

Neuhaus: doing evil and calling it good

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Doing Well and Doing Good, The Challenge to the Christian Capitalist

by Richard John Neuhaus
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On May 2, 1991, the day after Pope John Paul II's encyclical *Centesimus Annus* celebrating the hundredth anniversary of Pope Leo XIII's encyclical *Rerum Novarum* was officially released, an article by Richard John Neuhaus, entitled "The Pope Affirms the 'New Capitalism,'" appeared in the *Wall Street Journal*. *Doing Well and Doing Good, The Challenge to the Christian Capitalist* is a book-length elaboration of the thesis proclaimed in that article, i.e., that *Centesimus Annus* was "very likely" shaped by the work of Neuhaus's fellow liberal capitalist Catholic, Michael Novak, and as such is an endorsement of Novak's concept of "democratic capitalism."

Neuhaus, a former Lutheran minister who converted to Catholicism and was then ordained as a Catholic priest, bases his argument not only on an erroneous history of capitalism, but more disconcertingly, on an unconscionably selective reading of both this encyclical and other encyclicals written by Pope John Paul II. His self-serving interpretation is further bolstered by the inclusion at the end of his book of a "condensation" of *Centesimus Annus*, which when compared to the original text reveals a thoroughly dishonest censorship of Pope John Paul II's words.

To most succinctly indicate the fraud which underlies Neuhaus's book, one must merely point to the fact that not once does Neuhaus mention the problem of Third World foreign debt in the entirety of the text of his book, although he does include an abridged four sentences on this subject from the pope's text in his attached condensation. This omission of what the pope has repeatedly identified as one of the primary causes of both poverty and war in the world today,

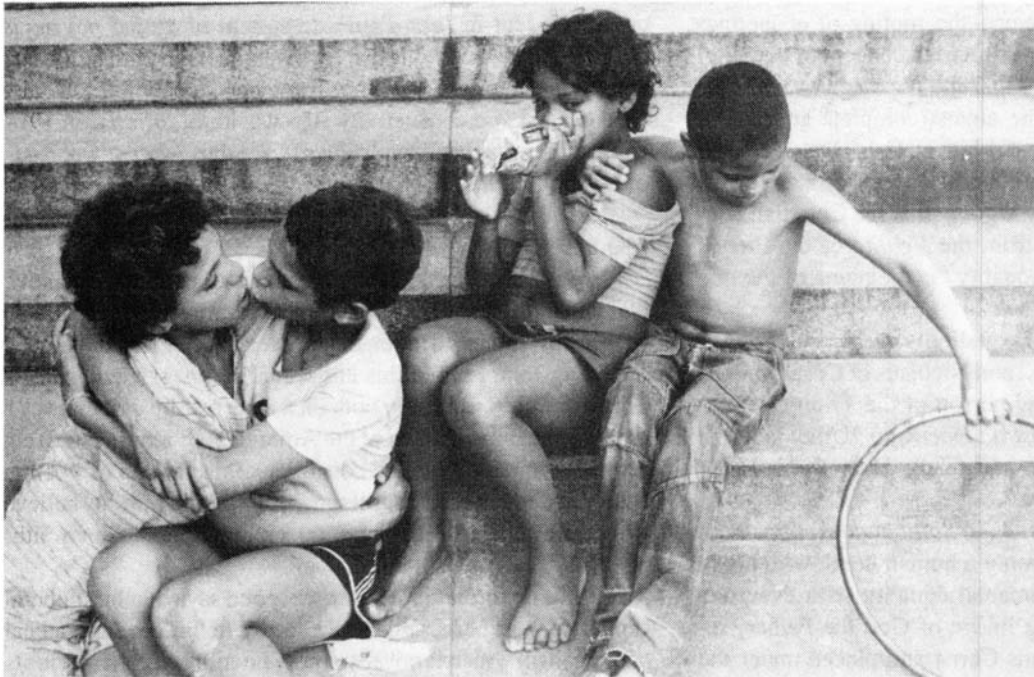
is related to Neuhaus's attempt both to portray *Centesimus Annus* as a significant break from Pope Paul VI's *Populorum Progressio* and to isolate it from the pope's other encyclicals, such as *Sollicitudo Rei Socialis*, which was written in 1987 on the 20th anniversary of *Populorum Progressio*.

'Structures of sin'

What Neuhaus and Novak want us to ignore from *Sollicitudo Rei Socialis* is the pope's explicit denunciation of the existence of the "evil mechanisms" and "structures of sin" which are thwarting the development of the less developed countries. The pope argues that "In the West there exists a system which is historically inspired by the principles of the liberal capitalism which developed with industrialization during the last century." Neuhaus correctly points out the pope's opposition to socialism, but he would have us believe that after 1989 the pope has literally endorsed Adam Smith, the father of liberal capitalism in the West.

In *Sollicitudo Rei Socialis* the pope says that both liberal capitalism and Marxist collectivism are "in need of radical correction." He says, "Each of the two blocs harbors in its own way a tendency towards imperialism, as it is usually called, or towards forms of new-colonialism." He argues that "misguided mechanisms" or "structures of sin" arise from the "all-consuming desire for profit" and from the "thirst for power." Therefore, certain forms of modern "imperialism" are "real forms of idolatry." He explicitly calls for reform of the international trade system and reform of the world monetary and financial system which are the very "structures of sin" which he has identified.

A comparison of Neuhaus's condensation of *Centesimus Annus* with the pope's text shows that he has systematically eliminated all those statements by the pope which, as in *Sollicitudo Rei Socialis*, call for intervention on an international level. For example, the pope writes: "In the developing countries, tragic crises loom on the horizon unless internationally coordinated measures are taken before it is too late." Neuhaus's condensation reads: "In the developing countries, tragic crises loom on the horizon." There is not even an ellipsis! The sentences in section 58 which call for reform of the international monetary system are all omitted. Therefore, in Neuhaus's condensation we do not read that development "requires above all a change of lifestyles, of models of production and consumption and of the established structures of power which today govern societies." We do not read that "There is a growing feeling, however, that this increasing internationalization of the economy ought to be accompanied by effective international agencies which will oversee and direct the economy to the common good, something that an individual state, even if it were the most powerful on earth, would not be in a position to do." We do not read in section 52 that "Just as within individual societies it is possible and right to organize a solid economy which will direct the functioning of the market to the common good, so too there is a



Victims of the "structures of sin" are these Brazilian street children: The two on the left are under the effect of sniffing glue. But for Neuhaus and Novak, such nations are to blame for their own misery.

similar need for adequate interventions on the international level." In section 34 we do not read that "In Third World contexts, certain objectives stated in *Rerum Novarum* remain valid, and, in some cases, still constitute a goal yet to be reached, if a person's work and very being are not to be reduced to the level of a mere commodity. These objectives include a sufficient wage for the support of the family, social insurance for old age and unemployment, and adequate protection for the conditions of employment."

Neuhaus goes so far in his whitewash of the "structures of sin" as to suggest that the nations of the Third World are primarily responsible for their own misery, and that their problems would be solved over time if they were merely integrated into the "new capitalism." Thus Neuhaus writes: "It simply will not do for them to blame their plight on colonialism, neo-colonialism, imperialism, and the such. While foreign states and corporations have taken and do take unjust advantage, Third World leaders are firmly told to put their own houses in order."

The pope does not endorse junk bonds

One of the most outrageous arguments in Neuhaus's book is his defense of "junk bonds" and Michael Milken. Neuhaus has the audacity to suggest that only the "more ideologically minded" have no doubt that a Michael Milken is engaged in "illicit speculation." Neuhaus argues that the "defenders of the trade in high-risk bonds claim that they make available billions of dollars to capitalize entrepreneurial ventures that would otherwise languish. While many criticize the corporate takeovers financed by junk bonds, others contend that such takeovers typically improve management and make cor-

porations more accountable to stockholders." Then he writes, "Is what such people do an instance of 'illicit speculation'? It would appear that the only answer *in principle* proposed by John Paul is that property and economic activity 'is just and legitimate if it serves useful work.' "

Does the pope really endorse junk bonds? Then why does Neuhaus omit the following statement by the pope in section 48: "The absence of stability, together with the corruption of public officials and the spread of improper sources of growing rich and of easy profits deriving from illegal or purely speculative activities, constitutes one of the chief obstacles to development and to the economic order."

Economics apart from God

The source of Neuhaus's fraudulent representation of the arguments of *Centesimus Annus* stems from his severing economics from Christian theology. The book starts by stating that "The Latin word *oeconomicus* refers to divine dispensations or the general arrangement of everything that is. Christian theologians, for example, refer to the 'divine economy,' meaning both the internal life of God—Father, Son, and Holy Spirit—and the external way in which God has arranged the whole creation." However, Neuhaus rejects this theological definition of economics and instead follows Adam Smith in reducing economics to the "considerably more modest" concept of household "stewardship." Moreover, he is not unaware of what he is doing. Therefore, he adds parenthetically for the benefit of his Christian readership: "(Although, to be sure, Christians would insist that what we are discussing cannot be understood fully apart from the life and purposes of God.)"

In so doing, Neuhaus rejects the rooting of economics either in natural law or in the Trinitarian concept of equality. He then argues unashamedly that the pope agrees with this approach to economics: "The almost complete absence of any explicit reference to natural law in *Centesimus*, and its very limited place in the pope's other writings, is noteworthy." Moreover, after falsely arguing that the Christian concept of equality is derived from the *Egalité* of the French Revolution, he insists that equality "is the name of the dog that does not bark in *Centesimus*."

The Christian concept of equality is derived by St. Augustine, St. Thomas Aquinas, and Nicolaus of Cusa from the concept of Christ, the second person of the Trinity. As St. Augustine wrote in *On Christian Doctrine*: "Unity is in the Father, equality in the Son, and in the Holy Spirit is the concord of equality and unity."

As Pope John Paul II writes in *Sollicitudo Rei Socialis*: "One's neighbor is then not only a human being with his or her own rights and a fundamental equality with everyone else, but becomes the living image of God the Father, redeemed by the blood of Jesus Christ and placed under the permanent action of the Holy Spirit." He further writes: "Surmounting every type of *imperialism* and determination to preserve their *own hegemony*, the stronger and richer nations must have a sense of more *responsibility* for the other nations, so that a *real international system* may be established, which will rest on the foundation of the *equality* of all peoples and on the necessary respect for their legitimate differences." In *Centesimus* itself, where John Paul argues that a free economy "presumes a certain equality between the parties, such that one party would not be so powerful as practically to reduce the other to subservience," Neuhaus says "here we encounter a rare reference to equality"—as if this were not an essential principle of the pope's message.

The brotherhood of all in Christ, "children in the Son," is the essence of the principle of Solidarity espoused by the pope. In denying the Christian concept of equality, Neuhaus is literally denying Christ. Instead of Christ being the Lord of economics, Neuhaus would transform Christ into Adam Smith's "Invisible Hand" of the marketplace.

This is no exaggeration. Neuhaus literally claims that Pope John Paul II has come around to the thinking of the father of liberal capitalism, Adam Smith. Neuhaus writes: "When we speak of property and ownership, John Paul says, we must give our attention to 'the possession of know-how, technology, and skill.' And then this: 'The wealth of the industrialized nations is based much more on this kind of ownership than on natural resources.' Fans of Adam Smith are no doubt warranted in drawing some satisfaction from the implied reference in that sentence to *The Wealth of Nations*. (It seems unlikely that it is an accident.) At the very time the American Founders were launching this experiment in political and cultural freedom, Smith was laying out the rationale for a free economy that could benefit all. As be-

comes evident in John Paul's treatment of global poverty, his hope, like Smith's, is that "the wealth of the industrialized nations' will indeed become, through expanding the circle of exchange and productivity, the wealth of all nations." In another location Neuhaus argues that Adam Smith "was first of all a moral philosopher and he insisted adamantly that the free economy depends upon the cultivation of virtue and the 'moral sentiments' of a free people."

Now you may ask, how is it that Neuhaus can honestly maintain that he and Novak are not advocating the very liberal capitalism which is denounced by every pope since Leo XIII, including John Paul in this encyclical? Honestly they can't. Therefore, they must rely both on a false history of the development of capitalism and of the American System of political economy in particular and construct a false notion of liberal capitalism in order to counterpose it to their own liberalism, which they disguise as the free economy espoused by the pope.

The way the latter is accomplished is to define liberal capitalism as libertarianism. Then, by definition, any form of capitalism which is not absolutely libertarian, can be represented as the other, non-liberal form of capitalism. This is precisely what Neuhaus does in order to say that Novak's democratic capitalism based on Adam Smith is the alternative form of capitalism advocated by the pope.

Neuhaus is correct in maintaining that there are two forms of capitalism. However, either out of ignorance or design, he and Novak have explicitly adopted the Calvinistic, liberal version of capitalism correctly rejected by the Catholic Church. Therefore they maintain that Max Weber was right when he argued that capitalism arose based upon Calvinism and the Protestant work ethic: "There is little doubt that what we now call democratic capitalism was shaped in a Protestant, and usually Calvinist, milieu."

He makes this argument without a single critical reference to British imperialism, let alone any reference to the fact that the American Revolution was fought against Great Britain and against the imperialist economic policies which are the core of Neuhaus and Novak's dearly beloved "moral philosopher," Adam Smith.

Adam Smith and the British System

Adam Smith's "moral philosophy" has nothing to do with Christian love for one's fellow man and has everything to do with "moral indifference." That is clear from the following quote from his 1759 *Theory of Moral Sentiments*:

"The administration of the great system of the universe . . . the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. . . . Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them." So

much for the principle of Solidarity!

The economic policy which flows from this reduction of man to an animal dominated by "original and immediate instincts" is the colonial policy of enforced backwardness against which the American colonies revolted. The policy advocated by Adam Smith in *The Wealth of Nations* under the guise of free trade was that the American colonies not develop their own manufacturing capability and that they not impose any restriction on the importation of British goods. The colonies were to be maintained as an agrarian protectorate. Their produce, from timber to tobacco, was to be taxed so as to pay the British national debt.

This is in essence the same imperialist system which insists today upon "free trade" as the means by which Third World nations are denied the right to develop their manufacturing capability, maintained in a state of being raw materials producers, and taxed to death in the form of foreign debt payments. Neuhaus and Novak would have us believe that the pope, who has raised his voice precisely against these "evil mechanisms," has joined with them in bowing down in worship of Adam Smith's "Invisible Hand." This is the message which they are currently peddling throughout Latin America to gain support from the Catholic Church for the "adjustment" programs of the International Monetary Fund (IMF).

The American System of economics

What then was the American Revolution about in terms of philosophy and economic policy?

First of all, it was definitely not what Neuhaus asserts it to have been, i. e., "a Puritan-Lockean Synthesis." Although it is commonplace among liberal ideologues to assert that the American Revolution was inspired by John Locke, who certainly had influence and advocates in America, anyone who looks for the positive kernel of the American Revolution will not find it there, but rather in the Christian philosophy of Gottfried Wilhelm Leibniz and ultimately in the Renaissance tradition of Nicolaus of Cusa, who first espoused the idea that government must be based upon the consent of the governed in his work *On Catholic Concordance*.

Secondly, in respect to economic policy, it is irrefutable that the United States based its economic policy not on Adam Smith, but rather upon mercantilism. Beginning with the establishment of the First National Bank of the United States by U. S. Treasury Secretary Alexander Hamilton, U. S. economic policy was what later became known as the American System of political economy. After Alexander Hamilton, the economists of this school included Mathew Carey, Henry C. Carey, who was the adviser of Abraham Lincoln, and Friedrich List.

It is this American System of political economy, conveniently ignored by Neuhaus and Novak, which represents the real capitalist alternative to the British imperial system of liberal capitalism. Unfortunately this form of Christian econ-

omy, which opposed the British System slave trade and opium wars, is no longer the economic policy of the United States. Rather the United States has adopted the British system, which Neuhaus and Novak now recommend the Catholic Church adopt as its own.

Even though Neuhaus knows very well that the pope opposed the Gulf war, which President Bush and Margaret Thatcher spearheaded in the name of a "new world order," he cannot refrain from suggesting that "something like a new world order is afoot" and from arguing that the "free economy," as he and Novak define it, "is apparently the order of the future in this post-socialist world." Therefore, even though the pope criticizes both "national security" states and "the affluent society or consumer society," Neuhaus advises that it is "unseemly for Americans to be excessively defensive."

According to Neuhaus, even though the pope writes "that it is unacceptable to say that the defeat of 'real socialism' leaves capitalism as the only model of economic organization . . . in the real world to which the pope directs our attention, it would seem that despite his disclaimer, capitalism is 'the only model of economic organization.'" And of course that means Adam Smith's "Invisible Hand" of the marketplace reincarnated as Michael Novak's "democratic capitalism."

Neuhaus ends his book by saying that "God loveth adverbs." This is a reference to the title of the book: "Doing Well and Doing Good." As he says earlier in the book, "The only thing some people know how to do really well is to make money. It is not an unworthy thing to offer up." But to whom? While it is absolutely true that profit is not in itself illegitimate, but rather a positive good insofar as it is earned morally and reinvested productively, in equating making money well with doing good Neuhaus contradicts Christ's teaching that one cannot worship both God and mammon.

As Pope John Paul II writes in *Sollicitudo Rei Socialis*, solidarity is "a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all. This determination is based on the solid conviction that what is hindering full development is that desire for profit and that thirst for power already mentioned. These attitudes and 'structures of sin' are only conquered—presupposing the help of divine grace—by a diametrically opposed attitude: a commitment to the good of one's neighbor with the readiness, in the gospel sense, to 'lose oneself' for the sake of the other instead of exploiting him, and to 'serve him' instead of oppressing him for one's own advantage."

Neuhaus's attitude is just the opposite—to portray the pope as endorsing the very "structures of sin" he in fact denounces, in order to render the nations of the Third World and the former Soviet sector, especially the Catholic nations of Ibero-America and eastern Europe, defenseless before the genocidal policies of the International Monetary Fund. He is doing evil and calling it good.