

## The Future of Free Enterprise By Jordan J. Ballor

The dilemma of prediction and forecasting has been a hallmark of modern economic theory and practice. Is economics a purely descriptive science or do prescriptions attend to it, either implicitly or explicitly? Does the descriptive element of economics cover what has already happened, and to some extent what is currently occurring, or does it also involve making predictions about what will happen? And what are we to think of the status of economics as a science if it does not involve making claims that might be objectively falsifiable? No matter what one thinks of the answers to these questions, or the questions themselves, the biblical accounts show that the questions of the past, present, and future are intimately connected. Biblically speaking, the question “Where have you come from?” is linked with the question “Where are you going?” (see Gen. 16:8). In attempting to outline the possible futures of the economy in America, we must first take stock of where we are and where we have come from. This exercise will help temper the certainty which we may be tempted to have about the future of free enterprise in the United States, and it will likewise help clarify some of the critically important factors that will help determine the course of the domestic—and by extension the global—economy.

As for where we are today, there seems little doubt that we in the midst of crisis, both with respect to the economy itself as well as to the broader intellectual and philosophical underpinnings of that economy. As Charles McDaniel of Baylor University wrote recently, the complexity of the economic crisis must be understood as a contributing factor to the doubt about the viability of the American system of enterprise: “Comprehending the technical jargon—derivatives, credit default swaps, reference entities—associated with the present crisis has been a significant part of the problem. We are fast exiting the period when laymen could describe the workings of financial markets and even the assets in which they are invested with clarity.” Indeed, he writes, “Economic downturns are inevitable in capitalist economies, but the seemingly arbitrary determinations of who wins and who loses in the present flux have shaken confidence in the system.”

In his latest book, *A Free People's Suicide: Sustainable Freedom and the American Future*, the British evangelical Os Guinness provides a visitor's account of the current state of affairs in American society, which he describes as an “America failing to live up to its past and its potential,” and contends that “America's deepest crises is the crisis of sustainable freedom.” By “sustainable freedom” Guinness identifies a dynamic inherent to sinful humanity ever since the Fall: human success and prosperity brings along with it the temptations to rely on oneself and one's own resources.

This is, in fact, one of the civilizational realities we see most clearly in the cyclical rise and fall of the Old Testament people of Israel. The America of today differs in myriad ways from the Israel of the ancient world, not least in that the contours of the political state and the religious assembly are not coextensive. But the temptations that follow upon affluence remain the same because fallen human nature does not change across time and space. Human beings are born sinful, and thus we become experts at taking God's good gifts, such as wealth, health, and creativity, and perverting them. We “invent ways of doing evil” (Rom. 1:30).

That the United States has been blessed with great prosperity is beyond argument. Even critics of the American system of government and economy admit that the system of free enterprise has been unmatched in its ability to generate wealth. As Hunter Baker notes, this reality has occasioned a shift in the polemic against free enterprise. Pointing to John Kenneth Galbraith's argument in *The Affluent Society*, which “implicitly conceded that earlier critics of the free economy had been wrong in their

repeated assertions that competitive capitalism failed to yield broad benefits to the public,” Baker observes that “critics of the free market now argue more on the basis of inequality and relative deprivation instead of on the basis of absolute deprivation.”

Where the fairness of the unequal outcomes characteristic of market economies can no longer be assumed, the burden of proof shifts to those who would defend the merits of free enterprise. Two notable books released this year do this, from Arthur C. Brooks and Rev. Robert A. Sirico, presidents of the American Enterprise Institute and Acton Institute, respectively (the latter where I serve as research fellow). In *The Road to Freedom: How to Win the Fight for Free Enterprise*, Brooks deals directly with the need to cast the positive case for free enterprise in explicitly moral, rather than simply pragmatic, terms. He argues that the idea of earned success is absolutely critical to a moral culture that supports sustainable economic freedom. In *Defending the Free Market: The Moral Case for a Free Economy*, Sirico likewise examines the moral roots of the free enterprise system, and argues that “when civilizational virtues are eroded from within, people lose the capacity to defend the good things those habits enabled previous generations to achieve.” We are living today on civilizational capital that is rapidly being depleted.

This becomes apparent in many ways, and notably by examining a book first published thirty years ago, and in many ways an intellectual forebear of the work of both Brooks and Sirico: Michael Novak’s *The Spirit of Democratic Capitalism*. Novak’s book appeared in the early years of the “Reagan revolution,” a high water mark in many ways for both popular and intellectual appreciation for the free economy. In this book, Novak showed that what he called democratic capitalism depended not merely on having the right laws or electing the right people, but most importantly on a diverse and complex mix of cultural assumptions and moral institutions. Thus, he observed, “Democratic capitalism is not a free enterprise system merely. Its political system has many legitimate roles to play in economic life, from protecting the soundness of the currency to regulating international trade and internal competition.” But in my view even more importantly, Novak continued, “Its moral-cultural system also has many legitimate and indispensable roles to play in economic life, from encouraging self-restraint, hard work, discipline, and sacrifice for the future to insisting upon generosity, compassion, integrity, and concern for the common good.” The economist Dierdre McCloskey has explored this moral-cultural matrix deeply in her significant work on what she calls the “bourgeois virtues.”

What we have increasingly seen over the last century, however, is the predominance of a view that our personal, familial, ecclesial, economic, and political lives can be neatly segmented and hermetically-sealed. Even if we often do not consciously choose to do so, many of us live our lives in ways that tend to align with such a secular mentality. This is one aspect of the moral shift from what Gertrude Himmelfarb called “Victorian virtues” to “modern values.” The virtues were objective standards that held true for all persons in all circumstances, while modern values are highly subjective and transient goods depending primarily on individual occasion and circumstance.

In her book, *How the West Was Lost: Fifty Years of Economic Folly—And the Stark Choices Ahead*, the Oxford-educated and Zambian-born economist Dambisa Moyo traces many of the proximate causes of the global economic crisis starting in 2008 often called “the Great Recession.” She comes to the stark conclusion that the choice facing the United States is essentially binary between two types of socialism: either a “socialist state” that is “well engineered and designed” and that “can finance itself,” or “the worst form of welfare state, one borne of desperation that rapaciously feeds on itself.” Without radical constitutional and political effort to create the former, she fears the latter is what the United States is

haphazardly lurching towards. But Moyo's dichotomous future for America only holds true if we assume that the fight for the moral-cultural system that gives life to free enterprise is beyond repair.

Whatever their pessimism about the future, the works of Guinness, Brooks, and Sirico do not read merely as chronicles of civilizational decline, but rather as calls to reform efforts on a massive scale. There are certainly some steps that can and must be taken at the political level. The Nobel laureate James Buchanan argued publicly for, as James Alvey writes, "the need for a constitutional (or higher law) provision prohibiting federal budget deficits." According to Alvey, Buchanan "argued that because the Victorian moral constraint had been shattered and because there is continuing pressure on politicians to spend more than they tax (shown by Public Choice theory), restoration of that norm is hard to imagine."

Lord Acton observed that "liberty is the delicate fruit of a mature civilization." The delicacy of this fruit lies in large part in the fact that the institutional structures of freedom do not sustain themselves independently of the moral character of the people. If one only relies on possible solutions to our crisis to arise from the political or the economic realms, then it is easy to understand the diverse pessimism about possible futures expressed by figures like Moyo and Buchanan. Indeed, legal or political solutions are at best rearguard and stop-gap measures, in part because they do not engender the kind of moral renewal that is necessary for long-term social improvement. This reality speaks to the absolutely foundational role that morally-formative institutions like churches and families play in a flourishing society. These are the kinds of institutions that provide the injection of moral capital, so to speak, that allow for well-functioning societies and for the formation of virtue in people in economic or political spheres that lead them to go above and beyond mere legality, or even worse, to avoid descending into complicity with and active participation in structural corruption.

And so whatever the fate of free enterprise in America, it is not a destiny apart from the broader renewal of our social life and institutions. As Guinness writes, "Each sphere—business, law, education, entertainment and so on—must be reordered to serve the wider public good, and principles such as individual self-reliance, local self-government and state government must again be given their proper roles." Or as Pope John Paul II concisely stated in his 1991 encyclical *Centesimus Annus*, "Economic freedom is only one element of human freedom." The reformation of American economic life is part and parcel of the reformation of American social life, and such reformation, as with all true and lasting revitalization, begins with each individual within their own immediate areas of influence, however great or small: the home, the school, the workplace, the house of worship, and the polling booth. This is a reformation of freedom that can begin without tarrying for any broader political movement or social change, but which also has the potential for far more substantive and lasting impact.

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Jordan J. Ballor is a research fellow at the Acton Institute for the Study of Religion & Liberty, where he serves as executive editor of the *Journal of Markets & Morality*, and a visiting professor of business and social ethics at Kuyper College in Grand Rapids, Mich.