

with America,” as would later be set up with Ireland—a federal union used to genocidally depopulate Ireland.

It is standard historiography to lyingly say that Smith was a friend of America, and even worse, that he helped the American Revolution. On the contrary, Smith—who personally drafted the infamous tea tax for British Chancellor of the Exchequer Charles Townshend

in 1767, which so provoked the American colonies—wrote his economic works for the purpose of establishing a British-financier world empire, in which, under the banner of “free trade,” the Anglo-Dutch oligarchy would dominate the world’s trade in raw materials, food stuffs, finance, and so forth. America’s aspirations to become a republic would be crushed; it would remain a

backward raw materials supplier to the British mother country.

George Washington’s Treasury Secretary, Alexander Hamilton, rejected Smith’s duplicitous free trade recommendations, and followed instead a dirigist-protectionist policy. It was as a result of rejecting Smith, that the American economy blossomed.

—Richard Freeman

## Seeking To Serve Two Masters

Michael Novak’s book is an attempt on the part of a group of neo-conservative liberal capitalists in the American Catholic Church, to misinterpret Pope John Paul II’s encyclical *Centesimus Annus*, in such a way as to turn it into an apology for the economic looting of both Eastern Europe and Ibero-America. More sophisticated than Rev. Richard John Neuhaus, who attempted in his book, *Doing Well and Doing Good, The Challenge to the Christian Capitalist*, to portray the Pope as having endorsed Max Weber’s “Protestant ethic,” Novak attempts to make his so-called “democratic capitalism” more palatable to Catholics by packaging it as a reflection of a “Catholic ethic.”

In his preface, Novak admits that this book differs from his earlier book, *The Spirit of Democratic Capitalism*. He writes, “In 1981, when I was writing that book, I had not yet seen the link between capitalism and creativity, the crucial point in the Catholic ethic.” Not to have seen the connection between human creativity and economics does not say much for Novak’s previous understanding either of economics or of Christian morality. But instead of humbly reconsidering his understanding of economics in light of this failure, he has merely attempted to salvage his previous flawed concept of liberal capitalism by cloaking it in the Judeo-Christian concept of man as created in the *image of God*.

In reality, both Novak and Neuhaus reflect a similar kind of Manichean tendency. They deny that the so-called material world, the world of economic policy, can or should be ordered according to the spiritual or moral values,

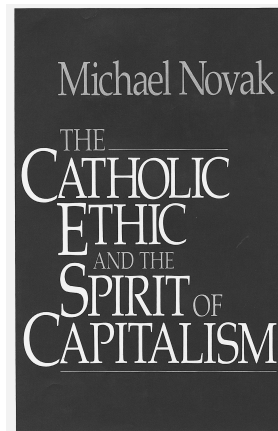
which flow from the concept of man as created in the image of God. Their essentially Manichean presumption, that the material world is evil and that spiritual values are limited to personal, familial relationships, but do not extend to economic policy for humanity as a whole, leads them to the completely immoral act of defending the evils of liberal capitalism.

Novak correctly identifies human creativity as the true source of economic wealth, and derives man’s creative capacity from the fact that he is created in the image of God. However, by divorcing creativity from morality, he reduces man’s capacity and responsibility to use his creative intellect for the good of his fellow man, into a rationalization for his continued exploitation.

Moreover, by emphasizing what he calls “civil society” in opposition to the role of the state, he, like his collaborator Reverend Neuhaus, deliberately runs interference for the policies of the International Monetary Fund and the World Bank, which Pope John Paul II referred to as the “structures of sin” in his 1987 encyclical *Sollicitudo Rei Socialis*.

### In the Catholic Whig Tradition?

Perhaps the best way to demonstrate the fallacy of Novak’s approach to capitalism is to discuss the American System of political economy, in opposition to the British system. Novak, like Neuhaus, understands that there are two forms of capitalism. However, he completely confounds the two. Thus, on the one hand, he refers to himself as in the “Whig Catholic tradition,” and cites the economic policies of Abraham Lincoln favorably as coherent with the social



The Catholic Ethic and the Spirit of Capitalism  
by Michael Novak  
The Free Press, New York, 1993  
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teaching of the Catholic Church. On the other hand, he includes Abraham Lincoln in a rogues’ gallery of liberal capitalists, including John Stuart Mill, Adam Smith, Friedrich von Hayek, Ludwig von Mises, and Milton Friedman.

Like Neuhaus, he defines liberal capitalism as extreme libertarianism, in order then to claim that his brand of liberal capitalism is in the Whig tradition. Novak even goes so far as to offer Ayn Rand as his only example of a liberal capitalist, as if liberal capitalism began with the writing of *Atlas Shrugged*.

But as the leading economist of the Twentieth century, Lyndon LaRouche, has documented, the American Revolution was fought against the economic policies espoused by British East India Company employee Adam Smith in his *The Wealth of Nations*.

The American System was based upon the dirigistic policies of France’s Jean-Baptiste Colbert and the physical-economic theories of Gottfried Wilhelm

Leibniz, in direct opposition to the free-trade policies advocated by Adam Smith. If Novak were truly a Whig Catholic, he would acknowledge that the American System of economics inherited by Abraham Lincoln was first put into practice by Alexander Hamilton, U.S. treasury secretary under President George Washington. He would then have to admit that this system promoted the development of manufactures through protectionist tariffs and through the issuance of credit by a National Bank.

Then he would have to admit that, in contrast to the liberal capitalist British system of Adam Smith and the related socialism of Karl Marx, the American System identifies the true source of wealth as the development of the “productive powers of labor.” As LaRouche has documented, this concept is not only expressed by Alexander Hamilton in his “Report on the Subject of Manufactures,” but is the crucial economic conception put forth in the economic writings of Benjamin Franklin’s Irish-American collaborator Mathew Carey, his son Henry C. Carey, who was Abraham Lincoln’s adviser, and the German-American economist Friedrich List.

Thus, if Novak were honest, he would acknowledge that his recent discovery of the importance of the creativity of the human person to political economy, is the central thesis of the American System of political economy, in opposition to the British system which he is advocating. He would also acknowledge that his attack on the state sector of the economies of Ibero-America and his support for the privatization of those sectors as demanded by the I.M.F. and World Bank are coherent with the colonialist policies of free trade advocated by Adam Smith, and are in opposition to the policies of the American System or Whig tradition.

If Novak were to maintain that this American System of political economy were coherent with the social teaching of the Catholic Church, he would be right. For this system, like the social teaching of the Church, rejects the axiomatic assumptions of both Adam Smith’s liberal capitalism and Karl Marx’s socialism, and identifies the pri-

macy of man as *imago viva Dei* (in the living image of God). Not only has this fact been recognized by Lyndon LaRouche, but it was also correctly identified by the French Dominican priest Father Bruckberger, in his 1959 book *Image of America*. Bruckberger wrote of Henry C. Carey, that he “rejected both the capitalist postulate and its Marxist corollary. . . . The ultimate objective of all human effort, according to Carey, was not just the accumulation of the things of the world, but the achievement of civilization itself, in other words, the creation of a more and more civilized mankind—the production of the being known as Man capable of the highest aspirations.”

But this is not what Novak does. He defends not the American System in opposition to the British system, but rather an American System as it was subverted by the British system after the assassination of Lincoln.

Does this mean that the American System is irredeemable? Not at all. However, to reclaim it would require implementing the reforms advocated by Lyndon LaRouche, including the replacement of the British-style Federal Reserve System with a Hamiltonian National Bank capable of issuing non-usurious credit for the promotion of manufactures. But this is precisely the kind of governmental reform which Novak opposes.

### The Principle of Subsidiarity

The key to understanding what is wrong with Novak’s representation of Pope John Paul II’s encyclical *Centesimus Annus*—written in 1991 for the centennial of *Rerum Novarum*, the first social encyclical—and the social doctrine of the Catholic Church as a whole, is his misuse of what is called the *principle of subsidiarity*. Novak uses this concept along with the *principle of association*, espoused by Leo XIII in *Rerum Novarum*, to redirect social action in behalf of justice away from the reform of government policy.

Novak accepts the claim of the agnostic pseudo-economist von Hayek, that there is an unresolved contradiction in the concept of social justice developed by Pope Pius XI in his encyclical

*Quadragesimo Anno* (written for the fortieth anniversary of *Rerum Novarum*), namely that justice is a virtue—and therefore only personal, not societal.

The principle of subsidiarity in Catholic social doctrine is itself coherent with the economic policies of the historical American System. In a footnote, Novak quotes Oswald von Nell-Breuning, S.J., who collaborated with Pius XI in writing *Quadragesimo Anno*: “Long before the encyclical *Quadragesimo Anno* (1931) proclaimed the principle of subsidiarity . . . , Abraham Lincoln had formulated it thus for practical use: ‘The legitimate object of government is to do for a community of people whatever they need to have done but cannot do at all, or cannot so well do for themselves in their separate and individual capacities. In all that people can individually do as well for themselves, governments ought not to interfere.’”

However, what Novak argues, is that, since enlargement of the state is not the solution, social action should focus on the expansion of what he calls “civil society,” and not on introducing changes in governmental institutions for the purpose of regulating economic policies according to the principle of social charity.

Of course, enlargement of government to the detriment of the citizenry is a red herring. The proper role of government is to foster “the general welfare.” But when government does not do that, but rather subordinates itself to corrupt financial interests—what Pope John Paul II refers to as the “structures of sin”—it is the responsibility of the citizen to change the unjust policy of government.

Novak makes only one reference to the “structures of sin” in his book and it is very revealing: “In brief, a democratic capitalist society is merely a thisworldly form, perhaps the most responsive to the social implications of the gospels yet developed by the human race—but, nonetheless, quite imperfect. Such a regime is designed for sinners (the only moral majority there is), and burdened by ‘structures of sin,’ as is the fate of all human societies.” This is nothing other than the Manicheism central to Max Weber’s “Protestant ethic.”

In contrast to Pope John Paul II, who

calls for reform of the international monetary and financial system, Novak argues that, because this world is not the Kingdom of God, it is the fate of all human societies to be exploited by the structures of sin.

Rather than demanding debt relief for the Third World as the Pope does in the tradition of the Jubilee, Novak argues that “the inability of some Third World nations to pay their debts indicates that their economies do not use borrowed money creatively enough to make a profit on it from which interest could be paid. Instead, the money seems simply to vanish, sometimes with little to show for it.”

Rather than demanding reform of the international monetary and financial system as the Pope does, Novak instead demands structural reform of the Third World victims so as to open them up to further looting. For example, Novak would have us believe that exploitation in the nation of Peru comes not from neo-colonialism, but rather from oppressive local laws!

To the extent that reform is needed in Peru itself, it is certainly not the kind advocated by Hernando de Soto based upon his concept of “the informal economy,” which Novak supports as an expression of “civil society,” but rather it is reform based upon the American System of protective tariffs, national banking, and credit for large-scale infrastructure development. It would also entail a debt moratorium, as implemented by Alexander Hamilton after the American Revolutionary War and as Lyndon LaRouche proposed to do in his 1982 memorandum to Mexican President José López Portillo, “Operation Juárez.”

At one point, Novak writes: “A few writers on the Catholic left still believe that *Centesimus Annus* demands large ‘structural’ changes in existing democratic societies, and in this they are correct; but they are wrong about the direction of those changes. Pope John Paul II does not propose more socialism or more dependency-creating welfare.” Of course he is not proposing socialism! But that is the same old red herring. The alternative to socialism is not the Smithian policy of the I.M.F. as advocated by Novak. The alternative to unfair trade

policies is not to integrate Third World nations into the “structures of sin” under the guise of free trade, but to introduce the principle of equity into relations among nations. The alternative to underdevelopment is not the World Bank’s “appropriate technology” policy, but rather the transfer of “high technology.” Nor is the alternative to dismantle the state sector industries and channel credit only into what is referred to as “barefoot capitalism.”

#### Universal Destination of Created Goods

Throughout his book, Novak makes every effort to portray the social teaching of the Catholic Church as consistent with the liberal capitalism of Adam Smith. For instance, he claims that although, as far as is known, Leo XIII never read Adam Smith, “admiration for Smithian concepts, and even allusions to certain phrases of Smith’s, are visible in the text of *Rerum Novarum*.” However, the major stumbling block to his misinterpretation of the social doctrine of the Church is the principle of the universal destination of created goods, the implications of which Novak attempts to circumvent.

As Novak writes: “Catholic social thought does insist on one principle that some regard as contrary to the spirit of democracy and capitalism. In a single sentence in *Sollicitudo Rei Socialis*, the Pope stated this ‘characteristic principle of Christian social doctrine’ quite simply: ‘The goods of this world are *originally meant for all*.’ This principle is formally known as ‘the universal destination of created goods.’”

Novak admits that this principle is “not exactly identical to that of John Locke and the Anglo-American tradition. . . .”

For this reason he, like Reverend Neuhaus, is particularly incensed at Pope Paul VI’s 1967 encyclical *Populorum Progressio*, which he slanders as reflecting the influence of “Eurosocialism.” In this encyclical, Pope Paul VI wrote, “Private property does not constitute for anyone an absolute and unconditional right. No one is justified in keeping for his exclusive use what he does not need, when others lack necessities.”

Novak is forced to admit that,

according to St. Thomas Aquinas, a human being “ought to possess external things, not as his own, but as common, so that he is ready to communicate them to others in their need.”

But to avoid the clear moral implications of what Pope Paul VI calls the “human duty of solidarity,” Novak argues that created goods would abound on one condition: “the smooth functioning of open capitalist institutions.” Moreover, according to Novak, the only obstacle to this is the continued existence of “repressive regimes” in the Third World.

#### The Culture of Death

In the chapter titled “Against the Adversary Culture,” Novak is forced to admit the decadence of the moral-cultural system in the United States. He admits that “this Pope worries about the West, particularly America.”

However, he refuses to see the connection between the moral degeneracy of American culture and its economic practice. He knows that from a Christian standpoint one must be an adversary of such a culture, but he so wants to be accepted by the establishment that he has become an apologist for the very economists whose liberal philosophy has destroyed the morals of the nation.

For example, in the chapter on *Centesimus Annus* titled “Capitalism Rightly Understood,” he reports that the Pope attacks “radical capitalistic ideology,” an ideology which, Novak says, we usually call “libertarianism” in the United States. But in the next sentence he writes, “The economy of Chile has become one of the leading economies of Latin America, in part through the sustained advice of libertarians from ‘the Chicago school,’ who were once much maligned.”

What Novak doesn’t understand is, that you can’t have it both ways. You cannot claim to represent the Pope and then, when the Pope attacks libertarianism, defend your libertarian heroes from the Chicago school, including Milton Friedman and von Hayek, from the Pope’s criticism. You cannot defend libertarianism and then complain that the cultural degeneracy in America is the result of liberalism. As the Pope wrote in *Centesimus*

*Annus*, “a given culture reveals its understanding of life through the choices it makes in production and consumption.” You cannot defend the “structures of sin” as the fate of all human societies and be surprised that you are living in Sodom and Gomorrah. You cannot endorse the free-trade policies of Adam Smith, which

were used to wage the Opium Wars against China, and deplore the spread of drugs in our cities.

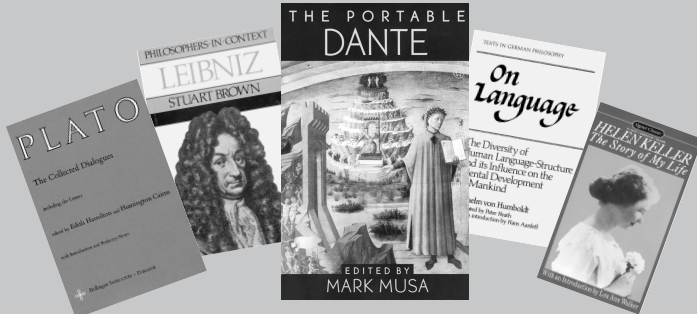
If Novak were truly a Whig Catholic, he would stop promoting such hedonistic liberal philosophers as John Stuart Mill, Adam Smith, and John Locke, all of whom were agents of the

British East India Company. He would begin promoting the American System of political economy developed historically by Alexander Hamilton, Mathew Carey, Henry C. Carey, Abraham Lincoln, and Friedrich List, and elaborated by Lyndon LaRouche today.

—William F. Wertz, Jr.

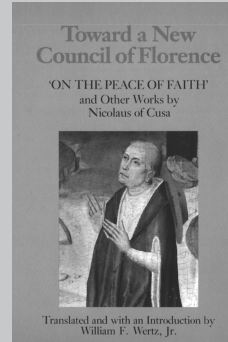
*On the Back Cover: Giovanni di Paolo, illumination (detail) to Canto X of the Yates-Thompson Codex of Dante's Divine Comedy (Paradiso), c.1445, The British Library.*

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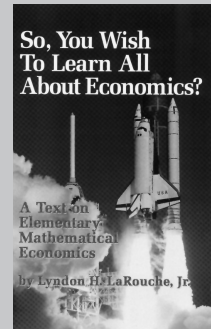


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