

THE JOURNEY HOME

Two Greek words define my topic: *nostos* and *oikos*. The first—from which we have “nostalgia”—denotes return to the home, and it is the great theme of Homer’s *Odyssey*. The second—from which we have “economy”—denotes the home itself, conceived as a place of settlement, to be defended against marauders and also opened to friends and guests. The most basic social needs and sentiments are summoned by these words, and if we are now living in conditions of hyper-mobility, in which no one is settled deeply enough or for long enough to enjoy the sense of home, then it is not surprising that we are also living in a condition of intense nostalgia. We are constantly seeking for the place of rest, the refuge from change and stress and fleetingness, the condition in which we will be “restored to ourselves.” Some seek this place in the past, believing that we must return to a simpler and more tranquil way of doing things. Others seek it in the future, believing that the stress of competition and mobility is something to be “overcome.” Few if any find the place of refuge in the present.

When Wilhelm Röpke set out to write his defense of the “humane economy” he had fallen under the spell of the Austrian school—of Mises and Hayek especially—whose defense of the market against

state planning and socialist distribution had taken on a new credibility in light of the tyranny and economic disorder of the Bolshevik experiment. At the same time, Röpke was aware that markets are not enough. They do not guarantee the goal of economic activity, which is the *oikos*, the place of settlement and security where people are at home with each other and at peace with their neighbors. The market mechanism may not be sufficient for social order, but for all the reasons spelled out by the Austrians, it is necessary. Only in a market economy can prices serve as a guide to the scarcity of goods, or wages as a guide to the supply of labor. Only in a market economy can individuals plan their own budgets and make rational choices for the deployment of their assets, their labor, and their bargaining skills. The argument developed by Mises in his critique of socialism was, Röpke thought, demonstrative. The centrally planned economy destroyed the information on which rational economic decisions depend. This information is available in the form of prices and con-

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tracts in a free economy, but it is irretrievably dispersed by the attempt to dictate all economic factors from on high.

No one who has followed the careful arguments of Mises and Hayek would doubt the point. Nor was it a point that Röpke wished to belabor. Röpke's interest was in the *oikos*, which he believed to be threatened from above, by the state—something that he had seen at first hand in his experiences of the Nazis—and also threatened from below, by the anarchy of unbridled self-interest.

It is fairly normal, nowadays, for left-liberal thinkers to pay lip service to the Hayekian theory of the market. Yes, they will say, the market is necessary as a transmitter of economic signals. And yes, without markets economies have no ready way to regain equilibrium in the wake of a disturbance. But markets have no respect for social order; they neither generate nor perpetuate the sense of community on which we all depend. They depend upon and encourage both self-interest and competition and regard nothing as sacred, nothing as beyond the reach of buying and selling. Is it surprising, therefore, if capitalist societies today are witnessing social breakdown on a hitherto unimaginable scale, as the pursuit of self-interest drives all concern for the community from the thoughts and emotions of consumers? Isn't the "consumer society" precisely what we must expect, from a philosophy which makes "consumer sovereignty" into the first principle of economic life?

Röpke would have endorsed some of that, but he was determined not to draw the conclusion that left-liberal thinkers draw—namely that we need to control the market through the state. Powers exercised by the state, he believed, inevitably end up in the hands of unanswerable bureaucrats, and can also never be recaptured by soci-

ety, whatever the extent of their abuse. If the market needs to be constrained for the common good, then the constraint must come from below, not from above. It must be a *social* constraint rather than a *political* constraint. Thus was born the idea of a "social market economy"—an idea which was to influence German ministers of finance throughout the period of reconstruction following the end of the Second World War. Röpke, who had fled from Nazi Germany to Switzerland, believed that he had found a model for the social market in the Swiss forms of local democracy. He was also (although of Protestant background) strongly influenced by the social teachings of the Roman Catholic Church, in particular by the doctrine of "subsidiarity" expounded in the encyclical *Quadragesimo anno*, issued by Pope Pius XI in 1931. Pius intended this as a description of the Church's own organization, through the episcopate, according to which decisions are always taken at the "subsidiary" level—the lowest level compatible with unified government. Yet he also implied that economic and political life might be similarly organized, so that power was always passed up from the bottom and never imposed from above.

All that might seem like a call for the empowerment of civil society rather than the state, and so it was interpreted by Röpke, who took it as foundational for his doctrine of "decentrism." However, it should be noted that *Quadragesimo anno* marked the first intrusion of genuinely socialist ideas into the teachings of the Church. Economic freedom, the encyclical argued, does not lead of its own accord to the common good but stands in need of a "true and effective directing principle," and that principle is "social justice." Behind that phrase there lurks the whole egalitarian agenda which, in search of an "equality

of condition,” looks eventually to the state to impose it. Interestingly enough the first draft of the encyclical was composed by Oswald von Nell-Breuning, S.J., professor of moral theology at the Jesuit School in Frankfurt, and a thinker deeply influenced by Marx’s theory of exploitation. And in due course the term “subsidiarity” was to enjoy a second life through the European Union, whose official documents declare that all decisions must be taken at the subsidiary level, while reserving to the unelected and largely unaccountable European Commission the privilege of deciding what level that might be.

It is not Röpke’s fault that he was thinking in a context in which socialist ideas had become common currency. But many of those whom he immediately influenced were unaware of the poisonous nature of the “weasel word ‘social,’” as Hayek was later to call it—meaning a word that sucks the meaning from every term to which it is attached, “as a weasel sucks eggs.” Social justice, as now understood, is no more a form of justice than fools’ gold is a form of gold. It is not what justice was for Aristotle and Ulpian—a matter of giving to each his due, taking account of rights, obligations, and deserts. Social justice, as commonly understood, means the reorganization of society, with the state in charge—there being no other agent with the requisite power or authority—and with equality as the ultimate goal. The social market economy is no more a market economy than social justice is a form of justice. As it has developed, in Germany and France, the social market has become a statist institution, heavily regulated from above, in the interests of powerful lobbies such as the trade unions and the welfare bureaucracy. It is suspicious of private property and free enterprise, obsessively concerned with equal partnership, and receptive to every kind of

egalitarian dogma. Under the aegis of the social market, the state has expanded to the point of controlling more than half of France’s GDP and employing more than half of the working population. It has so stifled the economy of Germany that now some twenty percent of transactions in that once law-abiding country occur on the black market. And it is steadily making Europe as a whole uncompetitive.

Maybe this story needn’t be told to a reader of the *Intercollegiate Review*, but it is worth noting a few marginal details. *Quadragesimo anno* introduced two concepts that became critical in our time—social justice and subsidiarity. Both purport to be about society, its rights, duties, and freedoms, but both are actually about the state. Their history shows how easily the concepts advanced to defend society against the state can be turned in the opposite direction, to empower the state against society. One important instance is provided by the European Union, a venture against which Röpke frequently warned, rightly seeing it as a move towards centralization and a blow to the localism that he supported.

The Eurocrats told us, when British Prime Minister John Major weakly agreed to the Maastricht Treaty, that it was all right, that national sovereignty would not be sacrificed, that the principle of subsidiarity applied, and that all decisions pertaining to the nation and its specific interests would be taken at the national level, by elected parliaments. But then comes the catch: it is the European Commission, not the national parliament, which decides that a given issue pertains to the specific interests of a given nation-state. National sovereignty is therefore *delegated* from above, by an unelected Commission which is in the hands of its permanent staff of bureaucrats rather than in those of the

sheepish politicians who have been shunted there from parliaments where they are no longer wanted. The principle of “subsidiarity,” which purports to grant powers to local and national bodies, in fact takes them away, ensuring that powers that were once exercised by right are now exercised on sufferance. “Subsidiarity” confiscates sovereignty in the same way that “social justice” confiscates justice, and the “social market” confiscates the market.

So what is the alternative? What was Röpke getting at, and how should we respond to the problems that he wished to address—the problems of social fragmentation and the loss of community feeling, in a world where the market is left to itself? There are those—Milton Friedman, for example, or Murray Rothbard—who have powerfully argued that a genuinely free market will ensure the good government of human communities, through the self-restraining impulse that comes naturally to us. But their arguments, however sophisticated, are addressed to Americans, who live among abundant resources, free from external threat, surrounded by opportunities, and in communities where the volunteer spirit survives. They do not confront the central question, which is how communities renew themselves, and how fundamental flaws in the human constitution, such as resentment, envy, and sexual predation, are to be overcome by something so abstract and neutral as consumer sovereignty and free economic choice.

Röpke’s own idea, if I understand him rightly, was that society is nurtured and perpetuated at the local level, through motives that are quite distinct from the pursuit of rational self-interest. There is the motive of charitable giving, the motives of love and friendship, and the motive of piety. All these grow naturally and cause us to provide for each other and to shape

our environment into a common home. The true *oikos* is not a cell shut off from the world, in which a solitary individualist enjoys his sovereignty as a consumer. The true *oikos* is a place of charity and gift, of love, affection, and prayer. Its doors are open to the neighbors, with whom its occupants join in acts of worship, in festivals and ceremonies, in weddings and funerals. Its occupants are not consumers, except obliquely, and by way of replenishing their supplies. They are members of society, and membership is a mutual relation, which cannot be captured in terms of the “enlightened self-interest” that is the subject-matter of economic theory. For extreme individualists of the Rothbardian stripe, life in society is simply one species of the “coordination problem,” as the game theorists describe it—one area in which my rational self-interest needs to be harmonized with yours. And the market is the only reliable way that we humans know, or could know, of coordinating our goal-directed activities, not only with friends and neighbors, but with all the myriad strangers on whom we depend for the contents of our shopping bags. Membership, if it comes about, is simply another form of quasi-contractual agreement, whereby we freely bind ourselves to mutual rights and duties.

Who is right in this? Well, the position that I have attributed to Röpke is to me transparently obvious, whereas that which I have attributed (for the sake of argument) to Rothbard is to me profoundly mistaken. But two questions arise: how do we spell out, in terms appropriate to modern societies, the implications of the idea of membership that I have attributed to Röpke? Is the dispute here to be defined and fought out in economic terms? In referring to a social market, economists leave a large hostage to fortune. For they

express the view—endorsed by their socialist opponents—that the “social question” demands an *economic* solution, and to some extent Röpke should be criticized on this score. He believed that a form of economic order could be developed which would deliver—as a benign byproduct—the kind of social cohesion which he had found in the Swiss villages and which to his mind expressed the communal heart of European society. This was already to accept one of the most damaging of Marx’s ideas, which is that social institutions are the byproduct, rather than the foundation, of the economic order. For if Marx’s view is right, then the cure to social ills must be framed in economic terms. Specifically, if the free market delivers a fragmented society, then the solution is to replace the free market with *another economic system*. And how is that to be done, if not by state action, directing the economy towards defined social goals? All this is contained in that troubling expression “a humane economy,” seeming to imply that it is through economic organization that a society becomes humane, and not—for example—through love, friendship, and the moral law. Röpke intended no such implication, but his style everywhere conveys the tension in his thinking between decentism as a social movement and as an economic policy.

Let us return to the first of my questions: how to spell out the picture of social membership that is implied in Röpke’s argument. Röpke advocates a community of *attachment*, in which people take an altruistic interest in each other’s situation, in which distress summons help and success congratulation, in which primary bonds of love, desire, and friendship find an easy and socially endorsed pathway to fruition, and in which the pursuit of self-interest is circumscribed at every point by

a concern for the common good. Insofar as Röpke gives any indication of what a “humane” society is, those are the kinds of consideration to which he seems to refer. So understood, social membership cannot be achieved without *settlement*, meaning a relation among *neighbors* who are united less by shared ambitions or shared ways of earning a living than by shared territory and all the obligations that go with that. A small and localized community is able through its own vigilance to guide people towards honest dealing, both to prevent the exploitation of the weak by the strong and to direct the profits of the wealthy towards the relief of the poor.

This happens not because the community is organized economically in some way other than the spontaneous way of the market. It happens because people know each other, share each other’s fortunes, and recognize the penalties of defection. They are subject to common moral pressures, often preached at them in church, mosque, or synagogue, and wish to see virtue rewarded and vice punished and cast out. Their self-perpetuating equilibrium occurs, when it occurs, because conflicts are resolved by the customs and laws which arise spontaneously among neighbors. If they also enjoy a market economy, then this is a benefit which operates all the more effectively against such a background of shared moral order.

The Communist Manifesto contains many half-truths. Yet it also makes an important observation about capitalism, which is that it has an inherent tendency to set human communities in motion, to detach people from the place and status into which they are born, to dissolve all traditional arrangements and replace them with new relationships based on contract rather than inheritance, rendering transitory what had been permanent, and replac-

ing destiny with choice. The picture that Marx and Engels drew was true to the experience of nineteenth-century observers, who saw all around them the crumbling of traditional arrangements and the unsettling of previously settled communities. What was causing the disruption was not, as Marx and the socialists supposed, private property and the market economy—both of which had existed, if truth were told, from the beginning of history, slavery and feudalism being merely local warps in an unbroken continuum. The cause of the disruption was the very same factor that confronts us today, namely, globalization—one person's ability to contract with another, regardless of the physical, moral, and spiritual distance between them. Industrialization was the first step in this direction, enabling rural workers to move to the towns and exchange their labor for a wage. Imperialism was a further step, enabling industries to outsource many of their inputs and to distribute their goods among distant strangers. The modern multinational corporations like Benetton, which outsources everything and owns nothing save a brand, are simply the latest move in the same direction—towards an economy in which everything is exchanged in response to demand and where locality and attachment are discounted.

We should be honest and recognize that we are not, on the whole, happy about this. The anonymity of the global economy goes hand in hand with a spectral quality—a sense that the agents behind every transaction are not creatures of flesh and blood who live in communities but unlocated corporations, who take no real responsibility for producing what they sell but who merely stick their brand on it, so claiming a rent on producer and consumer alike. It is difficult to articulate this complaint, though it has been

made, with varying degrees of sarcasm, by Thorstein Veblen (*Theory of the Leisure Class* [1899]), David Riesman (*The Lonely Crowd* [1953]), Vance Packard (*The Hidden Persuaders* [1957]), J. K. Galbraith (*The Affluent Society* [1969]), and Naomi Klein (*No Logo* [2000])—the argument advancing step by step in order to accommodate the latest move towards the global economy. This economy is not *dislocated*, as the nineteenth-century socialists imagined, but *unlocated*—but it is for this very reason that it troubles us. Economic activity has become detached from the building of communities. We do not know the people who produce our goods; we do not know under what conditions they work, what they believe in, or what they hope for. We do not know the people who distribute those goods to us, except as celebrity CEOs of Wal-Mart, McDonald's, Calvin Klein—people who seem miraculously to escape all liability for the goods that they sell, so as to float on clouds of profit above the stock exchange. Local stores and local producers are successively bought up or driven out of business by the anonymous chains, and when a community tries to defend itself against the intruding giant it finds that all the cards are stacked against it, and that yet another anonymous agent, the abstract “consumer,” has already declared a preference for the shopping mall on the doorstep.

And there is another complaint that people make, or which they feel in their hearts even if they haven't the knowledge to make it, which is that the anonymous corporation, which invests all its capital in a brand, thereby escapes liability for the long-term costs of its products. To put the point more exactly, the anonymous corporation can effectively *externalize* its costs. The cost of producing soya beans in Brazil—the cost in terms of environ-

mental damage, devastation of the landscape, aesthetic pollution and so on—is not witnessed by consumers in the United States nor controlled by American legislation (itself responsive to lobbying from consumers). It is a cost that can be, as it were, left in Brazil—and left to the future generations who will have to bear it. This is a simple example of a practice that is in fact ubiquitous. The real cost of producing packaged food on the supermarket shelf includes the enormous long-term cost of non-biodegradable packaging, which constitutes twenty-five percent by weight of the shopping bag. This cost is not borne by the supermarket or its suppliers. It is borne by all of us, and by our descendants over the next thousand years or so. You don't have to travel far outside a city to know what this particular cost means, and you can read about it in any study of plastic pollution in the oceans. But it is a cost that has been externalized. The personal factors that would compel a trader, in local conditions, to behave properly in this matter are absent. There is no reward for good behavior, and the costs of bad behavior can be passed on. It is surely no longer possible to doubt that this is a blatant feature of the global market economy, and one that is seemingly intrinsic to it.

If we take those complaints seriously, as we should, we will recognize the strength in Röpke's intellectual starting point—the small local community, in which economic activity takes place under the vigilant guardianship of the moral sense. But we also recognize that we cannot return to that community through anything that resembles the “social market,” as adopted by the postwar consensus in Europe. For what the social market amounts to in practice is the intrusion into the economy of another big anonymous entity—the state—which is quite as capable of exter-

nalizing its costs as any other. Not only that, but the state can silence its critics as no corporation can.

Thus the social market, as practiced in Europe, requires the state to step in and provide for those without work and to provide for the mothers of children who have no resident father. These are inevitable results of transferring the responsibility for charity from the community to the state, which is itself an inevitable result of the attempt to make a humane *economy*, rather than a humane *society*.

Here are some of the costs: the growth of an underclass of people who do not work but who find every means to avoid work in order to enjoy the benefits provided by the state; the growth of illegitimacy, as women find an easy way to provide for themselves and their babies, and men an easy way to abandon the women they have impregnated; the growth of anti-social behavior, as fatherless children are released from the dysfunctional households that produce them; and so on and on. The facts have been effectively documented by Charles Murray and others. And the result is clear: that Charles Murray and those like him could never hope to be employed in the state educational system in Europe and would be subject to official condemnation by any politician called upon to consider the matter. The state has externalized the costs of its “social market” policies onto society, and the greater the costs, the more the state expands with fictitious plans to reduce them. Never has a better machine for expanding the rentier class of bureaucrats been devised than this one, which constantly amplifies the problem that it is established to solve. Hence, as educational achievement declines in Europe, state expenditure on education increases—to the point where, in Britain, there are nearly two bureaucrats for every

teacher, appointed to deal with the social problems that they themselves make a living by producing.

These problems are not unknown in the United States, of course. But they have here led to a far-reaching skepticism towards statist solutions, and even, in the case of the Friedmanites, to a certain “free-market fundamentalism,” which insists that the market is the solution to these social ills and not their cause. The least we can say is that, as things stand, the “social market,” as practiced, is very far from producing the “humane economy” for which Röpke hoped. It may produce a more equal distribution of goods than a totally free economy, but it also produces its own brand of social disintegration, as the state, by expropriating the charitable motive, also extinguishes it. The world of the underclass, as described by Theodore Dalrymple and others, is a world with little in the way of attachment and compassion, where the virtue of charity is unknown.

What, then, is the real solution to the market-induced disorders of modern society? How do we prevent the globalization of everything and the fragmentation of our loyalties and attachments? How do we recover the small platoon, which shapes the moral sense of its members? The answer to these deep questions, it seems to me, is not to be found in any new economic order but in a restoration of the *moral* foundations of a market economy. This is something that Röpke saw, and it is why he viewed the emergence of mass society and the atheist norm as such a disaster. The disorders of the global market come about for the same reason as the disorders of the welfare state—because people seize every opportunity to externalize their costs. They do this because there is no vigilant community which compels them to behave in any other way. We have an instance of

this before us today, as the habit of consumer credit, which Röpke abhorred and which in earlier epochs would have been condemned as the most irresponsible form of indebtedness, has finally begun to deliver its inevitable consequences. Conduct which, in the still-vigilant communities of Röpke’s day, would have been sufficient grounds for social ostracism is now regarded as a kind of enviable cleverness—a successful way of putting the cost of your life entirely onto someone else’s shoulders and, if necessary, filing for bankruptcy when the going gets tough. There is no way forward for mankind that does not involve the restoration of that kind of vigilant community. And it can be restored only at the local level, by rebuilding the forms of social membership.

Can localization become a policy? Does that suggestion not merely reproduce the problem, by giving a new and overmastering project to the state? This, it seems to me, is the problem that we now face. We Europeans—victims of the “social market”—have no means to replace statist policies without involving the state. Rather than end on that gloomy note, however, I will make a positive observation. When the great rush to the global economy began, in the late eighteenth century, the state did not have the power or the will to help the victims. Instead they helped themselves. A thousand social initiatives began at the turn of the nineteenth century—friendly societies offering nonprofit loans for house purchases, charitable hospitals and networks of doctors, church schools and village schools funded by subscription, mechanics’ institutes (later to become universities), not to speak of the clubs and societies of enthusiasts devoted to communal leisure. The reality of this is known to us full well from nineteenth-century novels. In America, in the heart

of the global economy, these initiatives still exist. They exist because the state has not expropriated the charitable motive, because people can give freely what they freely earn, and because there are still

local loyalties which are the foundation of social hope. These initiatives should be the model for the “humane economy,” which will be humane not because of the economy, but in spite of it.

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