

A Response to Michael Novak’s “Human Dignity, Personal Liberty”

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Michael Novak’s paper is a sometimes lyrical hymn of praise to the Austrian school of economic theory for having returned economics to its humanistic origins, that in his introduction, he suggests that Leo XIII and Abraham Kuyper, were they alive today, would join in.

The argumentation goes like this: The Austrian School has given priority to Adam Smith’s provocative question, “What accounts for the wealth of nations?” The answer they have developed to Smith’s question is a “humanistic” answer. Economics, as developed by the Austrian School is, thus, once again one of the humanities, as it was for the great founders of the discipline, Smith and John Stuart Mill.

The central thesis of the Austrian School is that what accounts for the wealth of nations is *human capital*. This thesis is what makes their theory “humanistic”—not any old kind of human capital, of course. The most fundamental factor that accounts for the wealth of a nation is the wide distribution throughout its population of that character formation of individuals known as *entrepreneurship*—along with political and economic institutions that secure to the population the *liberty* to exercise that character formation. On the one hand, when personal entrepreneurship is not widely distributed in a population, that nation will not be “wealthy”—no matter how rich the natural resources of the land in which the people dwell, no matter how expansive the financial capital available to them, no matter how wide the liberty they enjoy, no matter how embedded the rule of law. On the other hand, if the people are

not free to exercise the habits and skills that constitute personal entrepreneurship, then, too, the nation will not be “wealthy.” The wide distribution of personal entrepreneurship throughout the population, in the context of political and economic structures that secure the freedom to exercise that entrepreneurship—that is the engine that drives economic growth.

In my response I wish to say some things about what Novak does not say—a type of response that, I freely admit, always runs the danger of being unfair, but before I get to those things, let me make some comments about Novak’s main argument and one of its ancillary points.

I agree that the wide distribution of personal entrepreneurship in conditions of freedom is a fundamental factor in accounting for economic growth; on this, there is no disagreement at all. And let me join Novak in supposing that, for the purposes at hand, we all know well enough what it is we are talking about when we speak of “personal entrepreneurship.” In Novak’s description of the contribution of the Austrian School, however, personal entrepreneurship constantly threatens to become not just the necessary but the sufficient explanation of the wealth of nations. And clearly it is not that—nor, I feel sure, does Novak think that it is. In addition one needs, for example, a stable and effective rule of law—of the *right* sort, I might add. Present-day Russia appears to have quite a few entrepreneurial types who seem to have the freedom to exercise their personal entrepreneurship, but the nation is not becoming wealthy. One of the crucial factors missing is surely a stable and effective rule of law of the right sort.

That was a descriptive point with which, as I say, I am sure, Novak would agree: Widely exercised personal entrepreneurship, though close to being a necessary condition of economic growth, is definitely not a sufficient condition. Let me now move toward a normative point by making one additional descriptive point with which, so I guess, Novak would be less ready to join in. When one looks at how specific nations became wealthy—Holland in the seventeenth century, Britain in the nineteenth, the United States and Japan in the latter half of the twentieth—one concludes that typically it is not just the exercise of personal entrepreneurship within appropriate legal conditions that explains the wealth of a nation. Another important contributing factor is that, within the State, there exists a part of the population that is in a weak bargaining position with respect to the entrepreneurs, or that, among states, there exist states that are in a weak bargaining position with respect to the strongly entrepreneurial states. Whether this is how it has to be is a fair question; this is how it has been.

The normative point suggested by this descriptive point is the following. In a good many situations, and not just economic situations, personal entrepreneurship is a good thing. Not infrequently I find myself in situations where I wish there were more of it—usually more of it in others, let me add, not in myself! But it is, by no means, desirable that everybody in every situation act in entrepreneurial fashion; that would be a recipe for hell on earth. The exercise of personal entrepreneurship in certain situations is plainly destructive, and in situations where personal entrepreneurship is appropriate, often it is exercised in morally unacceptable or questionable ways. The mere fact that personal entrepreneurship has contributed to the increase of some nation's prosperity does not tell us how much of that entrepreneurship was, all things considered, morally admirable. The exercise of personal entrepreneurship is not automatically a morally good thing. The character formation of entrepreneurship is not, as such, a moral virtue. The worth of entrepreneurship lies entirely in the fact that in certain situations it serves the achievement of some morally desirable end. If it is, in fact, to serve morally desirable ends, the populace needs moral discernment and commitment and the willingness to apply those to the exercise of entrepreneurship rather than allowing entrepreneurship to go exempt from moral judgment.

In the course of his discussion, Novak comments that "the most interesting developments in the field of economics [during the last twenty years] may be the new attention being paid to moral factors in economic progress." Economists, he says, "have rediscovered with a vengeance the moral dimensions of human capital in both cultural and personal contexts." However, nothing that Novak reports the Austrian School as holding seems, to me, to authorize this claim. The Austrian School theorists point to *human* factors. Human factors, sad to say, may or may not be *moral* factors. After describing the "qualities necessary for entrepreneurship" as being "moral qualities," Novak gives a sample list of the qualities ingredient in personal entrepreneurship: "tolerance for risk, boldness, leadership, know-how, sound practical judgment, executive skills, the ability to inspire trust in others, and realism." I submit that these are not *moral* qualities—they are not moral *virtues*. They are quite unlike, say, charity!

One more point about the argumentation in Novak's paper—two questions that the theorizing of the Austrian School ineluctably raise are these: What accounts for the emergence of the entrepreneurial type in a certain population? And, once the character type has been formed, what accounts for its exercise in specific situations where it is free to be exercised? Novak does not,

on this occasion, address these questions head-on. He does, though, approvingly cite a passage from Leo XIII's *Rerum Novarum*: "Clearly the essential reason why those who engage in any gainful occupation undertake labor, and at the same time the end to which workers immediately look, is to procure property for themselves and to retain it by individual right as their own...." The same sentiment is expressed in another passage from *Rerum Novarum*, which Novak also approvingly cites. Objecting to the imposed equality of income that he takes socialism as being committed to, Leo says that "no one would have any interest in exerting his talents or industry." Whether the view on motivation coming to expression in these passages is Leo's full view is a question that I will leave to others to investigate. The view expressed seems to me, however, indisputably mistaken—and the fact that (to those of us who are not economists) so many market economists appear to hold the view, is part of what makes us so dubious of economics. Most people exert a great deal of their talent and industry for reasons quite other than financial reward: There is something about the work itself that they find satisfying, or something about the contribution it makes to the lives of themselves and others. Artists, philosophers, teachers, craftsmen, and politicians need money in order to live, obviously, but most of them are not in it for the money.

I move now to the second part of my response. Insisting that a speaker or writer should have discussed what he did not discuss is often a very unfair ploy. Yet, truth sometimes requires saying more. We have all been in situations where everything someone said was true but the totality was "false"—"false" because those "true things" he did mention steered one's attention away from other things more important; or "false" because his failure to set those "true things" within context encouraged a distorted picture of the wider context. I think that is how it is here, and let me make clear that henceforth in this response, the "I" who is speaking is an "I" profoundly shaped by the legacy of Abraham Kuyper. It is my judgment that an "I" shaped by the full legacy of Leo XIII would want to say similar things.

Novak cites approvingly one of those many passages in Kuyper in which, with extraordinary eloquence, he denounces the French Revolution. The French Revolution, says Kuyper in the passage quoted, tried "to construct an artificial authority based on individual free will." It "placed the egoism of a passionate struggle for possessions" at the center of social life. It destroyed "an organically integrated society" and left nothing in its place "but the monotonous, self-seeking individual asserting his own self-sufficiency." I submit that Kuyper would regard the Austrian School, if it does not go beyond placing the human capital of individual entrepreneurship at the center of its economic

analysis, as exhibiting the same ills that infected the French Revolution. If nothing more is said, then, here, too, everything is made to orbit around "individual free will," the "monotonous self-seeking individual." If nothing more is said, then, here, too, "the egoism of a passionate struggle for possessions" is placed at the center of economic life.

What, then, is the "more" that a person shaped by the legacy of Kuyper would want to say? I must content myself with making four points, each of them all too briefly stated.

First, a person shaped by the legacy of Abraham Kuyper will want to keep constantly before us the fact that the economic dimension of our human existence is no more than that: *one* dimension of our multidimensioned human existence. God has planted in human beings the impulse to explore and develop the potentials of the natural world; and beyond planting in us the impulse, God has granted to us the *right* to do so, provided that we do it to the end that human beings may flourish—and that the "glory" of the Creator may be ever more fully revealed. The economic dimension of human social life is but one dimension of this impulse and this right. Should we fail to keep the broader context in mind, we run the almost irresistible danger of economizing human life. That is: the danger, in our practice, of allowing the economic dimension to overwhelm all other dimensions, and in our theory, of thinking of human life as a whole in economic terms.

Second, a person shaped by the legacy of Abraham Kuyper is going to resist the suggestion that prosperity is *the* goal of the economic dimension of our human social existence. For one thing, he is going to ask: *Whose* prosperity? The answer one gets from Adam Smith and the Austrian School is, the prosperity of the nation. A high level of gross national product is the prosperity in view.

A person shaped by the legacy of Kuyper will hear, ringing in his ears, the biblical theme of "each and every." God desires that *each and every* human being should flourish, and that you and I will cooperate in fulfilling that desire. In 1891, the same year in which Leo XIII issued the encyclical *Rerum Novarum*, Kuyper wrote, "When rich and poor stand opposed to each other, [Jesus] never takes His place with the wealthier but always stands with the poorer." Both "the Christ, and also just as much His apostles after Him as the prophets before Him, invariably took sides *against* those who were powerful and living in luxury, and *for* the suffering and oppressed." It is not because he romantically idealized the poor that Kuyper was of this view, but because, as I say, he had heard that biblical note of *each and every*. Now, we all know that a high GNP is compatible with the impoverishment of a sizeable proportion of

the population—compatible, indeed, with the impoverishment of the *majority* of the population. Thus, a person shaped by the legacy of Abraham Kuyper is not going to be content with being told that some nation has a high GNP. He is going to share the concern of the Austrian School with the production of wealth, but he will also look inside the GNP to discern the distribution of wealth. Having discerned its distribution, he will not argue for equality of distribution, but he will definitely insist that the nation do what it reasonably and responsibly can to reduce impoverishment. In short, a person shaped by the legacy of Abraham Kuyper will give the rights of the poor and, more generally, economic justice, a prominent place in his thinking about the economic order.

Third, a person shaped by the legacy of Abraham Kuyper will not regard prosperity—that is, level of income and possessions—as the sole contribution of economic activity to human flourishing. Our very work itself is meant to contribute to our flourishing, not just to the financial reward thereof. And not only is work meant to be satisfying and fulfilling for the one who works, but the product of that work is meant to serve the flourishing of one's fellow human beings. The entrepreneur of pornographic literature may achieve a high income and may contribute significantly to the GNP; he may even enjoy some satisfaction in the work itself—getting the photographs to turn out clear and sharp, et cetera, but he does not serve the flourishing of his fellow human beings. Economic activity exhibits not only our created nature but our fallenness. The fallenness it exhibits is not the consequence of the supposedly iron laws of profit. Its fallenness is not fate but choice. On this, the Austrian School is eminently correct. Economic activity calls, thus, not for lament but for moral judgment. How such judgment should be arrived at in a democratic society is a question worthy of sustained discussion.

Last, a person shaped by the Kuyperian legacy is committed to the proposition that a fundamental condition of human flourishing in the modern world is that there be vitality in civil society; a condition, in turn, of such vitality, is that the State guarantee and respect the rights and duties inherent in civil society and, conversely, that the various institutions of civil society respect the right and duty of the State to secure justice for the citizenry. Add to this that these rights and duties are granted directly by God—both the rights and duties of the State and the rights and duties inherent in civil society—and one has the essence of Kuyper's doctrine of sphere sovereignty. The doctrine has rich implications for the issues at hand. The right of individuals and of the institutions they establish, to engage in economic activity is not a right granted by the State but a right granted by God. Deep in Kuyper is resistance to State

aggrandizement in all forms, be it of the Left or of the Right. *God is sovereign, not the State*. Nonetheless, it is the duty of the State under God to regulate the economic order so that justice may be established, rights respected, and the common good enhanced; conversely, it is the duty of individuals and enterprises to allow the State to do this, and not to coerce the State into serving their own economic interests.

This, I say, is some of the "more" that a person shaped by the legacy of Abraham Kuyper would want to bring into the discussion. All in all, it is a "more" that provides the *context* within which, a person shaped by that legacy would want to discuss entrepreneurship.