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***The Humane Economy:  
How Conservatism Views  
the Free Market***

Defining Conservatism Series

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*“It is the precept of ethical and humane behavior, no less than of political wisdom, to adapt economic policy to man, not man to economic policy.” - Wilhelm Ropke*

The free market is a blessing to every people and nation who embrace it. It facilitates prosperity, and a lasting civilization, as much as any other component of civil society. But what exactly is the free market? What is the blessing it bestows? And what does it mean to embrace it? Conservatism has its own unique answers to these questions and they may not be the kinds of answers we think of typically.

In the book *American Conservatism: An Encyclopedia*,<sup>1</sup> capitalism (i.e., the market economy, the free market, or free enterprise system) is described thusly,

...[as] an economic system in which the relationships among people are organized on the basis of individual liberty and private property...As a theory, capitalism is based on the conviction that we are social creatures and that it is through an elaborate network of cooperative relations that we are able to achieve the standards of living we take for granted. This complex of cooperative relationships is made possible because of certain institutions that have evolved over the ages. Primacy among these goes to private property, along with the related principle of freedom of contract and association...competition within a legal and moral framework characterized by private property and freedom of contract and association fulfills those wants more fully than any other form of social organization because it harnesses individual interests to the service of social cooperation. (pg.124)

A conservative discussion of the free market necessarily is characterized by a legal and moral framework. In the definition above, this framework is well-constructed and well-understood.

...it constitutes a very concrete morality. The legal framework of capitalism incorporates the principles of private property, contract, and tort law. These legal principles in turn involve moral content of a very concrete, personally manageable form. The principle of property law can be stated equivalently as the moral injunction not to take what's not yours. Contract law can be expressed in moral terms as a requirement to keep your promises. Tort law can be represented morally as an obligation to make good on the noncontractual wrongs you inflict on others. The legal institutions of capitalism clearly involve strong moral content of a highly practical character, especially as compared with such philosophically abstract and remote notions as acting as if you were choosing behind a veil of ignorance. (pg.125)

The free market does have its weaknesses. It does not, for instance, serve very well individuals who cannot effectively contract or transact. It does not serve the indigent very well, or the incapacitated, or handicapped among us. It does not have inherent answers to questions when contracts are breached; that is, it is not capable of setting the rules for breaches of contract.

While centered upon the baser side, even if the most predominant side, of human nature (i.e., self-interest), the free market is not very humane in and of itself. Not only does it not have any answer to the problem of "unable participants," its morality is limited in its scope as well. Its morals are very linear which is why the definition above is crafted in such legalistic terms. Though it can set a morality for property, contracts, and torts it cannot address the issues of substantive morality such as values, traditions, charitable exercises, or community identity.

In this sense, the free market has a marvelous brain to process transactions but no heart to value any one transaction. It has eyes to quickly scan a market horizon but no vision to measure the beauty and depth of that horizon.

For conservatives, this is the free market's greatest weakness. Value is only a function of something's ability to be transacted. If something can be transacted (bought or sold), then it has value. The marketplace draws no distinction between degree of value or subjective determinations of value. It has one standard of value: can a thing be transacted? If it can, it has value. If it cannot, it has no value.

The free market does not value oranges more than apples because it sees them both as commodities to be rightly bought and sold. Their unique value is also their common value - they can be transacted. Neither does the marketplace distinguish between transacting the sale of human flesh in the sex trade or hammers and nails at the hardware store.

Conservatism responds to these obvious weaknesses in the free market by formulating a complementary social framework. This framework involves the collaboration of intermediate social institutions such as families, churches, local neighborhoods, and voluntary associations to help set the moral foundation upon which transactions might better reflect the humane side of life. In other words, this conservative framework views progress as not simply a matter of newer and better technologies, but also a matter of quality of life set by a multitude of social characteristics that lie beyond mere utility.

This conservative understanding of market processes is perhaps best elucidated by free market economist Wilhelm Ropke. Ropke was born in Germany in 1899, received his doctorate in political science from the University of Marburg but was forced to emigrate in the early 1930s because of his opposition to Hitler. He taught at the University of Istanbul and then at the Graduate Institute of International Studies in Geneva, Switzerland.

Ropke was an integral part of a group of economists who laid the intellectual groundwork for the Christian Democratic movement that would eventually oppose the Soviet Union and rebuild the post-war German economy. His conservative pedigree was confirmed as head of the Mont Pelerin Society for several years. He was an intellectual of the famed "Austrian School" of economists that included Ludwig von Mises, Frederick Hayek, Carl Menger, Eugen von Bohm-Bawerk, Henry Hazlitt, and Murray Rothbard, among others. Perhaps his most important contribution to conservative intellectual thought was the publication of a collection of essays titled, *A Humane Economy: the Social Framework of the Free Market*.

In the book's introduction, Dermot Quinn writes,

Economics is the dismal science precisely because it claims to be a science. It turns human effort into a quadratic equation. Yet it was not always this way. Adam Smith, first of the moderns in economic thinking, would have deplored the mathematical aridities of his neo-liberal disciples, who, like Oscar Wilde's cynic, seem to know the price of everything and the value of nothing. Smith was a moral philosopher before he was an economist. For him, the wealth of nations was not to be measured simply in money but in all of those social excellences that promote human flourishing: neighborliness, community, family, self-reliance, provision for the future. Economic activity removed from moral understanding was inconceivable to him...Human dignity is, then, the central concern of economics.<sup>ii</sup>

It is a valuable exercise to catch a glimpse of Ropke's wisdom in *A Humane Economy*. Specifically, we should turn our eye to his chapter titled "The Conditions and Limits of the Market." It is here where he explicates the balance conservatism seeks between individual liberty and social community, and it is here that we can best view the conservative perspective of the free market.

Ropke writes of the necessary context into which the free market fits.

...the market economy is not everything. It must find its place in a higher order of things which is not ruled by supply and demand, free prices, and competition. It must be firmly contained within an all-embracing order of society in which the imperfections and harshness of economic freedom are corrected by law and in which man is not denied conditions of life appropriate to his nature. Man can wholly fulfill his nature only by freely becoming part of a community and having a sense of solidarity with it. Otherwise he leads a miserable existence and he knows it.<sup>iii</sup>

Whether the anecdote is true or not, the story is often told about a visit from Ropke's colleague, the eminent Ludwig von Mises. As the story goes, in exile from Nazi Germany, Ropke had organized a small village to grow "victory gardens" as a means of providing for themselves during the war. Von Mises counseled Ropke that such organization was very inefficient for providing food. Ropke replied that it may be inefficient but it was a very good means of providing community in a time when community was needed. Again, true or not, this story seems to be reflected in Ropke's writings,

Let us beware of that caricature of an economist who, watching his people cheerfully disporting themselves in their suburban allotments, thinks he has said everything there is to say when he observes that this is not a rational way of producing vegetables - forgetting that it may be an eminently rational way of producing happiness, which alone matters in the last resort. Adam Smith, whose fame rests not only on his *Wealth of Nations* but also on his *Theory of Moral Sentiments*, would have known better.<sup>iv</sup>

In a brilliant exposition on materialism, Ropke enlightens readers on a range of horrors that still afflict us today. In doing so, he successfully reminds conservatives about the context and value of the market economy. After linking materialism to our desire for sensual wants, he writes,

Almost indissolubly linked therewith is *utilitarianism*, which, ever since the

heyday of that philosophy, has been vitiating our standards in a fatal manner and still regrettably distorts the true scale of values...Macaulay wrote...that the production of shoes was more useful than a philosophical treatise by Seneca; but once more we must ask the familiar question of whether shoes...are likely to be of much help to a man who, in the midst of a world devoted to that cult, has lost the moral bearings of his existence and who therefore, though he may not know why, is unhappy and frustrated....

Economism, materialism, and utilitarianism have in our time emerged into a cult of productivity, material expansion, and the standard of living. This cult proves once again the evil nature of the absolute, the unlimited, and the excessive....<sup>v</sup>

And then, driving the point home about an unnatural focus on material things, Ropke explains,

This cult of the standard of living...is a disorder of spiritual perception of almost pathological nature, a misjudgment of the true scale of vital values, a degradation of man not tolerable for long. It is, at the same time, very dangerous. It will, eventually, increase rather than diminish what Freud calls the discontents of civilization. The devotee of this cult is forced into a physically and psychologically ruinous and unending race with the other fellow's standard of life - keeping up with the Joneses, as they say in America - and with the income necessary for this purpose. If we stake everything on this one card and forget what really matters, freedom above all, we sacrifice more to the idol than is right, so that, if once the material standard of living should recede by an inch or fail to rise at the rate the cult demands, we remain politically and morally disarmed and baffled...we become hesitant and cowardly, until it may be too late to realize that exclusive concentration on the standard of living can lose us both that standard and freedom as well. This road to happiness is bound to lead to a dead end sooner or later.<sup>vi</sup>

In Utah today we run smack into this cult. Economic development is the new by-word. Everything we do in politics and policy revolves somehow around the current meaning of economic development - and this current cult meaning reflects Ropke's deep and prophetic concern that progress can become a mere function of materialism, so much so that when Utah's business elite and their political operatives speak of "economic development," they now mean whatever it is government can grant them. And this is what Ropke was getting at when he said that we will "forget what really matters, freedom above all."

The free market is a wonderful tool to help civilization progress. It is a means to another end. Conservatism sees it this way - only one tool among many that offers a measure of happiness to the human experience. It is one vital component of civil society, but only one component. The free market, though, is nothing (and could become a destructive influence) without other complementary components of civil society that humanize our existence and provide what Ropke calls a humane economy.

## Suggested Readings

*A Humane Economy: The Social Framework of the Free Market*, by Wilhelm Ropke, ISI Books, Wilmington, Delaware, 1998.

*Wilhelm Ropke: Swiss Localist, Global Economist*, by John Zmirak, ISI Books, Wilmington, Delaware, 2001.

## Endnotes:

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- i. American Conservatism: An Encyclopedia, edited by Bruce Frohnen, Jeremy Beer, and Jeffrey O. Nelson, ISI Books, Wilmington, Delaware, 2006.
- ii. *A Humane Economy: The Social Framework of the Free Market*, by Wilhelm Ropke, ISI Books, Wilmington, Delaware, 1998, introduction.
- iii. Ibid., pg. 91.
- iv. pg. 92.
- v. pgs. 108-09.
- vi. pgs. 109-110.