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## The Political, Economic, and Moral Underpinnings of Liberty

Interview with Michael Novak  
*American Enterprise Institute*

In his interview with CIPE, Michael Novak discusses the universal features of the human desire for liberty and its connection to democracy in light of his recent book *The Universal Hunger for Liberty: Why the Clash of Civilizations is not Inevitable*. Mr. Novak explains that liberty is actually a tripartite system in which political liberty, economic liberty, and moral and cultural liberty must be blended together to form a balanced system. Free enterprise is an important component of this equation because entrepreneurs create jobs and add value so that others can become enfranchised and strive towards their own personal goals.

Mr. Novak also discusses the importance of religion and civil society in a democratic society. He presents Alexis de Tocqueville's argument that religious values and active participation in civil society are needed for a democracy to grow and flourish. The strong connection between religion and the economy is also becoming more apparent, because religion instills the moral and cultural values essential to protect democracy and a dynamic economy.



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1155 Fifteenth Street NW • Suite 700 • Washington, DC 20005 • USA

ph: (202) 721-9200 • web: [www.cipe.org](http://www.cipe.org) • e-mail: [cipe@cipe.org](mailto:cipe@cipe.org)

**CIPE:** Your new book, “The Universal Hunger for Liberty,” has a fascinating subtitle: “Why the Clash of Civilizations is Not Inevitable.” What is the connection between these two thoughts - the desire for liberty and the fact that the clash of civilizations is not inevitable?

**MR. NOVAK:** The most frequent objection to the idea of a universal hunger for liberty is: what about Islam? Samuel Huntington’s book “The Clash of Civilizations” is a provocative and important book. However, although there is a lot of truth to his argument, I don’t think it should be interpreted to mean that a clash is bound to happen. In my book, I argue that there are reasons within Islam to be hopeful about the prospects of adopting an ideology in which liberty is an essential component.

**CIPE:** Why did you choose to focus on liberty, rather than the common notion of democracy?

**MR. NOVAK:** Liberty is the most basic human desire. Democracy, on the other hand, is the political protection of that longing for liberty and it requires, over time, the development of a whole set of supporting insights, institutions, and practices. Democracy is a sophisticated political system and many of its principles are counterintuitive and must be discovered through experience, rather than by way of logic.

There’s a spiritual and moral dimension of liberty. Liberty is actually a tripartite system in which political liberty, economic liberty, and moral and cultural liberty must be blended together to form a balanced system. So, the whole of human history can be viewed as a struggle to work out the implications of this very simple hunger for liberty.

**CIPE:** We operate in the belief that democratic and economic freedoms are intertwined. Could you build on this relationship between economic liberty and political liberty? More specifically, could you discuss your take on the idea that in the democracy movement too little attention is given to its connection to economic liberty?

**MR. NOVAK:** Organizations like CIPE and the National Endowment for Democracy are essential for the development of democracy and economic liberty. For example, following the struggle for democracy and collapse of the socialist system in Eastern Europe, people did not see immediate improvements in their quality of life. After a year or two of voting and seeing very little improvement in economic conditions, there was growing restlessness and dissatisfaction. In other words, it became apparent that people, especially

those at the bottom of the economic ladder, are not satisfied by democracy if all it brings them is a chance to vote every two years. People need to see progressive change in order to be satisfied with a new political system.

What the people wanted to see was economic initiatives, not a broad-based instant solution. They were looking for some concrete steps forward, so that in the future, they could expect better economic prospects and an improved quality of life. Some countries have succeeded better than others, as seen by the recent EU accession of some Eastern European nations. I think that’s one more piece of evidence in support of the theory that a growing dynamic economy is a necessary condition for the consolidation of democracy.

**CIPE:** How do businesspeople fit into this model and what is their role?

**MR. NOVAK:** You don’t get economic growth or growing employment without employers. The first person I heard articulate this succinctly was George McGovern, the senator and presidential candidate from South Dakota, who retired to start a hotel in New England with his wife. He was appalled at how many documents he had to sign and how many taxes he had to pay and how many things he had to fill out. He had no idea that so many regulations were imposed on small business and how difficult it was to succeed. And I believe it was he who said that our politicians should pay attention to overregulation of business, because you can’t have employees without employers.

Another way to make that point is to look at the demographics in Latin America. 10 years ago, there were 95-100 million people under the age of 15. That meant that every year, more jobs would have to be created as these youths entered the workforce at 16. Combined with the need to provide jobs for unemployed adults, Latin America needed to create at least one million new jobs every year. Ideally, that’s very easy – in Latin America there are many potential jobs waiting to be created. However, to actually educate the workforce, create these jobs, and hire employees, an entrepreneur has to step in and a proper educational system and infrastructure have to be developed. Jobs cannot be created without the existence of employers, and, therefore, entrepreneurs must be allowed to put their business skills to work for the benefit of the society. This is why business is such a strategic element in economic development, which can’t be guaranteed by government alone.

In developing countries we increasingly see that small businesses development must be encouraged to promote

economic growth. Out of all the development indices, the most important index to watch is the one that shows the number of new businesses established and how these businesses perform over time. If the number stays high or increases, the unemployment problem is being resolved, but if it falls or remains low, no progress is being made.

**CIPE:** Although it sounds so clear, there's a tremendous amount of hostility directed at capitalism around the world and you speak about that in some parts of your new book. What are the sources of this hostility? Why, when these are the people that are creating the jobs, building the future, is there such antipathy toward business people and capitalism?

**MR. NOVAK:** Marx, who was one of the more successful teachers of the last 200 years and spread his ideas to hundreds of millions of people around the world, popularized the concept of capitalism. Unfortunately, he thoroughly misconceived it and spent his whole career blackening its reputation and teaching people that the source of evil in the world is private property and the production of goods and services for profit. If you have noticed, even in the United States, we tend to talk about free enterprise, not capitalism.

Because of this, businesspeople often have a negative reputation. Instead of being viewed as integral members of society who create jobs and add value, they are seen as exploiters.

Even among entrepreneurs we sometimes observe such attitudes. Primary suppliers have traditionally been biased against markets and businessmen, whom they view as middlemen. From the point of view of the farmer, he produces the goods, and the businessman makes a profit off of the farmer's labor. But the farmer doesn't consider the costs and risks of the wholesaler, which points to a lack of understanding of how markets work.

There are a host of reasons why many people hold a negative opinion of business. Yet, it's quite often the most humble and despised things in this world that turn out to do the most good for people. If you want to move people out of poverty, there is not another instrument as powerful and successful at creating new jobs. Business has a crucial role in alleviating poverty.

I must also add that business is the primary and most important institution of civil society. If you don't have profits created by businesses, you don't have any funds for

doing not-for-profit work, like conducting cancer research or paying for hospitals and schools. Although the state is the direct benefactor, the funds are obtained through taxing profitable enterprises.

That makes business the number one civil society institution through which people can empower themselves and their communities without turning to the State. If we want to live in a free society in which we're not totally dependent on the State, we depend upon a very rich, active, and valuable civil society. That civil society cannot function without a very active business sector. It provides both the funding and a great deal of the leadership in civil society.

The other function of business that is frequently overlooked is that it makes democracy possible. Business is the number two institution of democracy.

**CIPE:** If business is the number two institution of democracy, then what is the primary institution?

**MR. NOVAK:** The first institution of democracy is religion. According to Alexis de Tocqueville, without recognizing the inherent worth of human life, we wouldn't have a theory of rights. In a democratic society, even people who are not religious understand the value of each human being. Individual rights are the basis on which democratic principles are built.

**CIPE:** As we look around the world, your point is readily apparent. As small business grows, pressure for reform increases and people gain more economic liberties. People start to look to the future and advocate for change in the political system as well – they demand a democratic system and democratic freedoms.

According to your previous point, the relationship between religion, moral values, and business is very important. That would imply that the first and second pillars of democracy are linked. And without a sound system of business ethics that's tied back to the democratic system, it's really hard to keep these kinds of modern economies going. How does religion affect business and business ethics?

**MR. NOVAK:** The importance of religion in economics is very surprising. Professor Robert J. Barro of Harvard has been reporting in a number of essays about the importance of the religious factor in economic development and progress. He has discovered that religion causes people to be willing to sacrifice their own interests in the present for the sake of a better life for their children. This relates to the

way a businessperson needs to invest his or her profits to build a sustainable business.

Planning for the future is a fundamental principle of investment. If a company does not invest in its future, it will fail. A company has to be willing to invest its current profits in order to ensure a prosperous future.

**CIPE:** How are moral values and the religious underpinnings of business of interest to business schools? Do you think the current methodology of teaching business relates to those values?

**MR. NOVAK:** I've attempted to show how I think this ought to be done in my book *Business as a Calling*.

Many business ethics texts paint business in a negative light, as if there is something inherently dishonest about doing business. Thus, it seems like the role of business ethics is to improve the external image of business, not to instill ethical practices in companies. If you're going to teach real business ethics, you need to step back from the way most textbooks do it and think about the assumptions people make about business.

You also have to step back from the ideological assault on capitalism brought about by Marxism. Many people hold a negative view of business and consider the act of making a profit exploitative, especially on the part of large corporations. Those prejudices must be overcome for people to see the positive role that business plays in society.

There's not a business or a corporation in the United States that is not built around an idea—a new product, a new way of producing products, new services, or a new way of bringing them to other people. That requires active creativity. So, I argue that the most important virtue of economic activity is creativity and I think that virtue has profound Jewish and Christian roots. We learn from "Genesis" that God created heaven and earth and that every man and woman was made in his image. Thus, it is human nature to create, and we continue to make new advances in product design, production, and even the field of economics itself

A second important point is that business is a social activity. In order to succeed, a businessperson must rely on and work with others—loyal customers and clients and trustworthy employees are an integral part of what makes a business thrive.

Third, a businessperson must be adept at reading reality correctly. It is very easy to make mistakes in business; as it is, four out of seven new businesses fail in the first three years. That makes businesspeople unusually responsive to the world in the way that academics or others don't quite have to be.

Incidentally, if you measure the attitudes of elites in the United States, among the three most religious turn out to be businesspeople. That makes sense. They know how many things could go wrong and how their success is in many ways predicated on luck and the help of others. So, they learn to have a certain faith and trust in Providence.

In short, I think religion is a key component - I think business ethics is a very complex and rich form of reality in ethical reflection.

**CIPE:** You've referred at various points to the ideological assault on business from a Marxist point of view. Certain post-Socialist states like Russia and other former Soviet Union Republics have experienced unsavory abuses of business, such as the rise of "the oligarchs"—wealthy businessmen, many of whom made their fortune through corruption and graft. Many citizens of places where this has occurred have negative feelings toward capitalism and business. Can economic and democratic liberties develop in such a situation?

**MR. NOVAK:** The Western economists who advised Russia and other newly-independent states often left moral and cultural factors out of their calculations entirely. They talked about economic schemes and economic laws, but they didn't recognize the dependence that economic practice has on religious and moral values. The disaster that followed was not surprising. Business will not work without the rule of law. In fact, something more than the rule of law is necessary because conditions change so fast in the world of business that the body of laws is often insufficient to cover all situations. Therefore, the business community must be guided by moral principles—there have to be people who refuse to do certain things, even though the law does not prohibit them.

This is an observation that de Tocqueville made about Americans. Because of their religious heritage, Americans respect certain moral rules even when not required by law. You depend on people having an instinct that certain things are wrong, even though it may be the first time such an issue has ever appeared in the history of the world. There's

no guidance except moral intuition and their ability to see long-term implications.

So, I think the lesson that Russia is teaching the world is about the crucial importance of that third pillar. It's one thing to have democracy; it's another thing to have a dynamic economy, but it's yet a third thing to have a culture and a moral system suitable to protecting democracy and that dynamic economy. You have to create a culture of democracy and instill democratic institutions before democracy actually functions.

**CIPE:** You talk about the rule of law and its implications. How does it change when you move into Muslim countries, where rule of law may mean some form of Sharia law?

**MR. NOVAK:** I'm not an expert on Islam, but I admire certain features of Islamic cultures very much. I appreciate what I interpret as the fundamental insight of the Islamic experience: the insight into the greatness of Allah. Belief in the greatness of the Creator puts everything about human existence into perspective - it means that no other regime is significant in the eyes of Allah.

Islam is being spread today in many major cultural areas of Asia and Africa, particularly in the Middle East. Those countries have been governed by different political systems and there have been significant historical differences in the development of those political, legal, and economic systems. There's a tremendous amount of pluralism within Islam and there are four different traditions of jurisprudence.

Only one of these is the kind of Sharia law that the extremists are intent on enforcing. It is not used for religious reasons, but to terrorize and control the populace. I don't think the current extremists are religiously motivated, although they claim to be. They're willing to run roughshod over religion whenever it contradicts their political views.

In Islamic thought, there is a profound role given to what Jews and Christians have followed for many centuries: Natural Law or Halachic (Jewish) Law. This type of law is said to originate with the Creator Himself. That is where the great difficulty arises, which I try to address in "The Universal Hunger for Liberty." Islam is and must be a religion of liberty in the sense that it's a religion of rewards and punishments.

For example, it is written that if you are a martyr in defense of Islam, you receive a reward of 72 virgins once you get to Paradise. Although this example may seem extreme, the underlying message is very important - you are given the

freedom of choice, and based on your choices you will be rewarded or punished. That means a theory of liberty is buried within Islam. However, the Koran has very little to say about liberty. Liberty does not receive the same level of prominence given to it in the Bible.

Secondly, very profound and systematic Islamic reflection since the 7th century has not given nearly as much attention to liberty as Western thought has. There's a deficit of thinking about liberty in Islamic thought, but that is changing. There is a great effort in modern Islamic thought to study the concept of freedom and liberty. The ultimate goal is to create an Islamic society governed by the Universal Declaration of Human Rights and compatible with democracy.

Someone said, perhaps metaphorically, "There have been more books and articles written on Islam and democracy in the last 365 days than in the last 100 years." There's a tremendous pressure in the Islamic world to find a way to govern society without oppression by religious police, tax police, and security police. There is also an effort to alleviate unemployment and create greater opportunity for youth in Muslim countries.

In an article published in the *Journal of Democracy* earlier this year, Seyyed Vali Reza Nasr made the point that the great demand for democracy is coming not so much from Islamic religion, but from the political experience of Islamic people. And I think that's a very powerful force, which will influence people who want to be devoted to Allah to change the political applications of Islam to provide what they consider to be essential to their lives.

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*Theologian, author, and former U.S. ambassador, Michael Novak currently holds the George Frederick Jewett Chair in Religion and Public Policy at the American Enterprise Institute in Washington, D.C., where he is Director of Social and Political Studies. He is also a board member of the National Endowment for Democracy.*

*Mr. Novak is an accomplished author, having recently published *The Universal Hunger for Liberty: Why the Clash of Civilizations is not Inevitable*. He has written some 25 influential books on the philosophy and theology of culture, including: *The Open Church* (1964), *Belief and Unbelief* (1965, 1994), *The Experience of Nothingness* (1970, 1998), *The Rise of the Unmeltable Ethnics* (1972, 1996), *The Guns of Lattimer* (1976, 1996), *Moral Clarity in the Nuclear Age* (1983), *Will It Liberate? Questions About Liberation Theology* (1986), and *Free Persons and the Common Good* (1989). Together with the Lay Commission on Catholic Social Teaching and the U.S.*

*Economy, he wrote *Toward the Future* (1984) and, with a scholarly committee, *The New Consensus on Family and Welfare* (1987). His other books include *This Hemisphere of Liberty* (1990), *The Catholic Ethic and the Spirit of Capitalism* (1993), *The Joy of Sports* (1976, 1994), *To Empower People: From State to Civil Society* (1996), *Business as a Calling* (1996); *The Fire of Invention* (1997), and with his daughter Jana Novak, *Tell Me Why: A Father Answers His Daughter's Questions About God* (1998); *On Cultivating Liberty* (1999); and *A Free Society Reader* (2000). Mr. Novak has also published two novels: *The Tiber was Silver* (1961), *Naked I Leave* (1970).*

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