

The Moral Foundations of Society and Technological Progress of the Economy in the Work of Wilhelm Röpke

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1 Introduction: The Social and Moral Roots of the Economy

Wilhelm Röpke's theorizing produced one of the most complex studies of feedbacks in socioeconomic systems, presenting a thorough account of the social dimension of the economy. In contrast to many other liberal theories, he adopted an integrated approach to analyze social, psychological, and moral aspects which affect and are affected by economic action, with the goal to study the stability of the economy in a systematic and comprehensive way. In Röpke's view, the ultimate ends of the economy are man and the achievement of a good life. He argued that "The vital things are those beyond supply and demand and the world of property" (Röpke 1958, p. 5). Nonetheless he considered that this end could be achieved only by some intermediate instrument, including the social dimension, which he called "social integration." In "International Economic Disintegration," he stated:

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 psycho-moral 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. (Röpke 1942a, p. 68)

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Röpke considered the moral foundations of society an important element to assure the viability of economic processes, particularly the correct functioning of the market. He conceived a specific morality of the market, one which included, along with the love for freedom and self-determination, the willingness to accept responsibility and the idea of duty and attachment. Röpke put great effort into analyzing the structural conditions which allow these virtues to produce an economy that does not contradict human nature. He consequently conceptualized a “metastability” of socioeconomic systems that is still undertheorized in contemporary social studies which neglect the moral dimension of society. As a matter of fact, neither mainstream nor heterodox economics adequately study the role of morality in assuring the expediency of economic organization and the feedback which the latter provides for social integration. Most economists still neglect the negative aspects of large organizations, of economic concentration, and of mass society, or focus only on partial aspects of these issues (e.g., social costs).

Röpke underlined the ethical dimension of the economy both on a substantial level and on a methodological level of inquiry. To him axiological relativism is a self-defeating concept, contradicting itself—since the condemnation of value judgments in science is itself a value judgment. Science in his view is inseparably attached to value judgments (Röpke 1942b, p. 2). Therefore, Röpke’s effort was to master the ethical dimension in two ways:

1. By assuming it as a central element and a distinct, specific element of inquiry.
2. By assuming ethical non-neutrality in his account. The consequence is that his theorizing is ethical, and not normative, as some would say.¹

The market is not an ethically neutral sphere (Röpke 1942a, p. 68): rather, it is a highly sensitive artifact of occidental civilization. Civilization is therefore the core element of his analysis. That means that economic phenomena are seen as rooted in education, tradition, religion, milieu, the structure of society, and the state. Röpke admitted his debt to the classical and Christian traditions (Röpke 1959, p. 5) and, critically, to “economism,” which he considered a variety of social rationalism that perpetrates the “incorrigible mania of making the means the end” (Röpke 1958, p. 97).

One may therefore ask in which current of ethical thought we can classify his work. Even if there is no specific statement in his work as regards this aspect, we clearly distinguish a classical (Aristotelian) virtue ethics in his references and in the way he treats moral elements as requisite virtues (Röpke 1942b, p. 16, explicitly mentions Thomas Aquinas). Moreover, human flourishing is at the very center of all his work. The declination of this ethical stream is obviously influenced by a modern conceptual set and by an attempt to bridge different faiths in such a way that we may define him as “Erasmian.” This current is evident in his continuous effort to relate his Protestant values to the Catholic social doctrine (Röpke 1947a, 1961a, b,

¹The distinction positive-normative assumes its full meaning in a positivistic framework. Ethical theories presuppose a sense of what ought to be at the epistemological level, so that such a distinction falls away and they do not allow for a pure instrumental rationality.

see also the cited articles in newspapers). In his reasoning as an economist and social scientist, utilitarian arguments are distinguished from ethical arguments, and there is a clear hierarchy between the two in favor of the latter. Hence, “humanism” is an appropriate attribution to his approach, as he often remarked (Röpke 1950).

The description of human motivation and agency in Röpke is rather complex. As he dismisses utilitarianism and the superficial translation of any activity into monetary terms, the motivation of Röpke’s agent is intrinsically determined by a set of noncomparable or at least hierarchically ordered ends (much as in Aristotelian theory):

Man does not live by bread alone, and the materialistic conception of human convictions and ideas is certainly no longer in accordance with the opinion held by present-day sociologists. It is true that there is exploitation of ideologies. It is still more true, however, that the deepest strata in the human soul do not consist of economic interests, which set individuals, groups and classes against each other, but all sorts of sentiments, passions, fundamental desires and creeds, which, as anthropological constants, are common to all groups and classes, and more likely than not to prevail over economic interests and motives should they come into conflict with them. These are the instincts of social integration, patriotism, sense of solidarity and hatred, hunger for power and self-assertion, desire of “vital satisfaction,” longing for the natural milieu, preference for peace and order, elementary sense for common justice, etc. Man is a crystal of which these sentiments, instincts and passions are the innumerable facets, some positive, some negative, some making for social integration and others for social disintegration, and which will sparkle depends on which sentiment is appealed to by the circumstances.

It is only owing to these non-economic sentiments, and not to economic interests and competition, that any fairly integrated society is possible at all. It was the common and fatal error of the dominant social philosophies of the recent past, of the old-time Liberalism and of Marxism, that they were rather blind to this essential truth and laid too much emphasis on economic interests. (Röpke 1942a, pp. 93–94)

Similarly to other German neoliberals and contrary to a certain strand of liberalism which Röpke labels “liberal immanentism” (Röpke 1958, p. 126), his idea of the market does not endogenize all moral and sociological aspects functional in a virtuous unfolding of market interactions.² Social and moral prerequisites to a balanced market functioning are kept analytically separate from the unfolding of market interaction (supply and demand). In this way, he is able to hypothesize in realistic terms that the development of capitalism is not necessarily producing ideal states of the world. He argued that:

self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, respect for human dignity, firm ethical norms—all these are things which people possess before they go to market and compete with each other. These are the necessary supports which preserve both market and competition from degeneration. (Röpke 1958, p. 125)

²“Markets and competition are far from generating their moral prerequisites autonomously. This is the error of liberal immanentism. These prerequisites must be furnished from outside, and it is, on the contrary, the market and competition which constantly strain them, draw upon them, and consume them” (Röpke 1958, p. 126). See also Resico (2008) who discusses the consequences of this distinction throughout Röpke’s economic thought.

The sources of this education are the family, the church, genuine communities, and tradition. Therefore, the market does not resolve all these problems, and some specific and continuous investment of one's effort has to be made to assure that market prerequisites are regenerated. Contrary to the general extrapolation of the internally contained logic of the neoclassical model of the market, "the ultimate conditions for the making of the economic process lie outside the strictly economic sphere" (Röpke 1942a, p. 69). As contracts are short-lived relations, they should be grounded on solid ethical bases that markets cannot assure or create in minimal part (e.g., educating for responsibility). Therefore, by keeping apart moral values and market functioning, Röpke was able to study social feedbacks and the conditions of viability of market economies.

2 The Economy as an Open System

In Röpke's view, the economy is an open system, and hence economic results are not internally determined by the strictly defined economic processes: rather, the latter depend on extra-economic factors. The viability of the whole society is not determined by the simple economic ability to produce goods to satisfy material human needs. Market equilibrium is not a sufficient condition for a good society, and markets left to themselves would not assure the long-term flourishing of an economy. Thus the sustainability of the socioeconomic system is determined by the ability to produce goods which are in accordance with human nature and favor human flourishing. Therefore, the human dimension is the real measure for economic prosperity.

The idea is therefore that human capital and social capital (Röpke did not use these terms) are not automatically reproduced and that these capitals should be a variable to be continuously cared for. One of the visible causes of the dissolution of the structure of society highlighted by Röpke is "brought about by the formation of the masses (*Vermassung*)" (Röpke 1942a, p. 239). This massification produces two effects:

1. Loss of social integration by the gradual atomization of society, individualization, and a diminished differentiation, which are destroying the vertical coherence of society. The emancipation from natural bonds and communities, the "uprooted"³ character of modern urban existence, the changeability and anonymity in human interactions, and "nomadization" are specific phenomena of this loss of social integration. Moreover, the organization and regimentation produced by economic and social engineering cause a displacement of the spontaneous order of society.
2. Loss of vital satisfaction and worsening of work conditions of urban industrial existence.

³For the concept of "uprootedness," as used by Simone Weil, see Gambarotto and Solari (2015).

According to Röpke, we reach a metastability of a market society if one cares for the quality of society and avoids the dangerous forms of social disintegration. There should be a hierarchy in the organization of a society which assures that the moral values are not subordinated to technological arrangements. Both technological and economic arrangements must take into account the moral dimension of our life, assuring human dignity. This ethical arrangement acts as a “meta-evaluation” principle. It represents an imperative, which is nonetheless still endogenously determined as a kind of self-consciousness of the economic system, as no external alteration of the market process or modification of investment decisions are desirable. Therefore, technology has to remain an instrument and not a civilizing element.⁴

3 Social Integration and Economic Humanism

Röpke was aware that each system is exposed to degeneration. The task of structural policies of the “Third Way” (between savage liberalism and communism), more precisely named “economic humanism,” is to take into account and develop the social prerequisites of markets, considering also some structural dimensions of markets themselves such as the size of businesses, the distribution of income, and the distribution of population (Röpke 1944a). This aspect neatly distinguishes Röpke’s liberalism from more optimistic laissez-faire varieties of liberalism, and he was particularly willing to distance himself from old liberalism (a term which often remained unspecified).⁵ In this sense, he argued that “traditional liberalism not only committed the error of ignoring the legal and institutional conditions of competition, but also of the overlooking its sociologically negative effects” (Röpke 1942a, p. 6).

Therefore, the adjustment of supply and demand via prices is not granted without the proper moral and social setting. Röpke also promoted an idea hostile to most liberal thinking when he argued that “it is hard to see how competition [. . .] can be capable of breeding social integration. Competition is a highly dangerous arrangement and one which must be balanced by the strongest of counter-forces from outside the economic

⁴Röpke used the terms “technology”/“technique” and “technological”/“technical” interchangeably. For the sake of consistency, the terms “technology” and “technological” are uniformly used in this paper.

⁵“The market, competition, and the play of supply and demand do not create these ethical reserves; they presuppose them and consume them. These reserves have to come from outside the market, and no textbook on economics can replace them. J.B. Say was mistaken in his youthful work *Olbia ou Essai sur les moyens de re-former les moeurs d'une nation*, a liberal utopian fantasy published in 1800, when he naïvely proposed to hand the citizens of his paradise ‘un bon traité d'économie politique’ as a *premier livre de morale*. That valiant utilitarian Cobden also seems to have thought in all seriousness that free-trade theory was the best way to peace” (Röpke 1958, p. 125).

sphere” (Röpke 1942a, p. 71).⁶ Remarkably, economic integration ultimately depends on social integration. Therefore, the model apparently consists of a one-way causation from ethics to economics via social integration as the crucial intermediate variable. Socio-political integration is created by a proper framework of institutions and a strong legal order. But underneath that, we find a code of moral norms and principles of behavior. The “atmosphere of mutual confidence, security and continuity” (Röpke 1942a, p. 72) is the fundamental element characterizing this set of favorable elements. Institutions reduce the enormous risks involved in the “high degree of dependence, which is inevitably connected with the division of labor” (Röpke 1942a, p. 72). Socio-political integration is a phenomenon which is possible within the borders of a well-organized community or state. It is difficult to provide that security beyond the state, although not impossible.⁷ Hence, it is an important task of the state to develop the arrangements which allow civil society to flourish. Education is its most important task, especially the humanistic tradition linked to human dignity and the good life. There is, however, a limited extent accorded to the state to interfere with markets (except in some exceptional cases).

Markets themselves could have an ethical aspect as they educate to take responsibility and to properly make use of freedom. Ethical principles are reinforced in people interacting in markets. And Röpke also detected feedbacks from the economy to the core of society.

The ethics of markets is not assured in any case. Only specific market structures assure a good feedback for social integration. Röpke depicted a specific economic system where interactions between moral foundations of civil society and market structure enjoy some reciprocally reinforcing feedbacks. In this case, markets work well without the need of costly intervention.

4 Technology and Organization as a Source of Concern

Röpke’s humanistic approach led him to express some serious concerns regarding a variety of features of modern economic development.⁸ Some of these concerned technology and organization. His view cannot be discarded as simply conservative, and it is certainly not reactionary: his position is much more differentiated and is the

⁶Frank H. Knight’s “The Ethics of Competition” (Knight 1935) is referenced in Röpke (1942a, p. 71, fn. 6).

⁷Röpke often cited international institutions representing the *secularized* version of the “Res Publica Christiana.”

⁸He shared with Leopold Kohr the concern for what is too big (Kohr 1962). The two scholars, however, never referred to each other’s publications. Röpke had always had this concern, as he reported in 1963: “As a young law student, I made my debut in an economics seminar with a thesis on the Taylor system, which I described as reprehensible and pernicious, if it brings in its train the danger of a possible increase in productivity having to be bought at the price of humiliating man in his work, of reducing him to a robot for whom fundamentally the only remaining link with his work is a more or less well filled pay packet” (Röpke 1963, p. 21).

result of the application of his model of socioeconomic interdependencies presented in the previous sections. He progressively refined the definition and specification of this problem in various publications.

An important reference to the difficult relationship between technology and socioeconomic development can be found in his essay *What's Wrong with the World* where he blamed the “excessive speed of rationalization and technical progress” (Röpke 1932, pp. 25–26). More specifically, he argued that “rationalization is decidedly welcome, but if its tempo is made too fast then the results may be incalculably disastrous” (Röpke 1932, pp. 25–26).

A few years later, in *Crises and Cycles* (Röpke 1936), he could be more systematic in analyzing the problems raised by the division of labor. This division is not an unproblematic change for society, and in *Crises and Cycles* he related this issue to his view of cycles. These cycles are not simply limited to monetary causes (as in Hayek) but include some deeper structural dynamics connected to the unfolding of the division of labor:

The only way to understand the phenomena of economic fluctuations and disturbances, crises and unemployment, is to realize at the very outset that our present social order is an economic system based upon division of labor carried to its extreme limits. In any study of crises and cycles, it must be realized from the first that in such a vastly complicated, knife-edged economic organization as that of today held together by the bond of voluntary decisions, frictionless co-operation cannot be expected. (Röpke 1936, p. 70)

An essential feature of modern economic systems, as described in the first chapter of Adam Smith's *Wealth of Nations*, is the extended division of labor. However, Röpke was aware of the inner vulnerability and instability of the process of increasing the division of labor: “The susceptibility of the economic process to disturbances of equilibrium grows with the degree of division of labour, but so does the productivity of the economic process as a whole” (Röpke 1936, p. 71). Röpke presented the division of labor and monetary expansion as two elements that could bring disturbances to the complex functioning of the market economy:

In addition to the division of labour, the pronounced and growing importance of the production of producers goods, and the special regulating principle of our economic system, there is the fact that our economy rests upon the use of money and credit, a further very serious source of trouble. (Röpke 1936, p. 76)

For these reasons the cycle is to be considered the typical form in which the growth of the capitalist economy takes place. Röpke also connected this increased division of labor with increased risk for individuals and with difficulties of economic integration. In this light, the crisis and the depression appear as “growing pains” of the economic system from which we cannot escape as long as economic development proceeds in jumps instead of moving in a smooth and even pattern. The history of crises and cycles teaches furthermore that the jumpy increases of investment characterizing every boom are usually connected with some definite technological progress:

It seems as if our economic system reacts to the stimulus of some technical advance with the prompt and complete mobilization of all its inner forces in order to carry it out everywhere in the shortest possible time. But this acceleration and concentration has evidently to be brought at the expense of a disturbance of equilibrium which is slowly overcome in the time of depression. (Röpke 1936, p. 98)

Later, Röpke expressed a more general view of the division of labor in his textbook (Röpke 1937). In the third chapter, dedicated to the division of labor, he added a final paragraph on the dangers and limits of the division of labor. Problems are related to “the atrophy of certain of our vital functions” (Röpke 1937, p. 67). Mechanization, monotonous uniformity, social and spiritual centralization, and depersonalization tend to produce an unnatural setting for workers, leading to an impairment of important human faculties. These would damage workers’ health and prevent a harmonious development of their body or spirit. The reduction of the human content of specialized work reduces the joy of work and the pride of craftsmanship. Röpke affirmed that “the problem of industrial labor can only be solved in the factory or not at all” (Röpke 1963, p. 22). These problems concern large establishments, and therefore small industry and decentralization are to be preferred to centralization and large organizations.⁹ Nonetheless, Röpke was not against rationalization per se but rather against the wrong type of rationalization:

We have by now already acquired the first essentials for a critical examination of rationalization, the aversion to which today overshoots the mark just as did its uncritical exaltation a few years ago... men have always striven to raise the productivity of their labor by means of tools, machinery, and the most efficient organization, because they have never been satisfied with the extent to which they have been supplied with goods. It was in this sense that we declared above that we cannot have too much but always only too little rationalization. (Röpke 1937, pp. 84–85)

Röpke proposed a general principle affirming that:

the denser and the more complex the division of labour, the more difficult it will be to achieve harmonious coordination and the more widespread will be the reverberations of every disturbance of this complicated process. (Röpke 1937, p. 69)

He was also interested in the consequences of technological progress in specific sectors such as the industrial firm and agriculture. He worried that technology could alter modes of production compatible with the good life such as artisan work and peasant agriculture, modes which implied a whole vision of human life and a culture developed over time. In *International Economic Disintegration* (Röpke 1942a), he expressed his concerns for the way in which technological progress of agriculture took place. He argued that mechanizing agriculture and rationalizing peasant farming risk damaging agriculture’s sociological structure (Röpke 1942a, p. 159), since the specific feature of peasant farming is a specific form of life and work. Besides improving economic performance, mechanization alters the form of life, threatening the long-term viability of that society. In connection to this aspect, Röpke uses a metaphor from his trip to the USA to study the agrarian economy: the “Dust Bowl” was caused by the deterioration of the soil due to producers not taking

⁹“If such a vital problem as that of industrial labour should be insolvable, if it seems impossible to ensure that under the modern conditions of highly mechanized production industrial labour will retain its dignity, meaning, formative influence and attraction, that would be basically a death sentence for our modern industrial society, whether it be capitalist or communist” (Röpke 1963, p. 21).

into account the biological equilibrium of nature. The same could happen to society if human capital and social capital were abused in a utilitarian tour de force where one is maximizing productivity in the short run and neglecting the conditions mentioned above: a process typical for massification (Röpke 1927, 1965).

In general, the view expressed by Röpke is that one may, or we do, observe that optimal solutions determined from a purely economic perspective are not necessarily optimal solutions from the sociological perspective, in connection with the human and moral dimension. This idea expands the “menschenwürdig” (humane) condition for the economic system set by Walter Eucken (1952).

The optimality of the sociological structure is defined in connection to human nature and to its moral dimension. The health of the sociological structure has priority over purely economic efficiency, as it assures society’s integration, and therefore it represents the fundamental reference for the optimization of the technological structure. That is to say that the latter should be optimized within the viability boundary of the former, i.e., that one can even accept lower productivity to preserve the optimal social structure. Farmers strongly resist the deterioration of their activity before giving up and find a nonmaterial equivalent for their sacrifice of material well-being (Röpke 1942a, p. 160), testifying of the intrinsic value of their social arrangement, not of their rigidity.

The problem is how it is possible to discover the viability boundary of society. Röpke argued that “if the growth of technology and organization is to be a blessing instead of a curse, it must remain à la taille de l’homme” (Röpke 1942a, p. 228). The same principle is later applied to technological progress and to the pace of technological progress (reformulating the ideas expressed in Röpke 1932). More than the content of technology, what is inhuman today is the acceleration of the pace of technological progress, which is driven by monetary benefits and competitiveness and not in consideration of human needs.¹⁰ This human size (“taille de l’homme”) is therefore used as a measure of the impact of technology on society: “If technology and organization are allowed to grow beyond the human dimensions, the taille de l’homme, adverse consequences of various kinds will ensue, consequences affecting not only the factory itself but also possibly the entire society”

¹⁰The problem is that if new products appear so quickly that human demand cannot absorb them, there is an economic failure in the innovative products and marketing: “the negative dynamics is produced when the causality between finance and investment is reversed. When the capital markets are centred merely in short run economic return and in immediate utility, the ideas and applications for the real economy tend to fall to the background. The end of finance becomes immanent, without references to concrete benefits for the real economy where true applications are developed. We can argue that finance capital tries to become the generator of growth on its own virtue. When everything is focused on short turn utility, the innovations itself become artificial and unproductive. This becomes a reality when the ideas are turned into mere expediencies to apply for funding. Productivity and entrepreneur spirit fall to the background. At this moment the risk of disconnection between ideas and real economic needs become apparent. Then, when the investments, without real basis fail, the contagion effect begins. This herd behaviour is what finally produces the stock market panic. In the explanation of this phenomenon we find a strong endogenous element that involves a vicious circle effect” (Resico 2002, pp. 7–15).

(Röpke 1942a, p. 228). If technologies and organization develop in such a way to simply pursue the cheapest costs of production, some more expensive risks for society as a whole can emerge: “It would be naïve to believe that technical changes must invariably be for the better” (Röpke 1944b, p. 173). Mass production asks about the volume and permanence of production, and this risks further demanding some kind of intervention to avoid a crisis amplified by riskier situations produced by a higher division of labor. Services, on the contrary, are resistant to crisis and do not need increasing size.

Röpke returned to reflections on technology in Chap. 9 of *Maß und Mitte* (Röpke 1950). In this work, he proposed a more complex view of human nature, connecting technology and human motivation.¹¹ He also put forward some general thoughts concerning the consequences of the use of the atomic bomb, affirming that man has a fatal inclination to turn from “homo faber” to “homo latro” and that this is not helped but magnified by powerful instruments. He also remarks upon the dangerous relationship between modern technology and totalitarian states, advising the reader to read George Orwell’s *1984* (Röpke 1950, p. 64).

Röpke adopted a dialectical style discussing two extreme positions, “technolatry” and “technophobia,” providing his interpretation of the issue and proposing a solution to the problem. In shifting the discussion from the division of labor to technology, he may have been influenced by the philosophical debates of the time (from Oswald Spengler to Martin Heidegger), but he did not make reference to them. Instead, he referred to Francis Bacon and named him the father of “utilitarian technolatry” (Röpke 1950, p. 223), who nonetheless warned man about the use of technology in his *De Sapientia Veterum Liber* using the myth of Daedalus. Röpke’s conclusion is that technology is instrumental knowledge and that its effects depend on the use we make of it. Therefore, some bounds have to be set on the use of technology.

Röpke considered different theoretical positions on the consequences of technological progress for the relationship between social and economic dimensions. He discussed the “theory of cultural lag” (the slow adjustment of institutions and education to new technologies), which may have been inspired by institutionalism (from Thorstein Veblen to Clarence Edwin Ayres),¹² and criticized it (Röpke 1950, p. 225). The idea of a clash of culture and progress is portrayed as conservative nonsense: they are not two sides of the same coin, but very much the same. If a contrast existed between the spiritual-moral foundation of society and its structure (including technology), that contrast would be sharp, and we would never know whether institutions could be improved or not. The mistake of technological optimists is to put the means of our lives beyond their legitimate ends (Röpke 1950, p. 226).

¹¹Again he reaffirmed his method of analysis, arguing that the problems raised by the large firm, towns, industrial areas, and technology should not be studied in isolation (Röpke 1950, p. 220).

¹²Röpke did not supply any reference, but this position could be inspired by Clarence Edwin Ayres (Ayres 1944) or the earlier writings of Thorstein Veblen. It is not clear, however, if Röpke would advocate a social control on business, as did John Maurice Clark (1926).

Technological optimism is rooted in rationalism, an abstract and mistaken way of reasoning in the same way deterministic theories are mistaken.

Technological progress should be channeled in the right direction to be in harmony with the human order. In particular, technology should be rooted in the “Erdreich des Humanismus” (soil of humanism) (Röpke 1950, p. 227). It is not technology as such but the spirit in which we embed it that defines its results. Society is characterized by a natural order where technology is not an independent factor. Technology, therefore, should be shaped in a way that a humane economic order assures “Sinn und Würde” (meaning and dignity) to our lives (Röpke 1950, p. 229). Nor will that end be achieved without the help of technology. Technology at the service of man and of his existence is the technology whose end is not “speed, quantity, mechanics and the inebriation of modernity,” but whose ends are the same as those of human existence: freedom, justice, harmony in human relationships, and the defense of the natural order. Röpke calls for “a humanistic technology instead of a Promethean-satanic one” (Röpke 1950, p. 229). Therefore, we should avoid developing a technology instrumental to centralization and massification, but rather develop an anthropologic-sociological value scale of inventions.

Technology has to be framed in a philosophy. There is a contrast between philosophers of culture and engineers. According to Röpke, the conjunction of “modern technology” and the “spirit of humanism” can assure a technology which preserves human dignity. However, the core sickness of our present Western social structure is a pathological process of concentration and massive expansion of towns or factories:

The most important thing is a mentality which compensates for the specialization that is a necessary evil of our times [...]. It is not important to have the formula for benzene in our heads. The important thing is rather to be able to place things in their right order and relationship within a broad intellectual ambit, to know where things belong and into what other configurations they must be fitted and arranged; what matters is that we should at least be able to surmise the paramount importance of other and higher things. (Röpke 1963, p. 24)

Mass production, mass management, and mass democracy create dependence and restricted spaces for man, resulting in a proletarianization of society, with a concentration of power in the hands of a few managers—a serious contemporary problem that Röpke was able to foresee.¹³ However, technology has also helped small firms increase productivity, so that in giving up gigantic structures, we do not give up improvements in productivity. Röpke’s general solution is always decentralization and decongestion of our economy and society (Röpke 1950, p. 235). Therefore, one should use technology to decentralize the economy instead of centralizing it. Finally, the task of a “social technology” is to lead each engineer

¹³“the *enterprise* is one of the structures that hold people, the environment for a typical human group of our times. For these people the enterprise helps, for instance, to satisfy what is one of man’s most important needs—the *need for a sound measure of integration*, the need for community [...]. The most important thing of all is that the enterprise must really integrate and not disintegrate. It must bring people together, not separate them” (Röpke 1963, p. 2, emphasis in the original).

to study the social role of innovation. There is no reason why the engineer should not study the human factor together with the technological one, enabling him to test the consequences of technological progress for the stability of society.

Röpke referred to the right proportion of large and small firms in a good society as being similar to an ecological system. He argued that organization and regimentation induced by large concerns led to a displacement of spontaneous order. That obviously causes “existential problems” by altering the ecology of the production environment. The small firm represents a healthier environment, as technologies and the organization of labor cannot create a severely inhuman setting at this scale. He recorded the fact that large firms produced negative externalities for which the whole society pays (Röpke 1947b, 1948a) and introduced the notion of “economics of overhead costs” in the sense which Karl William Kapp would adopt (Kapp 1950). Röpke also argued that supporters of progress often tend to disregard social costs (Röpke 1950, p. 230). However, the similarities with Kapp end here, as for Kapp the responsibility lies in the profit motive of the business enterprise, while Röpke blames instead the rationalistic applications of technology and organization. In this context, Röpke’s dissent with the late work of Joseph Schumpeter is particularly interesting. In *Civitas Humana*, he attacks the “foundation of the strange eulogy of monopoly recently attempted by Schumpeter in his book *Capitalism, Socialism and Democracy*” (Röpke 1944b, p. 181):

Schumpeter dismisses the problem of giant industrial concerns and monopoly with the highly questionable argument that mass production, the promotion of research, and the investment of monopoly profits raise the supply of goods. And to forget the losses due to the impairment of the higher purposes of life and society. (Röpke 1958, p. 107)

So Schumpeter was also accused of “economism,” in which material gain obscures the danger of forfeiting liberty, variety, and justice. Therefore, the concentration of power grows as a consequence of misjudging the true scale of vital values.

This argument is expanded into an analysis of size, specialization, and centralization. Röpke used the latter concept in an original way, similar to Marx and Hilferding: he adopted it to point to the industrial structure of private firms and the structure of territory. There are huge social costs from centralization of economic activities (Röpke 1944b, p. 174), not only due to information problems but to the displacement of the natural decentralized decision-making synergy with social variables. Röpke underlined how productivity is not a consequence of mergers, still an important argument today. On the contrary, specialization and not size is the source of progress and productivity.

Decentralization of industry becomes in this way a key policy recommendation able to simultaneously preserve market dynamics and society’s health. Society should pursue technologies favorable to decentralization, a pursuit also called the “restoration of property” reminiscent of typical US Republican rhetoric (Röpke 1944b, p. 174). The concentration of property as the means of production is the negation of property in its anthropological and social sense. On the contrary, it is healthy to have a broad middle class. The ideal solution is that each worker could be

a concrete owner of the means of production (Röpke 1946a, p. 9). The economic system should be reformed to reduce opportunities for accumulating large properties to the absolute minimum (Röpke 1944b, p. 157). Town and country planning would become an important tool for this end.

5 Conclusion: Valuable Reasons for Decentralization

Wilhelm Röpke's liberalism is based on an ethical view of society, and such non-utilitarian ethics plays a more pervasive role compared to other forms of liberalism. His perspective is that of humanism, and from there, he developed a man-centered model to study the economy. In this theoretical system, the human dimension is the measure applied to work out the real values of the economy. As a consequence, Röpke cannot be dismissed as a simple conservative, as his theorizing is a sophisticated attempt to take into account the complex interdependencies in our society. His interdisciplinary work has been able to point out many critical issues in common with heterodox-progressive scholars (Joseph Schumpeter, Karl William Kapp, Leopold Kohr, Ivan Illich, Amitai Etzioni and others), providing original and often more thorough answers compared to those of his colleagues. However, we can concede to his critics that his humanistic view of man is metaphysical and static. This led him to privilege what is known as our nature to what we would like man to be.

A peculiar consequence of his system of thought, compared to a more radical liberalism, is that economic development may bring some undesirable changes which can be problematic for social and economic integration. The disregard of social and moral conditions is not free of consequences: it necessarily implies a growth of disturbances to equilibrium, social unrest, and economic and political crisis. Social integration and all moral prerequisites for well-functioning markets are kept analytically separate from indicators of economic organization and performance. The priority of "economic humanism" is to assure the viability and quality of life over any technological or monetary consideration. Röpke's aim was to assess the relevance of metastability of the economic system, which positively affects the equilibrated unfolding of economic processes. His theorizing thus mastered the fundamental circularity of social and economic processes which standard politico-economic theories have difficulty modelling. In Röpke's ethical view, the two fundamental matching components are a competitive market and a healthy society, reciprocally reinforcing each other and obtaining a metastability of the system. But such feedbacks could assume disruptive tendencies if disregarding the centrality of the human condition in favor of purely technological variables and monetary gains. In particular, Röpke dismissed the view that institutions should adapt to technological progress.

In order to study these feedbacks, Röpke developed and used a wide array of concepts, from overhead costs to centralization, which later became prominent concepts in the critical theory of industrialized societies—unfortunately not often exploited by other liberal scholars. In this paper, we focused on the specific treatment of technology and economic organization as structural elements of the

economy affecting the quality of life and, finally, the metastability of society. Röpke provided good arguments, suggesting that one should be cautious of uncontrolled technological development. He warned of the dangers inherent in the division of labor, as he pointed to the inhumane conditions of working places in large organizations. He also severely criticized Joseph Schumpeter and questioned the efficiency of economic concentration and large-scale planning. Nonetheless, Röpke remained an economist favorable to technological progress, to a progress genuinely intended for the service of man. He put forward valuable reasons for both prudent individual decision-making and systematic public policies promoting decentralization, certain that they would increase the general well-being.

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