honour. . . . Above all, there must be a 'creed' in the most general sense of the term, a belief in a definite scale of ultimate values giving sense and purpose to the ordinary doings of all participating in the economic process. . . ."

12. *Ibid.*, pp. 69, 71.

13. See note 3.