

Democracy in the Market Place

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Economics of the Free Society, by Wilhelm Roepke. Chicago: Henry Regnery Company, 1963. 273 pp. \$4.95.

THE EMINENT WILHELM ROEPKE, justly described by his pupil Ludwig Erhard as "a great witness to the truth," has a worthy successor to his *A Humane Economy* published three years ago. His newest book, *Economics of the Free Society*, has been made available to an American audience through the assistance of the Intercollegiate Society of Individualists. The work is a brilliant translation by Bucknell University Professor Patrick M. Boarman of the ninth German edition of Roepke's *Die Lehre von der Wirtschaft* (Eugen-Rentsch Verlag, Zurich, 1961).

Roepke's latest book in English is itself something of a migrant, much like its author who became *persona non grata* when National Socialism took over his native country of Germany. Roepke took exile in Istanbul as an economic adviser to Kemal Ataturk and there composed the manuscript of this book, first published in Vienna just before the Nazi take-over

of Austria in 1937. Then *kaput*. The Brown Shirt totalitarians seized copies of the book as intellectual contraband and *Economics of the Free Society* was shifted to the more hospitable climes of Switzerland, where it was adopted by a Swiss publishing house.

A French edition followed just prior to the German invasion of France, but a courageous and resourceful directrice of the Paris publishing house persisted in selling this paean to human liberty under the very nose of the Gestapo on the pretext that it was of no concern or interest to the German "Kommandantur." So Roepke's work must have been an inspiration and a light to many Frenchmen throughout the years of the German occupation, as it must have been to many Austrians during the Nazi regime.

The reason for the inspiration and light is clear from a reading, for the Roepke book lives up to its title: it is indeed economics for a free society. And it is good to see Roepke echoing Pantaleoni's observation (1897) that there are really only two schools of economists:

those who understand economics and those who don't—that is, those who see and appreciate the market economy and those who don't, those who believe that a function of economics is to economize and those who don't, those who believe in individual liberty—social, political, and economic—and those who don't.

Economics of the Free Society should excite the reader not only because of its profound examination of the market system, but because of its touches of drama and even wit. Of the latter, for example, Roepke notes the general public's need for city street lights even though some people, "such as lovers and burglars," are annoyed by them.

Perhaps Roepke's most dramatic description is that of the workings of the market society—the free society. Roepke notes that even the power of human imagination can only feebly picture the dynamics of the economic life of our age in all its myriad variety and complexity. Neither an Einstein nor a giant IBM 7090 computer could possibly see the astronomical number of human activities ever changing, constantly and mutually interacting, constantly and mutually determining each other, both within a national economy and throughout the Free World. Indeed, Roepke's description of the market at once displays and explains the impossibility of national planning and the past failures of planners, from those who planned the initially communistic organization of Jamestown and Plymouth Bay to the planners of Mao's disastrous Great Leap Forward. There are also the less spectacular failures of planning, such as America's farm intervention.

For example, Roepke paints the market society as:

. . . millions of factories in which thousands of different products are being manufactured; people sowing some-

where, somewhere reaping, a thousand boats and trains hauling to the four corners of the earth cargoes of fantastic variety; miners digging copper ore in the Congo or in the American West and starting it on its way through the whole world; the Japanese spinning silk, the Javanese gathering tea—all swelling an unbroken stream of goods flooding across the land into warehouses and factories and from thence into millions of shops.

In brief, the market works. It conquers scarcity and permits life to go forward. And if the market is developed enough, wealth will appear and life can go forward with grace and art and culture as well. To be sure, the conquest of scarcity is hardly complete nor, probably, will it ever be, and the gaudy and the vulgar do permeate much of mass culture. Roepke does not construe the market mechanism to be what it isn't. He poses no panaceas—no economy of super-abundance, no workers' paradise where work can be entirely done away with.

Production has costs and risks, Roepke reminds us, but through the equilibrium of the market, through supply and demand, through the ever-changing network of marginal utility and marginal productivity, the market has accomplished and continues to accomplish miracles that, even according to Marx and Engels in their *Manifesto*, far surpass "Egyptian pyramids, Roman aqueducts, and Gothic cathedrals."

And yet Marxists and their fellow-travelers, seemingly impervious to economic logic and experience, persist in deprecating the price system and prating about People's Democracies—when the market is probably the most democratic of all of man's institutions. The democracy of the market place occurs not every two years or four years, but every single day

of the year—for every ring of the cash register is a vote for a candidate product. The democracy of the market place is thorough, swift, and is marked by no tenure of office nor by relatively clumsy mechanisms such as the referendum and the recall. Voters in the market place respond mainly to the appeals of prices, and the price system is a communications system *par excellence*. In Roepke's words: "Prices are nothing other than continuous appeals to the consumers (i. e., the voters) to decide which of the economy's scarce production goods should or should not be, at any given moment, allocated to the various economic uses which can be made of them."

But if the price system is basically quite simple, and if it leads, as it does, to the advancement of the material well-being of the worker, it is difficult to comprehend the current state of affairs in which there is so great a lack of understanding of the market system, not so much by Marxists—they're likely beyond salvation—but by the market participants themselves, and worse, by many if not most politicians. These politicians, aided and abetted by many economists, seldom say they are out to destroy the price system. They merely intervene to modulate its "excesses," safeguard against its "extremes." They will "save" capitalism. A minimum price for labor will thus be established by these self-appointed saviors, perhaps as a part of a "fair labor standards" act. But precisely as in raising the price of farm commodities by fiat, the minimum wage mentality tends to set a price above the equilibrium point between demand and supply, thereby rendering part of the labor services offered for sale unsaleable—meaning unemployed. And so with minimum prices for farm commodities, giving us "the farm problem"—

a surplus of unsaleable, unemployed wheat, cotton, and so on.

The same wrongheadedness of government intervention can be seen in a thousand examples in the economic ills of the modern welfare state. One example put forward by Professor Roepke is the woes of the Brazilians who vainly tried during the 1930's to maintain high prices for their coffee by burning millions of bags of it. The Brazilians were of course thwarted through their inadvertent encouragement to coffee growers all over the tropical world. Intervention leads to greater intervention. Confusion compounds itself. Now the Brazilians and their counterparts in Africa, Asia, and the rest of Latin America are engaged in a super-international price fixing agreement known as the International Coffee Agreement, which somehow includes among its signatories two countries, the United States and the U. S. S. R., neither of which grow a single pound of coffee but require their citizens to pay more for their coffee pleasure. But, as Roepke says, there are those who understand economics and those who don't.

There are other illustrations of the blindness of government omnipotence. Roepke's discussion of Keynes and inflation, for instance, is alone worth the price of the book. He distinguishes between open inflation in which there is no price fixing or production allocation, and repressed inflation in which the country is placed in the economic straight-jacket of a command economy which includes rationing, wage and price controls, foreign exchange control, interest rate manipulation, or any combination of these controls. Still, in both open and repressed inflation, the fuel of vast increments of money and credit is injected into an already fever-ridden body economic. Inflation, Roepke is telling us, is basically a monetary problem—a printing press problem. And,

if anything, repressed inflation is worse than open inflation. Yet, open or repressed, inflation is a road that must ultimately end in chaos and paralysis—the downfall of a Rome, the rise of a Hitler.

The cure for inflation is simple enough: stop the printing press by stopping deficit finance, especially the monetization of debt. In the modern welfare state this is more simply said than done, and much the more difficult without the gold standard which Roepke advocates. Roepke suggests the inestimable advantage of the gold standard is that it stabilizes the value of money and protects it from the caprices and temptations of omnipotent government. Gold is a necessary “check” in the checks and balances of republican government. It is a veto in the hands of the people against spendthrift government bent, inadvertently or not, on destroying the integrity of the currency.

An example of unconscious currency debasement occurs in the President’s Economic Report of 1963, which seeks to attack “insufficient demand” through deficit finance—that is, through, however sugar-coated, inflationary measures, through the beautifully political device of taxing less and spending more, a variation on the Hopkins theme of “tax and tax, spend and spend, elect and elect.” After reading the Heller report, one can only wish that the disciples of Roepke and von Mises were advisers to the President rather than the disciples of Keynes and Hansen.

While greatly admiring this latest *tour de force* of Wilhelm Roepke, this reviewer

must make a reservation against Roepke’s long established fear of big business, which is again voiced in this book. Size plainly worries this great teacher. He complains of “mass” civilization, a “mass” society, and our “urban-technical” orientation. He bemoans mechanization, depersonalization, and weakening of the institution of the family in modern life. He is especially upset over big business and writes: “The giant industrial firm with its army of proletarians, its workers’ quarters, its impersonality, its unfreedom, is surely one of the most disturbing phenomena of our economic system.”

It is unfortunate, I believe, that Roepke continues to make this point against big business in general and big business in particular. Mass production has meant mass consumption and the enjoyment of the good things in life for the great many instead of the few. Capitalism has also enabled the individual of moderate means to obtain measures of culture and privacy that formerly were the exclusive privileges of the aristocracy. To be sure, not all those who are able to do so acquire the culture and privacy which are obtainable.

The foregoing reservation is a minor one, as minor as it is in the agrarian thinking of Jefferson. For, like Jefferson, Roepke represents one of the finest minds of the Western tradition. He speaks from first-hand knowledge of the economic ineptness and terrible dangers to human liberty of the Massive State. He asserts the need for a moral order, for a truly fraternal society.

Pundits' Progress

The Decline of the Intellectual, by Thomas Molnar, New York: Meridian Books, 1961. 369 pp. \$1.75.

"INTELLECTUAL" IS, as words go, something of a neologism, a late word, and perhaps not a happy one to designate the person concerned primarily with ideas. Nevertheless it is the only word we have in the twentieth century for that purpose. It does no good to castigate the whole breed as "eggheads," as though the concern with ideas, rather than the poverty and the untruth of the ideas of most contemporary intellectuals, were the evil—understandable as the irritation with the dominant intellectuals of the day may be. Nor, in equally understandable irritation with the hubristic separation from tradition that characterizes the intellectual of the past two centuries, is it useful in the manner of Dr. Russell Kirk to project a word like "clerisy"—that is, intellectuals of whom one approves, in contrast to those of whom one does not approve and to whom "intellectual" can be attached as an opprobrious epithet.

The fact is that Western civilization, in health and in crisis, has been continuously dependent upon the intellectual as an integral agent of its development. The essential problem is not and cannot be the validity or non-validity of the *existence* of men who constitute this necessary component of our tradition; rather it is the question of the quality of their loyalty and power in carrying out their duty—the articulation of the tradition and the development of it with fidelity to truth and good.

It is the great virtue of Thomas Molnar's book that he recognizes this continuity of function and examines the fulfillment of their duty by the intellectuals in our time. The book he has written is an indictment, the title of which might well have been Julien Benda's—*The Treason of the Intellectuals*. Dr. Molnar, however, bases himself firmly on the deepest truths of Western civilization and develops his critique with historical and intellectual acuity, where Benda's insights are too often journalistically aphoristic and even at their best shakily founded.

Dr. Molnar begins his analysis of the intellectual in the West at approximately the year 1300 and carries it through to the present day. The *leitmotif* of his drama is the progressive separation, culminating in the twentieth century, of the intellectual from the sources of his being in the culture and the tradition: his separation of himself as pure abstract ideologue from his true role, which is to enunciate, to develop, and to apply to changing circumstances the deeply held beliefs of the people who make up the civilization.

Underlining this concept of the true function of the intellectual, he writes: "Does this mean that philosophy coincides with the right use, the critical use, of common sense? It does." From the growing ideological and abstract tendency of the Western intellectual over the centuries, Dr. Molnar shows how the contemporary consummation has inevitably proceeded: the devotion of the intellectual of this stripe to putting into practice the abstraction by which he lives—the progress, as he entitles one of his chapters, "from ideology to social engineering." This progress he details in a series of chapters on Marxism, progressivism, the American intellectual, and the European intellectual.

My only difference with him would be to question whether the intellectual—for