
DEMOCRATIC CAPITALISM'S THREE SPHERES



Michael Novak speaks to Alan Cocks

Alan Cocks: One of the most important themes of your work during the last fifteen years has been that democratic capitalism is a combination of three interlocking systems: free markets, democratic political institutions and a certain kind of moral-cultural order. Since you first promoted this theory in *The Spirit of Democratic Capitalism* in 1982, it has attracted a great deal of interest all around the world, but especially in former Eastern Europe since the end of Soviet power. How well do you think your message about the threefold nature of democratic capitalism has been grasped?

Michael Novak: Reasonably well, I think. For example, in his encyclical *Centesimus Annus*, Pope John Paul II clearly observes those distinctions. He devotes a section to political liberties and he promotes markets, but above all invention and discovery, which are the real driving forces of capitalism; and in the end he talks about the need for the 'ecology of liberty', which shows recognition of the importance of the culture. Many faults which socialist thinkers attribute to capitalism, he attributes to a moral-cultural system that is analytically distinct from capitalism. I think that is quite accurate and quite an advance. I've seen Lady Thatcher do something similar. I think the idea is commonsensical, and that when people recognise it they almost take it as what they thought themselves.

AC: Your theory of democratic capitalism brings a couple of queries to mind. It is widely believed among Western social scientists that you simply cannot graft a model of a free market or democratic system onto a culture and expect it to work. Doesn't the fact that democratic capitalism is a package make it hard for

it to take root in places like Eastern Europe, where they have not had for many years the culture that goes with democratic capitalism in the West?

MN: That was a worry, in Poland. In the first six months, suddenly four hundred thousand new small businesses were formed. In the next year, a million new small businesses were established. The spirit of enterprise was alive and well much more than we dared to imagine or had a right to expect. The problem would be more acute if democracy, capitalism and pluralism were more out of tune with human nature than they are. They are, I think, expressive of human nature. While certain conditions have to be met for them to work, it is not a strain on human nature to make them work. It is an expression of what's there to begin with.

AC: On several occasions you have described the moral-cultural system of democratic capitalism as flowing from 'deep Jewish, Christian and humanistic roots.' But aren't there deep antagonisms between at least the Christian and humanistic stands? As a Catholic Christian, for example, you have made some very forceful statements in *Crisis* magazine against the legality of abortion. Yet people with a humanist outlook would regard the availability of abortion as a necessary part of a humane social policy. This disagreement reflects fundamentally different moral assumptions. So doesn't that mean there is a permanent instability built into democratic capitalism?

Michael Novak visited Australia and New Zealand as a guest of the CIS in March 1995. His books include *The Spirit of Democratic Capitalism* and *The Catholic Ethic and the Spirit of Capitalism*. Alan Cocks is a postgraduate student at Monash University.

MN: There would be if democratic capitalism was not built around pluralism. No way of looking at the world more than Judaism and Christianity generated the need for respect for human conscience and the expectation of human individuality. This conception was already in crisis in Greek thought when Socrates went quite willingly to his death because, by his questioning, he was sinning against the city. The birth of the individual conscience and the honouring thereof, is a product of Judaism and Christianity. A sector of Jewish and Christian civilisation turned in the direction of disbelief and humanism, but nonetheless retains fundamental beliefs of Judaism and Christianity – many more than its members realise. Paul Davies, who won the Templeton Prize this year, has pointed out to his scientific colleagues that they take for granted the Jewish and Christian vision of the world. They believe that everything in the world is understandable, as if it springs from a source of understanding, and they conduct their enquiries as if everything is coherent in that way; without noting that from the point of view of most of the world's religions or philosophies that's not an appropriate assumption.

AC: So the humanist and Judeo-Christian strands of thought have more in common than perhaps either of them realises?

MN: Yes. A free society is inherently unstable in the sense that any generation can abandon it. It is a danger that the success of capitalism should breed such affluence and comfort that the people enjoying it should forget the very virtues that brought them there. But that danger can be recognised and overcome. We are not condemned to it; there is nothing written in the stars that says we must sign a joint suicide pact in that way. Forewarned is forearmed.



AC: I would like to explore some of the practical implications of your theory. What do you think the state should do to encourage or preserve the moral and cultural values of democratic capitalism?

MN: I would rely much more on the institutions of civil society than on those of the state, but it is not uncommon for public officials to declare certain holidays or solemnities in which important themes or virtues are remembered, in which ideals are held up to the young. The state should also look to policies to see where these are undermining the

family or character, or undermining those very habits and virtues from which the successes of the state have sprung. Unfortunately we have tended to take our spiritual resources too much for granted in the last generation or two, and most of our advanced societies are in danger of a certain impoverishment, in part from state actions and state neglect. To repeat myself the main engine of world renewal ought to be the institutions of civil society rather than those of the state.

AC: In Australia at the moment we are debating whether there should be citizenship education in schools. In the last twenty years we have not had it, but there are proposals to bring it back to encourage active participation in democratic politics. What do you think of the idea?

MN: The aim seems to be a good one. I would think though that it would be more expeditious to lower taxes and then, through the media and public discussion, encourage people to take advantage of the lower taxes to take more initiatives in the civic society for themselves as self-governing people.

In America our schools are mostly state schools, heavily ideologised by the teacher unions. They are abject failures, nowhere more than in the moral sphere. Thus those who are concerned about moral

renewal in American society are arguing for the empowerment of private schools and competition between schools.

AC: Do you think the state should provide subsidies to artists through bodies like your National Endowment for the Humanities or our Australia Council?

MN: I don't see how the state can mix itself in the arts without siding with certain values and certain narratives, certain visions of humanity over others. I would think that a self-denying ordinance on the part of the state would create more room for the institutions of the human spirit. Why can't there be artistic associations and why can't there be encouragement to the many sources of funding in civil society, to support the arts in order to keep them out of the hands of the state? Not only that, but to promote variety. Civil society is quite various and by multiplying the variety of sources of patronage one might multiply the variety of points of view and techniques and approaches that would actually prosper. State art has a dreary sameness to it.

AC: Should the state place restrictions on, for example, violence and sex in movies?

MN: Better by far would it be for artists, journalists and public figures of all sorts, to use ridicule and shame, to upbraid the makers of popular entertainment for their frequent resort to those lowest common denominator materials that titillate. The power of the raised eyebrow and of ridicule are greatly overlooked, but are much superior to censorship.

AC: You suggested in an article published last year by the IPA Review that the contemporary welfare state has been extremely harmful, yet at the same time you have said that you do not wish to see the welfare state dismantled. How then do you think it should be reformed?

MN: There is a role for the welfare state in caring for people who are unable to care for themselves; for the sick, the disabled, the elderly, the very young. Some state programs are proving to be quite proficient and successful. At least in the United States, the highly visible problems arise with state support for young, healthy, able-bodied

people. Here many are corrupted; being on welfare becomes a form of serfdom. Surely that is not in line with their own dignity or possibilities, and not in line with the purposes of the welfare state, conceived in its ideal form. Over in nations like the Netherlands and Sweden, where disability insurance payouts can be as much as eighty percent or more of your normal salary, medical doctors have been corrupted to an astonishing degree. They sign papers suggesting their patients qualify for disability, when they and their patients both know that is not true. There is a kind of pressure if the government makes these funds available. It seems almost stupid not to take what the government puts out on the table. In this way the habits of people are corrupted. There is all sorts of lying and cheating to meet the requirements set by the welfare state.

AC: What do you think should be the role of business in society? Should business concentrate just on creating jobs, products and dividends for their shareholders or should they do more?

MN: Business leaders, whether large or small, need to understand that in most of the world, free economic acts between consenting adults are criminalised. Relatively few places on earth really allow free business activity without heavily regulating it or even putting it under the thumb of the state almost completely. Therefore businessmen have political obligations which come from their own instinct for survival. To allow the state to overwhelm them is to commit suicide. Similarly, businesses have a vested interest in seeing to it that as much of society as possible lives free and independent of the state and is self-governing. Businesses have a legitimate worry about the excessive encroachment of the state in any sphere, because the state that calls for one person today is going to come knocking on the door of the other one tomorrow. What I say of businesses is true of all members of civil society. In our generation, in fact all of the twentieth century, we were much too seduced by the image that if we have a need we should turn to government, that this was the ineluctable, inevitable dialectic of history. What a terrible mistake to think that way.

AC: In Australia there is a long tradition of business patronising the performing arts and supporting char-

ity. Some companies have also started to support university research in areas that directly concern their own activities, for example engineering and economics. In the liberal arts, however, there does not seem to be the same degree of interest among business people that there is in the USA. You don't find here the equivalents of the John M. Olin Professorships in Social Thought. Do you think companies, especially the larger corporations, should involve themselves in this realm of general ideas?

MN: Whether they recognise it now businesses are enveloped by a whirl of ideas. The greatest threat to them is the tide of socialist, or quasi-socialist, ideas whose inevitable tendency is to increase the power of the state. It is quite a remarkable fact that communists understood this much better than people of business. In communist societies special pains were taken to give gold medals to poets and philosophers, understanding quite clearly the vaingloriousness of the professors and academics. So it has been a remarkable error on the part of business not to pay more attention to artists and philosophers who feel neglected and quite inferior, and who take their revenge by denigrating commercial society, capitalism and business culture.

AC: *In a number of books you have tried to counteract reservations among Catholics concerning liberal institutions and democratic capitalism. You have also suggested that liberals could learn from Catholic social thought. Why do you think traditional Catholic social thought developed these reservations in the first place?*

MN: The long history of feudalism, aristocracy and agrarian ways of thinking. For most of its history the Catholic people have lived in agrarian, feudal, aristocratic systems and these ways of thinking have become quite entrenched. Even in the United States, I have got the impression that spontaneously, Catholic clergyman, even those well-meaning towards capitalism, tend to think that having wealth is perfectly all right if you inherited it, but if you earned it yourself there must be something smelly about that. That is a reflection of the long antagonism of the aristocracy towards the nouveau riche; towards people of commerce. Aristocrats are people who don't have to sweat, they don't make anything, they have a right by birth. They look down on people who are rising to

eminence at their expense. Over the last two hundred years, more and more aristocrats have been replaced by intelligent, successful, dynamic entrepreneurs who can do things better and grander than they can, and who achieve by their merit what others achieved only by birth. I think that is the primary cause.

The secondary cause is that the first philosophers of the free society, particularly on the economic side, were manifestly made weary by their clerical critics. I am quite sure, from close study of the economic writings of the new commercial classes [of the eighteenth century], that much of what they said was designed to send up the clergy and the moralists. For example, take the choice by economists of the term self-interest. They don't mean by self-interest what they know very well the theologians mean. In theological language self-interest is always a nasty term, it always suggests something less than moral and maybe quite immoral. The economists actually intended by the term self-interest something that is sometimes morally good and sometimes morally evil and sometimes morally neutral. Why did they choose such a loaded term? They did it because they knew it would drive the moralists and theologians nuts. But doing this was short-sighted. As Hayek said, one of the great tasks of our century is to bring together the people who believe in liberty – those who believe in it for religious reasons and those for economic or political reasons; bring them together, because the forces in favour of liberty tend always to be in a minority and are always under great threat.

My own view has been that since the Catholics, like Christians and Jews generally, have a long-standing commitment to helping the poor and the vulnerable, they have a great interest in capitalism, even though they don't at first recognise it. Capitalism as it is explained by its secular, non-religious interpreters, does seem not only neutral but positively hostile towards religion, but that is an accident of its logical history; it does not have to be that way. In fact, if your main interest is in lifting up the poor, no system does so in history so broadly for so many millions and so quickly as capitalist systems do. In that respect, in the very least, capitalism should be of considerable moral interest to the Catholic Church and others, and I think it should be the task of lay Catholics to spare the Church the scandal of

having turned its back on a system that does help the poor better than Third World economies and socialist economies do.

*AC: You have spoken and written very favourably of John Paul II's encyclical letters *Laborem Exercens*, *Sollicitudo Rei Socialis* and *Centissimus Annus*. What improvements do you think the Pope has brought to Catholic social teaching?*

MN: You should notice in those three encyclicals the progress in the Pope's own thinking. In *Laborem Exercens* the Pope uses the word 'capital' always in association with things, material things; and labour he uses in a human context, labour is 'people'. By the time he comes to the next step, in *Sollicitudo Rei Socialis*, the Pope begins to talk about the right inherent in human beings to personal economic initiative. He suggests this is inherent in the creative subjectivity of the human being. The human being is not just an object, the human being is a subject, that is to say, it can conceive actions never before undertaken and then actually execute them. He is an agent of history and in that sense an active subject. Finally, seeing this agency of the human being, in *Centissimus Annus* the Pope links this to the term capital. In a sense human capital is the most important form of capital. What is the cause of the wealth of the wealthy nations? Typically, he says, nowadays it is not land as in the old days, and not just the instruments of production; it is the human mind. This puts the Pope in the framework of Adam Smith.

I predicted in 1981 that if the Pope sustained reflection in this direction he would end up coming to understand capitalism in a more systematic and sustained way than any Catholic or any religious writer yet had. That is in fact what happened over the next fourteen years. Pursuing that line of thought led him more and more to wonder about the acting person, the creative subject, the right to economic initiative. As human beings struggle to imitate their Creator by being creative they need to have room to express their economic initiative. That is a right inherent in them as that is their vocation, that is what they were made do. This would lead to the notion of human capital and so it has. Incidentally, I wrote an essay on this which appeared in a Polish Catholic newspaper a week before I saw the Pope for dinner. He was very

pleased with that article and thanked me for it. He mentioned to others later that he found it a good exposition of his views.

AC: What do you think contemporary liberals stand to gain from the improved Catholic social thought of people like John Paul II?

MN: Liberals of the libertarian type have classically thought too little about the vulnerable and those who cannot help themselves. They have therefore tended to neglect the role of welfare and compassion for the poor and have created a vacuum into which socialist thought rushed. Libertarians have tended to have so severely an individualistic sense of life that they also have been relatively blind to the role of the family; even in the role of the family bringing up strong individuals. To the other communal dimensions of life they have invited a rhetoric from communitarians, even communitarians of a soft-headed variety, whose progress would have been blocked by a more rich understanding of human life as essentially social. Even if you have a high theory of a responsibility of the person, you need to see that is the fruit of a long culture and the fruit of a certain family formation and a lot of other social institutions.

Because it is not enriched by theological reflection, libertarian thought sometimes develops too thin a sense of liberty, as if liberty means freedom from outside coercion without noting that liberty also means a certain internal transformation of the self. Liberty is not just doing what one pleases, that way runs to nihilism and the end of liberty itself. It opens the door to totalitarianism. Instead, liberty requires of individuals remarkable capacities for self restraint, for calm reflection, deliberation and for a willingness to commit oneself to difficult purposes which may take a long time and lots of endurance and lots of fortitude to carry out. If libertarians thought about liberty in a more profound way, they themselves would make all these points, but they haven't. Whether by Catholic or classical resources I think the tradition of liberalism does need to be enriched. ■