

# Wilhelm Röpke and the Role of “Moral Capital” for the Social Market Economy<sup>1</sup>

Giuseppe Franco<sup>1,\*</sup>, André Habisch<sup>2,\*\*</sup>

<sup>1</sup>Faculty of Theology, Catholic University of Eichstätt-Ingolstadt, Eichstätt, Germany; Faculty of Philosophy, University of Salento-Lecce, Italy

<sup>2</sup>Ingolstadt School of Management (WFI), Catholic University of Eichstätt-Ingolstadt, Ingolstadt, Germany

Received December 05 2017; Accepted December 28 2017

**Abstract:** This paper portrays the contribution of Wilhelm Röpke (1899-1966) to business ethics and social responsibility of entrepreneurs. First, Röpke's critique of liberalism and his concept of social market economy are emphasized. Afterward, we analyze the normative foundations of Röpke's concept of the entrepreneur. He called for the moral responsibility of business actors and perceived it as “moral capital.” Moreover, we discuss the relevance of Röpke in the contemporary context of international business practice. Finally, the role of entrepreneurial morality for the emergence of institutional frameworks for international business is discussed.

**Keywords:** Wilhelm Röpke • Business ethics • Education manager • Corporate social responsibility

## 1. Introduction: Röpke's position in the turbulent 20th century

Wilhelm Röpke (1899-1966) was one of the most influential economists of the 20th century in the German-speaking countries. His large oeuvre covering scientific as well as popular publications is known for its conservative criticism on liberalism and the underlying ordoliberal concept of the society (Kolev 2013; Schefold 2002; Rieter and Zweynert 2010; Gregg 2010; Zmirak 2001; see also Feld 2012; Warneke 2013; Böhmler 1998; Plickert 2008). However, his statements on normative aspects of business are less known, postulating a co-responsibility of business elites for social development and the solution of international problems. During his lifetime, Röpke not only served as a scientific researcher and academic teacher but also actively participated in the public debate as a political consultant and efficient publisher of newspapers. Therefore, his

perspectives resulted from both academic and practical insights, expressing conceptual rigor and practical wisdom. Already at a very young age – during the 1920s, Röpke became one of the youngest professors in Germany, and he gained traction as an engaged participator in the political and economic debates of the Weimar republic (Röpke 1959/1931). Together with fellow colleagues such as Walter Eucken, Franz Böhm, Alfred Müller-Armack, and Alexander Rüstow, he criticized the lack of economic innovation and competitive development of the German economy, which was dominated by powerful business cartels at his time. Moreover, as early as 1922–1923 – and therefore even before he was appointed as tenured professor – he was invited to participate in important political commissions – like the expert commission for the economic implementation of the Versailles Peace Treaty (Röpke 1923; Hennecke 2005, 40–45). Another important membership resulted in 1930: Röpke joined the commission for crisis management and fighting unemployment (called *Brauns-Kommission* after the successful German labor

1 All translations of German quotations are own.

\* E-mail: giuseppe.franco@ku.de; \*\* E-mail: andre.habisch@ku.de

minister, Heinrich Brauns 1920-1928; see also Röpke 1931). In that context, he coauthored an essay pledging for a Keynes-type public investment program to boost economic development: an approach, which he later refined and explained in a more systematic way (Röpke 1932, 1936). From today's perspective, we can state that if the imperial government would have followed this advice, the skyrocketing unemployment rate could have been lowered considerably, thereby also reducing the chance of the Nazi party to destabilize and later destroy the democratic institutions of the Weimar republic. This brings us to another aspect of Röpke's lucid political engagement during the early period of his political life, i.e., his vigorous criticism and consequent opposition against Nazi ideology and potentates (Röpke 1962/1933a, 108; Röpke 1962/1933b). It is a demonstration of his courageous positioning in that conflict that even in March 1933 – several weeks after Hitler's rise to power and after the beginning of violent prosecutions of Nazi enemies in Germany – he delivered a critical speech against the new government in his university town of Marburg. At a time, when many arranged with the racist and totalitarian regime – with some well-known academics such as the constitutional lawyer, Carl Schmitt, and the philosopher, Martin Heidegger, even joining the party – he stayed firmly outside of any fraternization.

Röpke had to leave the country shortly after this courageous act to prevent imprisonment – and he never returned to live in Germany again. However, even after World War II (WWII), his active political involvement continued. In 1950, while Röpke obtained a guest professorship at Frankfurt, he authored a paper for the first federal chancellor, Konrad Adenauer, entitled "Is the German Economic policy right?" (Röpke 1950a). This was a crucial moment for the economic transformation and the stabilization of the Federal Republic, because with the floating of the new currency unemployment initially rose and opponents of a liberalization postulated the return to the pre-reform command economy. In this key situation, Röpke supported the turnaround to market economy started the year before by the federal minister of economic affairs, Ludwig Erhard, thereby considerably supporting the *Wirtschaftswunder*.

The historical background for Röpke's concepts is the socioeconomic and political situation of the 20th century: the exacerbation of the international crisis after the First World War, the experiences of the world economic crisis of 1929, the rise of the totalitarian regimes of Nazi and Soviet socialism, the outbreak of the Second World War, and the reorientation after the disastrous martial events. In all of these upheavals, a comprehensive normative question arose: "How

should a humane economic and social order look like?" In that respect, Röpke's theory is one of the most relevant and influential attempts to integrate personality-oriented humanistic personal morality, on the one hand, and social-ethical institutional design principles, on the other hand. Both mostly separated and sometimes even opposed perspectives are included in his comprehensive normative standpoint. It is most unfortunate that his ideas fell into oblivion just in a moment, in which they again became highly relevant: both for searching a normative framework for global economic exchange processes and for the renewal of corporate values after the financial crisis; both challenge together, and each of them individually again recalls the interdependence of personal ethical behavior and regulatory co-responsibility of entrepreneurs.

## 2. Economics serving the human being

After the complete disaster of the Second World War and the criminal Nazi ideology, not only Röpke's ambition was focused on a purely economic reorientation but also he strived to develop a comprehensive socioeconomic model which could provide sustainable orientation for the challenging process of building up the country again. Therefore, his approach was developed on the background of a thorough analysis of different historical forms of market economy. Moreover, Röpke also sketched a comprehensive critique of collectivism, which during these years was going to establish itself as the main philosophical fundament in the then communist regimes of Eastern Europe. In a first step, he strove to deliver a positive interpretation of the then rather controversial term "liberalism." However, he positioned himself in the tradition of the influential Freiburg School of Economics (Röpke 1959/1942, 1959/1950, 1960/1961). For Röpke, the roots of his positive approach to liberalism lie in the antique philosophy and Christianity. Moreover, he even perceived liberalism as the "legitimate child of Christianity." The guiding principles of such a concept of liberalism were characterized with the concepts such as "humanistic, personalist, antiauthoritarian, and universalistic" (Röpke 1950b, pp.18f.). In such a perspective, Röpke perceived liberalism in close connection with the concept of a decentralized order guaranteeing human liberty and opposing the centralization of power by establishing counterpowers. Thus, even if liberalism could originally be coined as an achievement of Western culture, it nevertheless also represents certain developments of the 19th century, which Röpke

perceived as the source of decay and negative tendencies of his own times. He framed this as “old liberalism” (*Paläoliberalism*), which assumed the existence of a natural order of business, a pre-stabilized harmony, which would bring about social justice automatically (Röpke 1950/1948).

For Röpke, the concept of “self-organization” (resulting from the system of competitive forces in a market economy) as such represents an important intellectual discovery; simultaneously, however, he criticized the idea (derived from that concept) that the market if just left alone (*laissez-faire, laissez-aller!*) would automatically bring about social integration, equilibrium of interests, and the common good. Such a notion substantially ignores the social and institutional prerequisites of a market economy (Röpke 1979/1942, pp.81-103). Therefore, according to Walther Eucken’s *ordo*-concept, Röpke criticized the idea of a passive liberalism (*Nachwächterstaat*). In addition, even if he characterized the danger of an all-encompassing state as a “crocodile,” Röpke nevertheless pledged for a strong government. As an impartial arbitrator, government should control that the players stick to the rules of the game; at the same time, however, it should refrain from intervening too much into the game itself (Röpke 1979/1942, p.310). Thus, Röpke defended the necessity of government intervention into the social and political sphere, thereby taking stance against *laissez-faire* liberal contemporaries. Rather, he postulated that those interventions should remain in conformity with the competitive economic order.

Compared to other ordoliberal thought leaders, Röpke did not propose a rigid intellectual concept; rather within his more general characterization of the relationship between market and state, he proposed a plurality of principles. This becomes especially obvious if we compare his ideas concerning social order and economic policies with those of Eucken (1965/1990; 2004/1952). Beyond the biographic and intellectual similarities among both authors, nevertheless important differences also remain. For Eucken (as well as his colleague at the University of Freiburg, Franz Böhm), the primary role of government is characterized by its function of an effective arbitrator of the private sector (Kolev 2013, p. 119). By endowing with a legitimate enforcement authority, government should prevent the establishment of cartels or even monopolies, which had so perniciously characterized the economic situation of the Weimar republic. Compared to Eucken, Röpke emphasized more strongly the importance of *society*, thereby promoting his program of decentralization. Moreover, even the concept of competition considerably varied between these two authors. While Eucken perceived competitive

markets primarily as an effective instrument against private power, Röpke rather rated higher their coordinative value for insuring economic efficiency and for reaching a balance of interests. Thus, even if both authors agreed in the necessity to establish institutional market frameworks in the political sphere, Röpke emphasized more the importance of these frameworks to strengthen and preserve normative values in the society. In their matches and differences, the two leading theorists represent the multifaceted legacy of the Freiburg School of Economics (Kolev 2013, pp.190-191): Eucken more in its liberal economic and Röpke more in its conservative value-oriented positions.

In his book, *Die Gesellschaftskrisis der Gegenwart* (1979/1942), and even more explicit in *Civitas humana* (1949), Röpke criticized abusive and decaying tendencies of his contemporary economic order. For that purpose, he began by distinguishing between the conceptual core of a market economy (defined by private ownership, freedom, true competition, and the prize mechanism), on the one hand, and its historically contingent forms, on the other hand. He explained the superiority of a market economy over socialist as well as nationalist forms of collectivism based on a plurality of economic, political, cultural, ethical, and anthropological arguments (Röpke 1997/1953). Thus, he pledged for a liberalism, which should be perceived not only in its economic but also in its broader social and anthropological dimensions – especially by choosing human freedom and dignity as its point of departure. On that basis, Röpke’s political reform program of “economic humanism” (Röpke 1979/1942, pp.43, 282, 308, 377) or business humanism emerged as early as the 1930s. He perceived it as a synthesis (but not compromise) between personal freedom and community orientation (Röpke 1964/1957, p.140). In later German editions of the book *Die Lehre der Wirtschaft*, he even called his model “business serving the human being.” How could this concept be interpreted? On the background of having experienced the totalitarian ideologies of the 20th century, this claim was chosen against “the way of the mass” and as proportion against “the cult of the colossal,” against centralization and standardization (Röpke 1979/1937, pp.332-334). Thus, morality-based behavior (in the sense of an actor’s “practical wisdom”), on the one hand, and ethical design of institution in the political realm, on the other hand, effectively coalesce, here.

### 3. Social market economy

Röpke spearheaded the German model of “social market economy” after the Second World War. Since 1949, in his publications as well as his journalistic work, he committed

himself to this terminology: we may therefore call him co-architect and founding father of it. Consequently, Röpke's economic and social reform program contains a wide variety of analyses and proposals for decentralization, always promoting small social entities and crafting institutions to prevent the formation of monopolies and the concentration of power. Röpke perceived social market economy as a genuine program of order in freedom, a program to realize mass welfare, in short: as a humane economic system characterized by a liberal humanistic social and cultural philosophy (Röpke 1962/1960, p.315). A successful and well-known formulation of the social market economy was owed to Müller-Armack, who wrote in 1956: "The concept of the social market economy can thus be defined as a regulatory idea whose aim is to combine free initiative with social progress secured by market economy performance on the basis of the competitive economy" (Müller-Armack 1966/1956, pp.245).

Röpke shared this view and perceived the social market economy as a practical and theoretical program. Consequently, he emphasized that the origins of the concept are deeply rooted in Western political tradition and can be found on the desks of many European thinkers (Röpke 2009/1961, pp.200f.). Moreover, he himself had contributed not only to the theoretical foundation but also to the practical implementation of the social market economy, because he understood it as a program for everyday's economic policy as described earlier. However, it represented his central concern that the economic order would be part of a broader societal one, which had to be developed based on humanistic social and individual ethics. The market economy possesses the important ability to coordinate the pursuit of man's own interests with the common good. At the same time, he emphasized that "the market economy is not everything." Social life also takes place "beyond supply and demand." The economy is only one part of society, albeit an important one. Therefore, the market economy

"[...] must be embedded in a higher overall context which cannot be based exclusively on supply and demand, free prices and competition. It must be held by an overall order, which not only corrects the imperfections and hardships of economic freedom by laws, but also does not deny man the existence due to his nature. Man, however, can only find full fulfilment of his nature if he voluntarily fits into a community and may feel himself being connected to it in solidarity. Otherwise he leads a miserable existence, and he knows it." (Röpke 2009/1958, pp.130-131)

In this respect, the market principle of competition must be integrated into a comprehensive overall moral, legal,

and political order, which also accommodates individual well-being. The economic life requires an ethical foundation, because it naturally does not take place "in a moral vacuum" (Röpke 2009/1958, p.168). Röpke noted that the market process and economic life derive from "moral reserves," which are outside the market. In formulations that anticipate the *Böckenförde Dictum* of the state for the economy, Röpke noted:

"Non-economic, intellectual, moral and social integration is always the prerequisite for economic, national and international integration. Market, competition and the game of supply and demand do not generate those moral reserves. They assume and consume them. They have to purchase them from areas beyond the market, and no textbook of economics can replace them [...]." (Röpke 2009/1958, p.169)

In the scientific discussion, the understanding of the social dimension in the market economy proves to be controversial (cf. Nell-Breuning 1972, 1983; Goldschmidt 2008; Nothelle-Wildfeuer 2004). According to Röpke, it is achieved through a healthy (and genuine regulatory) social policy that channels market economy processes toward social goals. Demanding a social dimension is legitimate insofar as certain economic conditions have to be observed and fulfilled: the first prerequisite for the realization is the observance of the mechanisms and laws of a market economy. In fact, the failure of these principles and the preferential treatment of nonmarket intervention by the state (e.g., by eliminating competition, lack of monetary stability, excessive costs, and expenditure of the welfare state) induces processes of social inequality and disruption of an efficient economic order. This means that we must first of all establish an ethical and institutional framework for the market economy, which focuses on social objectives and the common good. In this sense, the market economy is therefore not an end in itself, but a means of serving higher aims, namely to guarantee justice and solidarity. For Röpke, the fate of the market economy thus is decided "beyond supply and demand," as the concise title of one of his most important books describes it.

#### 4. The principles of economic ethics

As described earlier, Röpke's concept of a social market economy combines economic and normative considerations. Consequently, in the development of his business ethics, Röpke was concerned with realizing a unity between economic analysis and sensitivity for humanity and ethical questions.

At first, two extremes in the relationship between ethics and business are identified: moralism and economicism. This is about ways of thinking that is common then and now and has greatly influenced later ethics scholars such as Karl Homann, Ingo Pies, and others. Röpke criticized two erroneous theoretical positions, here: on the one hand, there is the “economically ignorant moralism” of those who possess no profound economic knowledge and make ethical judgments without properly analyzing the economic consequences, and on the other hand, there is the “morally callous economicism,” which does not take into account the ethical foundations and prerequisites of the market economy (Röpke 2009/1958, pp.130-209, here p.145). For Röpke, the fundamentals of business ethics exhibit a versatile, polyhedral structure. He emphasized that the economic–ethical reflection must not be left to the theologians and philosophers; rather, the economists themselves should actually carry it out. His line of argumentation moves on different levels. First of all, economic ethics includes ethical arguments concerning the superiority of the market economy over other economic systems. It takes into account not only the ethical assumptions and conditions that the market economy fulfils but also the ethical consequences that result from it. As seen earlier, business ethics focuses on the ethical conditions and moral reserves that the market economy needs, but which it cannot produce on its own initiative. It also reflects the moral limitation of an institutional and individual nature that needs to be imposed on the market.

Thus, Röpke emphasized the moral quality of market mechanisms and competition in modern industrial society. He demonstrated that there exists an inherent moral dimension in the structure and principles of market economy, since the exchange mechanism and division of labor contribute to economic prosperity. This particular structure offers to the individual the opportunity to realize himself/herself and create solidarity between people. The market contains a coordination mechanism, but it is far from automatic and therefore cannot be left to its own devices; rather, it needs a political, legal, and social framework to guide and structure it. Röpke analyzed the conditions and limits of the market by taking into account not only the ethical performance that the market can deliver but also the moral and institutional conditions on which that performance is based. Moreover, competition is not regarded as an end in itself, but solely as a means of achieving *genuine social* objectives, in particular, the well-being of people and the improvement of individual and social life – even here, later business ethics has profited a lot from his insights (Homann 2002, 2003; Pies 2009). Consequently, Röpke justified the role of competition as a regulatory instrument for

market processes, but simultaneously made it clear that the principle of competition cannot achieve the ultimate objective of the economy. Based on this, Röpke developed a legal, ethical, and social framework in which the economic processes should take place. Accordingly, he also called for the moral responsibility of economic actors and more than other authors at the Freiburg School focused on their “moral capital.” Not only rules, laws, and institutional conditions are necessary here as later business ethics emphasized but also the moral virtue of the individual person is required, i.e., personal values that every entrepreneur and every economic entity should bring to the market. Thus, Röpke perceived the social market economy as an opportunity to combine the capabilities of free and independent entrepreneurship with the realization of key social goals. Consequently, he emphasized the impossibility of a free market economy without entrepreneurial freedom, i.e., without free entrepreneurs and businesspeople as central figures of market processes. Rather, any free economic order “stands and falls” with the independent entrepreneur and businessman and their personal values.

“We can do this all the more unconditionally and effectively the more entrepreneurs themselves commit themselves to the freedom of competition, which makes them servants of the market and makes their private success depend on their performance for the general public, otherwise they will fall behind us.” (Röpke 2009/1958, p.47)

Therefore, the market may reconcile conflicting interests according to merit and return, but it cannot give birth to a spirit of solidarity itself. Rather, this requires a particular moral attitude of economic actors, which only reconciles self-interest with public interest. In other words, “The principle of individuality in the core market-economy must be balanced by the principle of social and humanitarianism [...]” (Röpke 1949, p.83). Several consequences result from this provision. First of all, it requires moral education of persons which guarantees personal development in the context of small communities endowed with trust and mutual solidarity. Moreover, to extend this important factor, human cooperation also requires institutions and social structures, in which sensitivity to values and moral principles can develop.

Thus, the contrast to recent purely institutional and political–economic positions of Homann and Pies cannot be overestimated: they based the market economy on the fact of pluralism and rational logic of reasoning only, consistently focusing on changes in rules and incentives as the only decisive socio-ethical parameters. On the contrary, Röpke accepted the essential



sociopolitical significance of personal moral behavior; moral values represent a crucial framework element for the stability and "developability" of the market (Röpke 1964/1960, p.72). More concretely, what kind of organizational drivers exactly does Röpke think about when he accentuates the role of places where values are formed for an integrated economic development?

In this way, Röpke emphasized the role of education and upbringing as well as small communities such as the church, the family, neighbors, and schools; moreover, he favored small villages, sport clubs, parishes, etc. Therefore, his considerations seem to be strongly influenced by his Swiss country of residence as well as the sociocultural context of the 1950s and early 1960s: strong regional identity, rather homogenous communities with limited diversity and pluralism, a formed society that still maintained a value consensus – often enough threatening minorities and deviant behavior with distrust, discrimination, and even exclusion. Röpke has been criticized for his conservative–elitist attitudes and opinions, which even remained skeptical against mass media and mass democracy (Goldschmidt 2010, pp.114-115). He shared this with many authors from Catholic social thought during these years – such as Johannes Messner, Joseph Höffner, and others (Franco 2015, 2016). However, critic often overlooks that albeit many aspects of the writings of these authors remained time related; they also have to be interpreted by the strong experiences they made during the 1930s and 1940s – including the extraordinary atrocities which resulted from them. What many offspring simply took for granted – namely a stable liberal democracy and social order: an older generation always reflected it in its fragile abundance of preconditions. Therefore, current interpretations of the writings of Röpke should not judge his positions from a later point of view but rather ask more constructively what types of organizations would Röpke but today point out as breeding places of a value-based leadership mindset.

## 5. The ethical role of entrepreneurs

Röpke as an author is characterized by a distinguished practical orientation and high concretion of his concepts. Therefore, as one of the few economists of his time, he explicitly thematized the entrepreneur as a social actor and determined his social role. For this purpose, he portrayed the entrepreneur in the historical context of post-war Europe. In doing so, he perceived the history of the first half of the 20th century as a background for developing an in-depth concept of corporate responsibility:

"It is important to them that [i. e. The disintegration of the old hierarchy has given entrepreneurs] a role, a function, an area of influence that they generally did not

aspire to, but that they also cannot get rid of and deny. Thus, through this process of the industrial society [...] entrepreneurs have in a relatively short period of time grown into the function of supporting figures of our modern free economic and social order. They would be betraying a mission that fell to them if they refused the tasks they had been given." (Röpke 1961, p.13)

For Röpke, two developmental strands of his time have brought about this increasing importance of the entrepreneurial role: 1) the total discreditation of the old elites in national socialism and the Second World War and 2) the increase in the importance of the private sector in comparison to political decision-making. Hence, Röpke's remarks concerning the social market economy are derived from the abovementioned, especially his emphasis on small social entities and civil society groups as a counterweight to the state. Their task is to promote social integration and moral education as an antidote to the processes of internationalization and proletarianization. Consequently, according to Röpke, not only the realization of economic and social integration requires government activity but also a number of organizations, individuals, and social actors are also required to act as counterforces to the state and take action against power concentration and the formation of monopolies (principle of subsidiarity). According to Röpke, these counterforces include moral, social, political, and economic institutions (Röpke 1949, pp.192-221) and also "specific counterweights" such as religion, the press, judges, and science (Röpke 1949, pp.222-237). Therefore, forces of law and order are supposed to realize and maintain the social order. Moreover, Röpke also mentioned about the family, entrepreneurs, foundations, and education (Röpke 2009/1958, pp.175-183; 197f.). Their role is to create a balance between the individual and society and to ensure a genuine relationship between the individual and the state – to avoid a "theologization" of the state and to enable a free and responsible life. In addition to moral and intellectual counterforces, Röpke also examined various material aspects such as private life and the economic independence of individuals. These forces represent intellectual, political, and moral leaders that Röpke called "secularized saints," "nobilitas naturalis," or "aristocrats of the common good" (Röpke 2009/1958, pp.176f.); to put express it in a more modern way, Röpke deals about the political co-responsibility of "social entrepreneurs," of civil society elites, of public intellectuals, for the regulatory process of a market economy:

"[Persons] ... which take a leading position in society, because they work in widely visible places, which

exert an above-average influence through this position in society, whose actions and behaviour - because widely visible - radiates far and wide, even if this was unintended by them. These are people who, by virtue of this position, practically exercise the right to multiple votes in democracy because they influence hundreds, perhaps thousands, of other people in their political behaviour." (Röpke 1961, p.9)

Hence, promoting liberal and economic humanism, Röpke elaborated the role of people and leading personalities for productive relationships, corporate governance, and the logic of the market in general. He promoted a humanistic dimension of entrepreneurship and emphasized the need for the economic, sociopolitical, and social position of entrepreneurs. In this context, Röpke was fully aware of the importance of the role of economic and managerial education. At the center of his attention is the social responsibility of entrepreneurs:

"Therefore, the entrepreneur is the actual exponent and carrier of the market economy and thus the antithesis of the collectivist economic bureaucrat. He is 'the nodal point' of this so incredibly complicated process of market economy." (Röpke 1997/1953, p.56)

Consequently, Röpke not only counted regulatory factors such as monetary stability, the order of competition, and moderate taxation under the prerequisites for an efficient and functioning market economy but also emphasized healthy entrepreneurship and entrepreneurs who were aware of their social role and particularly their special responsibility. To illustrate the role of the entrepreneur in the market economy, Röpke used the image of a navigator on the open and unpredictable sea of the market. Precisely because of the uncertainty with which he was confronted in his decision-making behavior, the entrepreneur must always be focused on the market; he proved himself to be one of "the market's leaders," "who are rewarded for their obedience and whose disobedience is punished." The dynamics of competition forced him to reconcile his goals with the needs of the market time and again: it is precisely here that the high financial reward from corporate profits is justified (Röpke 2009/1958, p.342f.).

Not only the entrepreneur is subject to market forces but also he can and should influence, create, and develop the market. He should also provide initiatives for economic life and try to open up new ways of production and organization. In addition to the economic functions of the entrepreneur, Röpke also explained the necessity to talk about the role of the entrepreneur under a "larger theoretical-philosophical perspective"

(Röpke 1947, p.667). In this context, he understood the entrepreneur as a spiritual-moral person and took into account his social function and position in the society. Complementarily, Röpke criticized the image of an egoistic entrepreneur who was exclusively focused on the search for profit and the "debit and credit." Is this statement prophetic in relation to the development of economics in the second half of the 20th century? Röpke contrasted this view, which corresponded to an erroneous notion of economic life (namely as "a mechanical process") with a different corporate image:

"A dehumanisation of theoretical economic thinking must also include a corresponding human devaluation of the entrepreneur - as, of course, of all other economic groups. In order to oppose the physics of the economy we have to emphasize its psychology, its morality, its spirit, in short: its humanity." (Röpke 2009/1958, p.346)

Consequently, Röpke cited among all the other qualities that the entrepreneur should possess: the ability and willingness of entrepreneurs to take into account the limits, conditions, and requirements of the market economy. Hence, he or she should orientate the economic processes toward higher social and ethical goals. In addition, the entrepreneur should also take into account the intellectual, moral, political, and social fields that lie beyond supply and demand: in particular, the coordination between self-interest and the common good (Röpke 1961, pp.10-15). Especially in the age of industrialization, Röpke therefore emphasized the necessity and importance of a humanistic against a purely scientific education for entrepreneurs and economists. Academic economics should be taught as a theoretical discipline that is at the same time oriented toward practical problems - precisely because it deals with vital problems (Röpke 1929, p.209). On the other hand, however, Röpke also criticized the "one-sided intellectualist orientation" of the education system in the 1960s, which "endangers the adequate formation of the intellectual leaders of our society" (Röpke 1964/1963, pp.272f.) He therefore defended an authentic humanistic education and criticized the processes of "industrialization of science" (Röpke 1964/1963, p.278). Summing-up, Röpke expressed the social responsibility of the entrepreneurs as well as their resulting legitimacy:

"Nothing has changed in the fact that the entrepreneur, who is embedded in the context of a market economy based on genuine competition, is basically nothing more than a trustee administrator of the productive forces entrusted to him: a social functionary; and that such an entrepreneur, who proudly and consciously rejects both

the pillars of the monopoly and those of state subsidy, is not only protected from every attack, but also has the right to engage in an attack and make sure that others also abide by the rules of the game." (Röpke 1947, p.672; Röpke 1961, pp.8-10)

## 6. Röpke and contemporary business ethics discussions

In today's business ethics discussions, the actuality and relevance of Röpke's concept become obvious in a variety of ways. Especially after the financial crisis, 2007–2009, we witnessed a resurgence of the role of individual morality, virtue ethics and professional values in the business literature (Bachmann et al. 2017), etc. Even economists and social scientists, who used to continuously emphasize the autonomous character of market processes, the exclusive role of the institutional framework for guiding its operations, and the outdated character of "moralistic" argumentations, often converted toward a more comprehensive viewpoint.

Moreover, even public documents have reemphasized the role of personal responsibility. An important role played the UN Global Compact (UNGC) – founded 1999/2000 by general secretary Kofi Annan to provide a platform for the international business sector to cooperate in the achievement of the millennium development goals (after 2015, sustainable development goals). During the recent decade, the UNGC initiated a series of declarations propagating "professional duties" of certain parts of the business community, such as the business school (principles of responsible management education, PRME) or the investment community (principles of responsible investment, PRI). (Forray and Leigh 2012; Rasche 2010). Obviously, in voluntary self-commitment documents of that kind, no coercive mechanism is corresponding to these principles. Rather, as they represent the result of participatory dialog processes among branch professionals, the documents appeal to the professional values of the respective group. Moreover, they also play a transformative role in the gradual process of institutionalization – for example, if professional levels of "due diligence" have to be determined. The remarkable renaissance of "moral principles" appeals to the political co-responsibility of the business community: after all what has been said in this paper so far, it should not be too difficult to draw a line from these developments to Röpke's comprehensive concept illuminating the economic, institutional, and moral dimension of a social market economy. In an international context, in

which national governments are only endowed with a limited possibility to restrict or even effectively sanction unsustainable international business practice; in which groundbreaking new opportunities are opening up due to furious technological innovations, moral sensitiveness and personal responsibility of managers are increasingly playing a role: institutional regulation (increasingly at stake) has to be complemented with value-based self-regulation.

Another indication of the current relevance of Röpke's concepts is the rising importance of "social entrepreneurship" and "social business." The stunning success of these notions, which are increasingly impacting business education as well as corporate strategies, also implies that moral imagination and value-based leadership, on which those phenomena are based, grow in importance (Habisch and Schmidpeter 2007). After taking note of these developments as well as their implications elaborated earlier, a closer look into Röpke's concepts poses additional questions. As seen already, not only Röpke pointed out to moral values in a general and abstract way but also he very concretely reflected on small communities and civil society groups as breeding places of moral attitudes and behavior. Naturally, moral principles can only effectively unfold an impact in the society, if social spaces exist, in which they can be learned, trained, and elaborated. In the UNGC architecture, this is partly reflected in the network, conferences, blogs, and communications triggered by the principles. PRME and PRI are platforms, which are embedded into international professional reflection and practice networks; they complement and enact the abstract documents with elements of benchmarking, best practice, and mutual learning. However, so far they often cover only a small number of addressees, who are professionally working in the business ethics area. Consequently, more sophisticated and inclusive business networks need to emerge, if Röpke's comprehensive vision of a free and self-governing economy should be enhanced in the 21st century. Regional structures should be complemented here with professional ones, which may span a variety of cultural, ethnic, and institutional perspectives.

## 7. Final remarks

As described earlier, the economic and social philosophy of Röpke had a strong influence on the constitution of the social market economy during the 1950s and 1960s. His reform program and his economic and business ethics have earned him the title of a co-architect of the social market economy in Germany. On the other hand, after his death in 1966 and in the spirit of the feasibility mania



of the 1960s and 1970s, Röpke's influence on the public and political discussion quickly declined. Currently, we have to admit that his legacy is largely forgotten.

The German constitutional lawyer, Ernst-Wolfgang Böckenförde, formulated in reference to the modern state: "The secular state thrives on conditions that it cannot create itself." (Böckenförde 1976, p.60). Decades earlier, Röpke had noted the same for a market economy. Consequently, he had developed concepts that are of great importance even in today's globalized society. Especially, since the last economic crisis in 2007–2010, the debate about Röpke's concepts has become more and more topical. Moreover, his economic and business ethics is particularly relevant in today's situation because they address moral, cultural, social, and religious resources beyond the essential economic requirements. His thoughts on the international regulation of financial markets and his emphasis on ethics and the regulatory co-responsibility of entrepreneurs and civil society actors are of central importance in times of globalization and digitization. However, Röpke's merit lies on a theoretical and conceptual level. Rather, like few economists of his time, he abandoned the academic observer position and actively participated in the economic and socio-political discussions of his time. His expert opinions at crucial crossroads in German postwar history, his correspondence to leading politicians in the young Federal Republic of Germany, his wide-ranging lectures and, last but not least, the careful placement of his students in key positions have secured him a high degree of influence: Röpke realized what we currently gradually rediscover as "transfer function" of universities and academic researchers.

Currently, the institutional system of the Federal Republic of Germany reflects Röpke's ideas in many ways. The federal order represents an important component of the German state system. Its historical predecessors (e.g., professional self-administration in guilds) had become obsolete during the liberal reforms of the 19th century. In the 1950s and 1960s, however, the total catastrophe of Nazi terrorist rule and opposition to totalitarian socialism in Central and Eastern Europe led to a critique of centralist and authoritarian control by political institutions. Accordingly, the creation of subsidiary self-governing bodies as complementary regulatory factors to free competition was discussed. These should fight "soulless collectivism" and, conversely, strengthen freedom and responsibility. In these discussions, as well as in the criticism of "unrealistic liberalism," the relationship between the order of competition on the one hand and a subsidiary political structure on the other was determined in concrete terms.

As shown earlier, Wilhelm Röpke's reflections on federalism and the principle of subsidiarity have become immensely influential in the early days of the Federal Republic of Germany. For the economist and social philosopher, market economy and democracy represent necessary but by no means sufficient conditions for a decent and free economic and social order. Rather, moral capital as well as a lively conscience of business leaders for the common good must be added in practice. For Röpke, this combines the principle of subsidiarity with the promotion and defense of human dignity. More concretely, formations of "social and moral capital" represent a correction against bureaucratization and concentrations of power in the economy and in politics as well as against a disenfranchised welfare state.

In times of global supply chains as well as digitized markets, Röpke's approach can become groundbreaking in search for international regulatory mechanisms (global governance). Therefore, it is in no way coincidental that, in recent decades, platforms of international and intercultural moral orientation have developed which accompany the struggle to shape institutions and rules within the framework of international regulation. These include the 10 principles of the Global Compact, and also platforms of more concrete normative understanding derived from it such as the PRI and PRME.

All these normative catalogs are surrounded by national and international civil society groups and organizations, which are trying to diagnose regulatory deficits for their respective areas and to address them through pragmatic reform proposals. Recent literature has coined the term "corporate citizen" (Scherer and Palazzo 2011; Scherer and Palazzo 2008; Scherer and Palazzo 2006); the significance of – pluralistic – moral cultures aimed at different aspects of public welfare has been less reflected in this context. In such open networks, regulatory co-responsibility is practiced and shaped culturally; at the same time, innovations are trained. The analysis and cultivation of corresponding moral cultures can be measured by Wilhelm Röpke's socio-philosophical design, which helped Germany to reach an unprecedented peak after the total catastrophe of the Second World War.

Finally, any well-organized economic and social order must channel citizens' interest toward social goals: In addition to the existence of rules, laws, and institutional framework conditions, the ethos of the individual is also important: personal values that every entrepreneur and responsible person can bring to the community. Moral education takes place through embedding in small communities and building trust and solidarity. Only in the context of vibrant communities, a sense for lived moral cultures can develop. Röpke's

indications provide enormous orienting potential for economic and social policy of the 21st century. Moreover, new technological developments lend themselves

easily for putting them into practice. Perhaps, the verdict of the 1980s and the following decades is not the last word on his work.

## References

- Bachmann C., Habisch A., Dierksmeier C., Practical wisdom: management's no longer forgotten virtue, *J Bus Ethics*, First Online, 12 2017. doi: 10.1007/s10551-016-3417-y
- Böckenförde E.-W., *Staat, Gesellschaft, Freiheit*, Frankfurt, 1976.
- Böhmeler A., *El ideal cultural del liberalismo. La filosofía política del ordo-liberalismo*, Madrid, 1998.
- Eucken W., *Die Grundlagen der Nationalökonomie*, Berlin, 1965/1950.
- Eucken W., *Grundsätze der Wirtschaftspolitik*, Tübingen, 2004/1952.
- Feld L., *Europa in der Welt von heute: Wilhelm Röpke und die Zukunft der Europäischen Währungsunion*, In: *Hamburgisches WeltWirtschaftsinstitut*, 70, 1-31, 2012.
- Forsyth J.M., Leigh J.S.A., *A primer on the principles of responsible management education: intellectual roots and waves of change*, *J Manag Educ*, 36, 295-309, 2012.
- Franco G., *Da Salamanca a Friburgo. Joseph Höffner e l'Economia Sociale di Mercato*, Città del Vaticano, 2015.
- Franco G., *Economia senza etica? Il contributo di Wilhelm Röpke all'etica economica e al pensiero sociale cristiano*, Soveria Mannelli, 2016.
- Gregg S., *Wilhelm Röpke's political Economy*, Cheltenham, 2010.
- Goldschmidt N., *Der Streit um das Soziale in der Marktwirtschaft*, In: *Rapporte der Konrad Adenauer-Stiftung*, 7, 2008.
- Goldschmidt N., *Wilhelm Röpke und die kulturelle Ökonomik*, In: Rieter H., Zweynert J. (Eds.), *Wort und Wirkung. Wilhelm Röpkes Bedeutung für die Gegenwart*, Marburg, 105-121, 2010.
- Habisch A., Schmidpeter R., *Handbuch corporate citizenship. Corporate social responsibility für Manager*, Berlin, 2007.
- Hennecke H.-J., *Wilhelm Röpke. Ein Leben in der Brandung*, Stuttgart, 2005.
- Homann K., *Vorteile und Anreize: Zur Grundlegung einer Ethik der Zukunft*, Tübingen, 2002.
- Homann K., *Anreize und Moral*, Münster, 2003.
- Kolev S., *Neoliberale Staatsverständnisse im Vergleich*, Stuttgart, 2013.
- Müller-Armack A., *Die Soziale Marktwirtschaft*, In: Müller-Armack A. (Ed.), *Wirtschaftsordnung und Wirtschaftspolitik. Studien und Konzepte zur Sozialen Marktwirtschaft und zur Europäischen Integration*, Freiburg, 243-249, 1966/1956.
- Nell-Breuning O.V., *Wie sozial ist die Kirche? Leistung und Versagen der katholischen Soziallehre*, Düsseldorf, 1972.
- Nell-Breuning O.V., *Was macht den Markt sozial? (Besprechung des gleichnamigen Buches von Wolfgang Schmitz)*, In: *Nachrichten und Stellungnahmen der Kath. Sozialakademie Österreichs*, 19, 6-7, 1983.
- Nothelle-Wildfeuer U., *Soziale Marktwirtschaft als subsidiaritätsbasierte Marktwirtschaft – Korreferat zum Beitrag von Joachim Starbatty*, In: Goldschmidt N., Wohlgemuth M. (Eds.), *Die Zukunft der Sozialen Marktwirtschaft. Untersuchungen zur Ordnungstheorie und Ordnungspolitik*, Tübingen, 153-161, 2004.
- Pies I., *Moral als Heuristik. Ordonomische Schriften zur Wirtschaftsethik*, Berlin, 2009.
- Plickert P., *Wandlungen des Neoliberalismus. Eine Studie zu Entwicklung und Ausstrahlung der "Mont Pèlerin Society"*, Stuttgart, 2008.
- Rasche A., *The principles of responsible management education (PRME) – a 'call for action' for German Universities*, In: Haase M., Mirkovic S., Schumann O.J. (Eds.), *Ethics education – Unternehmens- und Wirtschaftsethik in der wirtschaftswissenschaftlichen Ausbildung*, Mering, 119-136, 2010.
- Rieter H., Zweynert J., *Wort und Wirkung. Wilhelm Röpkes Bedeutung für die Gegenwart*, Marburg, 2010.
- Röpke W., *Die internationale Handelspolitik nach dem Kriege*, Jena, 1923.
- Röpke W., *Wirtschaftstheorie und Wirtschaftspraxis*, In: *Maschinenbau Wirtsch Teil*, 8, 207-209, 1929.
- Röpke W., *Praktische Konjunkturpolitik. Die Arbeit der Brauns-Kommission*, *Weltwirtsch Arch*, 34, 423-464, 1931.
- Röpke W., *Krise und Konjunktur*, Leipzig, 1932.
- Röpke W., *Crises and cycles*, London, 1936.
- Röpke W., *Die Stellung des Unternehmers auf dem Markte*, *Schweiz Monatsh*, 26, 663-673, 1947.

- Röpke W., *Civitas humana. Grundfragen der Gesellschafts- und Wirtschaftsreform*, Erlenbach-Zürich, 1949.
- Röpke W., *Die natürliche Ordnung*, In: Röpke W. (Ed.), *Maß und Mitte*, Erlenbach-Zürich, 135-159, 1950/1948.
- Röpke W., *Ist die deutsche Wirtschaftspolitik richtig? Analyse und Kritik*, Stuttgart, 1950a.
- Röpke W., *Maß und Mitte*, Erlenbach-Zürich, 1950b.
- Röpke W., *Die Intellektuellen und der "Kapitalismus"*, In: Röpke W. (Ed.), *Gegen die Brandung*, Erlenbach-Zürich and Stuttgart, 87-107, 1959/1931.
- Röpke W., *Die Grundlagen der Nationalökonomie*, In: Röpke W. (Ed.), *Gegen die Brandung*, Erlenbach-Zürich and Stuttgart, 334-344, 1959/1942.
- Röpke W., *Walter Eucken*, In: Röpke W. (Ed.), *Gegen die Brandung*, Erlenbach-Zürich and Stuttgart, 374-379, 1959/1950.
- Röpke W., *Blätter der Erinnerung an Walter Eucken*, In: *Ordo – Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*, 12, 3-19, 1960/1961.
- Röpke W., *Die Verantwortung des Unternehmers in der Marktwirtschaft*, Frankfurt, 1961.
- Röpke W., *Epochenwende?* In: Röpke W. (Ed.), *Wirrnis und Wahrheit*, Erlenbach-Zürich and Stuttgart, 105-124, 1962/1933a.
- Röpke W., *Die säkulare Bedeutung der Weltkrise*, In: Röpke W. (Ed.), *Wirrnis und Wahrheit*, Erlenbach-Zürich and Stuttgart, 71-105, 1962/1933b.
- Röpke W., *Die Verleumder der Marktwirtschaft*, In: Röpke W. (Ed.), *Wirrnis und Wahrheit*, Erlenbach-Zürich and Stuttgart, 311-322, 1962/1960.
- Röpke W., *Marktwirtschaft ist nicht genug*, In: Röpke W. (Ed.), *Wort und Wirkung*, Ludwigsburg, 136-154, 1964/1957.
- Röpke W., *Wirtschaft und Moral*, In: Röpke W. (Ed.), *Wort und Wirkung*, Ludwigsburg, 71-90, 1964/1960.
- Röpke W., *Die Stellung der Wissenschaft in der Industriegesellschaft*, In: Röpke W. (Ed.), *Wort und Wirkung*, Ludwigsburg, 267-283, 1964/1963.
- Röpke W., *Die Lehre der Wirtschaft*, Bern and Stuttgart, 1979/1937.
- Röpke W., *Die Gesellschaftskrise der Gegenwart*, Bern and Stuttgart, 1979/1942.
- Röpke W., *Kernfragen der Wirtschaftsordnung*, In: *Ordo – Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*, 48, 27-64, 1997/1953.
- Röpke W., *Jenseits von Angebot und Nachfrage*, Düsseldorf, 2009/1958.
- Röpke W., *Die Laufbahn der Sozialen Marktwirtschaft*, In: Röpke W. (Ed.), *Marktwirtschaft ist nicht genug*, *Gesammelte Aufsätze*, Leipzig, 200-207, 2009/1961.
- Schefold B., *Vademecum zu einem Klassiker der Ordnungstheorie. Kommentarband zur Faksimile-Ausgabe der 1942 erschienenen Erstausgabe von Wilhelm Röpke: Die Gesellschaftskrise der Gegenwart*, Düsseldorf, 2002.
- Scherer A.G., Palazzo G., *Global rules and private actors – towards a new role of the TNC in global governance*, *Bus Ethics Q*, 16, 505-532, 2006.
- Scherer A.G., Palazzo G., *Handbook of research on global corporate citizenship*, Cheltenham, 2008.
- Scherer A.G., Palazzo G., *The new political role of business in a globalized world: a review of a new perspective on CSR and its implications for the firm, governance, and democracy*, *J Manag Stud*, 48, 899-931, 2011.
- Warneke S., *Die europäische Wirtschaftsintegration aus der Perspektive Wilhelm Röpkes*, Stuttgart, 2013.
- Zmirak J., *Wilhelm Röpke – Swiss localist, global economist*, Wilmington, Delaware, 2001.

