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Two Christian Ideals for Business

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Two Christian Ideals for Business

Abstract

The sudden collapse of socialism does not entail the triumph of capitalism. In fact, by its nature, capitalism is not the kind of system that should be described as triumphant. It is a system whose origin is rooted in part in the experience of human contingency, imperfection and sin. Capitalist institutions are involved in ethical ambiguities; but, by contrast, traditionalist, precapitalist leaders do not believe that ordinary men and women can live freely and responsibly without the tutelage of dictators and ruling elites. Pope John Paul's 1991 encyclical *Centesimus Annus*, offer greater clarity about the ethical situation of human beings engaged in business than anything yet produced by any theologian or church body. Novak hopes to persuade his audience that there is something in the encyclical "for all men of good will." Novak discusses the encyclical, which supplies the architecture for a practical business ethic in the modern society.

Comments

Boardman Lecture XXXI. Edited and foreword by Ann R. Collins.

The Boardman Lectureship in Christian Ethics

(Founded 1899)

XXXI

**TWO CHRISTIAN IDEALS
FOR BUSINESS**

Delivered Before
The University of Pennsylvania
April 15, 1993

By

Michael Novak

Including Questions and Responses
Following the Lecture

Edited by
Ann R. Collins

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Foreword

The thirty-first George Dana Boardman Lecture in Christian Ethics at the University of Pennsylvania was delivered by Dr. Michael Novak. His presentation was the eighth since the reinauguration of the series in 1984 by the Department of Religious Studies. Dr. Novak's work includes that of journalist, novelist, professor, scholar, and author. He currently holds the George Frederick Jewett Chair in Religion and Public Policy at the American Enterprise Institute for Public Policy Research. His extensive publications span such subjects as philosophy; the Catholic Church and its doctrines; religion and sociology; American history, politics and culture; the ethics of economics, capitalism and democracy. Even a partial listing of Dr. Novak's publications indicates something of the broad range of his research. His published contributions include Belief and Unbelief: A Philosophy of Self (1965); The Experience of Nothingness (1970); All the Catholic People: Where did all the Spirit Go? (1971); Choosing our King: Powerful Symbols in Presidential Elections (1974); The Spirit of Democratic Capitalism (1982); Moral Clarity in the Nuclear Age (1983); Confession of A Catholic (1983); Freedom with Justice: Catholic Social Thought and Liberal Institutions (1984); The Catholic Ethic and the Spirit of Capitalism (1993).

His Catholic readers have long appreciated Dr. Novak's meditations upon the position of the Roman Catholic Church in the modern world. Most recently, his work has articulated the importance and necessity of maintaining traditional doctrine, devotion and ecclesiastical structures in an often antagonistic social and political climate. For non-Catholics the sociological, philosophical and political implications of Dr. Novak's writings have served as an ethical monitor in the study of American life and culture, social institutions, and world economic conditions. Even his more Catholic-centered writings are inclusive of the issues and questions facing a much wider audience. As he urges in this lecture, the analysis of the papal encyclical Centesimus Annus is not "confined to those who share [the Pope's] religious faith. As I hope to persuade you, there is something here for 'all men of good will.'"

It was a great pleasure to bring this lecture to publication. Dr. Novak's is one of the rare voices available to young Catholics who earnestly seek to incorporate a meaningful Catholic Christianity into their own lives. I was first introduced to Dr. Novak's work during college when my father made a subscription to Crisis, the journal for which Dr. Novak serves as editor-in-chief, required extracurricular reading. That is a requirement I have since continued for myself. I would like to thank Professor Stephen Dunning for his assistance in the preparation of this publication, and Jane Marie Pinzino for providing an audio-cassette of Dr. Novak's lecture.

Ann R. Collins
University of Pennsylvania

**TWO CHRISTIAN IDEALS
FOR BUSINESS**

TWO CHRISTIAN IDEALS FOR BUSINESS

1. The World Today

The collapse of real existing socialism in its heartland after 1989 has gravely wounded the intellectual appeal of socialism. Around the world, the buttons and party cards of socialist intellectuals have been dropping like autumn leaves. But this sudden collapse of socialism does not entail the triumph of capitalism. In fact, by its nature, capitalism is not the kind of system that should be described as triumphant. It is a system whose origin is rooted in part in the experience of human contingency, imperfection, and sin. Thus, although its positive thrust depends upon the measure of human goodness, community, and creativity that still remains after the wounds inflicted by sin, the point of view of the philosophy of capitalism is anti-utopian. Far from seeking to be triumphant, this philosophy tried to be faithfully realistic, and open to correction in the light of ongoing human experience. Although it is subject, like everything else, to ideological distortion, it is not in itself an ideology but an effort to attain to an exact and testable practical wisdom.¹

But if it is wrong to speak of capitalism as triumphant in the world today, it is not wrong to note that the bitter struggles, bloodshed, and furious arguments of the twentieth century have taught the world some important lessons, both about socialism and about the precapitalist economies of the Third World. Although it by no means produces utopia, capitalism is far more favorable to its poor than socialism is, or than the Third World economies of Latin America, Africa, and Asia are. Insofar as the aim of an economic system is to raise the standard of living of the poor, experience shows that capitalism does this better than either of its two main rivals, and this despite its faults and despite the century-long assault of intellectuals of right and left upon it. If capitalism is not triumphant, it has at least survived the terrible tests of the twentieth century in better condition than its rivals.

Nonetheless, because it deals so directly with both the sinfulness and goodness of human beings, the everyday practice of capitalist institutions is involved in ethical ambiguities and

perplexities. In its anthropological presuppositions, capitalism is different from socialism, just as it is different from the worldviews of precapitalist Third World societies. Socialists hold an erroneous anthropology concerning the innocence, goodness, and perfectibility of human beings. By contrast, traditionalist, precapitalist Third World leaders suffer from a certain cynicism about human beings. They do not believe that ordinary men and women, especially among the poor and uneducated, can live freely and responsibly without the tutelage of dictators and ruling elites. Avoiding these two extremes, capitalist institutions are based upon frank recognition of the radical ambiguity of human nature, simultaneously fallen and redeemed.

No better expression of realism in the political and economic order has appeared in our time than Pope John Paul II's 1991 encyclical Centesimus Annus,² particularly in sections 31 and 32. Between them, these two sections offer greater clarity about the ethical situation of human beings engaged in business than anything yet produced by any theologian or church body. Nor is the light shed by the Pope's analysis confined to those who share his religious faith. As I hope to persuade you, there is something here for "all men of good will." My aim is to present the main texts of these two sections, which supply the architecture for a practical business ethic today.

2. The Problem with Business Ethics

There is a reason why a new architecture is necessary. So far as I can see, most books on business ethics are not fundamentally about business. They are, in fact, considerations of basic principles of ethics valid in all fields, with barely any special consideration of the ideals and principles of business as a specific practice. Common, kitchen-variety moral standards such as honesty, fairness, sensitivity, and the like command most of the attention. True, concrete cases are studied that derive from perplexities encountered in business. But similar cases also arise in other fields in which employers and employees interact, such as in government, universities, hospitals, foundations, and other nonprofit organizations; hardly any questions apply solely to business. I

intend no criticism by calling attention to this deficiency. Case studies taken from real experience in real organizations (including businesses) are no doubt useful and illuminating. Further, some introduction to general ethics as a philosophical or theological discipline also has its merits.

Nonetheless, unless one understands the ideals inherent in a practice and specific to it, ethical reflection about that practice is bound to be abstract, even uninspiring. It is likely to concern itself with certain puzzles, dilemmas, or conundrums that arise, and with their solution. This in turn may have the effect of making ethics seem like an intellectual exercise rather than like a guide to a way of life. It may even prevent the crucial ethical question from arising, *viz.*, What way of life do I wish to choose for myself, among various alternatives, as I commit the larger part of my waking hours to this specific practical vocation? What are the ideals inherent in this vocation, that make it special among the many human vocations? What are its moral delights? What attracts me to it? What are its moral satisfactions? And its specific betrayals?

The aristocratic life of the precapitalist era, for example, had its own specific aspirations, ideals, obligations, and duties. Not a few moral handbooks were written to guide the way of life of princes and other noble families, most of whom, in the beginning at least, made their living from various branches of agriculture, husbandry, forestry, and the management of landed estates. Indeed, it was common for those engaged in such pursuits to be instructed in the proper ethical arts of "the noble way of life." Alexis de Tocqueville in Democracy in America has several elegant passages³ on the differences between the ethos of aristocracy as he knew it in France and the ethos of the commercial republic he found in the United States—sometimes to the advantage of the one, sometimes to the advantage of the other.

Yet even now, some eight score years after Tocqueville's magisterial volume, we still lack a well-formed philosophy (or theology) of business life. One reason for this, perhaps, is that philosophers and theologians still think of their own vocations in the light of the aristocratic ideal (no doubt, quite properly so). Even common speech reveals aristocratic prejudices. For example, if someone says of you that you are a prince of a man, you are likely to feel flattered—no matter that the moral conduct of actual

princes in history (murdering their nieces and nephews, plotting and scheming against their cousins) may be, to put it kindly, ambiguous. According to Shakespeare, and even more so according to Machiavelli, princes have seldom been moral giants; they put to death a great many of their own relatives; precipitated many wars of "honor"; and employed their armed knights in many countless acts of naked plunder. As a consequence, quite mistrustful of one another, most aristocrats were obliged to live in heavily fortified castles. David Hume remarks in his historical essays that princes are hardly in a position to present the aristocratic era as a shining model of benefits to be reaped by commoners.

By contrast (so powerful is the hold of the aristocratic caste of mind upon our common speech, even today), if someone in a university setting were to tell you that you had bourgeois tastes, you would plainly suspect that you were being disparaged. You would suspect this—and it would be true—despite the fact that almost all the beautiful things that we associate with the aristocratic age (the best wines, the best cheeses, elegant cutlery and glittering armor, fine furniture, draperies, splendid gowns and capes and britches, paintings, tapestries, and chandeliers) were actually developed, designed, and made by bourgeois craftsmen; that is, by persons who were neither serfs nor nobles but independent enough to have studios, shops, and trades of their own, and whose modest homes were usually clustered together in the towns and small cities that gave them the name "bourgeois." These bourgeoisie were not only not lacking in taste; they created most of the tasteful objects in which the aristocracy took serene pleasure.

Despite such facts, through class prejudice the aristocracy looked down on craftsmen, artisans, and people of commerce. Aristocrats were, or pretended to be, focused on "things in themselves," noble things. People of the laboring and commercial classes were concerned merely with utility, with means rather than ends, and for the sake of vulgar profit. Besides, they often sweated, and exhibited rude and lowly manners.

Alas, this aristocratic bias also infected the Christian moral tradition (but not, I think, the Jewish).⁴ Jacob Viner made this point succinctly in one of his notable essays on the history of economic thought:

It was a commonplace of Greek and Roman thought, destined to be absorbed in the Christian tradition, that trade was either by its inherent nature, or through the temptations it offered to those engaged in it, pervasively associated with fraud and cheating, especially, according to Cicero, if it were "small," or retail trade. Horace decried trade as "unnatural" and "impious."

. . . For the early Christian Fathers, as for the pagan philosophers, it was the element in trade of the pursuit of a middleman's profit which they found specially objectionable, as demonstrating "avarice," and therefore "sin." . . . Underlying this condemnation of trade was an implicit economic analysis which failed to see any possible counterpart in service to the buyer or the community for the gain of a merchant selling at a higher price than that at which he had bought. This came nearest to being made explicit in a passage of St. Jerome, destined to have a lasting influence: "All riches proceed from sin. No one can gain without another man losing."⁵

Needless to say, marxist and socialist economic thinking owes not a little to this anti-commercial strain in both Christian and aristocratic thought. Even thinkers who are in their best moments in favor of democracy and capitalism, given the sorry alternatives, have not entirely broken free from these prejudices. Terms like money, wealth, profit, and entrepreneurship still somewhat embarrass them.

There are cultural reasons, in short, reasons of history, why we have been slow to reflect more profoundly on the transformation of values wrought in Western history by the replacement of the aristocratic ideal with the—dare I say it?—"business ideal." We have not been in a position to speak confidently of a "business ideal." We tend to think that business lacks ideals, is merely utilitarian, concerned mainly with vulgar profit, and ranks considerably below a humanistic or Christian vocation. We tend to think of business, in short, as if we were aristocrats. This is false consciousness. It is also an anachronism. As Machiavelli coldly

observed, aristocrats were not at all lacking in self-interest. Nor is anyone else. "Self-love," the great reforming monk St. Bernard taught his fellow monks, "dies fifteen minutes after the self." If it is so in monasteries committed to the pure love of God and fellow man, it is no less so outside the monastery walls.

I have sketched elsewhere, following David Hume and Adam Smith,⁶ the great moral transformation in Western ethical reality—a transformation, they thought, for the better, especially from the viewpoint of ordinary people and the poor. It is quite important to grasp this moral transformation, if you wish to understand how business came to be regarded as the cutting edge of human progress. In seeking to establish the rule of law, liberty, and self-government, as well as to liberate the human race from immemorial poverty, writers since Montesquieu have looked to the business world to show the way. I cannot enlarge upon that historical background here; all I can do is summarize its relevant lessons.

I am entirely in favor of the democratic project, by which I mean limited government, the rule of law, and the protection of individual and minority rights. Without an active business community, this democratic project is not empirically sustainable.⁷ Without an active business community, national wealth can hardly be created or broadly distributed. Without an active business community, opportunities for employment—jobs—must necessarily be few and low-paying. Without an active business community, vital moral habits necessary to republican self-government—the virtues of civic republicanism—are highly unlikely to flourish.⁸

Those on the American left, Democratic presidential candidate Paul Tsongas said in 1992, "would like to believe that they can create employment without employers. They're wrong." Let that commonsense warning serve as our transition. Business provides crucial services to the free society. That is its utility. But what are its internal moral ideals? We would be in a better position to develop a business ethic nourished, guided, and corrected by those ideals, if we actually knew what those ideals were.

3. The First Ideal

Pope John Paul II has recently written quite eloquently about two ideals internal to the business vocation. No doubt, other ideals might be discerned, since it is not unusual for different personalities to be attracted to a specific vocation by different facets. Needing and drawing upon a broad range of talents and temperaments, the business vocation is rich with possibilities and opportunities. For our purposes today, however, it will suffice to make a beginning in the large task before us by limiting our attention to the two ideals singled out by John Paul II. The first of these is creativity, the second community.

Most of us first learned to think about the ethic of capitalism by way of the analysis given by Max Weber in the Protestant Ethic and the Spirit of Capitalism.⁹ It was Weber's great achievement to bring to consciousness the fact that cultural, specifically religious, forces are essential to the definition of capitalism; capitalism is not a system solely about things, but about the human spirit. Nonetheless, there is some question whether Max Weber actually caught the spirit of capitalism in his sights. I think it more exact to say that he scored a near-miss.¹⁰ The target he hit was calculative rationality, which would confine human spontaneity within an "iron cage." He seemed to have in mind the huge industrial enterprises of the turn of the century, and dreaded the (as he saw it) coming spirit of bureaucracy. In all this, he missed something much closer to the heart of the matter: discovery, invention, serendipity, surprise—what my colleague Rocco Buttiglione of the International Academy of Philosophy in Liechtenstein calls "the Don Quixote factor."

At the very heart of capitalism, its dynamic core, as Friedrich Hayek, Joseph Schumpeter, and (in far greater detail) Israel Kirzner have shown, is the creative habit of enterprise.¹¹ Enterprise is the inclination to notice, the habit of discerning, the tendency to discover what other people don't yet see and, in addition to that, the capacity to act on insight, so as to bring into reality things not before seen.¹² As John Paul II observed:

It is precisely the ability to foresee both the needs of others and the combinations of productive factors most adapted to satisfying those needs that constitutes another important source of wealth in modern society. . . . Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy, and taking the necessary risks—all this too is a source of wealth in today's society. In this way, the *role* of disciplined and creative *human work* and, as an essential part of that work, *initiative* and *entrepreneurial ability* becomes increasingly evident and decisive.¹³

Many academic writers seem never to have imagined the sheer fun and creative pleasure involved in bringing a new business to birth. Such creativity has the stamp of a distinctive personality all over it. In the pleasure it affords its creator, it rivals, in its way, artistic creativity.

To verify this, one only has to visit a business in the presence of its builder. It is quite possible that no *diva* was ever so pleased with what she has sung as an entrepreneur is with what she has built. (And I should add quite explicitly that a rapidly increasing proportion of entrepreneurs in this country, in Latin America, and worldwide is female; enterprise is a vocation made-to-order for newcomers into the market.)

As he approaches the question of creativity in section 32, the Pope has just finished explaining how in history two factors—work and the land—are to be found in every society:

At one time the natural fruitfulness of the earth appeared to be, and was in fact, the primary factor of wealth, while work was, as it were, the help and support for this fruitfulness. In our time, the role of human work is becoming increasingly important as the productive factor both of nonmaterial and of material wealth.¹⁴

Note that the Pope linked work more and more with knowledge. *And this is the crucial switch.* Unlike Marx, who developed "the labor theory of value," the Pope links value to knowledge: "Work becomes ever more fruitful and productive to the extent that people become more knowledgeable of the productive potentialities of the earth and more profoundly cognizant of the needs of those for whom their work is done."¹⁵ The cause of wealth is knowledge. This cause lies in the human mind.

"What is the cause of the wealth of the nations?" This is the question that Adam Smith was the first to raise in 1776; Pope Leo XIII alluded to it in Rerum Novarum.¹⁶ Pope John Paul II has his own crisp reply:

In our time, in particular, there exists another form of ownership which is becoming no less important than land: The possession of know-how, technology and skill. The wealth of the industrialized nations is based much more on this kind of ownership than on natural resources.¹⁷

The cause of wealth is intellectual capital. If the wealth of nations is based much more on intellectual property and know-how than on natural resources, then we can understand how some nations that are very wealthy in natural resources (such as Brazil) can still remain poor, while other nations which have virtually no natural resources (like Japan) can become among the richest in the world.

In this respect, the Pope differentiates the late twentieth century from two earlier periods:

. . .there are specific differences between the trends of modern society and those of the past, even the recent past. Whereas at one time the decisive factor of production was the land and later capital—understood as a total complex of the instruments of production—today the decisive factor is increasingly man himself, that is, his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organization, as well as his ability to perceive the needs of others and to satisfy them.

These are exactly the factors in which Japan is preeminent—knowledge, scientific knowledge, a capacity for compact organization, and ability to perceive the needs of others and to satisfy them. Through these factors, the Japanese, who are extremely poor in natural resources, have made themselves preeminent.

Of course, natural resources are still important. But if human beings do not see their value and figure out ways to bring them into universal use, natural resources may lie fallow, forever undiscovered and unused, just as oil lay beneath the sands of Araby for thousands of years unused and treated as a nuisance, until human beings developed the piston engine and discovered the process of converting crude oil into gasoline. It is human beings who made useless crude into a "natural resource." In this sense, inanimate things are not the deepest, best, or most inexhaustible resource. The human mind is, as Julian Simon puts it, "the ultimate resource."¹⁸ It is not the things of earth which set limits to the wealth of the world. On this matter the Club of Rome made an elementary mistake. Many of the things of this earth are useful at some times and not useful at other times (e.g., whale oil), depending on the value the human mind sees in them. In this sense, the mind of human beings is the primary source of wealth. And no wonder: It participates from afar in the source of all knowledge, the Creator. Thus, the Pope says:

Indeed, besides the earth, man's principal resource is man himself. His intelligence enables him to discover the earth's productive potential and the many different ways in which human needs can be satisfied.

The Pope sees three ways in which human knowledge is a source of wealth. First, "It is precisely the ability to foresee both the needs of others and the combinations of productive factors most adapted to satisfying those needs that constitutes another important source of wealth in modern society." Second, "Many goods cannot be adequately produced through the work of an isolated individual; they require the cooperation of many people in working toward a common goal." This second kind of knowledge entails knowing how to organize the large-scale community necessary to produce even so simple a thing as a pencil.¹⁹

It does not ordinarily occur to theologians, but it is a matter of everyday experience to businessmen, that even so simple an object as a pencil is made up of elements of graphite, wood, metal, rubber, and lacquer (to mention only the most visible, and to leave aside others that only specialists know about) which come from vastly separated parts of this earth. The knowledge and skills needed to prepare each one of these separate elements for the precise role they will play in the pencil represent a huge body of scientific and practical knowledge, which is almost certainly not present in the mind of any one individual, but is widely dispersed among researchers, managers, and workers in factories and work places in different parts of the world. All these factors of production—materials, knowledge, and skilled workers—must be brought together before anyone has a pencil in his hands.

For such reasons, the Pope recognizes admiringly this second kind of wealth-producing knowledge: "Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demand which it must satisfy, and taking the necessary risks—all this too is a source of wealth in today's society."

Thus far, the Pope has discerned two kinds of knowledge at work in human economic creativity: accurate insight into the needs of others and practical knowledge concerning how to organize a worldwide productive effort.

But there is also a third kind: The painstaking effort "to discover the earth's productive potential." Consider briefly three such discoveries whose diffusion has done so much to change the world since Pope John Paul II first became Pope in 1978: The invention of fibre optics, which in so many places are replacing copper (and thus contributing to the difficulties of Chile's copper industry); the invention of the word processor and of electronic processes in general (which are doing so much to shift the basis of industry from mechanical to electronic technologies); and the use of satellites and electronic impulses to link the entire world in a single, instantaneous communications network. All three of these breathtaking discoveries are the fruit of "man's principal resource," his own creative intelligence. Man the discoverer is made in the image of God. To be creative, to cooperate in bringing creation itself to its perfection is the human vocation.

In this light, we see that it is no accident that a capitalist economy grew up first in the part of the world deeply influenced by Judaism and Christianity. Millions of people over many centuries learned from Judaism and Christianity not to regard this earth merely as a region of taboos, never to be investigated or experimented with, but rather as a place in which to exercise human powers of inquiry, creativity, and invention. The philosopher Alfred North Whitehead once remarked that the rise of modern science was inconceivable apart from the habits of human beings learned during their long centuries of tutelage under Judaism and Christianity. Judaism and Christianity taught humans that the whole world and everything in it are intelligible, because all things—even contingent and seemingly accidental events—spring from the mind of an all-knowing Creator. This teaching has great consequences in the practical order. The belief that each human being is imago Dei was bound to lead, in an evolutionary and experimental way to the development of an economic system whose first premise is that the principal cause of wealth is human creativity.

4. Community

In section 31, Pope John Paul II had already noted that, nowadays, "It is becoming clearer how a person's work is naturally interrelated with the work of others. More than ever, work is work with others and work for others: it is a matter of doing something for someone else." From the very beginning, the modern business economy was designed to become an international system, concerned with raising "the wealth of nations," all nations, in a systematic, social way; it was by no means merely focussed on the wealth of particular individuals. In section 32, Pope John Paul II picks up this line of thought: "Mention has just been made of the fact that people work with each other, sharing in a 'community of work' which embraces ever-widening circles." The Pope then notes that "many goods cannot be adequately produced through the work of an isolated individual; they require the cooperation of many people in working toward a common goal." And so again he comments: "It is man's disciplined work in close collaboration

with others that makes possible the creation of ever more extensive working communities which can be relied upon to transform man's natural and human environments."

In a word, the businessman is constantly, on all sides, involved in building community. Immediately at hand, in his own firm, he must build a community of work. Next for its practical operations this firm depends on a larger community of suppliers and customers, bankers and government officials, transport systems and the rule of law. In the third place—as we saw in the example of the pencil—modern products derive from every part of the planet. The modern business system expresses the interdependence of the whole human race. In all three ways, then, business is a community activity. Capitalism is not about individualism. It is about a creative form of community.

Indeed, even in making a point about the role of profit (in section 35), the Pope shows that in its internal composition the business firm is primarily a community of persons. He writes:

In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a community of persons who in various ways are endeavoring to satisfy their basic needs, and to form a particular group at the service of the whole society.

Precisely because even the business firm should be understood primarily as a community, the Pope is able to write that:

The Church acknowledges the legitimate role of profit as an indication that a business is functioning well. . . . But profitability is not the only indicator of a firm's condition. It is possible for the financial accounts to be in order, and yet for the people—who make up the firm's most valuable asset—to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency.

In brief, the institution which is capitalism's main contribution to the human race is the private business corporation, independent of the state—and the main thing to notice about it is that it is a new and important form of human community. It is a community one of whose main social purposes is to make a profit, that is, to create new wealth beyond the wealth that existed before it came into being. The Pope notes this aspect with approval: "When a firm makes a profit, this means that productive factors have been properly employed and corresponding human needs have been duly satisfied."²⁰ In other words, through the exercise of knowledge, the business firm uses the productive factors of the earth properly; it well discerns and satisfies human needs. By this path, it is "at the service of the whole of society." The economic and the ethical point of a business corporation is to serve others. So even in itself the business firm represents a novel but important form of human community.

In fact, in section 32 the Pope goes to quite daring lengths in describing the modern business process. He sees that the modern business process "throws practical light on a truth about the person which Christianity has constantly affirmed," and for this reason "it should be viewed carefully and favorably." The truth he sees reflected is this: The person working in community with other persons, and for the sake of other persons. This creative community is the greatest transformative power of the earthly order: "It is man's disciplined work in close collaboration with others that makes possible the creation of ever more extensive working communities which can be relied upon to transform man's natural and human environment."

5. The Capitalist Virtues

Immediately after this last quoted passage, the Pope goes on: "Important virtues are involved in this process," and then he names them:

. . . such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in

carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible setbacks.

At first glance, these virtues sound like a list taken from Max Weber's famous book, The Protestant Ethic and the Spirit of Capitalism. But one sees on reflection that the context and the meaning are utterly different. Max Weber saw the roots of capitalism in the negative attitude held by some Protestants toward creation: in their sense of self-denial, their asceticism, and their sense of the depravity of natural man. By contrast, Pope John Paul II sets these ordinary, kitchen-variety virtues in the context of the basic goodness of creation as it springs from the hands of the Creator, and in the light of the imago Dei impressed upon man's nature. These virtues are not negative, repressive, or ascetic—or at least not primarily so—for they entail invention, serendipity, surprise and the sort of romance that leads many to risk their shirts.

This is quite a considerable contrast. And thus one might speak, quite accurately, of "the Catholic ethic and the spirit of capitalism." This is the new ethic that the Pope recommends for the Catholic nations of the world, from the Philippines through Latin America and on into Central and Eastern Europe—all those nations that are just now beginning to make the transition from a socialist or precapitalist, Third World economy to a capitalist economy.

6. Conclusion

These, then, are the two basic ideals around which the Pope orients his approach to business ethics: creativity and community, and of course the virtues involved in them. These two are extremely demanding principles. They will require great changes in the workings of the economy. They especially require change in all those economies that do not yet promote the right to personal economic initiative among all citizens, universally.

Every single person, no matter how poor or unlearned, is made in the image of God. Each has a right to exercise his or her own personal economic creativity. Therefore, existing economic

systems that repress the right to personal economic creativity must be reformed, since they abuse the image of God endowed in all. They abuse that image by making the incorporation of small businesses prohibitively difficult; by failing to provide sources of cheap credit to poor people (while credit is the mother's milk of new enterprises); by failing to provide universal education, particularly in the creative and practical skills of economic activity; and by not cherishing human capital and intellectual property as the primary sources of wealth. Indeed, to fulfill the Pope's vision of a genuine ethic of capitalism, a peaceful but profound revolution will be necessary throughout much of the Third World. In the developed world, too, great changes will be necessary, particularly in the moral and cultural area; but that is another and larger subject than the foundation of business ethics.

The implication of the Pope's argument is that true development must begin from the bottom up. It must be universal. It must allow every person, no matter how poor or unlearned, to participate in economic activism. Thus, every free society must examine all its institutions to see whether they are promoting or repressing human creativity. The test of a business system is what is happening among the able-bodied poor. Here in this country, we must ask ourselves, are we doing enough to draw the poor into business activities, to include them? Are current government programs intended to help the poor, actually an aid to the poor—or an obstruction?

Centesimus Annus is a marvelous and revolutionary piece of work. It is original, clear, and compelling. It sets before us a huge agenda. It offers no ground for complacency. It does what no other religious document has done before: It grasps the interiority of the life of business, the excitement of it, the idealism of it, the challenge of it.

Men and women of business enjoy creating something that did not exist before. In Pope John Paul II business leaders have at last found an ecclesiastical leader who sees clearly what moves them, speaks of that spirit affirmatively, and sets great challenges in front of them. There is nothing business leaders like better than challenges. So it would be surprising if men and women of business are not stimulated by the Pope's words to become more creative than ever, and to lead the way to the revolution in the

world's economy that the Pope envisages.

For Pope John Paul II, business ethics means a great deal more than obeying the civil law and not violating the moral law. It means imagining and creating a new economic order, based on the principles of individual creativity, community, and the special virtues of enterprise. It means respecting the right of the poor to their own personal economic initiative and their own creativity. It means fashioning a culture worthy of free women and free men—to the benefit of the poor, and to the greater glory of God.

Endnotes

1. The science of economics is quite different from the philosophy of capitalism. As a science in the modern mold, economics aspires to be as objective, neutral, and value-free as physics. The difficulty is that the economic behavior of human beings is not, and cannot be, value-free. To this extent, economics as a science is inherently and by its nature somewhat detached from concrete reality. This detachment from reality helps to explain why economists qua economists are frequently quite wrong in their predictions concerning real economic events. Practical men learn soon to accept economic projections with caution. Even so, economists refer to their own discipline as "the dismal science," in recognition of the ambiguities, imperfections, and "trade-offs" in the materials with which they deal. In this sense, even the science of economics is anti-utopian. All the more so are practical men and women in the field of business.
2. Called after the first two Latin words of the encyclical, Centesimus Annus, "The Hundredth Year," commemorates the span of social teaching since its first great modern formulation in Rerum Novarum of Leo XIII. Many editions are available.
3. See especially Book III, Chapter 2, "How Democracy Renders the Habitual Intercourse of the Americans Simple and Easy," and Book II, Chapter 19, "What Causes Almost All Americans to Follow Industrial Callings."
4. See Irving Kristol, "The Spiritual Roots of Capitalism and Socialism," in Capitalism and Socialism: A Theological Inquiry, ed. Michael Novak (Washington, D.C.: AEI, 1979), 1-14.
5. Jacob Viner, "Early Attitudes Towards Trade and the Merchant," in Essays on the Intellectual History of Economics, ed. Douglas A. Irwin (Princeton, NJ: Princeton University Press, 1991), 39-40.

6. This development is traced in Michael Novak, This Hemisphere of Liberty, paperback ed. (Washington, D.C.: AEI, 1992), Chap. 7, "Wealth and Virtue—The Development of Christian Economic Teaching," 63-88.
7. In Peter Berger's formulation, "Capitalism is a necessary but not sufficient condition of democracy As to falsification of the above hypothesis, the most convincing one would be the emergence, in empirical reality rather than in the realm of ideas, of even one clear case of democratic socialism." The Capitalist Revolution (New York: Basic, 1986), 81.
8. For a full consideration of the civic dimension of Adam Smith, see Jerry Z. Muller's Adam Smith in His Time and Ours (New York: Free Press, 1993).
9. Max Weber, The Protestant Ethic and the Spirit of Capitalism, trans. Talcott Parsons (New York: Charles Scribner's Sons, 1958).
10. My appreciation and critique of Weber is developed at greater length in Michael Novak, The Catholic Ethic and the Spirit of Capitalism (New York: Free Press, 1993), esp. 1-14, but implicit in the argument of the entire book.
11. The most developed treatment of this point is to be found in Israel Kirzner, Discovery and the Capitalist Process (Chicago: University of Chicago Press, 1985).
12. For a fuller treatment of enterprise, see Michael Novak, This Hemisphere of Liberty (Washington D.C.: AEI, 1992), "The Virtue of Enterprise," 25-35.
13. Centesimus Annus, #32. Emphasis added.

14. Ibid., #31. Emphasis added.
15. Ibid. Emphasis added.
16. For a discussion of this point, see Oswald von Nell-Breuning, S.J., Reorganization of Social Economy (New York: Bruce Publishing, 1939), 131-32.
17. Centesimus Annus, #32. Emphasis added. Hereafter, unidentified quotations in the text are found in #32. The official translation contains no italicized terms. I have supplied these in every case.
18. Julian L. Simon, The Ultimate Resource (Princeton, NJ: Princeton University Press, 1981).
19. See Leonard Read's classic essay of 1958, "I Pencil," reprinted in Imprimis (Hillsdale, Michigan), June 1992.
20. Centesimus Annus, #35.

Questions and Responses

Regarding creativity, I have two questions. The first one is a definition of creativity. For example, if someone finds a new way to evade taxes, do you also call that creativity?

Mr. Novak

Yes, it's creative. Just because something is creative in and of itself, doesn't make it good. There is no ideal I can think of, love, or any other that isn't capable of misuse. So, to put it to you this way, if many individuals practice creativity of that sort, it won't be a very creative society.

And the second question: if someone is engaged in some creative activity, is that person saved in the Christian sense?

Mr. Novak

No. We're not talking about that. We're not talking here about the economy of salvation. We're talking here about the working-out of vocations in the world, and the implication of a Christian's accepting the Gospels, accepting Jesus, as is sometimes said in some traditions. What are the implications of that for how one acts in the very complicated and differentiated world of contemporary times? It's rather different from answering that question in the time of my grandparents in the center of Europe, and in an agricultural environment. And so I am interested in working out those problems of the different sort of economy, the different sort of polity, and the implications of Christianity in that context. It has more to do with how a Christian lives in the world, than directly on the question of how we gain eternal salvation. They are not unrelated, but they are not the same thing.

It seems that since the sixties we almost seem to be going backwards. With down-sizing, and concern for short-term profits, I don't find people saying it's fun to be at work anymore. We seem to be losing headway on this.

Mr. Novak

Well, we have hit the high winds and the high seas for something quite good which we worked a long time to try to build, namely, international competition. Imagine us having made a bargain with the Japanese after World War II. "Look," we said, "adopt a constitution of this sort, and begin building a system like this. It will be good for you." Now, we never dreamed they would become better at it than we are, but it was a fair deal. The truth is, Japan became very rich, but we didn't become poor. In 1953 we produced 52% of everything produced in the world, now we're down to 21% or 22% of that. But we don't produce less, we produce more, and we're much wealthier. It's just that in a world that has changed, the advance of some hasn't led to others' disadvantage; their advance does make the world arena more competitive. As inventions of some newer, and cheaper, and better ways of producing products arise, new competitors can come on the market with the newest technology and beat people who have been at it for a hundred years. And, therefore, I think a great deal of creativity is going on in American business today. I think that we will see towards the end of this decade and going into the next century, that we will get our economies into much better shape than Japan and Europe. Two or three years ago I was a little bit nervous that Europe might get its act together, and really provide stiff competition to the U.S. I no longer think that is going to happen. I think the European economies and political economies are in quite desperate shape. The collapse of socialism, I remind you, pulls in its train the fate of social democracy. I don't think the welfare state is going to survive. I think that is what the election in France meant, the crisis in Italy means, the crisis in Sweden means, and the crisis in the British political parties. The hardest maneuver to pull off is down-sizing, and it is not pleasant for the individuals in it. I know this is an odd way to look at it, but we do it in other areas. When you talk about the common good it is often not grasped how hard that can be on individuals. For the good of the corporation, a lot of individuals are going to be laid-off. And that puts a whole different light on the common good. What does the common good for a *society* mean? What do we do as a social organism that is bigger than the corporations? To ease the pain of that on individuals? That we were not really prepared

for. We cannot do it in the German or Japanese way or we will inherit their problems. In Germany they cushion unemployment much better than we do, but they also have 10% unemployment and going up, and also disguised unemployment because as many as one-third of the work force at certain ages are on disability.