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Michael Novak's Portrait of Democratic Capitalism

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Introduction

Michael Novak, the preeminent Roman Catholic social theorist of our time, is the prolific author of numerous monographs, articles, and reviews, and has written over twenty-five influential books in philosophy, theology, political economy, and culture. He holds the George Frederick Jewett Chair in Religion, Philosophy, and Public Policy at the American Enterprise Institute in Washington, D.C., where he also serves as Director of Social and Political Studies. He has lectured all over the world and has taught at Harvard, Stanford, Syracuse, and Notre Dame. During 1981 and 1982 he served as Chief of the United States delegation to the United Nations Human Rights Commission in Geneva as a Reagan appointee with the rank of Ambassador. His writings have appeared in more than a dozen languages. In 1994, he received the prestigious Templeton Prize for Progress in Religion for his service in defense of freedom and for his incredibly influential work in Christian social teaching on economics.

He once studied for the priesthood and for years was an espoused democratic socialist. Novak at one time believed in socialism because its ostensible ethical system seemed so superior. The son of Eastern European immigrants, he once thought that the communitarian religious ethic of his heritage was being attacked by the individualistic ethic of commerce. However, he was persuaded through observation of human affairs and intense reflection that he was mistaken. He now fervently believes that capitalism is superior to socialism both in practice and in theory and that Judeo-Christian virtues not only survive but flourish under democratic capitalism. Novak can now be considered a neoconservative intellectual who passionately believes in the free

market and a free society.

According to Novak, religious and cultural life is fundamental—not just complementary—to all aspects of our lives. Religion and culture affect everything in people's lives, including their politics and economics. Throughout his many writings, Novak has urged his readers to embrace a tripartite system of democratic capitalism, including a market economy, a democratic polity, and a moral-cultural system that would nourish the values and virtues on which free societies depend.

When the papal encyclical, *Centesimus Annus*, appeared in 1991, it was evident that Novak's writings had been favorably received by Pope John Paul II. In *Centesimus Annus*, the Pope views the free market as the most efficient instrument for utilizing resources and effectively responding to needs, explains the moral foundations of the market economy, and repudiates the idea of a third way between capitalism and socialism.

Novak's achievement lies in his construction of a theory of democratic capitalism based on clear thinking about the world. He has identified and analyzed the underlying ideas that make our system of democratic capitalism meaningful. Although virtually all of his writings contribute to the portrait he has painted of democratic capitalism, six books in particular have made his case especially well. These are *The Spirit of Democratic Capitalism*,[1] *Free Persons and the Common Good*,[2] *This Hemisphere of Liberty*,[3] *The Catholic Ethic and the Spirit of Capitalism*,[4] *Business As a Calling: Work and the Examined Life*,[5] and *The Fire of Invention: Civil Society and the Future of the Corporation*.[6] The central purposes of this paper are: (1) to introduce readers to Michael Novak's explanation of democratic capitalism by briefly summarizing and discussing the major ideas included in each of these works; (2) to serve as an invitation for individuals to read these provocative works for themselves; and (3) to provide a background for individuals who wish to study Michael Novak's ideas in greater depth.

The Spirit of Democratic Capitalism

This well-documented, thoughtful, and scholarly work is a classic in the field of political and economic philosophy. Novak's purposes in writing this book were: (1) to defend democratic capitalism from the utopian challenge of socialism; (2) to demonstrate that democratic capitalism's principles are not only practical, but that, even in the abstract, they are superior to the socialist vision; (3) to provide a theoretical framework for democratic capitalism; (4) to persuade theologians and others that the values of democratic capitalism are

not only consistent with, but supportive of, those of Christianity; and (5) to begin the construction of a theology of capitalism.

In the first part of the book, Novak sets out the ideals of democratic capitalism and demonstrates that both the ideals and the system itself are worthy of support. The second part of the book presents the arguments that socialism has failed and that its continuous support has resulted from the sense of moral superiority that it affords to its intellectual adherents. In part three, Novak presents current theological criticisms of capitalism (focusing on Jürgen Moltmann and Latin American liberation theologians), traces the development of Reinhold Niebuhr's thought from Marxism to democratic capitalism, and offers his own alternative theology of democratic capitalism. Toward the end of the book, Novak interprets Christianity's great symbolic themes in ways that accord with the spirit and practice of capitalism. The last chapter consists of a reflection on the political implications of theological ideas such as the Trinity, the Incarnation, and Original Sin.

Novak envisions democratic capitalism as a trinity of systems in one—an economy based predominantly on markets and incentives, a democratic polity, and a moral-cultural system that is pluralistic and liberal.[7] The free-market system fosters economic growth, social mobility, and self-reliance. Political liberty introduces pluralism, democracy, and the idea of a constitutional government. The moral-cultural system is buttressed by the mediating structures of family, church, and other voluntary associations. Novak's method is to move through a set of themes (pluralism, emergent probability, providence and practical wisdom, community, the communitarian individual, the family, and continuous revolution) in order to paint a picture of democratic capitalism.[8]

The key component of democratic capitalism is freedom. No other system has produced an equivalent system of liberties, loosened the bonds of station and immobility, and so valued the individual. Democratic capitalism is a system of natural liberty that forms the basis of genuine community. People are free to associate (i.e., to form innumerable voluntary associations). Democratic capitalism destroys old static patterns of community but creates instead a more fluid form of communitarian free association. For example, the corporation (a voluntary association) unites people in a common goal and gives them a sense of meaning and purpose. The cooperative institution of the corporation illustrates that the spirit of democratic capitalism is far from the anarchic individualism that critics have claimed it to be. In fact, the system's antidote for social uprootedness is the corporation, in which populations of mobile workers are organized into teams of task-oriented colleagues.

Democratic capitalism assumes pluralism, recognizes that individuals have

differing opinions and interests, and allows them to associate in order to further those interests. Pluralism assumes the reality of sin. Pluralism's multiple groups provide a balance of power. The chief purpose of pluralism is to fragment and check power—not to repress sin.

Democratic capitalism taps individual creativity and initiative and relies on self-interest, not in the sense of individual greed but to benefit others, the principal other being the family. Such a system not only produces wealth but also virtuous people whose worldly enterprise complements the work of the Creator. Democratic capitalism offers an outlet for greed and reinforces habits of prudence, thrift, industry, tolerance, and restraint in everyday life. These virtues are consistent with the Judeo-Christian tradition and are reflective of the Protestant work ethic. Novak goes on to discuss Ben Franklin's idea of time as "spendable grace" and democratic capitalism's fostering of bourgeois values and the bourgeois family with its habit of measuring children's worth by their achievements.[9]

According to Novak, socialism is based on a number of assumptions similar to those underlying traditional society, which helps to explain its appeal in Third World countries. Both socialism and traditional society have "zero-sum" concepts of man, nature, and wealth. This view implies that no gain can be realized without cost. (As an example, no one can earn money without it being taken from someone else). It follows that without strong control by government, religion, and tradition there would be a war of all against all. Control is thus needed to prevent excessive individualism. Both traditionalism and socialism represent rigid, closed societies that stifle individuality and creativity. Under the socialist view: (1) capitalists become wealthy by exploiting workers, (2) capitalist nations exploit Third World nations, and (3) the elimination of private property will end such exploitation.

Socialism is especially appealing to three groups. Political elites in socialist countries have a vested interest in maintaining a system that secures their influence. In addition, socialism offers political elites in Third World countries a chance to consolidate great power. Finally, socialism appeals to many intellectuals—especially Roman Catholic theologians. Many intellectuals have traditionally associated capitalism with the Protestant Reformation and have believed it to be excessively materialistic, individualistic, and destructive of community. They have been more attracted to socialism, which they believe is more consistent with religious doctrine that was formed before capitalism came into being. Socialism also offers intellectuals a way of participating in power and imposing their ideas on society.

Much of the evidence for Novak's position is based upon a comparison of

North America and Latin America.[10] He points out that their economic positions were roughly similar during the late eighteenth and early nineteenth centuries. The conventional explanation today for the fact that North America is rich and Latin America is poor is that North America exploited Latin America. However, Novak points out that United States investment in Latin America is actually relatively small and that its poverty existed well before there was any United States investment there at all.

Novak then explains the real reasons for poverty in Latin America: It did not adopt an economic system that would allow for development. Spain held a narrowly mercantilist economic theory, which emigrated to Latin America and provided a very weak foundation for economic development. Spain's mercantilism contrasts with the individualism of North America. The nineteenth-century Roman Catholic Church, by opposing capitalism at the time, is another cause of poverty in Latin America. Liberation theologians, opposed to the traditional Church hierarchy in virtually all other areas, agree with it in despising capitalism. Novak maintains that Southern European Catholicism shaped the development of Latin America with unfortunate consequences that liberation theologians now mistakenly attribute to Anglo-American capitalism. Most important, there is a philosophical gulf between Latin America and North America. Latin Americans and North Americans do not value the same moral qualities. Latin Americans feel inferior in practical matters and superior in spiritual ones. In Latin America, powerful personages control nearly everything. The Catholic aristocratic ethic of Latin America places emphasis on luck, heroism, and status while the Protestant ethic of North America values diligent work, steadfast regularity, responsibility, and accountability. In Latin America, wealth is rather static and appears to justify the "zero sum" philosophy. Socialism feeds the strong, traditional, social sense of Latin America by meeting the need for a unitary order, sharply focused on feelings of resentment and economic inferiority and providing a simple scheme of good and bad. The involvement of Latin American clergy with liberation theology brings about the possibility of a Church-State alliance. This blend of Christianity and Marxism offers a road to power and influence that Christianity alone can no longer provide. Liberation theologians claim that Christianity is the religion of which socialism is the practice.

Novak observes that the socialist speaks of possibilities while the capitalist speaks of realities. Socialism thus has appeal only in the abstract, as an ideal. However, Novak wants capitalism and socialism to be judged on their performance in the real world. Current arguments often have us contrasting capitalism's realities with socialism's ideals. Socialism is nearly always justified in terms of its vision. Novak's method is to apply practical wisdom to

examine what really happens in this world. Novak gives socialists credit for pure idealism—however unworkable their theory becomes in practice. Socialists receive rhetorical points by comparing their utopian vision with the flawed realities of existing capitalist societies; however, when each system is measured by its real-world performance, capitalism proves to be more productive of goods, services, and personal liberation. An ideal that cannot be put into practice is false and morally unacceptable.

As history demonstrates, Marxist practice consistently fails. Novak argues that in Poland, four decades after the liberation of workers from capitalist oppression, workers are worse off than their counterparts in even the least developed capitalist states. The success stories of the Third World are countries that have supported capitalism (e.g., Taiwan and Singapore), while the failures are countries committed to socialism (e.g., Algeria).[11]

Capitalism succeeds because it is an economic theory designed for sinners of whom there are many, just as socialism fails because it is a theory designed for saints of whom there are few. Capitalism is able to convert individuals' private ambitions into the creation and distribution of wealth so that everyone has a solid material base. Unintended consequences make moral systems out of a variety of motives (e.g., when individual self-interest leads to a system that produces economic abundance, political liberty, and a free pluralistic culture) and makes immoral systems out of moral motives (e.g., tyrannies that have emerged from modern experiments in collectivism). Capitalism demands freedom in order to function and thus liberates those who live under it; socialism ostensibly supports such liberation but, in fact, requires sharp restrictions of freedom in order to function.

Novak explains that many Catholic social teachings were formed in the pre-capitalist static world of medieval society, which prized stability in economics, politics, and religion. Papal teachings were thus more concerned with the just distribution of available goods than with the morality of systems that produce new wealth and sustain economic growth. The New Testament favors the poor. The spirit of socialism (including self-denial, cooperation, and human solidarity) thus initially appears to many as being closer to the Gospel vision of a redemptive community than the competitive spirit of capitalism. Catholicism has emphasized community and tradition while capitalism has emphasized individualism and innovation. As a result, North American theologians have generally been critical of the nation's economic system.

Free Persons and the Common Good

This book was written in commemoration of the fortieth anniversary of the

publication of Jacques Maritain's *The Person and the Common Good*.[12] In this work, Novak interweaves the traditions of Catholic social thought with classical liberal social theory. More specifically, he attempts to reconcile the social idea of the common good with the liberal emphasis upon the free person. Novak maintains that not only can a free society have a common good, but these two ideas naturally fit together. He argues that the liberal tradition of personal liberty has its own implicit doctrine of the common good. To advance his position, he analyzes a variety of ancient and modern teachings, both religious and secular, and discusses several theoretical arguments. Contributions to the discussion come from Aristotle, Aquinas, Tocqueville, Acton, Maritain, Locke, Madison, Jefferson, Simon, Bellah, Hobhouse, and the debates concerning the United States Catholic Bishops' pastoral letter on the economy.

Novak begins by explaining that the concept of the common good is of premodern origin. For Aristotle, the good is what all things aim at, and thus has primacy over persons. Novak rejects this idea and claims that persons should have primacy. In undifferentiated premodern societies, care for the common good was vested in the paternalistic authorities of church and state; however, in today's free and differentiated societies, individuals tend to have different aims. Although free persons do have some common purposes, they are almost always held for different reasons. Persons differ in their understandings of the good—both of the common good and of their own personal good. If free persons do have primacy, then the common good can be something that emerges from acts taken as free persons.

Novak relies on Aquinas, as interpreted by Maritain, to distinguish between the "person" and the "individual."[13] Whereas an individual is merely a member of a species, a person is an individual with a capacity for insight and choice and, therefore, is both free and responsible. The purpose of every human person is to be with God in an eternal communion of insight and love—an end far beyond the power of earthly states and associations. In the Christian tradition, God is thought to more perfectly embody insight and choice than anything else known to humans. It follows that communion in perfect insight and love with God is both the common good of humankind and the personal good of each individual person. For God, an absolute person, there is an absolute coincidence of common and personal good. Analogously, to the degree that a created person acts with reflection and choice (i.e., as a person), the greater the tendency for the personal good and the common good to coincide. Certainly, human insight and love are deficient when compared to God's love. Yet, it follows that on earth the common good of persons is to live in as close an approximation of unity in insight and love as humans might attain. To

learn and achieve the common good, free but flawed persons need institutions suitable to the task.

American liberalism makes the protection of individual rights central to the idea of the common good and allows for the development of institutions that nourish practical cooperation without requiring prior agreement with respect to final ends or personal motivations. The common good consists in treating each person as an end—never solely as a means to an end. In order to achieve both personal rights and the public good, the framers of the Constitution chose not to impose a moral-cultural system. Rather, they left the construction of such a system to institutions distinct from government (e.g., churches, the press, universities, and other voluntary associations). The Founders' idea of a limited state, whose power is restricted by a written constitution, is based on the idea of the inviolability of personal rights. The result is the separation of the powers of the state from the powers of society.

The common good is not attained solely nor primarily by the government but by a vast range of social institutions beyond the scope of the state—families, churches, schools, private enterprises, workers' associations, and so forth. The purpose of government is to provide opportunities for individuals to exercise their own freedoms. What makes a person free is the ability to form his own life purposes, aims, and intentions. The common good consists of mutual cooperation many times apart from common intentions, aims, and purposes. Things can be done publicly without being done governmentally. The common good is far greater than the political good. Economic and moral-cultural institutions play large roles in achieving the common good.

According to Novak, the main instrument of attaining the common good is not the state but society at large in its full range of social institutions, and not the atomistic individual but the communitarian individual—the person in his various freely-chosen associations.[14] The communitarian individual may freely organize with others into a faction—a group moved by some common impulse, passion, or interest. Novak discusses Madison's views in *The Federalist Papers* to illustrate how self-interest and factions are able to serve the public good.[15] Madison argues for the diversification and multiplication of factions. The multiplication of interests through factions is likely to prevent both majoritarian tyranny and the narrow-minded self-enclosure of minorities.

Novak then discusses Tocqueville's phrase "self-interest rightly understood"—the idea that man serves himself when he serves his fellow human beings.[16] Persons' enlightened regard for themselves prompts them to help one another and to sacrifice voluntarily some of their time and property to the general welfare. Commercial activities are pursued with a view toward gain—gain that can

be achieved on a long-term basis only if the needs of purchasers are served reliably and efficiently. Buyers and sellers seek their own self-interest while at the same time behaving so as to please the other. One must seek one's interest while also being other-regarding (i.e., attempting to satisfy market demands). The common good is therefore served, though neither buyer nor seller planned or intended it. The notion of self-interest rightly understood expresses the social nature of the human person whose interest it is to exercise his liberty in free, kind, and open cooperation with others.

According to Novak, the common good is actually many goods that are often in direct conflict. Free persons typically have diverse visions of the common good. Each person in a free society is responsible under the "veil of ignorance" for a concept of both his own good and the common good.[17] The common good of pluralistic modern societies is thus something unplanned, unenforced, and unintended but achieved through the participation of all citizens. It follows that the kind of common good that can be achieved is the common good of a particular community at a particular moment—not *the* common good for all places and for all times. Today, the common good means: (1) a liberating framework of institutions designed to liberate free persons, (2) a concrete social achievement, and (3) a benchmark that reminds us that no level of common good as concrete social achievement has as yet met the full measure of legitimate expectation.

The main thesis of *Free Persons and the Common Good* is that if free persons do have primacy, then the common good can only be something that emerges from acts of free persons, and that individuals' freedom must be protected by economic and moral-cultural institutions that limit state power. Since free persons are ordered to the common good, citizenship requires attention to the institutions that secure personal freedoms. Common institutions (both voluntary associations and the government), in turn, are ordered to the development of free persons. It follows that the free person is ordered to the achievement of the common good by creating, nourishing, and developing communities, associations, and institutions worthy of free persons. The common good is ordered to the fulfillment of the free person through the development of his full human possibilities.

This Hemisphere of Liberty

In earlier works Novak offered Latin Americans a philosophically, politically, and economically sound alternative to liberation theology. This current work reflects refinements to Novak's earlier views, offers an excellent and accurate analysis of the Latin American spirit, explains the philosophical link

between North and South America, and discusses ways to build institutions of liberty—liberty from poverty, from tyranny, and from oppression of conscience. In this book, Novak uses an explicitly Catholic language in his efforts to integrate the communitarianism of the Catholic tradition with the dynamism and creativity inherent in economic liberalism.

The key idea of this work is the Catholic Whig tradition—a philosophical view that has roots in the thought of Thomas Aquinas.[18] Catholic Whigs believe in the dignity of the human person, in liberty, in creativity, in humility, in productivity, and in steady, gradual institutional reform and progress. In addition, they have great respect for tradition, custom, habit, language, law, and liturgy. The Catholic Whig tradition is based on the four basic concepts of ordered liberty, the person, the community, and creativity.

Ordered liberty is not the power to do whatever we like but rather the freedom to do what we ought. Only when men are free can they be moral. Choice based upon reflection and deliberation maintains a sense of responsibility. Liberty has three parts—political, economic, and moral-cultural. Political liberty requires economic liberty, and both of these require moral-cultural liberty. Of the three, moral-cultural liberty has primacy. Freedom of the moral-cultural system refers to the free exercise of conscience, the free flow of information and ideas, and freedom for the basic institutions of the moral-cultural sector—churches, families, universities, the press, and so forth.

As previously discussed in *Free Persons and the Common Good*, the concept of person is richer than the concept of individual—the human person is a foundational source of insight and love. Each person is free to be a political agent, an economic agent, and a seeker of truth, justice, and love. Novak extends this idea in *This Hemisphere of Liberty* by codefining community and person.[19] A true community respects free persons. A fully developed person is capable of knowing and loving—two human capacities that are oriented toward community.[20] To be a free person is to know and love others in community. A community is true when its institutions and practices enable persons to multiply the frequency of their acts of knowing and loving. The purpose of a true community is to nourish the full development of each person among its members. It is also in the nature of each person to be in communion with others. The inherent end of personhood is communion and the inherent end of a true community is full respect for the personhood of each of its members.

Democratic capitalism is a system of natural liberty that forms the basis for genuine community. People are free to form innumerable voluntary associations. Men are necessarily related to others; however, they can determine to a large extent the persons they will be related to and the ways in which they will

be related. Men are responsible for creating and entering relationships that will enable them to flourish. Communities arise when persons unite together to search for and realize their essential being.

Inherent in respect for the human person is respect for the reflectively chosen forms of association that persons create to pursue their common interests. These freely chosen associations are not only philosophically and practically prior to the state but are also defenses against the state.

Another fundamental principle of the Catholic Whig tradition is the moral virtue of creativity, also known as enterprise—the capacity for insight, discerning new possibilities, and realizing one's creative insights.[21] Rights inhere in persons because they were conferred on each by the Creator who made all persons in His image. Man is a material and a spiritual creature capable of reason, insight, choice, and creativity—capacities shared with God. Humans are free and responsible before God and have inalienable rights to life, liberty, and enterprise. Enterprise, an intellectual virtue, is a central capacity of personhood. To exercise it is not only a right but a duty. Personal economic enterprise advances the common good—it is relational and usually fosters human interdependence. To exercise the human right of personal economic initiative is to fulfill the image of God inherent in every man and woman.

Novak argues that the virtue of enterprise can be taught and that a social system can be constructed to enable human beings to create wealth in a sustained and systematic way. The best way to help the poor is through a system that creates economic growth from the bottom up—a system that creates jobs for the poor. To help the poor is to help each poor person exercise his God-given right to personal economic initiative (i.e., to be creative). Novak contends that the wealth generated by a capitalistic model can best actualize the promise of self-betterment and freedom for the poor in Latin America and elsewhere. What is distinctive about the capitalist system is its discovery that the primary cause of economic development and the wealth of nations is wit, invention, discovery, and enterprise.[22] Each nation's greatest resource is the creativity endowed in every single person by the Creator. Each has been given by God the capacity to create more in a lifetime than he or she consumes. This is the very principle of human economic progress. One should leave the world better off than he or she found it. Democratic capitalism is the system that best allows one to create more than is consumed, and is the social system that best nurtures our capacities for liberty, responsibility, and growth in the political, economic, and moral-cultural spheres.

According to Novak, the basic reason that Latin America is poor is that it offers insufficient economic opportunity for the people.[23] Latin America offers

few cultural or legal supports for the operation of a capitalist economy. Latin America must address the question of the proper and just arrangement of social institutions that are oriented toward the multiplication of acts of reflective choice and the maximization of personal economic creativity for the sake of the common economic whole. Those who wish to liberate human beings from poverty should concentrate on their nation's primary resource—the minds and spirits of the citizens at the bottom of society.

Novak observes that many of the poor in Latin America are entrepreneurs who make and try to market artifacts or provide services. Although the people are enterprising, the legal structures of these traditional, precapitalist societies obstruct and frustrate the creative instincts of the citizens.[24]

Toward the end of the book Novak offers ten practical proposals for Latin America, Eastern Europe, and elsewhere that will move countries toward the combination of democracy and market economy that is found in the United States.[25] In order to design social systems that liberate citizens for the free exercise of enterprise, nations need to: (1) recognize in law the right of personal economic initiative; (2) allow for swift, easy, and inexpensive access to legal incorporation; (3) empower all citizens with all relevant legal and social supports for their economic activities and to build institutions to instruct them in how to make use of them; (4) establish institutions of credit accessible to the poor that also give professional advice on how to make their enterprises successful; (5) favor by law and tax incentives virtually universal home ownership, land ownership, or both with full rights of ownership in perpetuity; (6) grant workers in state industries, utilities, and the like stock ownership in the enterprise through employee stock ownership plans (ESOPs); (7) privatize by selling off most state enterprises to the public; (8) give primacy among social welfare expenditures to building systems of universal education that stress the virtues of initiative, enterprise, invention, and social cooperation; (9) strengthen the voluntary, non-statist social sector by laws and tax incentives favorable to the development of foundations and other private institutions of social welfare, not as a substitute for state-sponsored social welfare programs but as a fresh source of innovation and public service; and (10) develop strong copyright and patent laws that grant to authors and inventors the right to the fruits of their works for a limited time.

The Catholic Ethic and the Spirit of Capitalism

Novak's earlier works, especially *The Spirit of Democratic Capitalism*, had a major influence on Pope John Paul II who at one time had advocated a modified form of socialism and who now has endorsed the market economy. Novak's

goal in writing *The Spirit of Democratic Capitalism* was to show that capitalism is compatible with Catholicism. This earlier work, however, failed to explain the relationship between capitalism and creativity, a key aspect of what he now calls the Catholic ethic, and devoted very little attention to analyzing papal social thought. In addition to echoing his previous arguments, this book advances the thesis that a hundred-year debate within the church has led to a fuller, more satisfying, and more humane vision of capitalism than that described in Max Weber's 1904 classic, *The Protestant Ethic and the Spirit of Capitalism*. Through a critical historical analysis of the major works of modern papal thought, Novak explains how the Catholic tradition has evolved to reflect this richer interpretation of capitalism.

He begins by arguing that the German sociologist Max Weber missed the mark by defining the spirit of capitalism too narrowly and attributing it to Calvinistic attitudes rather than to a range of values that were actually more generally shared by many types of Christians and Jews.[26] Novak contends that Weber was wrong to believe that all versions of capitalism depend on the ascetic Protestant spirit for moral legitimation. Novak's insight is that the European continental version of capitalism should be distinguished from capitalism as it developed in England and the United States.[27] According to Novak, the former version is in accord with the Weberian vision of a selfish, miserly, greedy, grasping, coldly-calculating capitalism dedicated solely to wealth accumulation. He observes that a similar view was popularized by the Italian Christian Democrat Amintore Fanfani whose 1935 book, *Catholicism, Protestantism, and Capitalism*, was revered by social democrats.[28] Fanfani states that Catholicism is incompatible with capitalism, which he saw as petty, mean, materialistic, self-regarding, and ruthless.

For Weber, the spirit of capitalism involved a sense of duty to the discipline of work, the idea of work as a calling or God-given vocation, and an otherworldly austerity that, in turn, led to the acquisition of wealth, investment, and systematic saving. Through work, man served God. Planning, self-control, austerity, individualism, and devotion to occupations thereby pervaded the economic world. The Protestant ethic stressed the sacred nature of property, the virtue of hard work, and the importance of independence, thrift, and accumulation.

Novak acknowledges that the strength of Weber's position was that he associated capitalism with certain moral habits and with the human spirit. The weakness of Weber's view was that he limited the association to Calvinism and wrote only about one narrow and limited type of capitalist spirit. To replace the Protestant ethic with a view that is applicable to American and British capitalism, Novak espouses a Catholic (and catholic) ethic that appreciates

the social dimensions of capitalism and that stresses the inventiveness, creativity, liberty, and responsibility of the individual.

Novak argues that capitalism depends on a culture characterized by creativity, inventiveness, discovery, cooperative effort, social initiative, openness to change, adaptability, generosity, experimentation, and voluntary participation.[29] This is the type of capitalism advocated by Adam Smith and the Founding Fathers. This kind of capitalism is inherently social and brings companies and other voluntary associations into existence in order to create goods, services, and profits. In this way capitalism fosters the development of a variety of voluntary associations, nourishes virtues such as honesty, hard work, productivity, and thrift, and enriches the social and moral lives of the participants.

According to Novak, this is the type of capitalism that the Catholic Church began to recognize in 1891 in Pope Leo XIII's encyclical, *Rerum Novarum*. Leo's attention was focused on individual workers, their working hours, job protection, and the ability to establish savings. In *Rerum Novarum*, Leo condemns socialism, forecasts its demise and lists reasons why it would fail. According to Leo, socialism violated the principles of private property, personal initiative, and natural inequality.[30] He also rejected much of capitalism and urged the adoption of a course between the two systems. He endorsed the concept of private property but rejected capitalism's reliance on free markets. In addition, he urged the establishment of a "just wage"—one that would not be left to the free consent of the parties.[31]

A major contribution made by Novak in this work is to redefine social justice as a personal virtue. The old vision of social justice is as a guiding rule asserted by a supreme authority in society (i.e., the state). Social justice, so defined, is realized through public institutions and authorities. This type of social justice is not a virtue. It gives the state, through its laws, constitutions, and institutions, the authority and power to determine the structural shape and form of society, that is, it brings about a legal and social order. It is no wonder that "social justice" has become the chief battle cry of those who would expand the role of the government, especially with respect to redistribution. This is the understanding of social justice that Hayek attacks as an arid, abstract ideal enforced by an all-powerful state that encourages dependency and submissiveness.[32]

Novak contends that this is not the concept of social justice that Pius XI made canonical in 1931 in the encyclical *Quadragesimo Anno*.[33] What Pius intended was not the corporatist state, ruled from the top down, but the revitalization of civil society by the "principle of association."[34] Novak amplifies this view by reinterpreting social justice as a distinctive virtue of free persons

associating themselves together, cooperatively, within a free society. The practice of social justice means activism, organizing, and trying to make the system better. Social justice is a specific modern form of the ancient virtue of justice that is exercised as a social habit when men and women join with others to change the institutions of society. It does not mean enlarging the state; rather, it means enlarging civil society. The concept of social justice defended by Novak links it to the concrete intelligence of individuals in their free associations, rather than to the state.[35]

Social justice involves the readiness to use one's imagination and creativity to help others. For example, personal work among the needy should not be substituted for the bureaucratic welfare state. Novak explains that the habit of social justice has as its aim the improvement of some feature of the common good—possibly of the social system in whole or in part (e.g., the welfare system) but possibly as well of some nonofficial feature. Works of social justice might include diverse acts such as tutoring a disadvantaged person from the inner city, building a factory in a poor area, or organizing a drama club in a college. According to Novak, in a pluralistic society different grasps of current realities and different visions of the right ordering of the just society may lead people to opposite courses of action. This leads to the need for rigorous public debate and moral analysis. Novak goes on to explain that the concept of social justice has greater explanatory power when it is related to the concepts of civil society enlivened by the principle of subsidiarity, the tripartite nature of liberty, spontaneous order, common good (as detailed in *Free Persons and the Common Good*), and change as creative destruction.[36]

After World War II, Pope Pius XII (1939–1958) led the Roman Catholic Church in supporting the rebuilding of democracies as the best defense for human rights. Pope John XXIII then called for the proliferation of human rights in *Pacem in Terris* (1963).[37] Paul VI, no friend of capitalism, advocated the necessary power of "socialization," which was generally interpreted as an endorsement of social democracy and the welfare state. At the same time, the future Pope John Paul II was exploring the concept of "ordered liberty" when he helped to write the *Declaration of Vatican Council II* (1963) on religious liberty.[38]

Novak goes on to distinguish between two concepts of liberty. On the one hand, license involves the liberty to do whatever one wishes—it means freedom from the law to do whatever is not forbidden. On the other hand, ordered liberty is not the freedom to do whatever we like, but, rather, the freedom to choose to do what we ought to do.[39] Ordered freedom, freedom under the law, derives the intelligibility of the free act from reason, law, duty, responsibility, reflection, and a rightly ordered conscience. John Paul II, a philosopher

of liberty himself, believes in the second understanding of liberty—not an end in itself; freedom is for something and must be ordered by something.

Not only is John Paul II a philosopher of liberty, he is also a philosopher of creativity who has used the creation story to reconcile religion and economics. In his first social encyclical, *Laborem Exercens* (1981), he appealed to the anthropology implied in the Genesis account of creation—the underlying principle is the "creative subjectivity" of the human person.[40] Then in *Sollicitudo Rei Socialis* (1987) he moved from "creative subjectivity" to "the fundamental human right of personal economic initiative," second only to the right of religious liberty and rooted in the image of the Creator endowed in every human being. Men and women are called to be co-creators in the economic realm.[41] By the appearance of *Centesimus Annus* (1991), he had shifted to a theory of the institutions necessary for the flowering of enterprise as a vocation, a virtue, and a right.

Novak calls *Centesimus Annus* a classic restatement of Christian anthropology in which John Paul II has rooted his social proposals in his anthropology of "the acting person" and "creative subjectivity."[42] In this document the Pope emphasizes ordered liberty and calls for a tripartite social structure made up of a free political system, a free economy, and a free moral-cultural system. According to Novak, the Pope's fundamental insight in this encyclical is that every person has been created in the image of the Creator in order to help co-create the future of the world.[43]

In *Centesimus Annus* John Paul II views the free market as the most efficient instrument for utilizing resources and effectively responding to needs. Unlike *Rerum Novarum*, *Centesimus Annus* focuses more on the dynamism of the world economy and the international marketplace rather than on individual workers.

By *capitalism* (he prefers the terms *business economy*, *market economy*, and *free economy*), the Pope means an economic system that recognizes the fundamental and positive role of business, the market, private property, and the resulting responsibility for the means of production, as well as free human creativity in the economic sector. However, he says that such an economic system needs to be circumscribed within a strong juridical framework, which places it as a particular aspect of human freedom, the core of which is ethical and religious. Thus, capitalism must have a moral and cultural foundation.

According to John Paul II, socialism fell because it violated the human right to private initiative and the ownership of private property. The error of socialism was anthropological in nature. Socialism considered the person as an element in the system subordinate to the functioning of the socio-economic mechanism. However, human nature is designed for and requires freedom. The

Pope recognizes that mixing Marxism and Christianity represents an impossible compromise. Men must be free to trade, make profits, create, and innovate.

John Paul's qualified endorsement of capitalism does not recommend a heavy dose of state intervention but urges that state intervention, when needed, should be minimal and brief and should defend collective goods, promote balanced growth and full employment, stimulate jobs, ensure a just wage, and exercise a substitute function when social sectors or business systems are too weak or are not equal to the task at hand.[44]

The Pope states that people make up a firm's most valuable asset. The possession of knowledge, technology, and skill is the kind of ownership upon which the wealth of industrialized nations is based. The chief causes of the wealth of nations are persons' enterprise, innovation, organizing skills, and creativity. Many people, especially in Third World countries, do not have the means to take their place in the productive system—they need knowledge and training.

John Paul II does not subscribe to dependency theory. Rather, he thinks that the poor are oppressed because of the absence of capitalism. Poorer countries' problems are caused by their inadequate integration into the wealth-producing world economy. The Pope is concerned with the problem of international debt of poor countries and says that steps may need to be taken to lighten, defer, or even cancel such debts. In addition, he believes that economic protectionism brings on stagnation and recession.[45]

John Paul II believes that consumers need education—it is wrong for a style of life to be directed toward having rather than being. Consumerism, seeking possessions rather than developing character, results not from the economic system but from weaknesses in the socio-cultural system. Consumerism is the reduction of man to a consumption unit. Economics is not the most important aspect of man for he also has political and cultural (i.e., moral and spiritual) components. The Pope also observes that widespread drug use implies materialism and is a sign of serious malfunction in the social system. He concludes that the most significant threat to democratic capitalism does not lie in the economic or political sector but in the moral-cultural sphere. He calls for serious reform of the moral-cultural institutions of society including the institutions of mass media, cinema, universities, and families.[46]

Primary responsibility for human rights belongs not to the state but to individuals and associations that make up society. The Pope believes in the principle of subsidiarity in which the individual, voluntary associations, and society are all considered prior to the state in dignity and rights. He emphasizes the

crucial role of mediating structures such as free labor unions, citizens' initiatives, and free associations.

According to John Paul II, the welfare state leads to a loss of human energies and is accompanied by an enormous increase in spending and an inordinate increase of public agencies that are dominated more by bureaucratic ways of thinking than by concern for serving their clients. He criticizes harshly the current excesses of the welfare state in economically advanced nations.[47]

Centesimus Annus has something for everyone—left liberals, neo-conservatives, and so forth. The Pope is supportive of free markets, the family, personal economic initiative, human creativity, private property, corporate responsibility, trade unions, and profit. He opposes the welfare state, protectionism, and communism. He is supportive of the state as a defender of collective goals, promoter of full employment, and arbiter of a just wage.

In the concluding section of *The Catholic Ethic and the Spirit of Capitalism*, Novak switches from an examination of the Catholic encyclicals and offers his own attempt to apply the Catholic ethic to poverty, race, ethnicity, and other social perplexities.[48] He states that his recommendations, like all others, should be submitted for rigorous public criticism.

With respect to the poor in Third World countries, Novak states that the poor must be brought into the capitalist system. Detailed recommendations to help achieve this objective were made previously by Novak in *This Hemisphere of Liberty*. He also believes that foreign aid, when given, should be allocated directly to ordinary people—not in the form of welfare payments but in the form of education, training, and credit for the launching of small local businesses.

Within capitalist nations, Novak says that the good of the poor needs to be much better served than it has been by dependency-creating welfare programs. He thus calls for a variety of imaginative initiatives by family, friends, neighbors, fraternal societies, churches, unions, clubs, and so forth, to assist those in need. Such local assistance will need to be backed up by a national safety net. He observes that some persons in every society will suffer from physical, emotional, or moral disabilities and that some portion of the citizenry will be without income because of age, illness, or ill-fortune. He then warns that care must be taken to make sure that ill-designed assistance programs do not lure the able-bodied into self-destructive dependency.

Persons on welfare should be permitted to accumulate assets. Assistance should encourage the building up of assets—not the extension of dependency. One way to do this is to privatize public housing. Another is to help the poor start their own businesses. Instead of issuing welfare checks, the government

might issue matching grants to IRA funds begun by poor persons. These funds would grow tax-free until used for investments in new businesses, home purchases, or educational or training programs.

Novak observes that for any republic to survive, envy must be defeated, and the best systematic way to defeat this vice is through economic growth and open access. A system of open opportunity takes allocation, favoritism, and preferences out of politics. True social justice begins by removing systems of political allocation and group favoritism, so that the rule of law may be equally applicable to every individual. Multiculturalism is currently being used to single out certain cultures for special status, favors, and discriminatory treatment.

Although this is not a book about social programs, Novak does offer a few concrete suggestions.[49] They include: (1) identifying the core illness of the underclasses as envy founded on a feeling of failure and incompetence in the arts of civil society; (2) stressing the necessary role of parents (especially fathers) in teaching these arts; (3) conditioning welfare supports for children on the work and education records of both their mothers and fathers; (4) giving welfare benefits to young mothers of small children in congregant settings only (such as local churches and schools) in which they can be brought out of isolation; (5) shaming the media into recognizing their role as supports to parents; (6) devising methods for helping the dependent poor become owners; (7) giving public housing projects constitutions of self-government; (8) turning every institution of civil society to focus on the development of human capital in poor urban areas through the organization of academies, competitions, and training programs; (9) experimenting with enterprise zones, with heavy emphasis on job training and apprenticeship programs; (10) apprenticing young blacks to local entrepreneurs; (11) demanding courtesy, neatness, promptness, and orderliness in schools with work-study programs for apprentices in the community after school; and (12) demanding ever more of the young.

Novak emphasizes the primacy of morals—if our moral and cultural institutions fail, all the rest of ordered liberty is lost. He goes on to say that if the primary flaw lies not in the political system or the economic system but in our moral-cultural system, then the prognosis is hopeful. If the fatal flaw lies in our ideals and morals (i.e., in ourselves) then we have a chance to mend our ways. According to Novak, the hardest part of the moral task we now face is the power of the adversary culture with its emphasis on equality of results and moral relativism.[50] Philosophers such as Richard Rorty reject both metaphysics and the search for foundations.[51] Representatives of this counter-culture repudiate the possibility of any objective, eternal, absolute, moral standard by

which human deeds should be measured. For example, the idea of inalienable rights on which the American experiment rests is understandable only in terms of truth, nature, and God. To exist is to stand out from nothingness, to say yes to life and the will of God who gave us a vocation to wonder at His creation and to bring it to its latent perfection, to the best of our abilities.

Business As a Calling: Work and the Examined Life

In his previous works, Novak identified and analyzed the underlying ideas that make the American system of democratic capitalism meaningful. His thoughtful and practical book, *Business As a Calling*, arguably the best book ever written on business as a vocation from both religious and secular viewpoints, continues his project of illuminating the philosophical, political, economic, and religious dimensions of the free society.

Using anecdotes from the experiences of a variety of entrepreneurs and executives, Novak describes how both religious and secular business people have a sense of calling that can come from a higher authority (God) or an inner drive for self-fulfillment, where both types of business persons search for something they were meant to do. Novak explains that a calling is unique to the individual, requires talent to do the job, is accompanied by the enjoyment and sense of accomplishment, satisfaction, and renewed energies that its performance gives to the called person, and is not always easy to discover.[52]

Novak argues in the Aristotelian tradition that "our work is us" and that each person is involved in a life-task of human flourishing, to realize in community with others, the potential that is his by reason of his own humanity.[53] He explains that character development is a critical ingredient for human flourishing and that business in a free economy not only requires, but also rewards, virtuous behavior by the participants. The free market rewards honest, trustworthy, fair-dealing, creative, discerning, tolerant business persons. Unethical behavior often leads to personal and business disgrace.

Novak observes that most people are religious and therefore search for what God intends for them to do with the unique resources He has endowed in each person. The Creator's purpose of making men in His image was to include each person in His own creative work as a co-creator. This idea of being creative and cooperating in bringing creation nearer to its perfection is an important element of the human vocation. Work is a way to co-create with God. To be a whole person is to find transcendent meaning in our work—to encounter a God who is present in the business world just as He is present in the rest of creation.

Business in Novak's orderly, purposeful, rationally structured, and

spiritually sensitive universe is much more than what a person does to acquire material wealth or success. Business is also a morally serious vocation in that it allows a person to act either morally or immorally. Furthermore, it is a noble endeavor worthy of a person's highest ideals and aspirations in that it creates social connections, lifts its participants out of poverty, and builds the foundations for democracy and the institutions of civil society. In Novak's words, "The calling of business is to support the reality and reputation of capitalism, democracy, and moral purpose everywhere, and not in any way to undermine them."[54]

Novak explains that a successful corporation is one that is morally responsible. Although individual business persons may be unethical, they are the exceptions since capitalism provides strong incentives for moral behavior. According to the author, successful business executives practice three cardinal business virtues—creativity, community building, and practical realism.[55]

Novak goes on to suggest that business as a mediating institution has seven internal responsibilities that arise from the nature of the corporation itself and an additional seven external responsibilities that are derived from Judeo-Christian religious teaching. In order to succeed, a business must: (1) satisfy customers with goods and services of real value; (2) make a reasonable return on the resources entrusted to it by investors; (3) create new wealth; (4) create new jobs; (5) defeat envy by generating upward mobility and by demonstrating that talent and hard work will be rewarded; (6) promote inventiveness and ingenuity; and (7) diversify the interests of the republic, thus guarding against majoritarian tyranny.[56]

The following additional external responsibilities are not found in business as business but in the convictions of its practitioners who bring their faith to the business world: (1) to shape a corporate culture that fosters the three cardinal business virtues as well as other virtues; (2) to protect the political soil of liberty; (3) to exemplify respect for the rule of law; (4) to reflect and act in practical effective ways, individually and with others, in order to improve aspects of society; (5) to communicate often and fully with investors, pensioners, customers, and employers; (6) to voluntarily contribute toward the improvement of civil society; and (7) to protect the moral ecology of freedom.[57]

Novak documents the various ways in which corporations benefit their local communities and the wider world simply by fulfilling these responsibilities. In addition, toward the end of the book, he discusses how business makes a great deal of money available for charity. Here the author uses the example of Andrew Carnegie, who attempted to give away his entire fortune before he

died. Novak explains that giving money away is both hard work and an art. He warns successful business people that leaving a large legacy to their dependents may tend to breed dependency, weakness, and uncreative lives. In addition, he explains the importance of taking steps to keep a donor's original purpose from being thwarted by foundations whose stewards may have different values from those of the benefactor.[58]

In this scholarly and inspiring book, Michael Novak convincingly argues that a career in business can be a serious moral vocation. Anyone interested in the moral role of business in a free society will enjoy and benefit from reading this challenging and thought-provoking work.

The Fire of Invention: Civil Society and the Future of the Corporation

This book is an eloquent, well-argued, and scholarly exposition dealing with the nature and future of the corporation, intellectual property rights, and corporate governance. In this work, which has its basis in three lectures given at the American Enterprise Institute and sponsored by the Pfizer Corporation, Michael Novak takes a foundational approach to examining the nature of the corporation, its purpose, and the best way to advance that purpose.

Novak discusses the nature of the corporation and its relationships to civil society and the state. He explains that the corporation is a voluntary and part-time association of civil society, that is, it is not a total community. Rather, the corporation is a social invention that springs from the acts of its founders who work to provide goods and/or services at a profit with fiduciary care for the investments entrusted to it. As such, the corporation occupies a primary position in the building of the main alternative to the state, namely, civil society. He observes that from the point of view of civil society, the corporation is an important social good: (1) it creates jobs; (2) it provides desirable goods and services; (3) through its profits, it creates wealth that did not exist before; and (4) it is a private social instrument, independent of the state, for the moral and material support of other activities of civil society.[59]

According to Novak, the corporation's independence from government makes it a vital pillar for democracy and freedom. He explains that sources of private capital and wealth are critical to the survival of freedom—the alternative is dependence on the state. The corporation is the chief supporter of research, the arts, universities, charities, and other good works. In addition, corporate ownership extends through more than half of the adult American population through pension plans, mutual funds, and so on, thereby securing the financial hopes of individuals and families. Most important, Novak explains how corporate activities expand the space for private action and independence from the state.

Novak discusses how the corporation is the most successful, transformative, and future-oriented institution in the world. It is an unequaled creator of wealth, products, and services, amassing capital and mobilizing people to accomplish innovative and complex tasks.

Echoing a theme of Abraham Lincoln, who wrote that the patent system added the fuel of interest to the fire of genius in the discovery and production of new and useful things, Novak explains the key role played by intellectual property laws in innovation and wealth creation. If you want more of something, then you should reward it. Patent and copyright protection recognizes the rights of inventors and authors to the fruit of their labor and unintentionally advances the common good through the pursuit of private interests by providing incentives for investment, wealth creation, and the provision of employment.[60]

Novak reflects on the history and distinctive nature of the corporation as a social invention, prior in its existence to the modern nation-state. He details how the state arbitrarily created and retained the "right" to approve of corporate applications and to register them, but that it did not create the right to incorporate or guarantee the corporation's survival. A corporation can only survive if it meets the needs of its customers and the purposes of its investors.[61]

Emphasizing that corporate governance does not mean corporate government, Novak observes that most discussions of corporate governance tend to be wrongly conducted in the language of political philosophy rather than of business philosophy. He calls for scholars to develop a philosophy of business, a heretofore neglected topic, to clarify the purposes of the corporation.[62]

Novak explains that corporations are not political communities, are not at all like states, and that their self-governance is not at all like that of a national government. In states, power is feared and, therefore, checks and balances are appropriate. In government, the point is to prevent leaders from achieving something beyond their stated powers. Checks and balances are not appropriate for the corporation where the point is to create something new—to achieve something. Within a corporation no one should desire a "separation of powers." Whereas in government we need judiciousness and deliberation in the pursuit of general goals in a relatively static organization, in corporations we value instinct, intuition, and quick action in the pursuit of specific goals in a dynamic organization.

Novak urges corporate executives to represent stockholders rather than "stakeholders."[63] He observes that a war is still being waged to socialize the American corporation. He warns business leaders to be wary of modern attempts to re-

cycle socialist ideas. When reformers demand that corporations become more responsible and accountable, they mean dedicated to causes dear to statists such as saving the environment, restraints on executive compensation, empowering workers, constraints on internationalization, and the demand for "public interest" corporate directors. Executives are cautioned not to give intellectual appeasement or funding to the enemies of freedom, including anti-business and special interest groups.

This succinct and cogent work not only provides a framework for analyzing and discussing the nature, purpose, and governance of the corporation, it can also serve as a useful first step in the construction of a "philosophy of business." It is arguably one of the best introductions written to date on the subject of the moral and social importance of the corporation.

Conclusion

In the six books discussed above, Novak thoughtfully makes the case, using a broad range of moral and theological arguments, that capitalism rightly understood is not only compatible with Catholic social teaching but is also the strongest force for liberation the world has ever known. These outstanding works mark an advance in political, economic, and religious thought regarding the right ordering of our lives. Novak's well-documented books offer an original and interesting explanation of the moral structure of the market economy and are indispensible reading for anyone concerned with morality in contemporary society. Novak's revolutionary insight is his explanation of the moral-cultural foundations of political and economic systems that give order, coherence, and moral direction to society. Novak reasons that moral and religious principles not only support democratic capitalism, but that the market, in turn, reinforces virtues such as honesty, hard work, humility, and charity.

Michael Novak has skillfully painted a picture of democratic capitalism and has thoroughly discussed a number of fundamental ideas and basic concepts that undergird democratic capitalism.[64] Those ideas and basic concepts include, but are not limited to the following: (1) the person as free, self-responsible, and accountable before God; (2) man, as God's image-bearer, with the inalienable right and opportunity to share in the process of creating the future of the world; (3) exercising the right to personal economic initiative is to fulfill partially the image of God inherent in every man and woman; (4) the tripartite nature of democratic capitalism including a market economy, a political democracy, and most important, a moral-cultural system based upon respect for individual freedom; (5) the concept of person as distinct from and richer than the concept of the individual—a person is capable of insight and love; (6) codefinition of

person and community; (7) love as sought for the beloved; (8) charity as voluntary concern for one's fellow human beings; (9) the communitarian individual; (10) the family as indispensible to republican government, democratic institutions, and the liberal tradition; (11) the individual as transcendent; (12) self-interest rightly understood; (13) ordered liberty as opposed to license; (14) stewardship; (15) humans as flawed creatures; (16) a limited state based on the inviolability of personal rights and the skepticism of concentrated power; (17) a constitutional government as an effective social system designed for sinners; (18) pluralism resulting in the diffusion of power into many associations to ensure freedom from tyranny; (19) the principle of subsidiarity; (20) mediating institutions based on freedom of association; (21) the distinction between civil society and the state; (22) civil society as made up of freely chosen or natural associations through which citizens can govern themselves independent of the state; (23) the state as a man-made means of securing liberty and justice for all men alike; (24) the common good as something achieved by the participation of all the citizens; (25) the doctrine of unintended consequences; (26) the veil of ignorance; (27) spontaneous order and catallaxy ; (28) change as creative destruction; (29) the common good of civil society as larger, more fundamental, and more vital than the common good of the political community (i.e., the state); (30) the human mind as the cause of the wealth of nations; (31) practical wisdom as ordered reason; (32) the Catholic Whig tradition; (33) the Catholic ethic that stresses the creativity, liberty, and responsibility of the individual; (34) private ownership as necessary for human creativity; (35) social justice as a social habit and personal virtue involving activism, organizing, and trying to make the system better; (36) realization that a system that creates economic growth from the bottom up is the best way to help the poor; (37) the principle of human economic progress involving each person's God-given capacity to create more in a lifetime than he or she consumes; (38) positive-sum concepts of man, nature, and wealth; (39) positive-sum transactions in which all parties to a transaction believe they will benefit (i.e., mutually beneficial exchanges); (40) power based on authority; (41) the rule of law rather than the rule of men; (42) the corporation as a mediating economic institution with specific and limited responsibilities that stands between the individual and the state; (43) the importance of incentives; (44) profit as a reward and as an indicator that a business is functioning well by properly employing productive factors and satisfying human needs; (45) honest competition through which competitors compel each other to cooperate better with the buying public; (46) the notion that human flourishing is the life-task of every individual; (47) business as a calling; (48) the cardinal business virtues of creativity, community

building, and practical realism; (49) intellectual property laws; and (50) stockholders as the only true stakeholders.

Novak has done a great deal with respect to delineating the theoretical foundation of democratic capitalism. He has devoted much of his life to explaining democratic capitalism's fundamental principles and will long be remembered for his innovative work, especially for his influence on Pope John Paul II and *Centesimus Annus*. The principal goal of this paper is to serve as an introduction to the basic ideas of Michael Novak in his published works. By reading and studying Novak's books for yourself, you will gain a much fuller understanding of his ideas and obtain a much greater appreciation for his scholarly contributions.

Notes

[1] Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon & Schuster, 1982).

[2] Michael Novak, *Free Persons and the Common Good* (Lanham, Md.: Madison Books, 1989).

[3] Michael Novak, *This Hemisphere of Liberty: A Philosophy of the Americas* (Washington, D.C.: The AEI Press, 1990).

[4] Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: The Free Press, 1993).

[5] Michael Novak, *Business As a Calling: Work and the Examined Life* (New York: The Free Press, 1996).

[6] Michael Novak, *The Fire of Invention: Civil Society and the Future of the Corporation* (New York: Rowman & Littlefield Publishers, Inc., 1997).

[7] Novak, *The Spirit of Democratic Capitalism*, 13–48.

[8] Ibid., 49–186.

[9] Ibid., 92–5, 156–70.

[10] Ibid., 239–314.

[11] Ibid., 189–236, 315–32.

[12] See Jacques Maritain, *The Person and the Common Good*, trans. John J. FitzGerald (New York: Charles Scribner's Sons, 1947).

[13] Ibid., 40–41; and Saint Thomas Aquinas, *Summa Theologica*, 60 vols., trans. and ed. Thomas Gilby (New York: McGraw-Hill, 1963), 23: 172, appendix 4, "Common and Public Good."

[14] Novak, *Free Persons and the Common Good*, 41–74.

[15] See Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers*, ed. Clinton Rossiter (New York: New American Library, 1961), no. 51.

[16] See Alexis de Tocqueville, *Democracy in America*, ed. J. P. Mayer, trans. George Lawrence (New York: Doubleday, 1969), 506–29.

[17] Novak, *Free Persons and the Common Good*, 75–107, 111–37.

[18] Novak, *This Hemisphere of Liberty*, 107–23. See also Thomas Gilby, ed. and trans., *Saint Thomas Aquinas: Philosophical Texts* (New York: Oxford University Press, 1960).

[19] Ibid., 14–24.

[20] Ibid., 15.

[21] Ibid., 5–9, 25–35.

[22] Ibid., 103–05.

[23] Ibid., 37–47, 49–61.

[24] Ibid., 57–59.

[25] Ibid., 105–6.

[26] Novak, *Catholic Ethic and the Spirit of Capitalism*, 1–14; see also Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons (New York: Charles Scribner's Sons, 1958).

[27] Ibid., 22–33.

[28] Ibid., 17–35; see also Amintore Fanfani, *Catholicism, Protestantism, and Capitalism* (Notre Dame: University of Notre Dame Press, 1984).

[29] Ibid., 9–11, 26–29, 59, and 80–86.

[30] Ibid., 36–61; see also Leo XIII, Encyclical Letter *Rerum Novarum* (May 15, 1891); and Etienne Gilson, ed., *The Church Speaks to the Modern World: The Social Teaching of Leo XIII* (Garden City, N.Y.: Image Books, 1954).

[31] Ibid.

[32] Novak, *Catholic Ethic and the Spirit of Capitalism*, 62–88; see also Friedrich A. Hayek, *Law, Legislation and Liberty*, vol. 2, *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976).

[33] Ibid., 72–79; see also Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931).

[34] Ibid., 63.

[35] Ibid., 62–88.

[36] Ibid., 80–85; see also Novak, *Free Persons and the Common Good*.

[37] Ibid., 87; see also John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963).

[38] Ibid., 88; see also John Paul II, *Declaration of Vatican Council II* (1963).

[39] Ibid., 93–99.

[40] Ibid., 110, 117–18; see also John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981).

[41] Ibid., 106–10, 118, and 121; see also John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (December 15, 1987).

[42] Ibid., 114–43; see also John Paul II, Encyclical Letter *Centesimus Annus* (May 15, 1991).

[43] Ibid., 117–18.

[44] Ibid., 132–36.

[45] Ibid., 139–42.

[46] Ibid., 119–20; see also *Centesimus Annus*, chap. 4.

[47] Ibid., 157–68; see also *Centesimus Annus*, chap. 5.

[48] Ibid., 145–220.

[49] Ibid., 192–94.

[50] Ibid., 195–220.

[51] Ibid., 194–201; see also Richard Rorty, *Philosophy and the Mirror of Nature* (Princeton: Princeton University Press, 1979).

[52] Novak, *Business As a Calling*, 17–53.

[53] Ibid., 96–116.

[54] Ibid., 175.

[55] Ibid., 117–33.

[56] Ibid., 138–44.

[57] Ibid., 145–53.

[58] Ibid., 58–64, 190–205.

[59] Novak, *Fire of Invention*, 37–41.

[60] Ibid., 53–83; see also Abraham Lincoln, "Lectures on Discoveries and Inventions," February 11, 1889, in *Speeches and Writings: 1859–1865* (Washington, D.C.: Library of America, 1989).

[61] Ibid., 26–37.

[62] Ibid., 85–124.

[63] Ibid., 42–46, 113–17.

[64] Edward W. Younkins, "The Conceptual Foundations of Democratic Capitalism," *The Social Critic* (Winter 1998): 34–40.