



# TEMPLETON PRIZE

FOR PROGRESS IN RELIGION

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## The Urgent Need for Virtuous Capitalism

■ **Religion:** The juncture of socialism's demise and the growth of poor countries calls for a new kind of democracy.

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I have tried to work out my theology of economics while keeping the poor in the forefront of my attention—first of all, the poverty of my own family in its beginnings and in Central Europe today, but even more urgently the unnecessary poverty of Latin America, Asia and elsewhere.

Under Providence, it seems that the third wave of capitalism, like the third wave of democracy, is now beginning to gather momentum in predominantly Catholic areas of the world—from the Philippines to Poland, from Chile to the Czech Republic (it saddens me that the current leadership of Slovakia is still wed to the socialist model, spelling continuing hardship for its people).

Thus it seemed useful for me to attempt to articulate a theory of capitalism and democracy that draws on the riches of the Catholic tradition, just as earlier generations of writers had thought out such theories in predominantly Protestant terms. For example, Max Weber's "The Protestant Ethic and the Spirit of Capitalism," which millions of students have read in college, stresses the role of the individual and the tyranny of bureaucratic reason ("the iron cage"), while overlooking the distinctive capitalist social invention, the business firm held together by voluntary consent and teamwork, virtues strongly rooted in Catholic tradition.

Thus, if I had one wish to express on this occasion, it would be that the poor of the world benefit by it, through having attention focused on the systemic issue: Which sort of system of political economy is more likely to raise the poor out of poverty and protect their dignity as agents free to exercise their own personal economic initiative and other creative talents?

It is urgently important to get the system right, and through trial and error to get it to work according to the habits and

history of every people. One of the beauties of individual systems of democratic capitalism is that each can be quite different from every other, according to the genius of each people. Their shared inner principle is respect for the liberty and creativity of individual persons.

Looking ahead to the 21st Century, the problem that worries me most is the fragility of free societies that lose their intellectual and moral roots. All it takes for a free society to fail is for a single generation to abandon the ideas and habits that constitute free institutions. The history of the human race is mainly a history of tyranny, and political and economic freedom come with no guarantee. It is entirely possible that the free society such as we know it in the United States will burn out like a comet that swept through the darkness for a little over two centuries and then disintegrated.

Today, nearly all the world's social democracies and welfare states are in severe crisis. Family life is falling apart, moral corruption is growing, both rising crime rates and the growing irrationality of horrible crimes are terrorizing citizens, and taxes from the public are insufficient to pay for the benefits the public has been

unwisely promised.

Social democracy is based on the same errors as socialism, but in a form that takes a little longer to effect self-destruction. Those errors include promising the people security while forgetting that complete security is not possible for humans, since human wants and needs are infinite, whereas sources of funding are finite. For this reason, the modern state is an overpromiser and an underachiever, and ultimately a fraud. It is bound to disappoint, to embitter, to divide, to engender corrosive cynicism. Weighed down by the growing financial burden of the welfare state, and undermined by the moral corruption inherent in such a state, democracy will be hard-pressed to survive the 21st Century.

Free institutions cannot survive on the base of just any morality. Moral relativism is deadly for democracy. Both democracy and capitalism have a moral basis, without which they perish.

For such reasons, I expect the 21st Century to be one of great cultural crisis. This does not mean that one should bet against the free societies. It means that if our institutions are to survive, an intellectual and cultural awakening will have to occur.

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Commentary