

Economic Growth: What=s Love Got to Do With It?

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Though I speak with the tongues of men and of angels, but have not love, I have become sounding brass or a clanging cymbal. And though I have the gift of prophecy, and understand all mysteries and all knowledge, and though I have all faith, so that I could remove mountains, but have not love, I am nothing. And though I bestow all my goods to feed the poor, and though I give my body to be burned, but have not love, it profits me nothing. Love suffers long and is kind; love does not envy; love does not parade itself, is not puffed up; does not behave rudely, does not seek its own is not provided, thinks no evil; does not rejoice in iniquity, but rejoices in the truth, believes all things, hopes all things, endures all things.

I Corinthians 13: 1-7

The inherent connection of virtue and liberty

Which came first; the chicken or the egg? It seems that some things we observe are so immediately connected with one another than separating them is nearly impossible. In addition, it is the case that some things are so connected to one another that while we can distinguish between them, it is impossible to separate them. The opening quote of the Apostle Paul=s first letter to the Corinthians gives us an example of such items. In this text, Paul argued that love is the substance behind true virtue. So much so, that while it is at least hypothetically possible to have moral behavior apart from love, it is impossible to love to exist apart from moral behavior. To love something is to possess an affection for it or to maintain a positive disposition to it that places the object loved above other things. In the context of Paul=s letter, the object to be loved so as to provide meaning to and profit from virtuous behavior is God. As a result, Paul argued that true morality rests finally in one=s love of God and of the things of God.

Jonathan Edwards developed this position further in his essay, "The nature of True Virtue" (Edwards, 1960). In this essay Edwards developed the concept from the standpoint of moral philosophy and argued that true or genuine virtue is nothing short of the benevolent love of being in general. For Edwards, benevolent love is defined as the desire to seek the happiness of and to rejoice in the object of its affection. Following along this kind of reasoning, he argued that a virtuous heart is one that loves being in proportion to the degree of existence that is inherent in the object loved. On the basis of this perspective, it follows that as God is the infinite being who exists in and of himself and possesses the power of being, he must be the object of greatest affection for the truly virtuous heart. On the basis of this conclusion it ought to be recognized that while it is impossible to add happiness to a being who is infinite and complete in himself, it is nonetheless possible for benevolent love for God to be manifested in a disposition that rejoices in the character of God and that is obedient to God. Therefore, extending Edwards' conclusion, a virtuous act always proceeds from the love of God, otherwise one's affections have not reached the highest possible end for they fall upon the promotion of some smaller subset of being. For this reason, it would hardly be an immoral act for a thief to betray his partners in crime by testifying against them in a court of law and thereby violating a loyalty to the gang. In this case, the fact that a gang of thieves might maintain some sense of loyalty and comradeship to one another as they engage in the activity of violating others provides no proof whatsoever that there is any virtue in their loyalty. Since their loyalty to one another is restricted to a small part of being in general, it undercuts the possibility that there is any virtue in it. In fact, actually testifying against the group may well be more virtuous. But even this, if it is not done out of love for God, would fall short of what Edwards would call true virtue.

Jonathan Edwards went on to define a secondary kind of beauty that is often taken for virtuous behavior. Namely, behavior that is in accord with justice. In this case justice is defined by the common notion of receiving one's due. As Edwards states the matter:

By this it appears, that just affections and acts have a beauty in them, distinct from and superior to the uniformity and equality there is in them: for which he that has a truly virtuous temper, relishes and delights in them. And that is the expression and manifestation there is in them of benevolence to being in general. And besides this, there is the agreement of justice to the will and command of God: and also something in the tendency and consequences of justice, agreeable to general benevolence, as the glory of God, and the general good.... But though it be true, that the uniformity and proportion there is in justice is grateful to a benevolent heart, as this uniformity and proportion tends to the general good; yet that is no argument that there is no other beauty in it but its agreeing with benevolence (Edwards).

Within this context, it is clear that a person might see the beauty in justice without being disposed to a benevolent love of God. That is, people might well see the value of justice in promoting the general well-being of humanity apart from an overriding affection for God. But this kind of affection for justice could not be called truly virtuous on the basis of Edwards's definition nor on the basis of Paul's discussion of the importance of love. Nevertheless, this kind of practical morality is often praised by men generally as virtuous behavior.

But someone might ask what this has to do with the study of economics? As it turns out, it has a great deal to do with our study because there is a fundamental relationship between moral behavior and economic freedom. That is, morality and economic freedom are so closely linked that it is impossible to conceive of the one without the other. So much is this the case, that a careful examination of the question as to which gives rise to the other will lead us to see just how closely the two things are connected. While we might conclude that morality is the prerequisite that gives rise to economic freedom, it is nonetheless also true that neither exists very long in the absence of the other. The purpose of this paper is to examine this fact and to

observe the fundamental importance of morality in fostering economic growth.¹

At the very outset of the study of economics, students of the subject are informed that economics is a positive science. That is, the aim of the study is to examine the facts so as to discern the most efficient satisfaction of human desires which might be had by allocating the scarce resources at hand. As Ludwig von Mises stated the matter:

It is true that economics is a theoretical science and as such abstains from any judgment of value. It is not its task to tell people what ends they should aim at. It is a science of the means of be applied for the attainment of ends chosen, not, to be sure, a science of the choosing of ends. Ultimate decisions, the valuations and the choosing of ends, are beyond the scope of any science. Science never tells a man how he should act; it merely shows how a man must act if he wants to attain definite ends (von Mises, 1966).

Accordingly, the aim of the science is to provide a sound description of the way things are and it is assumed that this goal is best accomplished in the context of value neutrality.

¹James Gwartney, Randal Holcomb and Robert Lawson presented evidence demonstrating the fundamental importance of economic freedom as the key variable determining the likely level of economic growth a country might obtain at the APEE 1998 meeting. Their results are to be published in an article titled, "Economic Freedom and the Environment for Economic Growth," in the *Journal of Institutional and Theoretical Economics*. Following upon that work, if morality and freedom are linked as I suggest, then moral behavior is also an important factor in understanding the necessary climate which gives rise to economic growth.

However, human beings do not live in a morally neutral world and if we try to hold too strongly to the positivist position, we are led to believe that a person's selection of ends does not matter at all. In fact, if we cut ourselves off totally from moral considerations in our study of economics, the underlying implication is that morality does not matter at all when policy issues arise. Instead, morality is reduced to the level of personal preference. This follows because the implicit assumption being made is that there is no such thing as a moral standard in the objective world which exists apart from human preferences. In effect, positivism reduces the issues of morality to the level of personal preference. But is this true? Can it possibly be true?

Edmund Opitz addressed these questions in his book, *Religion and Capitalism: Allies, Not Enemies*. One of the important points he makes is that any ethical system that would acknowledge the categories of right and wrong must be rooted in a realm which is beyond society and beyond nature. Sound ethical theory must, in other words, lead to or proceed from theistic premises (Opitz, 1992). Opitz is right. If morality is important, it is because there really is a standard of behavior which exists beyond human preferences and this standard must be rooted in God. While we might well be able to discern something about that order apart from acknowledging God, nevertheless, it can only exist because God exists. Therefore, the case for the importance of morality in economic considerations can only be made after a case is made for the theistic position.

The case of theism has been made in various ways throughout history.² It would be beyond the scope of this work to recount all these efforts and examine their strength. However, whether one realizes it or not, such efforts have continued down to

²In recent years, the attack against Immanuel Kant's *Critique of Reason* has intensified. Today there are many scholars at work reformulating the traditional theistic arguments and undercutting the arguments of the Enlightenment skeptics. For example, J. P. Moreland, "Science, Miracles, Agency Theory & the God-of-the-Gaps," *In the Defense of Miracles*, ed. by Douglas Geivett and Gary Habermas, (Downers Grove, IL: InterVarsity Press, 1997), W. David Beck, "God's Existence," *In Defense of Miracles*, and Alvin Plantinga, "Belief of God," *Perspectives in Philosophy*, ed. by Michael Baylan (Fort Worth, TX: Harcourt Brace Jovanovich, 1993). These are just a view of the many modern efforts in this direction.

our own age. Indeed, one of the more excellent arguments in favor of theism was presented by C. S. Lewis. In his book, *Miracles*, Lewis demonstrates in a compelling fashion that the naturalistic position, which has become so popular in our day and which is so often simply taken for granted, is fundamentally flawed. Lewis begins his argument by defining naturalism as the belief that everything in nature can be explained in terms of the Total System (Lewis, 1947). In these terms, the universe is thought of as a large machine that operates on its own terms. Furthermore, every event and each particular thing or change is thought to occur in conjunction to every other event. That is, the fundamental notion behind naturalism is that every event and all things and all changes can be understood as the sum total of all there is. Therefore, everything can be explained in terms of the larger process which Lewis calls the Total System or Nature.

As Lewis points out, however, this idea suffers from a fatal flaw in reasoning. The problem with naturalism as defined in these terms is that it fails to take account of the mind and of reason. If there is any validity to our mental reasoning, then the knowledge we gain from it transcends the natural order. And, if there is no validity of human thought, then no knowledge is possible. But if this is true, then what validity can be attributed to the theory of naturalism? Is it knowledge of the actual human condition? It is clear that if naturalism as a theory cannot account for itself, it cannot add anything to human understanding. In fact, naturalism fails to account for the existence of the mind. Thus, the fatal flaw that is inherent in the theory, is that it uses the mind to develop and promote a theory that is anti-mind. If it were true, it would have to reject itself on its own ground. Can there be any doubt that people do possess minds capable of meaningful thought? The reality is that people do have minds and that we use our minds to perceive the world about us and to reflect and meditate upon the events and changes we observe. From this effort, much about the world has been discovered. In fact, by way of the human capacity to think we have been able to identify many of the underlying patterns of change around us and to derive numerous principles by which change occurs. Of course, the process of discovery is not a finished product and will continue on indefinitely as much remains unknown. Nonetheless, in all of our

reasoning we implicitly assume that reasoning is a valid exercise and that it leads to knowledge.

Naturalism leaves no room for the validity of human thought. If every even must be described in terms of a mechanical process, then human thought too must be mechanical. If that is true, then no meaning could be attached to human thought and science itself becomes impossible. In Lewis' own words:

Unless human reasoning is valid no science can be true. It follows that no account of the universe can be true unless that account leaves it possible for our thinking to be real insight. A theory which explained everything else in the whole universe but which made it impossible to believe that our thinking was valid, would be utterly out of court. For that theory would itself have been reached by thinking, and if thinking is not valid that theory would, of course, be itself demolished. It would have destroyed its own credentials... Naturalism, as commonly held, is precisely a theory of this sort (Opitz).

Edmund Opitz argued in virtually the same fashion in making his case for theism. Like Lewis, Opitz begins his argument by considering the nature of human thought and by observing the recent tendency of thinkers to reduce everything down to the nature of things. In this process Opitz identifies two orders which tend to be affirmed; the natural order, or the physical laws observed in the so-called hard sciences, and the social order, or the observed laws of the social sciences. Once again, this view reduced all things down to the point of being component parts in an overall system. But as Opitz observed:

The man who says that there are only two orders, the natural and the social, must assume a mind that knows this, a mind capable of knowing this, a mind capable of discovering true relations in two realms outside itself. What a marvelous instrument this mind is! How shall we account for it? Most people, of course, take the mind for granted as they take

almost everything else for granted. Paradoxically, while there are many highly trained minds seeking to explain just about everything in the natural and social orders, it never occurs to them that the mind itself needs explaining (Opitz).

The importance of the point being made by both of these writers is that any attempt to explain the mind in naturalistic terms reduces thought to non-thought and is hence self-referentially absurd.

Instead of honestly wrestling with the generalized theistic implications of this however, many academicians have retreated to their private empirical specialities in order to ignore the issue. Richard Weaver noted this tendency in his book, *Ideas Have Consequences*, when he stated that there is an Astonishing vogue of factual information. It is naturally impossible for anyone to get along without knowledge that he feels can be relied on. Having been told by the relativists that he cannot have truth, he now has >facts.= One notes that even in everyday speech the word *fact* has taken the place of *truth*; >it is a fact= is now the formula for a categorical assertion.... The pedantic empiricist, buried in his little province of phenomena, imagines that fidelity to it exempts him from concern with larger aspects of realityCin the case of science, from consideration of whether there is reality other than matter@ (Weaver). But this will not do, for Awhere fact is made the criterion, knowledge has been rendered unattainable@ (Weaver).

Basil Willey aptly assessed the situation in his reflections upon the seventeenth century. He noted that it is not that science is wrong in its pursuit of identifying mechanical principles in nature. However, it must be realized that science is noting more than a method of investigation. It is not itself a philosophy and, since it is not a philosophy, it cannot give an intelligent account of Being. To treat science as if it were a philosophy of life is to engage in the utterly absurd notion that one=s own theories are the essence of reality itself. This position is not only absurd, but more than a little arrogant and conceited (Willey).

The reasonable conclusion is that human thought transcends nature. Furthermore, since we transcend nature in our ability to thin, to will, and to act in purposeful ways, we are also responsible for those actions. This follows because our own transcendence points

inevitably to a Being who must ultimately transcend nature. We typically refer to the being which possesses the power of being in and of himself as God. That is, the fact that we are finite creatures that transcend the natural order necessarily implies that there must be some ultimate Mind who transcends the natural order and is responsible for it. In short, if thought and reflection are genuine, then God must be. Not only this, but the case is made for a moral order beyond human preference and the natural law concept is established. In particular, it is recognized that God Himself establishes the standard of moral behavior in much the same way as he establishes the laws of the physical order of nature. In turn, this reality secures axiology as an important philosophical study related to economics because the study of the nature of the moral order is inevitably linked to any discussion of what we ought to do politically. Thus, the goal of political economy becomes clear. It involves the incorporation of learning from economics as a technical science and from our best understanding of the objective moral order so as to promote political policies which are just and efficient. In short, any legitimate political argumentation would have to recognize the rights and the dignity of individual human beings.

Interestingly, apart from this position, there is no secure argument in favor of the free-market. While economists might point out that the general public might reach its greatest material welfare in an atmosphere of relative freedom, it is nevertheless also true that some individuals could gain more by plundering the property of others. If there is no moral order, then there is nothing to deter people from pursuing their ends except the countervailing force of government. But, if everyone thought this way, what would prevent the use of government power as the instrument by which one group plundered another? All the discussions of efficiency in the world would not suffice to dissuade people in the possession of such power from pursuing the fulfillment of their own ends at the expense of others. In the final analysis, if there is no objective ethical code of conduct according to which human beings ought to order their actions, then might does indeed make right. In such a world, those with power are at liberty to use their power against others by the fact that they actually do have the ability to do so. As a result, the free

market can only be secured if the existence of a moral order is recognized and if people are understood to be creatures endowed with rights by their Creator. If we want a free market and a free society, we need a genuine ethic. This genuine ethic extols justice, forbids murder, theft, and covetousness, and culminates in love for God and neighbor. This is old stuff, you say; true, but it's good stuff...[because] there is a realm of life outside the realm of economic calculation, on which the market depends@ (Optiz)

At this juncture many pragmatists might be inclined to accept certain moral rules such as the protection of property and the prohibition of theft on the grounds that these rules work. However, a casual reflection on such a position begs the question. Edmund Opitz dispelled any map and uses it to make an automobile trip from New York to Boston. Upon his return, the man extols the goodness of the map because it was so useful. In his pragmatic terms, since the map served its purpose it was a Good@ map. But why was the map useful? Was it not because it provided an accurate description of the road network that actually exists between New York and Boston? If a map were drawn that was in no way consistent with the reality that it purported to show, it would not be useful. In the same way, the reason that certain moral prescriptions are useful is that they are an accurate description of the established moral order and man is not ultimately at liberty to disobey that order without incurring certain consequences.

Morality and the free-market

Within the context of the theistic world view, the incorporation of the traditional moral order with the scientific principles of economics can proceed. In this examination we can begin to see the inherent connection between morality and the marketplace. In the first place, the existence of the market depends fundamentally upon the existence of private property and voluntary trade. This condition presupposes participants who in some way acknowledge the rights of others and who are committed in some sense to upholding those rights. That is, any discussion of the market affirms the moral prohibitions against stealing, lying, murdering, and forcing others into servitude. In addition, it also assumes that there is

some degree of adherence to certain positive commands such as the admonition to work hard and to employ one's talents and resources to the greatest advantage. When any of these rules of behavior is too greatly ignored, the market does not function as well as it could. Indeed, as immorality spreads, markets tend to collapse.

To be sure, in the real world the degree to which people embrace these moral principles of behavior varies and this variation does have ramifications upon the extent and the effectiveness of the marketplace. For example, suppose that a society existed in which the acceptance of the traditional Western moral principles was nearly universal. That is, a place where the general populace held so strongly to the importance of the customary virtues that they were unwilling to even entertain the thought of violating them to further their own ends. In that community there would be little need for government action to secure the peace. The need for police protection of life and property would be diminished because there would be few murderers and thieves. Additionally, while contractual disputes might arise, most would be resolved voluntarily by men of good will. Even in cases of profound disagreement between people, the civil order would tend to prevail as each individual restrained his own actions for the common good of the community. Finally, mutual gains from trade could advance without elaborately written contracts, since most people would attempt to go beyond the expectations of their trading partners. As a result, the transaction costs incurred in the negotiation of trade would be low. In this atmosphere, trade among people would thrive. Given what we know from economics about market efficiency, can there be any doubt that such a general pervasiveness of morality would lead to a rapid expansion of general economic well-being? The important point of all this is the recognition that moral behavior is fundamentally linked to economic freedom which in turn leads to generalized economic growth.

It is true, of course, that this result can be had regardless of the various motives people might have for their moral behavior. Some people might behave morally only out of a fear of being punished. That is, only the threat of punishment serves as a restraint upon their behavior. As a practical matter, other people might recognize that moral behavior on their part is in their long-term best

interest. This kind of person is a rational pragmatist who sees that his own interests are best promoted by acting in morally responsible ways. Finally, others may behave morally out of a genuine affection for God and his moral order. In this case, the person is religiously motivated to treat others in a manner that he would desire to be treated because of his religious affection for God. Whatever the motive, the general acceptance of the standard of morality would have a profound impact upon the economic fortunes of the society.

While it is not necessary for everyone to possess a genuine, heartfelt desire for virtuous living to obtain the economic benefit of moral behavior, some affinity for the moral order must prevail to secure the blessings of freedom. That is, it must be recognized that if fear becomes the primary motive for morality, the costs of securing the marketplace will rise as society spends more for police protection, judicial mediation, and government punishment of rights violators. In fact, the more that moral behavior depends upon the fear of punishment, the more likely it is that the system will begin to break down as government force is subverted and used to promote immoral ends.

To be sure, any society will include people of all the kinds mentioned above. Some people will seek to do the right thing because of their religious affections, some will understand the practical long-term benefits of morality and choose to behave accordingly to promote their own temporal interests, and some will only do the right thing as long as they feel that they must do so or risk the costs of punishment. But, suppose a society existed where no one cared about the welfare of others beyond their immediate concern. Suppose, no one regarded the property of others except as it might serve their immediate advantage.

In this case, people would not respect either the lives nor the property of other people in a moral sense. If everyone thought this way, then some would inevitably see that it was to their immediate advantage to use the collective force of government to plunder their neighbors in order to promote their own ends. In this environment, might would certainly be considered right and the stronger would undoubtedly rule over weaker. If there is no objective standard of morality, then government is merely the means by which the

politically powerful rule over the politically weak. In such a situation, despotism and tyranny will be prominent and the few will benefit at the expense of many others.

The main point is that some minimal level of genuine and practical virtue on the part of the participants of society is indispensable for the existence and continuation of the free-market. Apart from such moral behavior, a free society cannot exist for government will inevitably be used to promote the immoral ends of the politically powerful. This point was not lost on the founders of the American government. In a letter to Thomas Jefferson, John Adams wrote:

Have you ever found in history one single example of a Nation thoroughly corrupted that was afterwards restored to virtue?... And without virtue, there can be no political liberty....(Arnold).

And, again, in the writings of Samuel Adams we find:

A general dissolution of principles and manners will more surely overthrow the liberties of America than the whole force of the common enemy. While the people are virtuous, they cannot be subdued; but when they lose their virtue they will be ready to surrender their liberties to the first external or internal invader.... If virtue and knowledge are diffused among the people, they will never be enslaved. This will be their great security (Slater).

People never behave quite as badly in practice as they possibly could, although there are more than a few episodes in history that bear witness to the atrocities that people are capable of committing. It is the potential for the horrendous consequences of despotism and tyranny that make the issue of the magnitude of genuine and practical virtue in society important to the consideration of economic freedom. If economic freedom is to be achieved, then morality cannot be neglected. This follows because the easiest way to violate the rights of others is by the perverted use of the law. Since

government by definition involves the use of collective force to accomplish its ends, it can readily be used as the means by which immoral people accomplish their immoral ends. If unprincipled men and women gain political power they can use that power to prey on others while they promote their own interests and the interests of those they favor. Frederic Bastiat well understood the potential of this situation as is illustrated in his many essays. It was his fundamental point in his classic essay titled, "The Law." In that essay he wrote:

When, then, does plunder stop? When it becomes more onerous and more dangerous than labor. It is clearly evident that the object of the law should be to oppose this harmful tendency with the powerful obstacle of collective force, that it should side with property against plunder. But the law is made, most often, by one man or by one class of men. And, since the law does not exist without sanction, without the support of a preponderant of force, it inevitably puts this force into the hands of those who legislate. This unavoidable phenomenon, combined with the lamentable inclination that...exists in the heart of man, explains the almost universal perversion of the law. It is understandable how, instead of restraining injustice, the law becomes its instrument (Bastiat, 1995).

Bastiat's point was not unknown beforehand. Indeed, the framers of the American form of government readily understood the issue and intentionally constructed a government aimed at separating power between the various branches. But even with this pattern of construction, they well knew that some degree of virtue was still necessary if freedom was to be sustained. What is the minimum amount of genuine and practical virtue in society that is necessary to secure the general peace and the functioning of the free market? No precise answer can be given to this question. The most that can be said is the greater the prevalence of these kinds of moral agents in society, the greater the freedom and the more effective the free market.

While the bulk of this paper has been aimed at the importance of virtue for sustaining economic freedom, it might be well to note that this link goes both ways. That is, while virtue is needed to secure freedom, freedom is the necessary context for the development of individual moral character. Consider the following example. Suppose someone is lazy and disregards the use of his resources by failing to employ them to their greatest economic advantage. Most certainly, this individual is likely to live in a relatively impoverished fashion by comparison to others in his community. As others prosper, it will become more and more apparent to him that his own failure to advance is due to flaws in his own character. If this realization takes place, such a person may well seek to change the pattern of his life for the good of not only himself, but also of the community as a whole. Perhaps we can all identify situations from our own backgrounds in which we discovered a better way to live by recognizing and altering the character flaws in our own lives. The success of others often proves helpful to us in identifying our own flaws so that we can deal with them in a mature way. Toward this end, economic freedom will certainly serve as a valuable tool in promoting virtue. In this latter connection, we can also see how fundamentally tied together virtue and freedom are and we can realize how important morality is to the free-market and ultimately to economic growth and development.

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