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Economics Raises Profoundly Moral Questions



Interview: Glenn C. Loury

Glenn C. Loury, University Professor and Professor of Economics at Boston University, is one of America's most thoughtful and independent intellectuals. He received his Ph.D. from MIT, and specializes in microeconomic theory and the political economy of race. He is the author of *One by One from the Inside Out: Essays and Reviews on Race and Responsibility in America*.

R&L: *You are a professor of economics and a Christian. How do you understand the relationship between your faith and your field of study?*

Loury: I am also a teacher, so I see the interaction between my faith and my work as a professor manifest itself not only in my scholarly research and writing, but also in the conduct of my daily affairs in the classroom. So if I can cast your question somewhat more broadly, this is an issue about the nature of my relationships in my university and in my classroom and the sensibility that I bring to the issue of the stewardship of those responsibilities, which are very powerful in the lives of the young people who are looking up to me for intellectual and

moral guidance.

R&L: *Would you say there is anything particularly Christian or moral about economics?*

Loury: I think the subject matter raises questions that are profoundly moral—the distribution of the resources available to a society, the questions of poverty, and that sort of thing—but I also think there is an element of it in which it is not easy to say exactly how one brings the gospel to bear on it. For example, where is the Christian element in the interpretation of statistics? Such things are fairly well-defined and well-focused, so I am inclined to talk more about the spirit that I bring to the doing of the work, rather than

the work itself.

But there certainly are moral issues in economics such as questions of distribution, entitlement, and desert. The intellectual enterprise is in its way one of justification, that is, one gives an account that is purportedly scientific but has the force of intellectual justification for the social order in which we live. It seems to me that as a Christian I must be reflective about that process and not be slavishly committed to the status quo simply out of the fact that it is what exists, or that it is the norm.

R&L: *If economics is the purposeful action of human beings, does not that almost intrinsically imply a moral dimension to its practice?*

Loury: I would say absolutely so, and you deepen the discussion with that observation. We economists often tend to think more in terms of existing institutions: the market, the firm, the corporation, the buying and selling that determines prices, inflation, government intervention, regulation, and all of that.

INSIDE THIS ISSUE • Interview: Glenn C. Loury © Articles: “C. S. Lewis and Materialism” by John G. West, Jr., “The Church and the Market” by Johannes Schasching, SJ © Review Essay: “In Praise of the Heroic Entrepreneur” by Ronald H. Nash © In the Liberal Tradition: W. E. Gladstone © Book Review: John Attarian on *Gentility Recalled: ‘Mere’ Manners and the Making of Social Order* © Column: “Tugging the Entrepreneur Homeward” by Rev. Robert A. Sirico © Plus Book News.

But if you cast economics in terms of the study of purposeful action, we can now talk about the management of the household, marriage and the family, how one divides time between work and family, one's obligations as a citizen—political economy in the broadest sense. There is a wide range of moral questions like these, and I think one finds one's Christian commitment constantly being evoked in response to those questions.

R&L: As an expert in economics, how do you grapple with the tendency to see man as only an economic being, as opposed to seeing man more broadly as a moral being?

Loury: I recently wrote in response to a particular work in social science that after reading this book I am even more impressed with the limited utility of the social sciences in the management and conduct of human affairs. What I meant by that was that we tend to take only a piece of the person as the venue for our study. There is something that is reductive about that process. I went on to say that human beings are not defined by their desires at a point in time, and they are not even defined

by their biological limitations. I wrote in that article that God is not finished with us when he deals us our genetic hand. We have a free will, we are spiritual creatures, we have souls. So what we are in the fullness of our humanity transcends what it is that can be understood

What we are in the fullness of our humanity transcends what it is that can be understood through the particular window that an economist might bring to it.

through the particular window that an economist or psychologist or sociologist might bring to it.

You asked me specifically how I avoid being limited in that way, and I can only say that in my own life I have grown to the point where I can see the dangers of that kind of limitation. I have tried to read and reflect as broadly as I can about the problems that I study so as to not allow my disciplinary blinders to have me, in effect, dehumanize the objects of my inquiry.

R&L: Let's talk about your book *One By One from the Inside Out*. You say there that the gap between

America's ideals and its racial practice is narrowing, yet race remains a tenacious problem. How do we reconcile these things? Why is America apparently more concerned than ever with the problem of race?

Loury: The gap certainly is narrowing as measured in a wide variety of ways: educational achievement, occupational penetration, all the places in society now open to blacks where they would not have been welcome not so many years ago, and in the extent of parity of pay to people who are doing comparable jobs. One can demonstrate that there has been narrowing in these respects. I think there are two dimensions I would stress to try to give an account for why the gap, although narrowed in those ways, is nevertheless in our consciousness still a gaping one.

One of the dimensions is the underclass, that is, the problem of the very poor in the inner cities, a problem which has gotten worse even as this gap has narrowed for people who can get themselves into the system of opportunity that is there and available to them.

The other is that we have, to a certain degree, lost our way around the moral imperative of transcending

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race within our political communities—what used to be called integration, the ideal of black and white together that Martin Luther King would evoke. We no longer believe (I speak now of American society as a whole) that it is an ideal toward which we should be prepared to exert a lot of effort in order to make progress.

The underclass problem is so profound, so deep, so intractable, and engenders such powerful emotions.

Whites may feel disdain when observing contemptible behaviors of the underclass. Blacks may feel shame and share the tragic sadness and pathos they see among the inner-city black poor to whom they are connected by bonds of blood, common history, and shared culture; those who look at the human tragedy there can only be outraged by it and in some way alienated from the larger society because of our inability as a society to grapple with those

problems. I want to be clear that I am not placing blame anywhere here at the moment, and I am not giving an account of who is responsible for what. I think there is plenty of blame to go around. But I am simply saying that the fact of this social schism and its racial coloration, if you will, adds enormously to the difficulty of bridging the racial gap.

R&L: And in the face of that reality, you argue that affirmative action is

William Ewart Gladstone 1809-1898

“Religion and Christian virtue... have their place, and that the first place, in political economy as the means of creating and preserving wealth.”

William Ewart Gladstone, British statesman and prime minister, was perhaps the most eminent of eminent Victorians. During his studies at Oxford he felt strongly drawn to the ministry, and had his father not insisted he enter the political arena, Gladstone would have sought a lifelong position as a church leader. He instead entered Parliament in 1832, but always felt that his political career was second best to a church vocation.

Gladstone's profound piety, manifest in his daily study of the Bible and regular church attendance, was central to his approach to politics. Over the course of his career, he came to understand that liberty, understood in the context of Christian orthodoxy, was the central political principle. He shared this conviction with House member and close friend Lord John Acton, who saw in Gladstone a statesman inspired by the principle of liberty.

In 1867 he became leader of the Liberal Party, and soon after served his first term as prime minister. Gladstonian Liberalism was a coherent ideology deeply influenced by and consistent with a Christian world view. He advocated a minimalist view of the state, always insisting that government expenditures be pared to the bone, and he opposed measures to create additional public agencies. In this way taxes could be cut and money left in people's pockets. Furthermore, he argued that the needy should be helped by individuals and voluntary organizations, not the state, for state help to the poor would only sap their self-reliance.

Gladstone's view of political economy was also influenced by his faith. The market, in his view, was part of the providential law governing human affairs, and as such ought not be restricted. Instead, he advocated a laissez-faire approach to economics tempered with Christian charity that would provide the opportunity for people to become prosperous. A



Sources: *William Ewart Gladstone* by David W. Bebbington (Wm. B. Eerdmans Publishing Co., 1993), and *Gladstone: 1875-1898* by H. C. G. Matthew (Clarendon Press, 1995).

not helpful in promoting progress among disenfranchised blacks?

Loury: I do, although I must say that where I make my argument about affirmative action would perhaps be a little bit different today than when I wrote my book. I do not believe affirmative action is at all an important instrument in dealing with the problems of the underclass that I just

out of it. They should not do what President Clinton did after he got elected, which is say “I’m going to have an administration that looks like America” and basically pat himself on the back for how many women, blacks, and Hispanics are in his cabinet. But I think a president would be ill-advised to pay no attention whatsoever to whether or not he had appointed any racial mi-

rect to say that you are calling for a non-politicized cultural sensitivity to taking affirmative steps toward diversity?

Loury: Yes, that is right, without making diversity into some kind of demigod. If you have a police force in a city with a large racial ghetto where there are problems, you might want to have a few black officers on your police force. If I knew that some women coming into my health clinic for gynecological examination might feel uncomfortable with a male doctor, and I had a staff of four or five gynecologists doing those exams, the idea that I should seek at least one woman doctor for that group is not, in my mind, such a crazy idea. It is a way of being sensitive to the needs of my clients, even if in some abstract sense a woman should not care about the gender of a competent doctor. The fact that women do care, the fact that the black community does notice, suggests that as a matter of prudence I should make some efforts towards diversity.

R&L: Some people classify you as a conservative, but you have at times been a harsh critic of conservatism. What is wrong with conservatism, and how would you instead prefer to label yourself?

Loury: I do not honestly know if I can properly call myself a conservative anymore, since conservatives have become so conservative. Perhaps I never have really been a conservative, and perhaps the labels are not all that useful anyway. I will say this, though. I came to be counted among conservatives in part because I came to be deeply disillusioned with and such a fierce critic of liberalism as a way of approaching the

The institutionalization of racial preferences is unhelpful in facilitating the transcendence of race as a social category and leading us to see ourselves as Americans.

described. It is virtually irrelevant in that respect. I do think, as you suggested, that the institutionalization of racial preferences—the constant focus on counting people by racial numbers—is unhelpful in facilitating the transcendence of race as a social category and leading us to see ourselves as Americans and as human beings rather than representatives of racial collectivities.

However, today I would say—which I did not say in my book and which was brought on to some degree by the intense discussion on affirmative action now going on throughout the country, especially in California—that I can imagine instances where simply out of a prudent necessity to manage our public affairs in the face of the reality of the racial gap one may want to pay some attention to, for example, the racial representativeness of major institutions in the society.

A president or governor making appointments to his or her administration may want to pay attention to the need to have some diversity in these appointments. I do not think they should make a public big deal

norities to the federal bench. I think he would be unwise to appoint a cabinet which had no women in it, even if he were appointing only the best qualified people. It would be unwise because it would basically convey to the public a disregard for the sensibility that these institutions should be in this way representative.

Maybe this is somewhat of a subtle argument, because I do not mean to say that there should be quotas and that in any particular case a person who is outstandingly qualified should not get the nod. I do mean to say that if the decision maker, the president or governor, would steadfastly insist he did not know or care anything about the ethnic or racial identities of the people he was appointing, he probably would be behaving in an unwise manner and would provoke problems that one need not provoke. So with that qualification, I would affirm what you said, which is to say that affirmative action is not helpful to us in solving this racial problem.

R&L: You are offering a nuance here as I understand it. Would it be cor-

problems of race and poverty, or really as a way of approaching how our society should be ordered. That disillusionment and dissatisfaction remains.

If one is talking conservative in the sense of Edmund Burke—a traditionalist, a pragmatist, a person who is skeptical of radicalism, who in the manner of *Reflections on the Revolution in France* wants to ask “Before we all start cheering about all this reform, let’s wait and see what it leads to.”—I suspect I do have that temperament. I am also relatively conservative theologically, that is, as a Methodist and a born-again Christian, I tend to have conservative instincts on cultural questions.

But lately, I have been somewhat concerned about the way in which the development of political and intellectual activism among conservatives has become hard on the race question, lost a certain amount of charity, and taken on perhaps a certain tone of self-righteousness. I have been uncomfortable with that, and found myself obliged to say so publicly, and to that degree I found myself becoming a critic. But I still stand by many of the beliefs that led me into the conservative fold in the first place.

R&L: *Part way through your career as a university professor, you had a conversion experience. How did this conversion affect the way you approached your academic discipline?*

Loury: I went through a crisis period. I was broken. I was deeply in trouble in my life in the way that too many of us get in trouble. It led to some problems and those problems were dealt with, but that crisis period laid bare a bankruptcy, a spiritual vacancy, and in trying to deal

with that as honestly and directly as I could, I found myself being led into a relationship with Jesus Christ. That changed my life, and it changed my work. It has led to a little career as a kind of a writer and speaker who unashamedly and openly declares his faith and attempts to link it in various ways to the questions of welfare reform, affirmative action, poverty, and then more broadly to the question of our responsibilities in the universities and as intellectuals.

I will be delivering a lecture at the chapel here at Boston University later this term on the subject “Where is the soul in social science?” in which I intend to elaborate on some of the thoughts I briefly described before about the human being whom we deal with and the extent to which our scientific approach is in the end fundamentally inadequate to the task of full understanding. It needs to be supplemented by a kind of knowledge that we cannot derive from our deduction, so instead we must make use of what has been revealed to be true to us. It is an argument for the use of revealed truth alongside the kind of “truth”

of who he is, he must consider his transcendent dimension.

Loury: That’s absolutely right. I am against arrogance, not intellect. I am against the presumption that intellect, on its own, can do for us what I do not believe it cannot do. It cannot tell us the meaning of life. It cannot finally resolve the most profound questions at the center of our struggles, as individual persons both within our families and within our society. After I have done my statistical analysis and interpreted it as a social scientist, I still have to step back and ask, “What does it mean for those matters that are most important?”

Or to give another example, as a teacher I certainly know I have to put together a syllabus, and there have to be books on it, and I have to think about the ideas in those books and how those ideas fit together. That is an intellectual task. When I stand up to lecture before my students, when I ultimately lead them in the passionate undertaking of the study of the subject, there has to be more. There has to be a reason to study it. While I will not preach from

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that one can know through the social sciences both in the doing of our work and in the translating of our work to public action.

R&L: *I think it should be underscored that you are not repudiating the life of the intellect, but that you are simply saying that in order for the human person to take account*

the Gospel to these students, I certainly will allow it to be reflected in my own person that there is a rootedness spiritually that allows this intellectual undertaking to be put to a useful purpose. Without that, it is really just so many puzzles and so many exercises, and it has no life. A

C. S. Lewis and Materialism

John G. West, Jr.

“You say the materialist universe is ‘ugly,’” wrote C. S. Lewis to a young skeptic in 1950. “...If you are really a product of the materialistic universe, how is it you don’t feel at home there?”

Nearly half-a-century later, Lewis’s question still resonates. Modern society continues to operate largely on the materialistic premises of such thinkers as Charles Darwin, Karl Marx, and Sigmund Freud. Yet few today feel at home in the materialist

universe where God does not exist, where ideas do not matter, and where every human behavior is reduced to non-rational causes.

C. S. Lewis spent much of his life debunking the sterility of materialist thinking; and his insights are as relevant now as when they were first offered, because our culture remains dominated by four of materialism’s most deadly legacies.

Rejection of Reason and Truth

Materialism’s first deadly legacy is the rejection of reason and objective truth. Nineteenth-century materialists depicted our thoughts as the irrational products of environment or heredity or brain chemistry. As a consequence, the intellectual classes became convinced that only the reality was material, and thus the only true explanations were reductive. If you wanted to explain a flower, you described its cell structure, not its beauty. If you wanted to explain human beings, you looked not to their greatest achievements,

but to the raw materials that made them up. This sort of reductionism permeates contemporary society, from politics and the social sciences to literature and the performing arts.

Lewis’s first sustained attack on reductionism came in his allegory

C. S. Lewis spent much of his life debunking the sterility of materialist thinking.

The Pilgrim’s Regress in the early 1930s. In a section of the book titled “Through Darkest Zeitgeistheim” (literally, “through the darkest abode of the Spirit of the Age”), Lewis’s pilgrim is arrested by the flunkies of a giant who symbolizes the materialistic reductionism that was the Spirit of the Age. The pilgrim, named John, is subsequently jailed, leading to a nightmarish sequence. Lewis relates that the eyes of the giant had the property of making whatever they looked on transparent: “Consequently, when John looked around into the dungeon he retreated from his fellow prisoners in terror... A woman was seated near him, but he did not know it was a woman, because, through the face, he saw the skull and through that the brains and the passages of the nose, and the larynx, and the saliva moving in the glands and the blood in the veins... And when John sat down and drooped his head, not to see the horrors, he saw only the working of his own inwards....”

John is rescued from the dungeon by a towering woman in blue—Lady Reason, who slays the giant with her sword. She tells John that the giant had deceived him about the real nature of human beings: “He showed you by a trick what our inwards would look like if they were visible... But in the real world our inwards are invisible.”

“But if I cut a man open I should see them in him,” replied John.

“A man cut open,” returned the Lady, “is, so far, not a man: and if you did not sew him up speedily you would be seeing not organs, but death. I am not denying that death is ugly: but the giant made you believe that life is ugly.”

Lewis’s point was that reductionism really does not explain that which is *human* at all. In fact, in the name of explaining man, reductionism explains him away.

In a 1956 essay titled “Behind the Scenes,” Lewis articulated his own view of the relation between man and his material components. He likened life to a stage play. In one sense, nothing in the play is real; it is all imaginary. The only “realities” are the sets, costumes, and lighting. The play is “appearance” and the sets are “reality.” Yet, as Lewis points out, “in the theatre of course the play, ‘the appearance’, is the thing. All the backstage ‘realities’ exist only for its sake and are valuable only in so far as they promote it.”

The materialist may scoff at this approach, but as Lewis relished in

pointing out, the materialist has his own problems: The materialist who debunks everyone else's ideas as the subrational products of their brain chemistry or environment cannot avoid being debunked himself. If he is honest, says Lewis, the materialist will have to admit that his *own* ideas are merely the "epiphenomenon which accompanies chemical or electrical events in a cortex which is itself the by-product of a blind evolutionary process." If all thoughts are merely the products of non-rational causes, this includes the materialist's own thoughts. In other words, there is no reason according to materialism for materialism itself to be regarded as true.

Debunking of Objective Morality

Closely related to materialism's attack on reason is its debunking of objective morality. Materialists early in our century denied the existence of objective standards binding on all cultures, claiming that environment dictated our moral beliefs. Such relativism was uncritically adopted by much of the social sciences, and it still undergirds much of modern economics, political science, psychology, and sociology.

Lewis attacked moral relativism in his opening chapters of *Mere Christianity*, where he pointed out that all people—even criminals—appeal to a universal standard when trying to excuse their own behavior. Even those who claim that right and wrong are mere conventions will hotly protest when wronged.

In *Abolition of Man*, Lewis made this argument in more detail, pointing out that we cannot escape making moral judgments. Every action presupposes a goal toward which the actor acts, and the goal (no matter how clinically it is expressed) represents a judgment of value. We

cannot exist without making moral judgments, argued Lewis. The only question is what those judgments will be. Speaking within the western natural law tradition, Lewis proposed that at the foundation of all moral judgments is one set of ethical first principles known intuitively by all human beings. These first principles include obligations to treat other people justly and to keep one's promises. All other moral judgments and ethical systems are derived from these principles.

Lewis added that the major civilizations agree almost wholly on ethical fundamentals (such as extolling honesty and kindness and reproving treachery and injustice). To be sure, there are "blindnesses in particular cultures—just as there are savages who cannot count up to twenty. But the pretence that we are presented with a mere chaos—though no outline of universally accepted value shows through—is simply false...."

civil justice system, and our welfare system. Ever since sin entered the world, human beings have sought excuses for their behavior, but materialism handed us an inexhaustible supply of excuses. No matter what we do, it can be attributed to a cause other than our own choices: our social environment, subconscious drives, or brain chemistry.

Against this modern ethic that no one is responsible, Lewis strove to make people aware of just how responsible they really are. Lewis countered this mentality not so much by direct disputation, but by trying to place a mirror in front of us that would cause us to recognize the evil in our own souls. This is most apparent in his fictional works, where there are key moments of self-revelation when major characters realize that they are really to blame for the fix they are in.

In the novel *That Hideous Strength*, Mark Studdock is a young sociologist who has spent his life cravenly

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—John G. West, Jr.



Denial of Personal Responsibility

If materialism has been hard on reason and morality, it has been equally destructive of personal responsibility. By claiming that human thoughts and actions are dictated by our biology and environment, materialism undermined personal responsibility. The results can be seen in our criminal justice system, our

currying favor with others in order to promote himself. When he subsequently finds himself in the middle of a totalitarian conspiracy, he first wonders what bad luck put him there. "Why had he such a rotten heredity?" he complained. "Why had his education been so ineffective? Why was the system of society so irrational?" Finally hitting bot-

tom, he suddenly sees with brutal clarity who he really is and how his choices led to the mess he was in.

One cannot read Lewis's fiction without being convicted of the fact that we are more accountable than we would like to think. Lewis calls us to responsibility by reminding us that every action has a consequence, and that no wrong choice—however small—is insignificant.

According to Lewis, if people act because of environmental and biological necessities, the government no longer need deal with them as free moral agents, and preemption replaces punishment as the preferred method of social control. Instead of punishing you for making the wrong choice, the state simply eliminates your choice.

Lewis painted a grim portrait of

equipped than any other citizen to function as moralists.

A New Natural Philosophy

At the end of *The Abolition of Man*, Lewis called for a new natural philosophy that would understand human beings as they really are. "When it explained," said Lewis, "it would not explain away. When it spoke of the parts it would remember the whole."

Lewis was not quite sure what he was asking for, and—being a realist—he certainly was not convinced that the revolution would actually come about. Yet during the next decade it just might. We live during an era of tumultuous change, and nowhere is this fact more evident than in the sciences. Recent developments in biology, physics, and cognitive science are raising serious doubts about the most fundamental assumptions of materialism. In biology, scientists are discovering such irreducible complexity in biological systems that the only reasonable explanation seems to be a non-material designer. In physics, our understanding of matter is becoming increasingly non-material. In cognitive science, efforts to reduce mind to the physical processes of the brain have failed repeatedly.

In other words, for perhaps the first time since the materialist onslaught we have an opportunity to bring about the collapse of materialism and to re-found both science and culture along the lines envisioned by C. S. Lewis more than half-a-century ago. A

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Proliferation of Coercive Utopianism

The final legacy of materialism is coercive utopianism. Although the belief that all thought and behavior are predetermined by material causes would seem to deny the power of human beings to reshape their world, materialism in fact inspired a fierce strain of coercive utopianism. Claiming either that they were merely the servants of the forces of materialism—or with Nietzsche, that they could overcome materialism by a sheer act of will—materialist reformers tried to create secular utopias in Russia and Germany. In America, meanwhile, significant parts of the cultural elite began to believe that we could engineer the perfect society through social science and planning.

The coercive utopians in Germany and Russia were both targets of Lewis's scorn. But fascism and communism were far from the only forms of coercive utopianism about which Lewis was concerned. He also feared the modern welfare state, which he thought would become ever more intrusive as government planners allied themselves with the tools of materialist social science.

this kind of despotism in his novel *That Hideous Strength*. There the spirit of modern social science becomes incarnate in something called the National Institute for Coordinated Experiments—NICE, for short. Of course, there is nothing nice about NICE; its social scientists are exactly the type of technocrats that Lewis feared. In the name of science and humanity, they claimed the right to remake society without bothering to obtain its consent.

While we are a long way off from the nightmare vision depicted by Lewis in *That Hideous Strength*, we certainly should be able to understand some of what he is getting at. Public policy decisions in America today are made increasingly by the type of technocrats that Lewis talked about, as legislators have transferred much of their authority to a vast array of independent regulatory agencies staffed by unelected experts.

Lewis did not dispute that technocrats have plenty of knowledge that may be necessary for good public policy. But it is not *sufficient*. Political problems are preeminently moral problems, according to Lewis, and technocrats are no better

The Church and the Market

Johannes Schasching, SJ

At a conference given in Vienna in 1985, Freidrich von Hayek stated that the moral systems and institutions as “Guardians of Tradition” had a decisive influence in the formation of the “extended order” which is characterized by the market. In his last book, *The Fatal Conceit*, he wrote an important sentence full of controversy: The survival of our civilization “may rest on the question of how people conceive the relation between the moral traditions and a personal God.”

I do not want to comment on that statement, but I would like to concentrate on the question which underlies the statements of Freidrich von Hayek: How do religions and churches interpret the essential institutions of our modern society—in our case the market—and what can they contribute to its function? It is obvious that I can speak only in the name of Christian churches and in particular in the name of Catholic social teaching. I shall do this in three short steps.

The Challenges of Social Changes

First, it is fascinating to see how Christianity at its beginning was convinced that religion and the Church would be able to substitute the laws of the market with such a high degree of morality from its members that private property and competition could be abolished and that the ideal Christian society would function in the following way (to say it with the words of Karl

Marx): Everybody contributes to the common good as much as he can, but takes for himself only what he is in need of. We know from the Bible itself that this utopian vision did not function for a long time, not even

How do religions and churches interpret the essential institutions of our modern society—in our case the market—and what can they contribute to its function?

among the closed group of the first Christians. Later on it was reserved to religious orders. Therefore a new interpretation and orientation had to be found.

This new position of the Church lasted for more than one-thousand years and can be summarized in the following way: Private property and competition are morally legal but they have to be socially controlled. Through the feudal system, the nobility reserved the right of the so-called “higher property” while the simple farmers, who represented more than seventy percent of the population, had only the so-called “lower property”, with several restrictions. In this world of peasants, property and competition were socially controlled by the guilds and brotherhoods. Prices were fixed and the amount of production prescribed. There was a certain function of the market, but limited and con-

trolled by the socio-political system. The Church supported this system since she herself had a privileged position in the feudal system of the Middle Ages.

But it has to be added that the Church also tried to control the market through her moral teaching and moral sanctions. A little example: In quite a few cities, on the day when the market opened, a huge wooden cross was erected in its center in order to tell the participants in the market: Be honest—God is watching you.

Finally, with the industrial and political revolutions, the previous controls of property and of markets broke down, and the market became the invisible hand which should have almost automatically guaranteed the greatest well-being of the biggest number. Hayek spoke about the transition from a “closed” to an “extended order”. That this belief in the automatic function of the market did not work has been proved by the misery of the proletariat and the beginning of socialism.

A Completely New Situation

The Church had to face a completely new situation. Her own privileged position in the society was challenged, the misery of the new proletariat overstepped by far the possibilities of Christian charity, and the fast-growing so-

cialist movement declared war on the Church because it saw in religion a dangerous drug hindering the necessary revolution of the proletariat.

The reaction of the Church at the beginning of this new situation was rather confused. She was used to interpreting and orientating her members in a rural and handicraft society. It is understandable that a variety of programs and movements

participation of labor in the economic process.

- In any society of free people, the market and competition constitute an essential element in the economic process.
- Entrepreneurship is not only an economic necessity but also a moral value in the dynamic process of modern economy.
- Markets and competition are im-

Much of the functioning of the market depends on whether it is inserted into a society of hatred and violence, or into a society of human tolerance and respect for human rights.

came up. Some battled the industrial society and wanted a return to the pre-industrial economy. Still others were looking for a combination of the new industrial society with a corporate system of the Middle Ages. Many were in favor of socialist ideas.

***Centesimus Annus*' Response**

It is surprising how in spite of these sometimes violent discussions, Catholic social teaching during the past one-hundred years step-by-step developed a rather coherent position on the market and the market economy, which the present pontiff, Pope John Paul II, formulated in the 1991 encyclical *Centesimus Annus*. It can be summarized briefly in the following points.

- Private property is essential for personal freedom and for an efficient economy.
- Labor has a direct relation not only to the production of goods but also to the self-fulfillment of the person. Therefore, there exists a right to work and also a right of

portant, but they do not automatically guarantee the common good. Therefore, the market needs collaboration and control by social forces and, in a subsidiary way, by the state.

Some of these points are controversial and need further clarification, but such is impossible in this brief overview.

Values Which Transcend the Market

Let me add one final observation: The churches have learned that they cannot substitute economic laws and that they will not be able to build the ideal society on earth.

But the same churches are also convinced of two factors.

First, economic laws can be misinterpreted and misused by man. Therefore, moral values and moral behavior are essential for the functioning of the market. Adam Smith insisted on the role of moral sentiments. The churches believe that they are one—although not the only—agent in the foundation and communication of moral values.

Second, those same churches are convinced that the market and competition can produce many things for the happiness of mankind. But there are many things important for the happiness of man and the well-being of society which cannot be bought in the marketplace: love, solidarity, generosity, mercy, and forgiveness. Much of the functioning of the market depends on whether it is inserted into a society of hatred and violence, or into a society of human tolerance and respect for human rights. The churches feel responsible to contribute to this humanization of our modern society through their religious and moral forces.

In 1945, at the end of the Second World War, Friedrich von Hayek gave his famous speech at the University College of Dublin, formulating the tasks for the reconstruction of Europe. One of them was: Europe needs institutions and forces convincing people to contribute freely to the well-being of others.

One of the great German economists, Wilhelm Röpke, said in view of the challenges of the next century: We shall certainly need a high amount of technical progress and international political and economic organization, but we also shall need values which transcend supply and demand. A

Johannes Schasching, SJ, is the Director of the Institute for Catholic Social Thought in Vienna, Austria, and a member of the Pontifical Academy of Social Sciences. Fr. Schasching was a friend of Friedrich von Hayek, and presided over his funeral. This essay was originally presented at the 1996 Mont Pelerin Society meeting in Vienna.

In Praise of the Heroic Entrepreneur

A Review Essay by Ronald H. Nash

Over the last fifty years, the dogma of “corporate social responsibility” has become the favorite tool of American liberals to cajole and shame the owners and managers of corporations into adopting major features of their liberal social agenda. John Hood has written this book to attack this dogma and defend the moral way in which the vast majority of American businesses are run.

One assumption behind the liberal dogma is the alleged conflict between a corporation’s commitment to profit-seeking for its shareholders and what liberals view as the business world’s propensity to overlook or reject important ethical and social responsibilities. Liberals seem to believe that the people who own and manage corporations will do almost anything to make a profit, including destroying the environment, cheating their customers, and taking advantage of their workers. Instead of thinking first of maximizing return to owners and shareholders, companies that are operated in a “responsible” way will make the attainment of various social goals as important or more important than profit-seeking.

Corporate Social Responsibility

Hood contends that the people who own and manage businesses do not need governmentally mandated incentives to support and promote social progress. When the facts are examined, he argues, it is clear that

the vast majority of these people have handled their corporation’s affairs in morally and socially responsible ways. Hood’s book is full of examples of such activity, including preserving the environment, revital-

***The Heroic Enterprise:
Business and the Common Good***
by John M. Hood

The Free Press
1996. 246 pp. Cloth: \$25.00

izing inner cities, enhancing worker safety, and promoting family values. Corporations have helped to bring about important advances for workers, families, consumers, and their communities. The owners and managers of many American businesses were busy creating jobs, expanding educational opportunities, and supporting family values long before any ivory tower liberal dreamed up the idea of corporate social responsibility.

Besides meeting the moral obligations Americans typically expect all citizens to observe, management’s primary responsibility is to the firm’s shareholders. The pursuit of the highest return to shareholders provides important guidance as managers select their priorities from available options. For example, what should corporations do with unexpected revenues? Should they be

passed on to consumers in the form of lower prices, spent to raise wages for employees, given to shareholders in the form of higher dividends, or donated to local charities?

Who Are Our Heroes?

The title of Hood’s book summarizes nicely what he views as the major task of his work. Someone once said you can tell a lot about a person by learning who his heroes are. For most Americans these days, their “heroes” provide fleeting entertainment on an athletic field, movie screen, or television set. For a few, the “heroes” are champions of this or that radical cause, the pursuit of which seriously compromises important human liberties and places harmful obstacles in the path of the few people in our society who are willing to assume the risks and make the sacrifices that have significantly improved the quality of life in America and solved major human problems. The fact that so few of us think of a business career as a heroic enterprise reveals a lot about the success of liberalism’s negative propaganda.

In Hood’s words, “most of the good things that happen in this world can only happen because somebody else is also generating wealth.... There is no way you have educational communities in this country, there is no way you have hospitals, there is no way you have homes for the aged, there is no way you have the social programs that

deal with poverty and all, unless you're also generating wealth." While this may seem like a marvelously uncomplicated idea, it has yet to occur to one large group of people running for political office.

Hood provides numerous examples from many walks of life that show how American business "creates jobs, treats workers fairly, sup-

portunities, they pay the price in the market for employees and for consumers. If they ignore the wastes they generate, they pay higher energy bills and disposal fees. Most importantly, if firms fail to take advantage of the opportunities they see to create new products or services to solve society's problems, then they will surely lose profits to their

According to Hood, the social responsibility of corporations should not be measured in terms of such things as layoffs, charitable donations, health insurance coverage, or racial quotas. Instead, the ethical questions that ought to be directed at corporations should focus on whether firms are earning their money through illegal activities involving force or fraud, whether the firm's disposable income is being used in a productive manner, whether managers are utilizing worthwhile technology and strategies to compete for workers and customers, whether managers are avoiding discriminatory practices, and whether the training of workers helps them to be productive and safe. Businesses can indeed serve the broader public interest when they pursue their primary task, namely creating wealth for their owners and customers.

It is for these reasons that business is a heroic enterprise and worthy of our praise. Artificial and faulty notions of corporate responsibility only serve to obscure and hinder the truly beneficial products of commercial activity. Hood's book offers an important corrective to the unfair and negative distortion of the corporate world that unfortunately now prejudices the thinking of so many Americans. A

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"The fact that so few of us think of a business career as a heroic enterprise reveals a lot about the success of liberalism's negative propaganda."

—Ronald H. Nash

ports educational innovation, trains employees, contributes to the health of cities, discovers new drugs and medical treatments, makes workplaces and products safer, conserves resources, invents ways to save energy and reduce or eliminate waste, gives women and minorities unparalleled economic opportunities, and contributes to the stability and quality of life of families. It does all these things not in spite of its search for the highest possible return to shareholders, but because of it."

Hood contends that wise owners and managers will understand the importance of properly moral behavior: "American businesses contribute to the progress and well-being of society because they must. If firms mistreat workers, they cannot be productive. If firms ignore issues of education and skills among young people, they will not be productive in the future. If they discriminate against women and mi-

competitors." The incentives of the market are much more effective than those of government in promoting the common good.

Different Institutions, Different Roles

One of Hood's more important arguments centers around the rather obvious fact that different institutions have different roles. While the purpose of government is taking and protecting things and the objective of charity is giving things away, the purpose of business is making and selling things. This means that social responsibility for a business is different from that of a government or charity. It is unwise and often harmful to attribute to businesses the social responsibilities of government or charities. When its owners or managers try to operate a corporation as if it were a government or charity, they risk harm both to the shareholders and to the common good.

***Gentility Recalled:
'Mere' Manners and the Making of Social Order***

edited by Digby Anderson

The Social Affairs Unit and the Acton Institute, 1996.

208 pp. Cloth: \$19.95

Review by John Attarian

With crime and illegitimacy soaring, and cities often resembling Hobbes's state of nature, where life is "solitary, poor, nasty, brutish, and short," our policy wonks are hoping that national service, tax credits, etc. will manipulate us into coexisting decently again.

But social order depends far more on attitudes and conduct than on legislation. *Gentility Recalled* lucidly and thoughtfully explores the enormous role of manners in creating a decent, orderly society and shows that, indeed, it's the little things that count.

As editor Digby Anderson observes, "It is only when one starts to recall the various sophisticated aspects of manners, the essential tasks they perform, and the millions of tiny incidents that make up that performance, that one understands what a treasure-trove manners provide, and what an act of profligacy it is to attempt to dispense with them." Manners' smallness is their strength: By innumerable tiny applications, they become part of one's character. Manners matter because they instill the self-restraint and consideration for others that enable us to live together peaceably and make us fit for self-government. As Anderson rightly observes, "The crisis in order is a crisis in manners."

The authors persuasively trace manners' decline to "de-moralization of society," or loss of a common

morality. This in turn they attribute to the replacement of a moral view of conduct with a therapeutic one; reliance on technical competence rather than personal goodwill; and assaults on traditional morals and manners from leftist ideologues who see them as egalitarian, hypocritical, and confining. And without a supporting common vision of who and what we are and of how we should treat others, manners collapse.

Since the effect of manners is pervasive, only a selective examination of their contribution to social order is attempted. Ten fascinating chapters address such topics as the notions of the lady and the gentleman (which rest on character, not social rank), cricket's civilizing ethos, and the importance of professional manners in patient-doctor relationships. Michael Aeschliman, Director of the Erasmus Institute, argues compellingly that the family is the prime source of manners, since authority, or "untested acceptance of another's judgment," is first learned there, and since children learn by emulating parents and older siblings. Unfortunately, external influences, such as the entertainment industry's bad examples, undermine the family's moral authority. Hence the failure of trendy older adults to act their age, Anthony O'Hear cogently argues, makes moral, courteous conduct, and seriousness harder for the

young to achieve. Today's pervasive slovenly dress receives shrewd and profound criticism from Athena Leoussi, who points out that clothing "projects and even realizes" our "moral, aesthetic, and conceptual aspirations," and that the modern embrace of casual attire like jeans reflects a pantheistic, romantic rebellion against structure and distinctions.

In an especially timely essay, Robert Grant establishes manners' decisive importance for academe. Courtesy and toleration are vital for fostering the presentation and discussion of ideas which pursuit of truth requires. Dogmatic ideology like political correctness is lethal to this ethos.

More positively, John Shelton Reed's delightful essay on Southern manners shows how manners not only make life pleasant but are in an important sense genuinely democratic. Southern manners both recognize the human dignity of even common laborers, and grant deference to men of stature—provided they earn it. Reed's examples of Southern manners' salutary effect on labor-management relations hold valuable lessons for modern capitalism, which is becoming impersonal and abstract as entities grow larger.

How can manners be restored? Bryan Wilson recommends emulating the professions, which have sustained high standards of conduct. More profoundly, Aeschliman argues that a strong revival of family morality is the best means of countering an entropic, self-indulgent culture.

The authors see modern capitalism as partly responsible for subverting manners and social order. They argue that consumer society replaces self-control with hedonism, and consumer choice weakens tra-

ditions, authority, and manners. The entertainment industry's "culture of blatantly transgressive individuals and images" has displaced earlier wholesome examples, and, Aeschliman warns, "a capitalist 'culture' may thus liquidate the older sources and momentum of social sanity that made its peace, prosperity, and leisure possible in the first place." True—but we have our choices. Nobody is forcing anybody to make slasher movies or imitate toilet-tongued hooligans. If we do, the fault is in our souls, not the market, which merely gives us what we think we want.

Some authors hint at religion's role. One wishes they had explored it more. If, as T. S. Eliot and Russell Kirk observe, culture flows from the cult, then the ultimate source of manners is religious: the metaphysical orientation underlying the shared world view on which manners rest. With the cake of faith crumbled, small wonder that, as Tristram Engelhardt observes, "we have significant disagreements about how to be respectful or show courtesy, because we have significant disagreements about the nature of morality and the good life."

Gentility Recalled is a timely and outstanding explanation of how and why manners matter. For a society menaced by savagery and engrossed in politics, it is a salutary reminder that social order rests on character and conduct and the tiny daily private choices that shape both—and a valuable weapon in the struggle to restore civilization. A

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



To Empower People

Peter L. Berger and Richard John Neuhaus
The AEI Press, 1996
 223 pp. Hard Cover: \$24.95

To Empower People now appears in its second edition. Authors Peter L. Berger and Richard John Neuhaus persuasively discuss the role of mediating structures within our country's governing body in contrast to the rise in popularity of the national community. The authors describe how the increasingly complex nature of government involvement in civic affairs is to the point that the average community member is no longer able to comprehend and aid the governing system. Berger and Neuhaus request a return to the manageability of the civic community and mediating structures.

The reader will find the beliefs of the authors backed up by success stories, practical principles, and discussions of some of the most challenging questions. *To Empower People* is an invitation to rediscover the excitement of the American people's exploration of their capacity to govern themselves in freedom.

A Future For Socialism?

Harold Wells
Trinity Press International, 1996
 220 pp. Paper: \$19.00

A Future For Socialism? is a challenging argument for the acceptability of socialism within the Christian faith. Harold Wells tries to open the minds of his readers by questioning whether or not the Christian faith in

its form, purpose, or essence directs us politically. Political histories and comparisons and contrasts of opposing political ideologies serve to offer interesting debate concerning the Christian view of political interpretation.

Ultimately, *A Future For Socialism?* suffers from an all-too common mistake theologians make when discussing the application of Christianity to the political world: It confuses government mandated compassion with Christian charity and unsuccessfully tries to argue that God's love is best manifested in a socialist order.

All You Who Labor

Stefan Cardinal Wyszyński
Sophia Institute Press, 1995
 191 pp. Hard Cover: \$16.95

All You Who Labor brings the reality and necessity of work into a Christian and God-centered perspective. Stefan Cardinal Wyszyński takes the reader through an explanatory view of the Catholic perspective of labor. Wyszyński clearly and convincingly describes work as a human need, a social duty, a means of displaying our love for God, and a cooperation with God. The author presents an encouraging description of our role in labor, and the spiritual consequences thereof.

This book provides an enlightening explanation of work as the link to man's most precious faculties—his physical strength and spiritual powers in an indissoluble union.

—Mary Kate Newberry



Rev. Robert A. Sirico

Tugging the Entrepreneur Homeward

During the holiday season, business people are routinely excoriated for being greedy and not doing enough for society. In the model of Scrooge before his conversion, they are said to be selfish when they should be looking out for others. Yet in my pastoral experience, I have found this to be untrue. For several years, I have conducted seminars for entrepreneurs, some of whom run America's largest companies, to help them reconcile their faith with their business life. And what I have learned about these people belies the stereotype.

Consistently successful business people are not self-consumed. In fact, their personal attention, and indeed the whole of their lives, tends to be oriented toward the service of others. Successful entrepreneurs are acutely, and often excessively, interested in the needs and desires of others. This attitude accounts for their success. But it is also their biggest failing in a season that requires attention to family first.

If anything, entrepreneurs tend to be too focused on helping others—through new and improved products and lower prices—and on their responsibilities to stockholders and employees. This entrepreneurial passion is great for the rest of us: we get better products, secure jobs and benefits, and a healthier economy. But it poses hazards for the private lives of the entrepreneurs. Their personal failures are often due to not allowing enough time for spiritual development and family.

One of the many glories of the Christmas season, with all of its religious and cultural meaning, is that it tugs us homeward. My Christmas advice to entrepreneurs: Give in to the allure of home. As you think of resolutions for the New Year, reflect on the fundamental priorities of faith and family that often take a backseat to the concerns of the outside world.

It is a moral, spiritual, and indeed a psychological obligation that everyone engage in prayer and

develop their private life. It is a duty that no social responsibility should be allowed to push aside. Besides, a proper ordering of responsibilities ultimately helps a business career. Time spent in internal contemplation and with family is the basis of effective social action.

It is true that consumers need service, the company needs good management, and stockholders require effectiveness. But other matters are even more important. Spouses need loving attention and children need encouragement, advice, and discipline. Families need husbands and wives who spend relaxed hours and

days cultivating internal happiness and cohesion. One gentleman remarked at one of our retreats: "I suppose no one on his deathbed looks back and says 'I should have spent more time at the office.'"

Family rituals should not be limited to the holidays. But these intimate hours can remind us of what we need more of year round. We have to be realistic. Leisure cannot take up the bulk of our hours, because each of us has a vocation to work. But prayer, family, and leisure must have exalted places in our lives. Let this sacred season help us fulfill our fundamental roles first: as husbands and wives, fathers and mothers, sons and daughters.

Entrepreneurs should be confident that their work is socially beneficial. Business has done more to feed, clothe, and shelter people than all the soup kitchens and homeless shelters combined. No one in America is as socially conscious as our most successful entrepreneurs. Yet this group needs to be reminded that no social vision can substitute the cultivation of the individual soul or the experience of love offered by those who are closest to us. A

My Christmas advice to entrepreneurs: Give in to the allure of home.

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

“A noble nature desires to be instructed, and will not endure to be coerced. Merely to use coercion is for tyrants; merely to suffer it, for donkeys.”

—Erasmus—

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