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Civilization Held Together by Persuasion, Not Force



Interview: Mark Skousen

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Agency. His pamphlet, "Persuasion vs. Force" is available free of charge by sending a self-addressed, business-size envelope to Phillips Publishing Inc., 7811 Montrose Road, Potomac, Maryland 20854.

R&L: *You have written, "The triumph of persuasion over force is the sign of a civilized society." Could you explain what you mean by this?*

Skousen: I made this statement in a pamphlet I wrote several years ago titled "Persuasion vs. Force." Alfred North Whitehead, the British philosopher and Harvard professor, elaborated when he said, "Commerce is the great example of intercourse by way of persuasion. War, slavery, and government compulsion exemplify the reign of force." (*Adventures of Ideas*, p. 83)

The point is this: every time we pass another law or regulation, every time we raise taxes, every time

we go to war, we are admitting failure of individuals to govern themselves. When we persuade citizens to do the right thing, we can claim victory. But when we force people to do the responsible thing, we have failed.

For example, when the Florida legislature recently passed a regulation requiring teenagers to wear headgear while riding a bicycle, our representatives were basically admitting defeat. They gave up on persuading our young people to ride bicycles safely. They demonstrated their low opinion of the good citizens of Florida by giving up on education and other persuasive means to encourage teenagers to act responsibly.

When Congress passes a minimum wage law, they are essentially giving up on the poor. They are saying, "We don't believe you are capable of making your efforts to be paid a decent wage."

Passing more legislation simply ignores long-term solutions to our problems. Too often, our national and local politicians don't think twice about passing more social legislation. Have they really exhausted all means of persuasion before pushing through more rules and regulations on the American people?

R&L: *What means of persuasion are available in a republic such as ours? What are the limits of persuasion?*

Skousen: Our communities have numerous institutions of persuasion to rely on instead of government, the institution of force. Examples of voluntary organizations include families, friends, churches, charities, civic clubs, foundations, private schools and colleges, and private enterprise. Free-enterprise capitalism, with its many corporations and small

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businesses, advances good causes of all kinds. We should all be engaged in good works of our own free will and choice. I admire private organizations like Habitat for Humanity or the Salvation Army. They do a lot more good than most government agencies and at a reasonable cost.

Social critics and government leaders claim that private charity and private schools cannot do enough to handle welfare, education, and the social problems of our time. I question this thesis. Historically, it is interesting to note that as the size and scope of government involvement in social welfare have increased, private organizations have been stifled, for two reasons: one is that taxation removes funds from private individuals and organizations, and the other is that private citizens feel less needed when they think the state is handling everything. I say cut taxes and public welfare, and private citizens will respond favorably as never before.

R&L: What is the role of religious leaders in this project of persuasion?

Skousen: Persuasion reflects two characteristics: freedom and morality. It is not enough to give people their liberty; they must also be taught the difference between right

and wrong. As one church leader once declared, "We teach them correct principles, and they govern themselves."

Ministers and church leaders should do many things. First, they need to encourage their congregations to engage in more private acts of charity and welfare. It is not enough to vote and pay your taxes

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and think you have done your civic duty. We must be anxiously engaged in good causes. St. Paul said it best, "Every man according as he purposeth in his heart, so let him give; not grudgingly, or of necessity: for God loveth a cheerful giver." (2 Corinthians 9:7)

Second, they should offer alternatives to government welfare, which tends to be impersonal and perpetual. They should encourage their congregations to depend on themselves, their family and relatives, and on private charities before turning to the public dole. Catholic Services

and the Mormon Welfare Plan are two excellent examples of alternative social services.

Third, they need to teach that money, wealth, and free-market capitalism are not necessarily evil, but can achieve much good. They can increase everyone's personal standard of living and their opportunity to engage in charitable actions. The rich are not necessarily bad people. In fact, without the hard work and generosity of wealthy citizens, there would be no surplus wealth to be used to build churches, universities, museums, and hospitals.

R&L: Supreme Court Justice Oliver Wendell Holmes is quoted as saying "Taxation is the price we pay for civilization." In light of your comments above, how would you respond to this assertion?

Skousen: Chief Justice Holmes was a great man, but his statement on taxation—which is inscribed on the IRS headquarters in Washington, D.C.—is plainly wrong. Taxation is not the price we pay for civilization. Taxation is the price we pay for failing to build a civilized society, since taxation represents force. The higher the tax level, the greater the failure. A centrally planned totalitarian state represents a complete failure of the

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civilized world, while a totally voluntary society represents its ultimate success.

Raising taxes to solve our problems indicates that our leaders don't have the vision to seek voluntary solutions. Moreover, raising taxes reduces the funds private citizens and organizations have available to engage in charitable causes, thus worsening our social welfare crisis.

R&L: One implication of this outlook is that individuals are free to make their own choices. But what

about the individual who makes bad choices—shouldn't a civilized society have laws to protect these people?

Skousen: In a free society, there will always be individuals who make mistakes. No matter how hard we try to educate and persuade people to be responsible, some will go out and use drugs, drop out of high school, or commit crimes. That is the risk we take when we create a free society. But we can't protect everyone from making mistakes. As Sir

James Russell Lowell said, "The ultimate result of protecting fools from their folly is to fill the planet full of fools."

Fortunately, most people learn from their mistakes, and are better citizens because of it. If they pay the consequences early enough, they have time to become mature, productive members of society. But individuals who are always forced to do right, or who are bailed out with welfare programs when they do make mistakes, will never progress.

Ibn Khaldun (1332-1406)

"Whoever takes someone's property, or uses him for forced labor, or presses an unjustified claim upon him ... It should be known that this is what the Lawgiver had in mind when he forbade injustice."

Ibn Khaldun, considered the greatest Arab historian, is also known as the father of modern social science and cultural history. Born in Tunis to a politically influential and devout family, his early education was marked by the high intellectual stimulation that such affluence afforded. In 1349 the Black Death struck Tunis and took away his mother and father, as well as many of his teachers. He was therefore eager to exchange the loneliness of Tunis for a political post in Fez, the current center of political power and cultural life in North Africa. But Ibn Khaldun had a restless spirit, and spent much time traveling from city to city and from political post to political post in the Muslim world.



In 1375, craving solitude and exhausted by the business of politics, Ibn Khaldun settled down with his family near what is now the town of Frenda in Algeria and there wrote his masterpiece, the *Muqaddimah*. What began as a universal history of the Arabs and Berbers, developed into a philosophy of history. The subsequent study of the nature of society and societal change led him to develop what he understood to be a new science of culture.

As part of this new science, Ibn Khaldun aimed to analyze objectively economic issues, and to show the consequences of various policies. He thought that those things mandated by God can be shown scientifically to be the best social policies, and that this is the natural consequence of the fact that economic principles and the foundation of the good life were both created by God. These laws dictated that the state has certain limited functions: the defense of the community against injustice and aggression, the protection of private property, the prevention of fraud in exchanges between citizens, the overseeing of the mint to safeguard the currency, and the wise exercise of political leadership. He denounced high taxation and government competition with the private sphere because they lower productivity, take away the incentive of people to work hard, and ultimately ruin the state.

A

Sources: "The Political Economy of the Classical Islamic Society" by Imad A. Ahmad, and *Ibn Khaldun's Philosophy of History* by Mushin Mahdi (University of Chicago Press, 1971).

R&L: *How would you respond to Karl Marx's statement, "From each according to his ability, to each according to his needs," which is a corruption of Acts 4:35 and 11:29?*

Skousen: This high-minded slogan has been adopted by many Christian Marxists and social reformers. However, the effects of such a system are often just the opposite of their intent. If each individual in society were forced to give up his income and assets beyond his needs, there would be little incentive to work beyond the fulfilling of basic needs. Under a socialist system, any income earned beyond one's needs is turned over to the central authorities and distributed to those who earn less than their needs. In essence, it amounts to a 100% marginal tax rate on income! Thus we see why pure Christian socialism imposes huge disincentives to work and causes an eventual collapse in the economy.

Of course, I see nothing wrong with voluntary contributions of surplus wealth. But when a community forces everyone to give up their surplus income, disaster is inevitable. There's a big difference between someone who says "All I have is yours" and another who says "All

Skousen: My church leaders always taught the virtues of thrift, honesty, hard work, and a good education. Throughout my life, I've always tried to learn more, even after obtaining a Ph.D. in economics. I have also tried to stay out of debt and save as much as I can, seeking to follow the counsel of the Methodist founder, John Wesley, in his famous "Sermon on Wealth": "Earn all you can, save all you can, give all you can."

While attending Brigham Young University, I was surprised when one of my economics professors taught the Keynesian theories that consumption, federal deficit spending, and big government were good, while savings, balanced budgets, and laissez faire government were bad. I rejected this "New Economics" of Keynes immediately because it went counter to my faith, although at the time I didn't know what was wrong with the theories. It made me search for other philosophies of economics more compatible with my religious values, and I soon discovered the free-market theories of Ludwig von Mises, Friedrich Hayek, and Milton Friedman. Although these economists were religious agnostics, they developed economic principles compatible with the vir-

unethical practices. In our business, we all need to do more to follow the Golden Rule.

R&L: *Social observers and financial analysts alike are noting what they think is an alarming trend: That more and more people are going into debt than ever before. I am here thinking of student loans, credit cards, etc. What are the moral guidelines regarding indebtedness?*

Skousen: My church leaders have always taught that debt was a great burden and should be paid off as soon as possible. Sometimes, however, taking on personal or business debt cannot be avoided, such as when buying a car, a house, or starting a business. If your income is sufficient to service the loan, debt can be beneficial. Many successful businesses have been created through bank loans and other financial arrangements. That's the basis of capitalism, isn't it? Remember, the opposite of debt is saving, and without borrowing, there would be no savings accounts and no commercial banks!

Having said that, I should also add that personal consumer debt is a clear danger and should be reduced and eliminated as quickly as possible. Most Americans are way over their heads in personal and credit card debt and are not saving enough for emergencies and retirement. If you can't pay off your monthly credit card bill each month, you should seriously consider getting rid of your credit cards. Use debit cards, checking accounts, or cash instead.

Finally, avoid personal bankruptcy at all costs. Bankruptcy is a form of theft and violates the eighth commandment. If you get into trouble, work out a deal to pay off your creditors, but above all, be responsible for your financial obligations. That includes business debt.

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R&L: *You have written extensively in the field of economics, especially finance and investment. What role does your faith play in approaching these subjects?*

tues of thrift, hard work and balanced budgets.

Finally, in my work as a financial advisor and writer, I have always tried to take the high road. Too often the world of Wall Street and high finance is criticized as a world of greed, get-rich-quick schemes, and

I might also add that we are suffering as a nation because we are not saving enough, undoubtedly due to the influence of Keynesian thinking over the past fifty years. Most workers are not saving sufficiently for their retirement. Social Security is a poor substitute for a genuine pension plan. In addition, we are not spending enough on our infrastructure—our roads, bridges, sewage and water systems, buildings and, most importantly, primary and secondary education. Spending more on consumption will not necessarily stimulate capital investment. We need to spend more now on physical and human capital so that we can enjoy a higher standard of living in the future.

R&L: *There are those who think that investments only aid the rich, and that people should rather give what they have to the poor and trust in God to provide for the future. How would you respond to this claim that financial expertise and faith are incompatible? How do wise investments aid the poor?*

Skousen: A bull market on Wall Street and around the world is highly beneficial for everyone, not just the rich. Rising stock prices mean creating new issues, new financing, and fresh new capital to expand businesses everywhere. Expanding business means more capital equipment and machinery, new technology, new products and services, more jobs, better paying jobs, and higher wages and salaries—in short, a higher standard of living for all concerned. In addition, millions of lower-income and middle-income workers have pension and profit-sharing plans which invest in the stock market, thus benefiting directly from Wall Street.

In short, we can pray all day for the poor, but what the poor really need are jobs that give them hope

and self-esteem. Wise investing in private enterprise opens the door of opportunity for the poor.

R&L: *Many are concerned with investments in enterprises they consider morally noxious; the issues of South African enterprises or companies with environmentally destructive practices come to mind. What*

which stocks to buy. In any case, I don't think brokerage firms or the government should limit your choice of investments.

R&L: *Finally, how important is religion and morality to the preservation of a free market?*

Skousen: Religious and moral prin-

We can pray all day for the poor, but what the poor really need are jobs that give them hope and self-esteem. Wise investing in private enterprise opens the door of opportunity for the poor.

moral considerations ought to guide one's investment strategies?

Skousen: There's an old saying on Wall Street, "Never let politics interfere with your investments," but I don't agree. Ethical investing should play an important role in your financial decision-making. If you are against gambling, don't purchase Bally Entertainment. If you are opposed to smoking tobacco, don't buy Phillip Morris. If you object to pornography, don't invest in Playboy. If you are opposed to federal deficit spending, avoid buying Treasury securities and U. S. Savings Bonds.

However, nothing is black and white in this business. Take Walt Disney Co., for example. It produces many wonderful G-rated movies and wholesome family entertainment at its theme parks, but it also owns Touchstone films, which produces many degrading R-rated films. Should you invest in Disney stock or not? The same question could be asked about RJ Reynolds. Yes, it produces cigarettes, but it also owns Nabisco, which produces food products. In the end, I think you have to make up your own mind

principles are absolutely critical to the preservation of a free society. Freedom without morality leads to a libertine existence, where men and women constantly violate their moral nature and eventually self-destruct. As Alexis de Tocqueville said, "Despotism may govern without faith, but liberty cannot."

In fact, I would argue that the reason more laws and regulations are constantly being passed is because America is losing its moral senses.

Throughout my life, I have been taught by my family and church leaders that America is a promised land, blessed with rich resources and good people. The most repeated scripture in the Book of Mormon is, "If ye keep my commandments, ye shall prosper in the land." But it goes on to say, "If you do not keep my commandments, the land shall be cursed." This is still a land of liberty, but our freedom is eroding. The only way we can reclaim our God-given freedom is through faith, virtue, and good works. If we don't, I fear for my country.

A

Islam and Markets

Imad A. Ahmad

The relationship between Islam and trade is not well appreciated in the West. The Prophet Muhammad (peace be upon him) and his wife Khadija were both merchants. The Qur'an, the Muslim scripture, is filled with parables using the language of trade. It was merchants, not soldiers, who were mainly responsible for the spread of Islam throughout the world.

Conversely, the rise of the Islamic civilization contributed to the progress of economic development and economic theory. In his history of economics, Murray Rothbard noted the more advanced understanding of markets found among the Scholastics and in the sixteenth-century school of Salamanca, compared to that of the ancient Greeks.¹ The Muslim influence on these schools is expected. The Scholastics inherited Greek knowledge from Arabic translations and commentaries, and the Spanish of the sixteenth century had recently conquered the land upon which rested the universities of the Moors.

The rising tide of Islam today is in part a reaction against the Arab socialism that has destroyed the markets of the Muslim world. That the rejection of secularism and of socialism should come hand in hand should not be surprising. One cannot be a Muslim and opposed to freedom of enterprise, as we shall show.

Opposition to free markets can come from a number of directions. It may be rooted in an ideological objection to private property (social-

ism), in a disdain for material prosperity itself (asceticism), in an antipathy to the variations in wealth that must accompany market mechanisms (economic egalitarianism), or in a mistaken belief that a command economy can better provide economic benefits (authoritarianism). Islam refutes all of these.

In contrast to socialism,
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In contrast to socialism, Islam enshrines private property as a sacred trust. Everything belongs to God, and it is Man that God has created as His *khalifah*, or His agent on earth (Qur'an 2:30). Each person is individually responsible directly to the Almighty for the faithful execution of this awesome trust (36:54). Therefore that concept of private property well-established among the Semitic peoples is taken as a given by the Qur'an. Rather than modify the concept of property, the Qur'an specifies the terms for its wholesome and just enjoyment and employment. It should neither be used wastefully nor in a way that will deprive others of their justly acquired property (2:188). When one holds the property of others in trust, for example for orphans, one should not divert it to one's personal benefit

(2:2; 4:10), but one should not turn over one's own property to those incapable of managing it (2:5). When orphans mature they should be given control of their own property (2:6). Inheritance rights are not only respected (4:33), but expanded to include women (4:7). Property rights of women are as sacred as those of men in other cases as well (4:24, 4:32) and the treatment of women as chattel is prohibited (4:19).

The Prophet emphasized the importance of property rights in his farewell pilgrimage by declaring to the assembled masses "Nothing shall be legitimate to a Muslim which belongs to a fellow Muslim unless it was given freely and willingly."² The Qur'an mandates the respect for property rights be extended to all human beings regardless of religious faith (3:75).

Islam rejects both monastic asceticism that glorifies poverty and suffering and the Calvinistic variety discussed by Max Weber that esteems the accumulation of wealth at the expense of its enjoyment. Neither poverty nor wealth are proofs of virtue. Rather both are trials of one's commitment to the higher spiritual order. The Islamic view of the material world is as a neutral stage in which the individual demonstrates submission to the will of God by his choices, including the lawful acquisition and use of God's bounties. Profit may be pursued even on the day of congregational prayer (62:10).

The rejection of asceticism is not

an invitation to hedonistic consumption, however. Moderate in all things, Islam emphasizes the importance of commerce and productivity: “O ye who believe! eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual goodwill: nor kill (or destroy) yourselves: for verily God hath been to you Most Merciful” (4:29).

Upon encountering Islamic social thought, some Westerners are so impressed by the detailed treatment Islamic law gives obligatory charity, they presume that Muhammad set out to impose a leveling of the wealth. There is no foundation for such a belief. On the contrary, the Qur’an denounces envy of the wealth of others: “And in no wise covet those things in which God hath bestowed his gifts more freely on some of you than on others: to men is allotted what they earn and to women what they earn: but ask God of His bounty: for God hath full knowledge of all things” (4:32).

The *zakat*, as this obligatory charity is called, basically set at 2.5% of accumulated wealth beyond the subsistence level which would qualify one to be a recipient, tools of the trade and current inventories of stock in trade exempted. It is thus an assessment against wealth, not an income tax (although farmers and miners pay a portion of their gross product instead of a percentage of their capital). Insofar as it is not an assessment against income, it does not discourage productivity, but rather discourages idle wealth. Further, the levels of the assessment are not confiscatory, so while it provides a safety net for the poor, it in no way “levels” the wealth nor penalizes the rich.

Finally, the term *zakat*, itself, comes from the root word meaning “to purify.” The return of a small portion of one’s wealth to the general community therefore purifies

the rest from any taint that an initial inequality of assets might suggest. The needs of the unfortunate are met without impairing the productivity of those God has blessed materially.

The fallacy that the command economy can better provide for the material needs of a society has suffered a severe setback with the fall of the Soviet Union. But the command economy was unpopular with Muslim economists from the beginning. There are numerous traditions that demonstrate that the Prophet Muhammad turned to the marketplace to determine the just price of commodities. On learning that his companion Bilal had traded poor quality dates for high quality dates, the Prophet advised him that buying and selling at market prices over barter avoided the dangers of overcharging (*ribâ*) inherent in barter.³

As might be expected from this respect for the market’s ability to set just prices, Muhammad disliked price controls and limited his interventions to the prohibition of practices like fraud and *ribâ*. After the caliphs of the early Umayyid dy-

out any intervention. How can you intervene between them and their livelihood?”⁴

The Islamic analysis of markets reached the level of economic science by the time of the great fourteenth century historian Ibn Khaldun. He rejected the utopianism of the Greek-influenced philosophers. To him, the fact that the policies mandated by God could be scientifically demonstrated as the best social policies was the natural consequence of the fact that the laws of economics and the laws of good living had the same Creator. His understanding of the harmfulness of the command economy can be seen from the titles of the section headings in his magnum opus, the *Muqaddimah* (Introduction to History), e.g., “Commercial activity on the part of the ruler is harmful to his subjects and ruinous to the tax revenue.”⁵

Markets antedate the mission of Muhammad. They are especially strong in the Semitic world. Like their cousins, the Jews, the early Arabs had a strong commitment to trade and bargaining. The rise of

“The rise of Islam did not change, nor did it seek to change, the centrality of trade and commerce to the Arab way of life.”

—Imad A. Ahmad



nasty had departed from the Prophet’s practices, the reformer Umar II ordered his governors to leave prices to the market with this advice: “God has made land and waters for seeking His bounties. So let traders travel between them with-

Islam did not change, nor did it seek to change, the centrality of trade and commerce to the Arab way of life. On the contrary, the establishment of commercial law, the expansion of property rights for women, the prohibition of

fraud, the call for the establishment of clear standards of weights and measures, and the uncompromising defense of property rights (even while calling for a greater responsibility for alleviating the plight of the poor and needy) pushed the Islamic civilization to the front of the world's economic stage and made the Muslim world the defining force in international trade for over 800 years. The Islamic activists throughout the Muslim world can help to usher in a new Renaissance if they avoid the temptation to yield to political pragmatism and hold fast to the pro-market principles of Islam. **A**

Notes:

1. Murray N. Rothbard, *An Austrian Perspective on the History of Economics I: Economic Thought Before Adam Smith*, (Brookfield, VT: Elgar, 1995).
2. Muhammad Husayn Haykel, *The Life of Muhammad*, Isma'il R. al-Faruqi, trans. (USA: North American Trust Publications, 1976).
3. Muhammad M. Khan, *Sahîh Bukhârî*, (Medina: Crescent Publ., 1976) v. III, #506.
4. S. M. Hasan uz-Zaman, *The Economic Functions of the Early Islamic State* (Karachi: International Islamic Publishers, 1981).
5. Wali ad-Din Ibn Khaldun, *The Muqaddimah: An Introduction to History*, Franz Rosenthal, trans. (Princeton: Princeton Univ. Press, 1967).

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The Capitalist Structures of Hinduism

Mario Gómez-Zimmerman

The argument that the free market and Christianity are compatible will be strengthened if it can be shown that the same is true for other religions. We will therefore attempt this project using Hinduism as our referent.

In discussing this subject, we must keep in mind two characteristics of Indian culture. First, the typical Western split between the religious and the socio-economic realms is very limited in Hinduism, as it is indeed for most Oriental mentalities; practical social morality is supposed to agree with religious and philosophical precepts. Thus, codes of law which presumably derive from the latter can be regarded as part of Hinduism. Second, as there is no central religious authority to establish orthodoxy, the teachings of recognized spiritual masters are usually incorporated into Hinduism. In addition, let us state that we will refer here mainly to traditional and trans-historical doctrines and practices. Since Hinduism spans such a long period of time, and since India has suffered so many invasions, many socio-economic systems, including a sort of feudalism, have taken hold. And today the schemes brought about by modern ideologies—populism and democracy, for example—and other influences of modern Western civilization have prompted changes to Hinduism, some of them contrary to its classical doctrines.

In order to identify if Hinduism fits into a capitalist or socialist framework, we will look at three basic is-

ssues: the caste, or Varna, system, theologico-philosophical issues regarding property (outside the sacred texts), and some socio-historical facts or events.

An understanding of the caste system is crucial to understanding Indian social and economic structures and practices. It is first mentioned in the Rig-Veda, in the famous hymn to *Purusha*, and then elaborated exegetically in the Upanishads. This system divides men into five categories: *Brahmins* (philosophers, priests, and others who perform the function of illuminating the higher truths), *Ksatriyas* (warriors and rulers, entrusted with safeguarding the truth and with leadership), *Vaisyas* (traders, farmers, and all who have the role of creating wealth and increasing welfare), and *Sudras* (workers, charged with supporting all of the above and with performing services).¹ In addition to the Vedic sacred literature, the Varna system is also endorsed in the Bhagavad-Gita, the most influential Hindu religious text, considered by some a direct revelation from God.² Besides, the *Dharma-Sastras*—of Vedic inspiration and devoted to regulating social life in the context of justice and righteousness—center heavily on the Varna system.

Such a system does not merely reflect a division of labor; it is rooted in the notion that man attains fulfillment only by performing his duties, which consist in developing his natural potentialities. In truth, the system only entailed a ranking or hi-

erarchy of labors resulting from different capacities, not a distinction in the context of human dignity or worth, which was the outcome of vested interests and human shortcomings. Buddhism actually did not oppose the Varna system itself, only the belittlement of those considered inferior, averring that anyone, including *Sudras*, could reach enlightenment.

The Varna system was considered—and still is, although in a way more akin to its original design—a pre-requisite for every good society, and the axis of social life. For example, in the laws of Manu, the most important Dharma-Sastra, the duties and functions of the castes are listed and their corresponding right and wrong practices pointed out. In one of the most important passages, it is said that the *Vaisya* must exert himself to the utmost in order to increase his property in a righteous manner, which includes providing others with food.³ Manu's code endorses market practices, although it provides regulations above all for the market of labor.

As it is true for all the great religions, Hinduism warns human beings about the dangers of accumulating wealth, and at times demands them to renounce it. But in all cases, wealth is attacked because it is likely to subject man to dependency, fostering egoism, greed, and avarice, and not for being an evil in itself. In fact, wealth is considered a good to be pursued within the spheres of worldly affairs, trying at the same time to remain detached from it, which is the way to spiritual evolution. In Hinduism, this aspect is commonly referred to as renouncing the fruit of labor. It is made with the provision that renunciation must be a voluntary act, because it is acknowledged that only a few are prepared to follow the path to perfection in a strict manner. Literature on this is vast, so I will limit myself to sample

what Sai Baba and Prabhupada (the first considered by many as the *Avatar* of our time, the second the founder of the International Society for the Conscience of Krishna) have to say about this. To quote Sai Baba: "When a man has a right to engage in *Karma*, he has a right also for the fruit; no one can deny this or refuse his right."⁴ On his part, Prabhupada

levied in emergencies, and for only once taxes could reach as much as fifty percent of income.⁶ Of course, favoritism in assigning land, tricks to increase state revenues, and so on, were not unheard of. With respect to the micro-economy, the artisans, merchants, amusers, and many more contracted their products or services freely, although there were guilds

Hinduism never denies the right to property; calls to renunciation fall outside the legal sphere. The attainment of wealth, although embodied with a social function, is considered a praiseworthy personal achievement.

states that, according to the *Law of Karma*, wealth is the result of a good previous labor, and that the Lord leaves man independent to engage in the activities proper to the material world.⁵

Ideologically, most of the relevant socio-historical facts can be grouped within a few categories, the most important ones being the role of the state of the economy, its bearing on individuals, and the economic relations between people. In fact, though the state in India throughout the centuries was the equivalent of a big entrepreneur, it never did away with private enterprise. That was the case, for example, with land, where although the king was to be its ultimate owner, private parcels were deemed a necessary entitlement.

Regulations affected above all the macro-economic aspects, but the play of particular economic forces was not over regulated and, more significantly, the individual was considered to have rights before the state. The limitation of the state's power can be illustrated in the matter of tributes. As a rule, these amounted between one-third and one-sixth of production, were only

and legal mechanisms to ensure that contracts were fulfilled. Many had their own workshops in their dwelling, but there were also state-run manufacturing mills, such as those which employed women with no relatives.⁷

The above points to several conclusions that reveal capitalist structures in Hinduism:

The socialist concepts of equality and a classless society are completely rejected by the Varna system. All too rigid as it was (at least theoretically), it would appear at first sight as a statist construct—so common under any socialist scheme. However, such a system constitutes an ontological need of a society rooted in the cosmogonical myth mentioned in note 1. The way it was implemented, the system limited many freedoms, but it also allowed each caste not to be fused within a general standard and to be free to live its own way. Of course, endogamy and other features of a caste system do not exist in capitalism. Nevertheless, with the allowance of greater social mobility and the recognition of equal human dignity for all, capitalism has indeed modernized the Varna system.

Central planning and regulations were implemented according to higher parameters set by Hinduism's worldview, which were accepted by the collective conscience as traditional goods, with the state being, at least ideally, an instrument. Big bureaucracies resulted from the desire to control and maintain power, and other statist measures arose from the need to face external threats. Worldviews (religious, political or humanistic) limiting free will are to be found in every human group. In India, some over-regulation resulted from the greater interpenetration of what, according to Western thought, is to be legally enforced and what belongs to personal choice. But here the state was never a mechanism to subordinate the individual good to that of the society, which in short defines a socialist worldview.

Hinduism never denies the right to property; calls to renunciation fall outside the legal sphere. The attainment of wealth, although embodied with a social function, is considered a praiseworthy personal achievement. In fact, there is also a need in capitalism that economic activities project to the common good. Except in a utopian and ideal capitalist so-

mony if they represent instances of epoch-related common goals of society, which originate specific secular functions of the state. The difference here, and so in Hinduism, is that the right to property is not subordinated to the above, that is it is not left at the stage of a *functional need*, and that the individual good is the highest aim of society.

Although subjected to regulations, man always enjoyed in India enough freedom over what he had created. Following what we had said in the last two paragraphs, for the time being capitalism does not propose absolutely unregulated free trading practices. Basically in reference to the labor market, free trade must still abide by certain directives which relate to the general framework of right upon which our social orders have been constructed. But as long as such directives do not interfere with any rational pursuit of fulfillment according to each one's merit and to making one's own talents count, as was indeed the ideal aim in Hinduism, we can say that we are witnessing at least an instance of pre-capitalist *praxis*.

In conclusion, we cannot say that traditional Hinduism thoroughly shares capitalist precepts, but we can

structure of both capitalism and Hinduism. A

Notes:

1. X. 90 (Thomas). The castes are supposed to have originated from the sacrifice of a primeval man, and their status depends on the part of the body from which each one sprang.
2. Bagavad-Gita, Ch. XVIII, 40-48. Lord Krishna, (an incarnation of Vishnu), endorses the Varna system.
3. The Laws of Manu, IX, 333. From 326-332 the duties and labors of Vaisyas are described. Free market practices are readily deduced.
4. Bhagavan Sri Satya Sai Baba, *Geetha Vahini*, Ch.V, p.39. Sri Satya Sai Books and Publications. Bangalore, 1980. Chapters VIII and IX present a defense of the system.
5. Bhaktivedanta Swami Prabhupada, *El Bhagavad-Gita tal como es*, pp. 329 and 168. The Bhaktivedanta Book trust. Mexico, 1979.
6. Schinglof, D. *Historia de la Cultura Oriental*, p.247. Editorial Labor, S.A. Barcelona, 1968.
7. Schinglof, D. *Ibid.* pp. 256 ff. The examples of everyday free trading practices are abundant.

What characterizes socialism above all is that it takes the person as a means, while the recognition of the individual as an end, and thus as subject of inalienable rights, is the most distinctive juridico-economic structure of both capitalism and Hinduism.

ciety—where all the property would be privately owned and we can even contemplate a voluntary financing of the government—public enterprises and subsidizing policies do not necessarily contradict capitalist tenets. They may be deemed to be supported by a legitimate social patri-

assert that it pre-figures capitalism much closer than socialism.

What characterizes socialism above all is that it takes the person as a means, while the recognition of the individual as an end, and thus as subject of inalienable rights, is the most distinctive juridico-economic

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A Botched Look at Social Virtues

A Review Essay by John Attarian

Francis Fukuyama, author of *The End of History and the Last Man*, argues that ideological conflicts are over and that the world is converging on democracy-cum-capitalism, with national economies integrated into a global one. However, democracy and capitalism require a healthy civil society, which itself depends on "a people's habits, customs, and ethics," which must be "nourished through an increased awareness and respect for culture." (p. 5)

Everyone, Fukuyama maintains, has a deep desire "to have his or her dignity recognized (i.e., evaluated at its proper worth)" by others, which can only occur in a social setting. Recognition-seeking now occurs primarily in the economic realm, making economics perhaps the most crucial way in which culture affects social well-being. *Trust* argues that "a nation's well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society." (pp. 6-7)

Fukuyama defines trust as "the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community." Trust is indispensable for forming "social capital," or ability to collaborate for common purposes. (p. 10) Rational, utility-maximizing self-interest does not, *pace* economists, adequately or exhaustively explain behavior. (pp. 13, 17-20) Human nature has a sociable aspect, and societies require pervasive trust and "spontaneous sociability" in order to function. (pp. 26-27)

Trust and social capital have crucial economic consequences. "Different types of ethical habits are conducive to alternative forms of economic organization and lead to large variations in economic structure." (p. 37) High levels of trust facilitate economic interaction and lower transaction costs, thus encouraging development of large-scale corporations.

Trust: The Social Virtues and the Creation of Prosperity
by Francis Fukuyama

The Free Press, 1995
457 pp. Cloth: \$25.00

Low trust entails higher transaction costs, as suspicious people protect themselves with negotiations, detailed contracts, and lawyers. Development lags accordingly. (p. 27-28)

Generating different levels of trust, different cultures yield different economic outcomes. Societies with plentiful trust and social capital more easily create the large firms which help them compete in the global economy. (pp. 28-32) Most businesses start as family-owned, but successful ones often become too big for a family to run. The family must then either retain control, which usually entails limiting the firm's size, or bring in non-kin to control it, allowing it to evolve into a corporation. In familistic societies, socialization occurs mainly through the family; trust of non-kin is slight, indicated by few voluntary organizations intermediate between family

and state; and firms remain in family hands. Where people are more trusting of non-kin, indicated by numerous voluntary organizations, corporations are more easily formed.

The bulk of *Trust* applies this to scrutinize individual countries' economic development as shaped by culture. The largest German and American firms are far larger than the largest French and Italian firms, and Japan and Korea have far larger firms and more highly-concentrated industries than do Taiwan and Hong Kong. Why? Italy, France, China, and South Korea are familistic; voluntary associations of non-kin are sparse. Hence development of large-scale firms owned by non-kin in these "low-trust" societies is difficult. "High-trust" Japan and Germany have a high propensity for voluntary associations, hence readily create large modern corporations.

Contrary to myth, America has had strong communitarian as well as individualist tendencies. (pp. 10-11, 50-51) America was "a relatively high-trust society throughout the period of its initial industrialization," facilitating development of large corporations. (pp. 275-278) Unfortunately, rising crime, dwindling participation in civic organizations, clubs (e.g., the Elks) and parent-teacher associations, and increased litigation bespeak erosion of trust and sociability. (pp. 308-311) Fukuyama attributes this to capitalism's destruction of social bonds; unintended consequences of liberal reforms (e.g., destruction of communities by slum clearance); the welfare state's assumption of church, charity, and family responsibilities;

wielding of legal power by aggrieved groups battling “discrimination,” which weakened communities’ authority; the proliferation of “rights,” construed in an absolutist sense; and electronic technology’s profoundly privatizing effect, letting people amuse themselves in isolation with TV, radio, VCRs, etc.

While government can’t restore trust, it should at least do no harm, and especially shouldn’t weaken communal institutions to pursue “abstract diversity or openness.” (p. 318) Educated Americans should “be more tolerant of religion and aware of its potential social benefits” and “look to religion’s social consequences in terms of promoting the American art of association.” (p. 317)

Fukuyama’s thesis is trivially true, a laborious reiteration of old news. Trust facilitates economic development and cuts transaction costs. Obviously. “Spontaneous sociability is likely to be helpful from an economic standpoint only if it is used to build wealth-creating economic organizations.” (p. 318) I wouldn’t have guessed.

Trust manifests too a crippling lack of discipline, focus and integration. Rather than dribble out his conceptual discussion of trust among

frequently disappears under clogging masses of detail and self-indulgent digressions on, for example, Germany’s apprenticeship system and Park Chung Hee’s development strategy for South Korea. (pp. 237-242, 143-144)

For all this verbiage, Fukuyama’s support for his claims is shockingly weak. He asserts “the relatively low-trust character of Korean culture” without proof. (p. 144) Likewise the Japanese “proclivity to trust one other.” (p. 180) Citing the French obsession with status, and French businessmen’s timidity, risk-aversion, and dependence on the state, doesn’t establish low trust; people may be unventuresome or un-businesslike because worldly winning just isn’t important to them. (pp. 113-125) Acknowledging nineteenth-century America’s widespread crookedness, Fukuyama lamely adds, “But for the economic system to have worked as well as it did, there had to be a significant element of generalized social trust”—an inference barely supported. (p. 276)

Moreover, discussing voluntary organizations alone hardly establishes a society as high- or low-trust. Surely, that entails examining several indicators—propensity to litigation,

plant; but the footnote buried 229 pages away admits that this “overstates Toyota’s overall productivity advantage,” since Framingham is “one of GM’s worst performers”—a slip that calls Fukuyama’s credibility into question. (pp. 163, 392) Repeatedly, he confuses familism with “atomistic individualism.” (pp. 56, 94, 99) Germany’s “social market economy” is attributed variously over two paragraphs to Bismarck, the Weimar Republic, and Ludwig Erhardt. (pp. 216-217) America’s “balance has been shifting toward individualism rapidly in the last couple of decades,” Fukuyama declares. (p. 306) Two pages later, the period is “the past fifty years.” Botched grammar and syntax abound. And it says something about Fukuyama’s and his editors’ grip on his central idea that “trust” isn’t even indexed.

More seriously, numerous conceptual problems exist. *Trust* betrays a journalist’s or policy wonk’s perspective: hasty, shallow, narrow, slapdash, and glib.

Given the ethnic slaughters in Bosnia, Ireland’s perennial religious strife, et al., the “end of history” thesis, asserting that “virtually all political questions today revolve around economic ones,” is absurd. (p. xiii) Fukuyama’s theory of human nature is laughably shallow. Aldous Huxley’s view of individuals as “embodied spirits”¹ possessing both a will to self-assertion and a will to self-transcendence² is far more profound, as it presupposes a transcendent metaphysic, and rings more true. Moreover, Fukuyama’s claim that our desire for recognition is so strong that it is “one of the chief motors” of history is unwittingly contradicted by his concession that neoclassical economics’s utility-maximizing theory of behavior is “eighty percent correct.” (pp. 7, 13)

Which takes us to his straw man-bashing charge that neoclassical eco-

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the country studies, which makes his presentation patchy, diffuse and repetitive, Fukuyama should have massed it at the outset. Excruciatingly turgid and lengthy discussion of industrial structures, family structures, inheritance, etc. is only tenuously linked to trust. Indeed, trust

crime, etc.—and extensive study of history and customs to glean abundant anecdotal evidence of pervasive trust or its lack.

Appalling sloppiness pervades *Trust*. Comparing Toyota’s productivity to General Motors’s, he cites GM’s Framingham, Massachusetts

nomics sees people as exclusively self-interested “rational utility-maximizing individuals.” This characterization “is subject to significant qualification”: we aren’t always rational, selfish, or utility maximizers. (p. 19) True—and had he bothered to spend a couple of hours examining some standard undergraduate principles and intermediate microeconomics textbooks, he would have found these qualifications.³ Economists routinely reject the caricature of the totally selfish calculator.⁴ Acknowledging individual irrationalities, demand theory merely requires that *most* people *usually* act “rationally”—meaning only that people know what they want, know how various goods promote their satisfaction, know prices, and use this information to do the best they can.⁵ And most economists, after all, explicitly confine themselves to *economics—consumption, production and investment decisions*, taking preferences as given. They don’t pretend to explain all behavior.⁶ That Fukuyama is unaware of nuances routinely raised even on the undergraduate level, or pretends they don’t exist, speaks volumes about his professionalism and intellectual honesty.

Trust leans heavily too on another polemical device, the loaded alternative of the isolated, selfish, atomistic individual versus the communitarian who values connectedness to others and puts larger entities’ interests first. By this standard few are “individualists,” and “individualism” is “bad” (why?). As ordinary scholarship easily shows, “individualism” consists of individualisms: for example, the individualism of eighteenth-century America, in which one is a member of a community, but not its selfless vassal; the romantic, admittedly steely but not necessarily predatory individualism of Ayn Rand; and the nihilistic individualism of the Marquis de Sade’s mouthpiece characters, who really *were* iso-

lated utility maximizers seeking to “Enjoy myself, at no matter whose expense.”⁷ Making such distinctions is what careful argument and scholarship mean, but communitarians like Fukuyama are disgracefully derelict: simplistic, trafficking in caricatures, asserting what needs proving, citing no evidence from individualist writings.

Merely having a personal relationship with God gives a serious Christian no moral ground whatever for rejecting that broadly established American social convention, Christian morality. It’s a long leap from defying a fugitive slave law on grounds of conscience to denying all ties with and responsibilities to one’s neighbor. Secularized Western

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long striven to destroy.

Those who deem “individualism” (*which* individualism?) the bogy of civilization should ponder the fact that Christianity is deeply individualist, in the best sense. Many great saints sought God in solitary prayer and contemplation; conscience and private prayer figure decisively in Christian life (or should); it is in the privacy of one’s own mind that one makes the choices that determine one’s soul’s destiny; and Christianity’s ultimate concern is, lest we forget, saving one’s own soul unto life eternal—not social welfare. That society is better off because I strive to live my faith is, of course, a good thing. But that’s not why I do it.

America’s sectarian Protestantism, Fukuyama argues, is a source of individualism. Protestantism’s positing of an individual’s relationship to God unmediated by clergy à la Roman Catholicism “had extremely subversive consequences for all [sic] social relationships, because it gave individuals a moral ground to rebel against even the most broadly established traditions and social conventions.” (p. 286) This reckless charge is unfair (this reviewer, incidentally, is a Catholic).

culture’s growing Sadean strain far better explains the latter, but Fukuyama’s scholarship wasn’t up to grasping that.

Similarly, his account of America’s loss of trust is superficial, ignoring secularization and its consequences; the metaphysical rebellion and Sadean nihilism which have increasingly informed Western culture since the Enlightenment and the Romantic movement; and their tumultuous surge in the Sixties.

Endorsing religion as a sociability-restorer is crass, glib pragmatism: to paraphrase Coca-Cola’s old jingle, things go better with God. But this is unlikely to persuade secular humanists to tolerate what they’ve long striven to destroy. Worse, it bespeaks a blasphemous, idolatrous value inversion unfortunately common among some neoconservatives and communitarians: religion is good because it promotes trust and community, which facilitate formation of large flexible corporations, which enable nations to find their place in the sun in the brave new world of global democratic capitalism. No comments necessary.

Individualism, “social virtues,” soul sickness, and their economic

consequences deserve careful scholarly exploration. They didn't get it from Francis Fukuyama. A

Notes:

1. Aldous Huxley, *Tomorrow and Tomorrow and Tomorrow* (New York: Harper & Row, 1956), p. 1.
2. See his discussion in *The Devils of Loudun* (New York: Harper & Row, 1952), pp. 67-74, 313-327.
3. See, e.g., Armen A. Alchian and William R. Allen, *University Economics*, 2nd ed. (Belmont, CA: Wadsworth Publishing Co., Inc., 1967), pp. 15-16, 20; W. H. Locke Anderson, Ann Putallaz, and William G. Shepherd, *Economics* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1983), p. 121.
4. See, e.g., Alchian and Allen, *University Economics*, pp. 15-16, 20-21; C. E. Ferguson and S. Charles Maurice, *Economic Analysis*, rev. ed. (Homewood, IL: Richard D. Irwin, Inc., 1974), p. 92.
5. See, e.g., Richard G. Lipsey, Peter O. Steiner, Douglas D. Purvis, and Paul N. Courant, *Economics*, 9th ed. (New York: Harper & Row, 1990) p. 129; Lipsey and Steiner, *Economics*, 5th ed. (New York: Harper & Row, Publishers, 1978), pp. 136-137.
6. Alchian and Allen, *University Economics*, p. 16; M. M. Bober, *Intermediate Price and Income Theory*, rev. ed. (New York: W. W. Norton & Co., Inc., 1962), pp. 37-38.
7. Marquis de Sade, *Juliette*, tr. Austryn Wainhouse (New York: Grove Weidenfeld, 1968), pp. 52, 99.

John Attarian is a contributing editor to *Religion & Liberty*. His work has appeared in such publications as *Modern Age*, *Crisis* and *The Freeman*.



Book News



Reinventing the American People: Unity and Diversity Today

Robert Royal, ed.

Wm. B. Eerdmans, 1995

311 pp. Paper: \$17.00

Reinventing the American People, edited by Robert Royal, brings together twenty-three authors to discuss the problem of multiculturalism. Though these writers represent a wide range of opinions, they are almost all agree that multiculturalism, a powerful new rhetoric of disunity, is a danger to the health of the American regime.

These writers pose a wide range of possible sources of American unity, none of them uncontroversial: a renewed commitment to modern science, the unifying vision of Christianity, the contributions of immigrants, reform of civil rights policies, the decentralization of power and greater participation by citizens in civil society, and a return to the principles of the American founding.

The Diversity Myth: 'Multiculturalism' and the Politics of Intolerance at Stanford

David Sacks and Peter Thiel

The Independent Institute, 1995

283 pp. Cloth: \$24.95

The Diversity Myth, written by two recent Stanford graduates, David Sacks and Peter Thiel, is an informed journalistic account of the frightening reality of contemporary American higher education.

Their portrait of the life of the mind of Generation X details the ways in which Stanford has become a political battleground. According to Sacks and Thiel "the multiculture" is the result of the combined forces

of the politics of victimization and radical postmodern philosophy. Sacks and Thiel recount a litany of horrors. The classroom has been surrendered to trendy courses like "Black Hair as Culture and History" and "American Drinking and Drug Culture" while the traditional Western Civilization curriculum is attacked as racist, sexist, and homophobic. Speech codes, sensitivity training, and timid academic administrators round out the picture.

Sovereign Nations or Reservations? An Economic History of American Indians

Terry Anderson

Pacific Research Institute, 1995

202 pp. Cloth: \$19.95

Terry Anderson's *Sovereign Nations or Reservations?* is a sober discussion of the history of American Indians that sheds new light on some of the myths surrounding our view of Indians. Anderson argues that pre-modern Indian economic life was dictated by the same harsh necessities that prevail elsewhere. Indian institutions adapted well before the Europeans came and continued to do so until the federal government imposed an institutional structure of its own.

The history of American Indians under government patronage since the time of the American Civil War is a ringing indictment of big government paternalism. Anderson's book is a healthy antidote to the tendencies of multiculturalism and suggests the benefits of a genuinely open-minded study of history.

—Thomas F. Powers



Rev. Robert A. Sirico

The Universality of the Market

This issue of *Religion & Liberty* is built around a theme: People of different religious traditions can provide a defense for the free market that is informed by their faith.

This fact demonstrates an important point about the market; it is not a theoretical construct that springs forth from a particular philosophic or religious framework, even if human liberty is better defended from within social structures inspired by certain theological premises than others. It is a way to describe how people interact economically. In other words, the market is “merely” the sum of economic behavior of men and women. It is a way of describing what Adam Smith identified as our natural propensity to “truck and barter.” The market therefore cannot be abolished — Soviet Russia tried, and failed miserably. Markets will always be with us. The real question at hand, then, is not whether to have a market, but what kind of market is most appropriate for the human person, to what extent it should be controlled, and by whom.

Economics alone cannot help us find answers to these questions. The Greek word from which “economics” is derived is *oikonomia*, and literally means “household management.” Economics can tell us the best means to reach a previously chosen end, but by itself can provide no criteria by which to evaluate that end. Economics is a descriptive, not a prescriptive, discipline. The discussion of ends, and the ends for which we ought to strive, lies in the realm of religious and philosophic discourse. In other words, economics can tell how to get somewhere, but only religion and philosophy can tell us where it is that we ought to go.

Christianity, as do all religious traditions, gives a particular account of the nature and destiny of human beings. It was because of this quality that the Rev. Edmund Opitz could note that, “The acceptance of the main features of Christian philoso-

phy implies a free society and a limited government, with economic affairs organized in terms of the market.” I take these “main features” to be the inherent dignity of the human person, created in the Image of God, and endowed with intellect and creativity. Markets should be free so that the human person is able to exercise these gifts to their highest potential.

The second way we can come to an understanding of the nature of the human person is through philosophy—observation and reflection on transcendent values. This observation shows that human beings strive for certain things. Our observation is complicated, though, by the fact that we have the ability

to choose many things. Thus a criteria needs to be established by which these things can be judged; that is, we need to establish an understanding of what is good. The Good traditionally has been defined as that which allows human beings to flourish. The kind of societies in which we most flourish are those that are free.

Christian thinkers have traditionally called these insights the Natural Law or Common Grace, the universal set of truths written on our hearts from all eternity. And as the Natural Law is derived from human experience, these insights are available and understandable to those of other faiths, or of even of no faith at all. We all can look at the world, discern its truths, and make reasonable judgments about how it works and how it ought to work. So the defense of a free market is universal because it is based on universal human experience.

A market that is free is most appropriate to what we know about the nature of man. By embracing this truth, Christians, Jews, Muslims, and other people of faith can affirm together how we ought to live, work, and trade in peaceful coexistence. **A**

Rev. Robert A. Sirico, is president of the Acton Institute for the Study of Religion and Liberty.

“Bad men cannot make good citizens...

It is when a people forget God,
that tyrants forge their chains.

A vitiated state of morals,
a corrupted public conscience,
is incompatible with freedom .”

—Patrick Henry—

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