RELIGION & LIBERTY

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Religion, Economics, and the Market Paradox

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R&L: *In your latest book, you compare economics to religion. Why?*

Nelson: Because economics is a belief system with powerful moral implications. I use the term *religion* in a broad sense, as something that provides a framework for one's values or some purpose to one's life. I am convinced that people must have some sort of religion, that no one can live entirely free from a framework of meaning. Of course, not all religions require a God, as Judaism or Christianity do.

Further, I refer to *economic theology* because many economists explain the nature of the world in economic terms. In this way, the members of the economics profession function as the "priests" of economic progress. In fact, economic progress has been the leading secular religion of the modern age, especially since the late nineteenth century and the Progressive Era.

R&L: *What is the origin of American economic religion?*

Nelson: Through the latter part of the nineteenth century, there was a powerful secular Calvinist strain in American life, especially in Social Darwinism. In this perspective, successful businessmen—the Andrew Carnegies and so forth—were the "elect," as revealed through the results of the competitive market system. Successful entrepreneurs were God's agents and the advocates of progress leading to heaven on earth.

In the twentieth century, the progressive movement had closer affinities with the Roman Catholic tradition. Each placed a great emphasis on helping the poor, for example. And in terms of the structure of authority, the welfare state is similar to the Catholic Church, with a central authority in Washington, D.C., rather than in Rome. There are obviously crucial differences, but Thomas Huxley did once describe socialism as "Catholicism minus God."

However, American progressivism was a watered-down, Milquetoast version of European socialism, because progressivism had to accommodate itself to the very powerful democratic traditions in the United States. For example, the government could not nationalize most industries, such as transportation, communications, and electricity. The government, through regulation, did tell businessmen in these industries what to do, but it did not actually seize their property, as often happened in Europe.

As I see it, economic progress has become increasingly

suspect—not in the sense that people do not want to have nice things and a good life but in the sense that, today, the roots of salvation, of attaining a heaven right here on earth, are less likely to be seen in material progress. And as secular religions based on economic progress wane, old-style religions are making a comeback.

R&L: *Has the United States been successful economically because its citizens share a common value system, despite their religious differences?*

Nelson: The idea of America as a "City on the Hill" goes back to the Puritans. This idea arises from the conviction that America should provide a moral example for the rest of the world. In this way, America—or, more accurately, "Americanism"—has become another example of a secular religion. The reason Americans have had such a long-standing separation of church and state is that they have had powerful common values, apart from official church doctrine, that have helped to hold them together. There have been shifts in the vision of America over time, but through its history, American secular religion has been based on a belief in democracy, capitalism, free enterprise, and economic progress.

This belief in the superiority of the "American way" has been a common bond that has helped our society deal with economic challenges and achieve cooperation, trust, and honesty. This American religion has helped greatly to resolve what I call in my book the *market paradox*. This normative foundation is a main reason for the success of the American economy. Religion, in this sense, can play an important practical role in an economic system by providing the normative foundations that make economic interactions workable.

R&L: *What is the market paradox, and what have been some of the attempts to resolve it intellectually?*

Nelson: The market paradox arises from the fact that an economic system has to be based on a considerable degree of honesty and altruistic behavior, but it must also encourage individuals to pursue their own advantage in the market.

A well-functioning market requires people who are fairly aggressive at pursuing their self-interest. However, if everyone pursued his self-interest without any inhibitions and tried to eliminate competitors, which may be the quickest way to get rich quick, he would undermine the market.

A sound market also requires honesty and concern for the public good. Strangers have to be able to trust each other because many transactions occur between people who may never see each other again, so it helps to be confident that the other person is going to be honest and that he is not ruthlessly pursuing his self-interest to the point of cheating and lying.

This tension creates a paradox: How can people be both self-interested and altruistic? Which ethics do we teach—to work for one's own interest or for society? Most societies have not resolved this tension satisfactorily, and this has resulted in major economic problems in many parts of the world, including Russia, most of Africa, and much of the Islamic world. And one reason that these societies have not been able to resolve this tension is that they lack an ethical or theological framework that can encompass a modern market economy.

R&L: *Do economists need to do more to incorporate cultural values into their work?*

Nelson: In a sense, Paul Samuelson's approach—which most of the economists in the decades after World War II followed—boils down to one huge tautology. He assumed a world of perfect information and perfect equilibrium, which is tantamount to a world of zero transaction costs. By making these assumptions, Samuelson, in effect, assumed the market system was perfectly efficient. It was not until the 1970s that economists developed a convincing basic explanation of how American industry is organized. Economists

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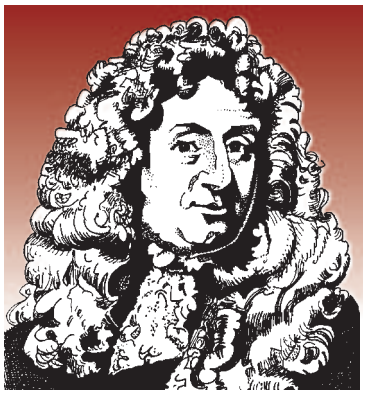
had shown little ability to explain why some industries were fragmented into many small firms, while other industries were dominated by a few large corporations. Large corporations were hard to explain by standard market theory, because the corporation internalized a large part of economic activity in a single business. The standard explanation of large business size relied on economies of scale, but that did not explain the success of, say, a McDonald's. There was a need for a new approach to economics to get at these "transaction-cost" considerations.

As a result, a new school of institutional economics has developed in the past twenty-five years. The new institutional economists have pointed out that neoclassical economics ignored many important considerations for explaining the rate of economic progress: How does the economy use information? How does it get from one state of equilibrium to

IN THE LIBERAL TRADITION

Samuel von Pufendorf (1632–1694)

"It must absolutely be maintained that the obligation of the natural law is from God himself, the creator and supreme governor of the human race, who by virtue of his sovereignty over men, his creatures, has bound them to its observance.… He formed the nature of things and of man in such a way that the latter cannot be preserved without a sociable life."



Jurist Samuel von Pufendorf made important contributions to the study of law in light of the political realities created in the aftermath of the Thirty Years' War. As a young student of ethics and politics, Pufendorf was impressed by the natural-law theory of Hugo Grotius. A faithful Lutheran all his life, Pufendorf's overriding concern was to harmonize the insights of early Enlightenment political thinking with Christian theology. In 1660 he was appointed professor of natural law at the University of Heidelberg. In 1667 he moved to the University of Lund, where he wrote his influential work, *Of the Law of Nature and Nations,* published in condensed form as *The Duty of Man and Citizen According to Natural Law.*

Pufendorf's primary contribution was his emphasis on the "sociality" of humankind as the foundation of the natural law. "Any man must, inasmuch as he can," he wrote, "cultivate and maintain toward others a peaceable sociality that is consistent with the native character and end of humankind in general." Sociability, however, is threatened by the fallen character of the human condition. "What would men's life have been like without a law to compose them?" he asks: "a pack of wolves, lions, or dogs fighting to the finish." Hence God, the divine lawgiver, established laws to order human social life. As Pufendorf writes, "Just as the life of men would without society be similar to the life of the beasts, so the law of nature is chiefly based on the principle that social life is to be preserved among men."

Pufendorf's theory is not without problems. As the Treaty of Westphalia sought to remove violent theological controversies from the public square, Pufendorf strove to desacralize politics by privatizing religion, helping to pave the way for the deistic philosophies of the later Enlightenment. Nevertheless, his impact was widespread. Locke, Rousseau, and Diderot all recommended his inclusion in law curricula, and Pufendorf greatly influenced Blackstone and Montesquieu. By way of these thinkers, Pufendorf was introduced to and utilized by American Founders such as Hamilton, Madison, and Jefferson as they formulated the political thought of the new Republic.

Sources: The Politics of Discretion: Pufendorf and the Acceptance of Natural Law *by Leonard Krieger (University of Chicago Press, 1965) and* Rival Enlightenments: Civil and Metaphysical Philosophy in Early Modern Germany *by Ian Hunter (Cambridge University Press, 2001).*

another? And what are the transaction costs associated with dynamic change in the economy? Neoclassical economics, in its pure form, assumes that transaction costs are zero. But if that were true, there would be no transitional costs, any economic system would work perfectly, and there would be no economic problems to solve. As I said, economics becomes a tautology—developing forms of artistic symbols to admire rather than offering any scientific explanation.

R&L: *Are economists trained to ignore cultural factors?*

Nelson: Economists consider cultural explanations to be virtually illegitimate. If an economist cannot explain an economic development by any other means, she might be forced to resort to culture. But if she does, it is like confessing her failure as an economist. The kinds of economists who have had the deepest understanding of culture and institutions are economic historians and developmental economists. If you look at what is going on around the world, the standard economic explanations simply do not work in many cases.

For example, economists typically explain economic growth in terms of the level of capital inputs. Zambia became independent in 1964; since then, its income per capita has remained static. But if Zambia simply had taken all of the foreign aid it had received since 1964 and invested it to receive a normal rate of return, its per capita income would now be around $20,000 per year. In this case, something is happening that a growth model built on capital inputs is missing. You have to look at institutions and culture to have any hope of developing an adequate explanation, and most economists have not been trained to do that.

R&L: *Is the economics discipline adopting different approaches to address these issues?*

Nelson: I think there are signs that things are changing. Douglass North, who won the Nobel Prize in economics in 1993, focuses on cultural factors, and he considers religion a central element of almost all cultures. However, many economists are trying to do it in ways that I doubt will work in the long run.

Economists try to fit cultural and religious factors into some kind of formal model—often with some mathematics or regression analysis or other statistics. Young economists, like all academics, are worried about tenure and are trying to preserve their legitimacy in terms of the current quantitative research conventions of the profession. But these conventions are a large part of the problem in the first place.

Another shortcoming is that economists and other social scientists tend to take preferences as given. They may look at religion, but their analysis is always: Given such-and-such religion, what happens? However, if you believe culture is central to economic progress, and if you want to do something to stimulate greater progress, then you have to talk about changing the culture, or even the religion. But if you told an economist that the best way to achieve more rapid economic growth would be to change people's religion, he would be perplexed.

The market paradox arises because an economic system has to be based on a considerable degree of honesty and altruistic behavior while encouraging individuals to pursue their own advantage in the market.

R&L: *Do economists believe they are advancing a set of values?*

Nelson: Formally, most of them would say no, that economic research is value neutral. But they are sort of faking it. Many know they are preaching values, but they say for public consumption that they are not. Economists' position of influence in society is based on their claim to be value-free experts. If they give that up and say they are proselytizing a value system—really a religion—they are afraid that the future of the economics profession might be in doubt. This is a realistic fear, I might add.

R&L: *How do economists function as theologians?*

Nelson: There are two types of economic theologians. The first is an economist who functions as a theologian of the religion of progress by helping to provide an ethical foundation for society. If economic progress is the route to salvation, these "priests" will be the experts on how to achieve that progress. Because society looks to economists for this knowledge, they logically become the leading priesthood of the age.

The second way to be an economic theologian is to study economics from a theological perspective. I strive to be something of an economic theologian of this type.

Islam, Past and Future

David Forte

Islam is a vast religion, boasting millions of adherents, spanning large areas of the globe, and encompassing thirteen centuries of history. Muslims are united in their belief in the one transcendent, immanent God of pure singularity. They hold the Qur'an to be the literal word of God, eternally coexisting with God, and transmitted to all the prophets beginning with Adam, but only purely, undefiled, and completely to Muhammad, the Seal of the Prophets. Islam spread by the sword, proselytization, spiritual example, and financial incentive.

In its first six centuries, Islam was wracked by civil war, conquest, and invasion. Those first centuries also saw Islamic civilization in its full flower, highlighted by universities, philosophy, law, science, art, and literature. Political instability was no barrier to creativity. For its second six centuries, most of Islam was controlled by two highly centralized and militarized empires, the Ottoman and the Mughal. Although there certainly were exceptions, nonetheless, on the whole, under those two empires, learning declined, tribalism flourished, and a corrupt privileged and quasi-feudal class structure maintained itself in power. During that era, political stability coincided with stultification.

For most of the last two centuries, Western secular forces, beginning with Napoleon, have progressively made incursions into the realm of Islam. Both the Ottoman and Mughal empires expired, and in the twentieth century virtually all Islamic lands came under Western rule. Those historic events triggered a wrenching self-examination within Islam, as various thinkers and movements sought to analyze the cause of Islam's decline and to define what it means to be Muslim. In the current war, the United States is confronting the most extreme and politicized example of Muslim reaction, an example so extreme as to be alien to the great tradition of Islam with its multiple and sometimes problematic strains.

Islam in Flower

According to Islamic belief, Muhammad received his call "to recite" around a.d. 610. He proclaimed that a god, Allah, previously worshipped as one of many pagan gods, was in fact the One God, the only God. His preaching incurred the enmity of the dominant tribe of Mecca (of which he was a member). In 622, he accepted the invitation from a number of his converts to go to Medina, from which he conducted the war against the Meccans and rival tribes. Eventually, he was invited back to Mecca, where the whole city fell under his preaching. Islam then quickly spread throughout Arabia. Muhammad died in 632.

A contest immediately ensued as to who should succeed him. The debate centered on whether a member of his tribe should be elected caliph (successor) or whether Muhammad wanted his successor to be from his familial line (that candidate was Ali, the husband of Muhammad's daughter). Three caliphs from Muhammad's tribe successively became caliph until, finally, Ali was elected the fourth. But a struggle for leadership raged between the relatives of the assassinated third caliph, Uthmann, and Ali. This was the great civil war that ultimately led to the split in Islam between the Sunnis and Shi'ites.

For the next three centuries the contest continued in one form or another. But alongside the political contest, an ideological rivalry began, as Muslims debated the essentials of their faith. In the midst of this debate, the great accomplishments of Islamic civilization came to fruition, including institutional toleration for other religions, particularly Judaism and Christianity. Five of Islam's ideological strains of this era bear noting.

One tradition and theological school was that of the Mutazilites, who stressed reason and rigorous logic. The Mutazilites were readers of Greek philosophy and akin to the Scholastics of Medieval Europe. They believed that, although reason's fallibility required the Qur'an, reason could help one to attain significant knowledge about what was good, providing a sure way of attaining communion and nearness to God. They contested the idea that the Qur'an existed from all eternity, instead asserting that it was a creation of God. Because of the weakness of the human will, revelation was necessary to confirm to humankind what was truly good and to provide them with rules of behavior that unaided reason could not apprehend. Nonetheless, reason directs the understanding of revelation. God would not command that which

would be absurd or unreasonable. Today, the Mutazilites are reflected in many Islamic reformers who seek to make Islam relevant to the modern world.

A second group was called the Murjites, who had a simple and straightforward philosophy. They believed that the political leadership of Islam was not worth a war, that peace was incumbent upon all Muslims, that there was no racial or clerical hierarchy in Islam but, rather, that all Muslims were equal. No person, no matter the race or class, had any more or less a right to obtain entrance to Heaven than did anyone else. It is because of the Murjite influence that Islam has a strong egalitarian character. Today, the legacy of the Murjites is seen in the traditional lives of many Muslims: love and brotherhood, respect for equality, religious devotions to attain righteousness, and the benevolence of God.

The third tradition was that of the legalists, who have become a dominant voice in Sunni Islam. They were the ones who eventually formed the Shari'a, the sacred law of Islam, which was over five hundred years more advanced than English common law, particularly in terms of commercial and property law and partnerships. Their rules on commercial law, partnerships, agency, and succession were some of the most sophisticated of any legal system of its day. Where the rules of the Shari'a got in the way of state governance, however, such as in the criminal law, the authorities simply removed the *qadi* (the religious judge who enforced the provisions of the Shari'a) from jurisdiction and set up their own state courts. That is why the criminal portions of the Shari'a remained undeveloped. Today the legalists are represented more or less by modern fundamentalists, who think that some or all of the Shari'a should be the life and constitution of Islam.

The first six centuries of Islam saw Islamic civilization in its full flower, highlighted by universities, philosophy, law, science, art, and literature.

— David Forte

The fourth tradition was called the Kharijites. These were the radicals—one can fairly call them the fanatics. The Kharijites had a violent, politicized notion of Islam, and they committed frightful massacres as a result. Their view was that God would reveal the true leader of Islam on the battlefield and that any Muslim who did not obey the religion exactly as the Kharajites understood it was an apostate that can and should be killed. They made war on every other Muslim who did not follow their exact version of Islam. At one point, they even assassinated Ali, the fourth caliph. Their objective was to exterminate any competing version of Islam. It took the rest of Islam two centuries to put down that heresy.

The fifth tradition—called Sufism—came two centuries later in reaction to the dominant legalists. The Sufi were mystics, believing that they could gain oneness with God through the inner life and moral purification. The Sufi tradition and the legalistic tradition have frequently been in severe tension over the centuries.

Islam in Decline

It may seem strange to call Islam in decline during the period of the Ottoman Empire when its armies reached the gates of Vienna or when the Mughals dominated the great subcontinent of India. Yet even though the Ottomans reunified much of Islam following the disastrous Mongol destruction of the thirteenth century, Islamic culture as a whole became moribund, particularly when contrasted with the high Middle Ages and the Renaissance of the West. In Islam, the dominant intellectual element became the *ulema*, the legal and religious scholars, who became, in fact, the court party of the empire. Self-perpetuating, the ulema constituted a class of partisans of a rigidified Shari'a. The law, which had been a liberating and creative element of Islamic civilization in its first three centuries, became a weight allied with tyrannical leadership.

In reaction to the dry legalism of the ulema, the Sufis offered a spiritual alternative. Thus, during the period when independent scientific and philosophical enquiry was discouraged, the mystical element of the religion could not be contained, and it flourished. Sufi orders and devotions spread throughout the Muslim world. Nonetheless, this was also the era of political tyranny, forced conversions, a vigorous slave trade, rigid legalism, tribalism, and military elites.

Islam in Disarray

Beginning in the late eighteenth century, reactions to the corruption and, later, to the decline of the Islamic empires grew apace. Two forms of Muslim reaction argued that the Islamic world had strayed from its origins. One group believed that the empire had tolerated Sufi mysticism too much.

They held that the empire had not been legalistic enough. This group sought to impose the details of the Shari'a in all its rigor, as codified some centuries previously. They were what are now appropriately termed the fundamentalists. One of the most important of the early fundamentalists was Muhammad ibn 'Abd al-Wahhab, who railed against Sufi devotions. Allied with the Saud faction, Wahhabism eventually established one of the most strict and intolerant versions of fundamentalist Islam on the Arabian peninsula.

Another group of thinkers, coming to prominence in the late-nineteenth and early-twentieth centuries, believed that the ulema were part of the problem. Many believed that Islam in its creative era, free of the legalism that later concretized around the religion, was what should be revivified. They held that the law should be thought anew, leapfrogging past the later codifications and finding its source in the Qur'an and in those actions of Muhammad (the traditions of the Prophet) that could be validated. These reformers included men such as Muhammad Abduh of Egypt and Muhammad Iqbal of India.

A third group, small in number, accepted the post-Enlightenment West. As in the West, they span a variety of positions, including socialism, Marxism, liberalism, and capitalism.

In the latter half of the twentieth century, the Islamic world was divided into separate modern states that were part of the contemporary international order. Most states followed the practice of Islamic rulers in the past by limiting the extent to which Islamic law ruled the society. Even today, most Islamic states are ruled by Western forms of law with some Islamic elements intermixed.

Beginning in the 1920s much of the Islamic fundamentalist revival was politicized into a new phenomenon: Islamist extremism. Influenced by modern Western notions of state power and of the force of political ideology, thinkers such as Sayyid Qutb of Egypt and Abu Al-Mawdudi of Pakistan held that the Islamic world had fallen into a state of pre-Islamic "ignorance" or worse, of apostasy. Consequently, a vanguard of true believers was necessary to take power by violent means and to attack those leaders that had fallen away from Islam, no matter how much they claimed to be Muslims. Although the Satanic West was proclaimed the enemy, the true objectives of the extremists were to change Islam into a modernized ideological force. Although they would never have claimed that the Kharajites of early Islam gave them their inspiration, in many ways the modern terrorists of Islam replicate the attitude and tactics of that despised sect.

Islam Today and Tomorrow

The war against terrorism today is also a war to free Islamic civilization from the baleful actions of extremists and to give that area of the world a chance to experience liberty, for liberty is the only medium by which religion can truly flourish.

Liberty successfully defeated Nazism and Communism, far greater threats than Muslim extremism today. Germany, Russia, Japan, Eastern Europe, and Latin America all now embrace the good of liberty in some form or another. Liberty has natural allies in the Muslim world. We can see it in the young men of Kabul who shaved their beards in defiance of the Taliban, in writers in Egypt who brave an autocratic state and murderous fundamentalists, in women who dare to show their individualized faces.

Although they would never have claimed that the Kharajites of early Islam gave them their inspiration, in many ways the modern terrorists of Islam replicate the attitude and tactics of that early despised sect.

The West has learned that intolerance and violence do not advance any religion in the true sense. We have too long connived with states that have appeased extremists within their borders. If we offer more than television shows and blue jeans to the Middle East, if we instead offer a genuine respect for religion and support those elements there that hunger for freedom, we shall find friends and allies throughout the region.

Islam has in its history great traditions of tolerance, learning, and spirituality. We should all hope that Muslims can once again enjoy those marvelous fruits of their Abrahamic faith. Liberty is the only sure way for that hope.

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Ethical Reasoning in Business

Richard Bayer

On September 30, 1982, three people in the Chicago area died from cyanide introduced into Extra-Strength Tylenol capsules. The link between the deaths and the tainted capsules was made with remarkable speed, and authorities notified Johnson and Johnson. As the number of deaths grew—the final total was seven—the firm faced a crisis and, indeed, potential disaster. Tylenol, a leading pain-reliever, was Johnson and Johnson's single largest brand, accounting for almost 18 percent of the corporation's income.

The executives involved in deciding how to respond did not know the answers to these questions:

• Had the cyanide been put in the Tylenol capsules during the manufacturing process or later?

• Were the deaths that had already been reported just the first of a very large number?

• Would the deaths be limited to the Chicago area?

The United States Food and Drug Administration had issued a warning not to take Tylenol, but the government had not ordered the company to take any specific action. Perhaps the deaths would be local, and there would not be more than seven. Perhaps the authorities would not demand a recall. Perhaps a temporary cessation of sales until the source of the contamination was determined could prevent more harm to the public.

Against all these unknowns, the Johnson and Johnson executives had to weigh several certainties:

• A recall would involve a loss of up to $100 million.

• The loss was not covered by insurance.

• News of a recall could so damage the product that Tylenol might never be able to regain public confidence and its 37 percent of market share.

• The news and loss would surely result in a dramatic drop in the company's stock. (It did in fact go down 15 percent in the first week of October.)

• The competition in the analgesic market was fierce; competitors would try to make Tylenol's loss their gain.

These were certainties; the rest was guesswork and speculation. But, unwilling to expose consumers to further risk—and making a decision that puts them in the Ethics Hall of Fame—Johnson and Johnson ordered a recall of all Tylenol bottles. In the long run, public welfare and the company's reputation were protected by ethical decision making.

The Tylenol case obviously presents a major case of ethical reasoning. But ethical issues, large and small, present themselves every day. Business leaders need methods for dealing with them and arriving at reasonable decisions. There are three major approaches in ethics that have been defined by philosophers and theologians, and that are applied every day by many leaders who may never have read the works of the philosophers and theologians.

Three Approaches to Ethical Decision Making

The first approach is, *moral rules derive from our rights and duties toward one another*. The thinker most closely connected with this approach is the great philosopher Immanuel Kant (1724–1804), who expressed it in his *Groundwork of the Metaphysic of Morals*. For Kant, an action's goodness or badness is not based on the purposes for which we act; rather, it is based on whether or not the action could become a "universal law" for all moral actors in similar circumstances. So if it is wrong for any company to sell a potentially defective product, it is wrong for Johnson and Johnson to do so—despite the considerable cost of a recall. The focus is on the motivation, not the consequences, of an action. Furthermore, since all human beings share this ability to reason about moral actions, Kant believed that people must never be treated purely as means, but only as ends, in themselves. We cannot use other persons purely for some benefit to ourselves.

This rule would prohibit seeing the consumer purely as a means to corporate profit—as could have been done in the Tylenol case (but was not). Johnson and Johnson correctly recognized its duty to consumer welfare. However, the Kantian approach fails to consider the ends of an action. Morality should consider consequences (not just motives) of an action on the actual human beings who are affected.

John Rawls, likely the foremost philosopher of the twentieth century, takes a position very similar to Kant. Now Professor Emeritus at Harvard, Rawls laid out this principle in his *Theory of Justice*, first published in 1971. He argued that

people will choose proper rules when they are forced to reason impartially. To attain such impartiality, Rawls asks people to reason from what he calls an "original position." They should, in fact, imagine themselves behind a "veil of ignorance"—that is, as free, equal, rational, and self-interested individuals who do not know their place in society, how well they will fare in the natural lottery of talents, or their likes, dislikes, religious beliefs, and the like. In the original position, they know only the general facts about human society. It is assumed that they have different aims, but they cannot advance them at the cost of others, since all knowledge is held behind the veil of ignorance. Ignorance of these things guarantees impartiality in ethical choice.

According to this method of reasoning (from behind the veil of ignorance), the management and stockholders of Johnson and Johnson would have reasoned impartially—that is, they would never have put the consumer at risk any more than they would have been willing to put themselves at risk. However, the method is flawed; few can reason so abstractly about concrete daily moral problems. This difficulty becomes only more clear when Rawls spells out what we must "forget" to reason ethically (our place in society, talents, preferences, and religious beliefs). Rawls is also subject to some of the same criticisms as Kant; the actual impact on concrete human beings of any given moral decision never comes clearly into focus. This failure to consider consequences is remedied in the second approach.

This second approach holds that morality is not about rules and duty but about consequences. Known as utilitarianism, this position was defended most strongly by John Stuart Mill (1806–1873), who argued that actions that produce the most good for the most people are considered morally right. In this way, utilitarianism seeks *the greatest good for the greatest number*. Following this course, the decision makers at Johnson and Johnson would be forced to consider not only the interests of Johnson and Johnson but also the interests of the public at large. Determining the greatest good for the greatest number would require a cost and benefit analysis for all parties concerned.

This method of reasoning would have probably required the product recall. The protection of the millions of Tylenol users represents the greatest good for the greatest number and outweighs the financial costs to Johnson and Johnson. But if Johnson and Johnson believed that only a few would be poisoned, what then? Unfortunately, utilitarianism would allow large and unfair burdens to be placed on the few to benefit the many. This runs against many of our ethical sensibilities. What is more, such utilitarianism has little to say about the character of the greatest good for human beings. These defects are remedied in the third approach, personalism.

Human dignity is the center of personalism. Such a focus on human dignity is supported from such varied sources as the United Nations, Christian social thought, and the Dalai Lama. Ethical reasoning according to a personalist approach will ask the question, *Which action most leads to the protection and promotion of human dignity?* Of course, the key to answering this question for any issue will be one's understanding of the human person.

Aspects of the Person to Consider

Those within the Judeo-Christian tradition believe that all persons are created in the image and likeness of God. This belief gives a foundation for protecting and promoting human dignity. Roman Catholic social thought in particular has latched on to this approach to answer questions of business and economic ethics. (But not only Jews and Christians can affirm human dignity; Muslims, philosophers, and others also do so, for their own reasons and within their own traditions. I trust that the reader who is neither Jew nor Christian can find application for all or most of the ideas presented here.)

Ethical issues present themselves every day. Business leaders need methods for dealing with them and arriving at reasonable decisions.

— Richard Bayer

There are six basic aspects of the human person to consider when making ethical decisions in one's everyday work life. First, all things on earth are ordered to human beings as their center and summit. Indeed, human persons are spiritual beings distinguished as they are from other creatures by their capacity to know and to love. This capacity finds its perfection in the wisdom oriented toward what is genuinely true and what is genuinely good. God alone can offer the final fulfillment for human beings. In other words, God gives persons their true being, not simply in the sense of existence in time and space but also in the sense of life purpose, meaning,

and ethical structure. To become truly what one is meant to become spiritually, a person must have "space" to practice spirituality. This means that your ethical decisions must have respect for and encourage various belief systems. For example, people need time off from work for religious holidays.

Second, God's being is not solitary but communal, a community of persons—Father, Son, and Spirit—who give and receive the gift of love. Human persons, created in the image and likeness of God, also find their true being in the process of giving and receiving love and in the experience of unity amid difference. Since a person only develops to his or her fullest with others, it is your ethical responsibility to encourage this. For example, you could give employees the opportunity to socialize, participate, work in cooperative settings, and join appropriate associations.

Third, persons are material. The basis for such a consideration is that God has created persons as body and spirit, and their everyday material processes should serve to reveal the hidden presence of God. Although, realistically speaking, the activities of caring for the body, providing for the needs of family and self, and participating in economic life do at times involve toil, the more salient truth is that, in the process of these activities, one can discover and recognize the activity and presence of the Creator. For example, consider a human meal. People eat and provide nourishment for the material needs of their bodies, but they also tend to do this communally. The material overlaps with the spiritual. Indeed, for Christians, the Eucharist, a meal, is the high point of worship. As an ethical decision maker, you should consider that a person requires food, shelter, and clothing to survive; therefore, you should pay just wages and benefits and provide safe and pleasant working conditions to protect a person materially.

Fourth, an understanding of the human person should emphasize freedom for the individual, because it is only in the exercise of our freedom that we can turn ourselves toward what is truly good. In our freedom and creativity, we may participate in and contribute to that process of giving and receiving love that involves God and other persons. The more people involved, the more giving and receiving of love there is. As an ethical decision maker at work, you will help others to move forward professionally and to exercise their creative abilities.

Fifth, persons are finite and thus subject to moral failings. In our finitude, we realize that we can never achieve the good that we often desire. We must learn patience, longsuffering, humility, and realism in setting objectives. Refusal to do this is a rejection of our bodily nature. Furthermore, in our freedom we have all refused to participate as we should in the process of giving and receiving love; the image of God in us all is thereby lessened and distorted. Since we are all prone to our weaknesses and moral inconsistencies, you can give your employees oversight, second chances, extra training, and even reassignment.

Finally, persons manifest equality in the sense that all are called to know and to love God, and all have certain rights and duties with respect to others. The basic equality among persons has been the basis for the call to provide all, especially the least advantaged, with the necessary support to achieve the ends of human life. Consequently, you must be careful not to discriminate on a nonperformance basis.

In these ways, a personalist approach incorporates the wisdom contained in the prior methods. Universal obligation (Kant and Rawls) must be respected because of our equal human dignity, and we must consider carefully the ultimate impact (utilitarianism) on actual human beings when reaching a judgment. However, personalism surpasses these approaches by actually filling out our concept of human beings and their innate dignity.

Back to Johnson and Johnson

The Tylenol case helps us to see what these seven principles for personalist ethical decision-making might look like in practice. Johnson and Johnson decision was compatible with their social responsibility to protect persons, whose unique value is inestimable. Human beings were put before things (money, in this case). This action was consistent with the protection of human dignity, and therefore the recall was a proper exercise of managerial freedom. Given our nature as morally inconsistent and shortsighted creatures, there was surely the temptation to do otherwise.

Johnson and Johnson protected our material nature. They recognized their social obligation. Because they, too, were fragile and morally inconsistent, they could have chosen otherwise. Spiritually, they maintained the public's trust. They recognized basic equality by not putting their own good above others. In sum, they chose the action that most led to the protection and promotion of human dignity.

It is a great relief to ethicists and moralists—and a source of deep satisfaction—that Johnson and Johnson fared so well in the long run in the wake of its highly ethical actions. Ethical behavior can be consistent with not only surviving but also thriving in the business world.

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What Is Common about the Common Good?

A Review Essay by Gregory Dunn

John Calvin, reflecting on the truths found in "secular writers," concluded that "the mind of man, though fallen and perverted from its wholeness, is nevertheless clothed and ornamented with God's excellent gifts" (*Institutes*, ii.2.15). Richard Mouw, in *He Shines in All That's Fair* (the text of his 2000 Stob Lectures), exhorts us to take hold of this insight, lest we miss in this world signs of God's common grace.

Mouw begins with the question, "What is it that Christians can assume they have in common with people who have not experienced the saving grace that draws a sinner into a restored relationship with God?" Answering this question of commonality is of "particular importance" for discerning the form of "Christian involvement in public life in our contemporary context"—that is, for establishing the criteria upon which Christians can engage a pluralistic public square. To address this question, Mouw turns to the "underlying issues" of the often rancorous Dutch Calvinist debates of the early twentieth century. While these debates are little known to the larger Christian community, he believes that they remain of "broad contemporary Christian concern" and can aid evangelicals in fleshing out an approach to cultural engagement.

He Shines in All That's Fair: Culture and Common Grace
by Richard J. Mouw

Wm. B. Eerdmans Publishing Co.
ix + 101 pp. Hardcover: $14.00

The Imperative of the Antithesis

Mouw begins with the Christian Reformed Church's 1924 synodical decision, which insisted that, in Mouw's summary,

> there is indeed a kind of non-salvific attitude of divine favor toward all human beings, manifested in three ways: (1) the bestowal of natural gifts, such as rain and sunshine, upon creatures in general, (2) the restraining of sin in human affairs, so that the unredeemed do not produce all of the evil that their depraved natures might otherwise bring about, and (3) the ability of unbelievers to perform acts of civic good.

This decision, and the controversial debate it engendered, precipitated the departure from the Christian Reformed Church of the Reverend Herman Hoeksema, a staunch opponent of the concept of common grace, and the establishment of the Protestant Reformed Churches in 1925. Why revive seventy-five-year-old debates? Because, Mouw explains, it is a "helpful exercise" that will aid our seeing "what relevance they might have for our current efforts to understand the church's relationship to the broader culture." Indeed, Hoeksema becomes Mouw's primary foil.

Yet Mouw affirms that there are "good reasons to pay close attention to the dissenters." Dutch Reformed dissenters such as Hoeksema emphasize "the antithesis," which Mouw defines as "the radical opposition that characterizes, in Stob's words, the 'real and uncompromising, although uneven, contest between God and Satan, between Christ and antichrist, between the seed of the woman and the seed of the serpent, between the church and the world.'" Mouw explains that Hoeksema is critical of the concept of common grace for obliterating these important distinctions. Hoeksema's error, according to Mouw, is that he draws these distinctions between "specific classes of people as such: elect and reprobate, regenerate and unregenerate, believer and unbeliever." Rather, "the antithesis is not an opposition that holds between the church and the world as such, but between that cause of God and the cause of Satan, each of which can be seen at work in the lives of Christians and non-Christians alike." In truth, "the antithesis, at bottom, is between sin and grace," and a fully formed doctrine of common grace will remain in healthy tension with the idea of the antithesis.

Grace and the Common Good

But what is the nature of this "grace" in the concept of common grace? More precisely, in Mouw's words,

> when our theology of grace focuses on a central way on the

> marvelous display of unmerited favor that occurred at Calvary, when we fix our sights on the wondrously incomprehensible event of, in Spurgeon's words, "the just ruler dying for the unjust rebel," do we really want also to use the term "grace" to describe the power that holds molecules together, that superintends the cycles of the seasons, that plants in unredeemed hearts the capacity for composing pleasant melodies, and that fosters in unredeemed people a disposition to live peaceably with their neighbors?

Such a criticism against the idea of common grace was leveled by Hoeksema, who considered the appellation of grace to acts of apparent divine favor upon the unregenerate as tantamount to "using the term 'blessing' to describe the experience of someone who is enjoying 'a nice sleigh-ride on a beautifully smooth and slippery road that ends in a deep precipice.'" Mouw does think we ought to be careful how we describe the "grace" in common grace, yet such use is appropriate. "It is meaningful to describe, for example, the very act of creating the world as a work of grace," he writes. "All that exists owes its reality to the fact that God looks favorably upon its existence." Such a divine attitude of nonsalvific favor is indeed "a kind of 'grace.'"

The consequences of common grace flowers, for Mouw, when Christians engage their broader culture to promote the common good. "Christians must actively work for the well-being of the larger societies in which we have been providentially placed," Mouw writes. What is more, "sanctified living should manifest those subjective attitudes and dispositions—those virtues, if you wish—that will motivate us in our efforts to promote societal health." Applying the concept of common grace alongside these two principles should result in Christians participating in what Mouw terms "common grace ministries," his shorthand for all the ways in which Christians actively promote God's designs for, and reflect his favorable attitude toward, his creation. In Mouw's example, Christians ought to be concerned about, and may participate in, the reconciliation between estranged non-Christian spouses because such reflects God's intentions for marriage.

Mouw has done a good job in presenting to the larger Christian world the fruits of a century's exploration of common grace by Dutch Reformed Christians.

— Gregory Dunn

A Sufficiently Stable Scaffold?

Early in his lectures, Mouw describes the response of Professor Foppe Ten Hoor, who, while an "elder statesman in the Christian Reformed Church during the common grace controversy of the 1920s," hesitated to join the debate, stating that "he had studied the problem for forty years, that he felt quite sure that there was such a thing as common grace, but that he did not know what it was." At the close of his lectures, Mouw confesses that he has reached the same point. The concept of common grace can provide a guide for how Christians can engage their culture to promote God's purposes in the world, but only in an "ad hoc" manner that yields a measure of necessary "messiness." Indeed, there is a "shroud of mystery over the operations of grace," common and saving alike.

The difficulty of defining the concept raises an important question: Will such an ad hoc approach yield a sufficiently stable scaffold of principles from which to engage in the important work of cultural engagement? Further, Mouw's embrace of the messiness of common grace leads him to a curious rejection of other traditional concepts promoting cultural engagement: general revelation, natural law, and natural theology. Surely he is correct to caution against an undiscerning appropriation of these concepts, as they do raise important theological issues. Calvinists, he writes, "are nervous about giving the impression that there is something *carte blanche* about these assessments, or something 'automatic' about the unregenerate person's ability to think good thoughts or to perform laudable deeds." Thus, we should employ not a "hermeneutic of outright suspicion" but a "hermeneutic of caution." In Mouw's words, "we must proceed with caution, not wanting to miss the true and the good, but realizing that not all that glitters is the kind of ornamentation John Calvin wanted us to see."

That seems right, but Mouw's reservations toward natural law are confusing, curious, and unfortunate. They are confusing because Mouw never really describes the type of natural-law approach that concerns him; it would have been helpful, though perhaps beyond the scope of his lectures, to provide a natural-law defender with which to interact, as he admirably does with Hoeksema's position against common grace. Further, Mouw's rejection of natural law is curious, for there are resources within the Reformed tradition—most

notably in the thought of Calvin, Luther, and their Orthodox successors—to develop a specifically Protestant natural-law doctrine, and Mouw's silence on this point is disappointing. Finally, his rejection of natural law is unfortunate, for a robust and Reformed natural-law theory could have provided a less ad hoc—and more stable—scaffold for the kinds of common grace ministries so dear to his heart and so necessary in our current cultural climate.

Nevertheless, Mouw has done a good job in presenting to the larger Christian world the fruits of a century's exploration of common grace by Dutch Reformed Christians. If Mouw is correct—as I think he is—to state that "contemporary challenges present us with a good opportunity for a broad-ranging, friendly discussion of these various theological resources," he has presented an excellent introductory contribution to this conversation of catholic concern.

Gregory Dunn *is the editor of* Religion & Liberty.

Fighting Poverty with Virtue: Moral Reform and America's Poor, 1825–2000

by Joel Schwartz

Indiana University Press, 480 pp. Hardcover: $39.95

Review by Matthew Spalding

Is America returning to a tradition of moral reform that had been rejected one hundred years ago? Consider the titles of the two major pieces of antipoverty legislation, each of which represents a generation's approach to this perennial social problem. The War on Poverty was ushered in by the Economic Opportunity Act of 1964, while the recent welfare reform legislation was the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The contrast between the laws, Joel Schwartz suggests, "points to the growing recognition that economic opportunity can be seized by the poor only to the extent that they accept personal responsibility." This shift, however, is not merely a turning away from the policies of the Great Society. It marks a return to the antipoverty strategy of the moral reformers of the nineteenth century who attempted "to make the poor less poor by making them more virtuous."

Joel Schwartz, a program officer at the National Endowment of Humanities and a former editor of *The Public Interest*, has put together an academically rigorous but highly readable study that will fascinate not only students of late-nineteenth- and early-twentieth-century history but also those interested in the contemporary challenges of welfare and welfare reform.

In this wonderful—and timely—book, Schwartz identifies a "unified tradition of moral reform" that goes from 1825 to the early years in the last century. The first part of the work focuses on the thought and action of four largely forgotten figures: Joseph Tuckerman (1778–1840), a Unitarian minister to the Boston poor in the 1820s and 1830s; Robert M. Hartley (1796–1881), the founder and guiding spirit of New York's Association for Improving the Condition of the Poor; Charles Loring Brace (1826–1890), who established and headed the New York Children's Aid Society; and Josephine Russell Shaw (1843–1905), a founder and leading theoretician of New York's Charity Organization Society. The tradition represented by these reformers opposed unconditional doles for the poor, instead emphasizing "the need to help the poor by enabling them to help themselves, specifically by inculcating and encouraging the poor to practice the virtues of diligence, sobriety, and thrift."

This moral reform tradition embraced a balanced approach that considered both moral and material factors in understanding and attacking poverty: The poor were not poor because of abstract social conditions beyond their control, nor could they improve their lot without any assistance. It is this "reasonable middle ground," Schwartz argues, that reformers today are correctly assuming.

The critique and rejection of this moral tradition is presented in the second part of the book. Schwartz looks at Jane Addams, the founder of Hull House in Chicago, a settlement house that became a training ground for social workers, and Walter Rauschenbusch, the Baptist preacher and leading mind of the Social Gospel Movement. These anti-reformers argued that "bourgeois standards are largely inapplicable to the life of the poor, and that it is unfair to demand individual effort by the poor to rectify poverty for which society is collectively responsible." Their critique of individual moral virtues and the argument for collective responsibility of systemic poverty eventually became a wholesale rejection of personal responsibility in fighting poverty and can be seen as a precursor of the structural poverty argument that so transformed liberal social policy in the 1960s. Schwartz sees

many of these themes prominently reflected in the influential books of the time, such as William Ryan's *Blaming the Victim* and Francis Fox Piven and Richard Cloward's *Regulating the Poor*, both of which came out in 1971. Not that it needs the assistance, but *Fighting Poverty with Virtue* is here strongly backed by (and makes a good companion volume to) Charles Murray's classic study, *Losing Ground: American Social Policy 1950–1980*.

The argument of Addams and Rauschenbusch rejected the assumptions of the old moral reformers and launched a new approach to poverty that held sway throughout most of the twentieth century, achieving its height in the ambitious welfare state of the 1960s and 1970s. And it is precisely the failure of the antipoverty strategy of the Great Society that has led to the search for a new policy and the turn back toward moral reforms reminiscent of the previous era.

Fighting Poverty with Virtue is especially compelling when, in part three, it also considers America's leading black reformers—Booker T. Washington and W. E. B. DuBois. Their encouraging of hard work and personal responsibility, at a time of vicious discrimination, displays a determination and strength that stand out by any standard, then or now. The difference between their approach, more like that of the old moral reformers, and that of today's affirmative action and race-conscious public policy is especially striking.

Schwartz concludes by discussing contemporary prospects for moral reform, including a variety of reforms that place the poor in an even better position, compared with the late-nineteenth century, to improve their conditions. Nevertheless, he is rightly cautious because of an overwhelming difference between social problems then and now: family decomposition. The solution to this problem is not to be found in the corpus of the moral reformers. "We would do well to try to emulate the antipoverty approach of the moral reformers in many respects," Schwartz concludes, "but in doing so we must realize that family decline—for which they provide no solution, and for which we have no solution—may greatly hamper the success of our efforts."

In looking back at the nineteenth-century reformers, we may not discover the easy solution to the breakup of the traditional family, the existence of which the early reformers could take for granted, but we do learn the root of the problem—and the way back toward societal health. The rejection of the "new" poverty reform in favor of the older model also implies an equal rejection of the "new" relativistic theory of values that has clouded the public mind for several decades. The recovery of the older tradition of moral reform, likewise, also implies the recovery of an older morality that is not confused by the value-free quest for tolerance but is centered on the time-tested concept of the moral virtues. *Fighting Poverty with Virtue* is a welcome signpost along this long road to renewal.

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Book News

With the Grain of the Universe:
The Church's Witness and Natural Theology
Stanley Hauerwas
Brazos Press
250 pp. Hardcover: $22.99

In this, the published version of his 2001 Gifford Lectures, Hauerwas strives to develop the argument that "natural theology divorced from a full doctrine of God cannot help but distort the character of God." Rather, the proper theological task is not to distill Christianity into general precepts acceptable to all but to proclaim the message of the risen Christ in order to encourage communities capable of witnessing to the risen Christ. Those familiar with Hauerwas will recognize his signature emphasis on the character of the church but may be surprised to find him writing in a magisterial, rather than a prophetic, mode. Nevertheless, *With the Grain of the Universe* merits—and rewards—careful reading.

Puritan Papers: Volume I, 1956–1959
D. Martin Lloyd-Jones, editor
P&R Publishing
xii + 320 pp. Paperback: $14.99

The common view is that Puritanism is, in H. L. Mencken's stark phrase, "the haunting fear that someone, somewhere, may be happy." Out of a desire to celebrate (and rehabilitate) the Puritans, fifty years ago J. I. Packer and O. Raymond Johnson convened the annual "Puritan Conference," the fruits of which are, happily, now available to a wider audience through this important book and its two successors (both edited by Packer).

Christendom, Power, and Authority

Rev. Robert A. Sirico

The conceptual distinction between the exercise of authority and the exercise of power provides an essential guide to understanding the present and future status of Christendom, which has not been abolished but, rather, has taken on new forms in our times. The Second Vatican Council, in its document *Lumen Gentium,* clarified that the Kingdom of God is not a place or a government, much less an earthly end-state arrived at through the political process. Instead, it is "established by Christ as a communion of life, charity and truth; it is also used by him as an instrument for the redemption of all and is sent forth into the whole world as the light of the world and the salt of the earth." Its ecclesiastical manifestation is the pilgrim church that "buds and grows until the time for the harvest" (cf. Mk. 4:26–29), while the perfected kingdom is found only in the final goal of the pilgrimage of the people of God.

Even if the distinction has not always been clear in practice throughout history, Christianity has consistently maintained a distinction between power and authority, between God and Caesar. This distinction has given rise to every manner of philosophical musing, most famously with Jean-Jacques Rousseau's claim that Christians cannot be good citizens. He said of the faith that it does not win the hearts of the faithful to the state but rather removes attachments to all earthly things. "I know nothing that is more actively opposed to the social spirit"—a spirit that he believed was achievable only through unanimous obedience to the state.

Rousseau was correct to observe that "Jesus came in order to set up a spiritual kingdom on earth; thereby the theological system was separated from the political system, and this in turn meant that the state ceased to be *one* state, and that inherent tensions emerged" between Christians and the goal of a unified state. Christians have never and will never completely submit to the goal of a unified civil and religious authority under centralized direction, nor are they inclined to favor one that works to their benefit, because the Kingdom of God can never be realized within political institutions.

There still exist a City of God and a City of Man, and they can live in peace, but they can never be conflated.

What was new about Christianity was its unconditional claim that the believer belongs first to Christ (authority) and only second to the civil order (power). It is certainly true that at one time the church was an agent of persecution; at other times, society was an object of persecution by the church. Today, there is a constant and unending struggle to determine which is persecuting the other. But in all these debates, what emerges is a culture-wide consciousness that the two realms are indeed separate and distinct; there still exist a City of God and a City of Man, and they can live in peace, but they can never be conflated. The believer and the citizen may exist in the same person, but these remain two distinct roles. The *civitas Dei* and the *civitas terrena* remain unreconciled and will be so forever. When forced to choose, however, the believer must choose faith over the promise of unity in society or a politically imposed paradise on earth.

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“Freedom … is one of the most precious gifts that heaven has bestowed upon men; no treasures that the earth holds buried or the sea conceals can compare with it; for freedom, as for honor, life may and should be ventured.”

—Miguel de Cervantes—