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Understanding Novak's *Spirit of democratic capitalism* through "the corporation"

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Abstract
Many social theorists hold that the corporation is the key institution of the modern world. Novak wrote four books on the corporation, viewing it as the chief instrument of innovation within "democratic capitalism", and the concrete entity in which its three systems (political, economic, moral-cultural) converge. We look at Novak's account with its roots in Maritain, and at Novak's intention to ground this account in the ideals of the American Founding, and in a Christian understanding of grace. "The corporation" turns out to be an excellent pathway into Novak's thought and a safeguard against some fundamental mistakes in interpreting him.

Keywords:
Michael Novak, democratic capitalism, capitalism, corporation, civil society, Maritain, free society

Let us approach the general through the particular and begin by trying to understand the significance of Novak's masterwork, *The Spirit of democratic capitalism* ("*Spirit*"), through what he says there about one thing, the corporation. We will consider what he says there; what is the origin of his view; and, importantly, what he does not say there. Then, in light of our discussion of this particular point, we shall consider some general points about understanding properly Novak's masterwork.

The definition and scope of a "corporation"

I choose this topic as a starting point, "the corporation", because probably no feature of "democratic capitalist" society is as much maligned, and nothing so serves as an emblem of what is thought to be wrong about such societies. And yet Novak over a 20 year period writes or edits four books on the corporation (Novak, 1981; Novak & Cooper, 1981; Novak, 1997a; Novak, 1997b) and passionately holds that this type of social organization needs to be accounted for in any sound account of the "wealth of nations". Thus the topic of "the corporation" reveals in a particularly sharp way the difference of Novak from other social theorists, while it also reveals what is perhaps most appealing, and most unsettling, about his approach.

Let us begin by defining terms and understanding the relevant scope. Corporations may be either for profit or not for profit. The former is primary; most definitions of the corporation are framed to cover it alone.[2] For example, one may define a for profit corporation as *a group of individuals who are recognized by law as having unity of action, continuity of existence, and responsibility—they constitute a 'legal person': this legal person has a business purpose, where there is a division of labor between those who provide the capital ('investors or 'equity holders'), and those who operate the business ('managers', or 'executives), and where the investors have limited if any liability.* A corporation in this sense is distinct from a household enterprise; a family business; a partnership (where the investors also manage); and a joint stock company.[3] Economists frequently regard the

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[2] Novak's tendency, too, is to treat of all corporations by focusing mainly on large, publicly held corporations.

[3] Joint stock companies are regarded as forerunners of corporations. In a joint stock company, shares may be transferred but are not traded on a secondary market; and liability is not limited.

in principle 'immortality' of a corporation as one of its most important attributes: it is meant to outlast the passing of the individuals and even of any families responsible for its founding or operation. Another important attribute is its hierarchical management structure—as if the original division of labor in a corporation between investors and managers encourages in turn the ramification of the management function itself.[4]

One commentator remarks that "the large corporate business enterprise is perhaps the key institution of the modern world. As much as anything else, the invention of this form of organization created the world we live in and transformed the conditions of life for millions of people, much for the better" (Davies, 2005). Prior to the development of the corporation, economic growth was "Smithean", that is, it relied mainly on efficiencies from the expansion of markets and a progressive division of labor under conditions of more-or-less free trade. But after the development of the corporation, businesses could draw more capital from wider sources; take advantage of economies of scale; and minimize transaction costs; leading to what is called "Promethean" rather than Smithean growth.[5] "As John Maynard Keynes noted, for a very large part of the world's population, the 50 years between 1850 and 1900 saw a bigger rise in average living standards than the previous 500. This dramatic acceleration had a number of causes, but the change in business organization was the immediate one" (Hessen, n.d.).[6]

A not-for-profit corporation can be defined similarly as a *group of individuals who are recognized by law as having unity of action, continuity of existence, and responsibility, so as to constitute a 'legal person': this legal person has a charitable purpose, where there is a division of labor between those who provide the funding ("donors"), and those who operate the charitable enterprise ("trustees", "executives", and "staff"), and where the trustees have independence from the donors but a fiduciary responsibility to use donated funds in accordance with the purposes of the corporation as expressed in its charter and bylaws*. Most of the so-called "mediating institutions" in the "civil society" of a democratic capitalist society are organized as not for profit corporations. The oldest in the United States is the Harvard Corporation, founded in 1650 (Harvard Library, n.d.). Its continuity of existence as a legal person, despite the upheaval of the American Revolution (1776–1783), was confirmed by the Constitution of the Commonwealth of Massachusetts (1780): "it is declared, that the President and Fellows of Harvard College, in their corporate capacity, and their successors in that capacity, their officers and servants, shall have, hold, use, exercise and enjoy, all the powers, authorities, rights, liberties, privileges, immunities and franchises, which they now have or are entitled to have, hold, use, exercise and enjoy: and the same are hereby ratified and confirmed unto them, the said president and fellows of Harvard College, and to their successors, and to their officers and servants, respectively, forever" (193rd General Court of the Commonwealth of Massachusetts, Massachusetts Constitution, Chapter V, Section I). Note the strong assertion of the in principle immortality of this corporation.

In the U.S. religions and churches were incorporated at the same time that business corporations began to flourish: for example, the Episcopalian Church in 1813; the Society of Friends in 1839; and the Catholic Church in 1863 (Chisholm, 1910). The New York Philharmonic was incorporated in 1842 (as the "Philharmonic-Symphony Society of New York, Inc.") (Shanet, 1975). The American Medical Association was incorporated in 1847; the American Red Cross, in 1881. The Carnegie Corporation of New York was "[e]stablished in 1911 by Andrew Carnegie to promote

[4] A good overview may be found in Hessen, n.d.

[5] Use by contemporary economists of this label, "Promethean growth", can be traced back to Landes (1969).

[6] This oft repeated summary of Keynes's view is apparently based upon the essay, "Economic Possibilities of Our Grandchildren" (Keynes, 1932, pp. 358–374, and see also Keynes, 1939).

the advancement and diffusion of knowledge and understanding" (Carnegie Corporation of New York, n.d.).[7] The American Cancer Society "was founded in 1913 by 10 doctors and five laypeople in New York City. It was originally called the American Society for the Control of Cancer (ASCC)": it has since grown to "13 division offices, more than 3,000 community offices, and more than 2 million volunteers working to conquer cancer" (Eyre & Blount, 2006). According to the Internal Revenue Service (the taxing authority) of the United States, in 2022 there were almost 2 million not for profit corporations operating in the United States, constituting almost 20% of all the corporations in the U.S. (Internal Revenue Service, 2023; see also Hodge, 2014).

Despite the extensive reach and influence of corporations in the public life in a democratic capitalist society, it is fair to say that they are largely ignored by social theorists other than economists, and even economists tend to ignore them except for those who specialize in the "theory of the firm" (Coase, 1937). In political philosophy, society is typically conceived of as consisting of the state and individuals, and perhaps "the market". If mediating institutions are introduced, they are conceived of intuitively as the result of spontaneous order, perhaps as a quasi-spontaneous expression of "civic friendship" in its various forms (Pakaluk, 2001). And yet in a democratic capitalist society, citizens will be members of, or will give money to, dozens of not for profit corporations. It is likely that they have worked for, and almost certain that they will have invested in, for profit corporations. Many citizens will even have founded corporations.[8] And yet they will take corporations for granted. The idea that "the corporation is the key institution of the modern world" will be a completely new idea to them. The genius and boldness of Novak is seen in that, risking ridicule,[9] he insisted that the corporation was indeed a central institution in democratic capitalism, which deserved special attention and needed to be taken into account. Only a profound thinker will give an account of something commonplace, which others take for granted.[10]

Novak on corporations

So much for what we are talking about and its extensive importance. But what does Novak say about corporations in his masterwork? In the very first chapter of *Spirit*, where he begins to refine his own view in relation to Weber's, he gives what he regards as the six essential elements of democratic capitalism: free labor; practical rationality; continuous enterprise; the 'impersonality' which comes of the separation of the workplace from the household; a concentration of economic activity and life in cities and towns; and 'stable networks of law.' As regards the last he says: "The gradual invention of corporate law was especially significant…. Corporate law empowered nonprofit corporations as well as those organized for profit. It encouraged almost infinite varieties of voluntary association and social participation. The corporation in its varieties is the most distinctive agency of democratic capitalism" (Novak, 1982, p. 44). Thus at the start he counts

[7] The website of the corporation explains, "Andrew Carnegie endowed the Corporation with the bulk of his fortune, $135 million". This sum would be equivalent to $8 billion today.

[8] The present author has been a founding Trustee of three different not for profit corporations, besides a for profit LLC ("limited liability corporation").

[9] One author says that Novak's more theological reflections on the corporation are "silly and blasphemous" (Winters, 2013). And yet no less a theologian than Max Stackhouse said in his blurb for Novak, 1997, that the author "is sure to delight every advocate of the chief organizational instrument of today's global economy, and sure to enrage every socialist".

[10] Not simply a profound but also an empirically minded thinker--someone who is intent on grounding theory on matters of fact. "It is important to grasp a picture of the factual context", he says, before reviewing history and statistics for his time similar to those given here (Novak, 1981, pp. 12–20).

organization and activity in the form of a corporation as an essential element of democratic capitalism.

He turns to the corporation again and gives it a rather full treatment in the chapter entitled, "Community". He begins there with an affirmation of the social character of human life: "The very structure of democratic capitalism", he says, "—even its impersonal economic system—is aimed at community, not of course in the nostalgic sense of *Gemainschaft*, but at a new order of community, the community of free persons in voluntary association" (Novak, 1982, p. 129). In the discussion which ensues, Novak rejects the putative "autonomous individual". True, he says, the economic system in a democratic capitalist society is constituted by voluntary associations, that is, by associations in which persons participate, and to which they are bound, because they consent.[11] And yet, in a democratic capitalist society, individuals as a matter of course will belong to multiple such communities. The possibilities opened up by such associations more than compensates for their voluntary and therefore "loose" character:

> The system of democratic capitalism brought into prominence a novel social instrument: the voluntary association committed to business enterprise, the corporation. The assumption behind this invention is social, not individualistic. It holds that economic activity is fundamentally corporate, exceeding the capacity of any one individual alone. It requires a social life form which goes beyond the power and the lifetime of one individual. The cooperative principle is essential to a capitalist economic system (Novak, 1982, pp. 130–131).

Moreover, it is not as if life within a corporation makes no claims upon us. It is not a superficial sociability. To prove the point, he goes on to describe the "people skills" needed in a chief executive of a corporation; the virtues which such an executive must exemplify to be successful; the importance of the function within a corporation which today we call "human resources"; the immense literature on corporate management; and the role of the principle of subsidiarity in a successful corporation: "According to this principle, concrete decisions must be made on the level closest to the concrete reality. Managers and workers need to trust the skills of their colleagues. A corporate strategy which overlooks this principle—and many do—falls prey to all the vices of a command economy, in which all orders come from above" (Novak, 1982, p. 132). The corporation, then, is the vehicle recognized in law for the mode of association marked by cooperation and subsidiarity, which is distinctive of democratic capitalism.

Novak even suggests that the novelty, distinctiveness, and appeal of the corporation is the reason why Maritain was so favorably impressed with American economic life when he visited, against his own expectations:

> Thus, the Catholic philosopher Jacques Maritain reported his own shock on coming to know the United States. For him, capitalism had always been an evil word. In *Reflections on America*, he wrote: "The American economy is growing beyond capitalism, in the proper classical sense of this word". The United States has discovered a new direction "beyond capitalism and beyond socialism … personalist and community-minded at the same time". Under democratic socialism—one from among the names he suggested to describe the new

[11] And yet he would concede that even their voluntariness is conditioned: how voluntary is labor union membership in most cases, or how voluntary is employment for heads of households in the local steel mill, when the mill is the only major employer in a town?

> reality—"free enterprise and private ownership function now in a social context" (Novak, 1982, p. 135).

That is, democratic capitalism's capacity to give a social context to the use of capital hinges on its concept of the corporation and, one might say, on the corporation's living up to the role it is supposed to play.

Note, as a side point, that in this passage Novak ought to have said that he took his label of "democratic socialism" from Maritain--if it were true. Instead, Novak's language ("one from among the names he suggested") indicates that Novak selected the label as the best of several labels offered by Maritain. Maritain's list is: "the new capitalism", "democratic capitalism", "economic democracy", "industrial democracy", "distributism", "mutualism", "productivism", and "managementism—which, he says, he takes from a contest run by a magazine, which had carried the title, "Wanted: A New Name for Capitalism". Maritain then says that his own favored term would be "economic humanism" (Maritain, 1958, pp. 112–113).

In any case, earlier in *Spirit,* Novak had given the reason why he considered "democratic capitalism" to be the best. When Weber spoke of "the spirit of capitalism", Novak explains, Weber was signaling that what people regard as an economic system solely ("the economy", "the market", "business"), is in fact a synthesis of an economic and a moral-cultural-religious system, "the Protestant ethic". But, according to Novak, Weber had failed to see that there was a third system in play also, just as necessary to this *novus ordo seculorum* as the economic and the religious systems, namely, the political system of liberty. (That a third thing was needed, was apparently something Novak had gleaned from Montesquieu's remark, that the English "know better than any other people upon earth how to value, at the same time, these three great advantages–religion, commerce, and liberty" (Montesquieu, 1899, p. 321).[12]) Thus the label "democratic capitalism", although it consists of two words, is meant by Novak to declare the importance of three things: a political system of liberty (denoted by the word "democratic"); and an economic system marked by energy and innovation, together with the moral-cultural-religious system which fuels that energy, inspires that innovation, but also induces restraint (all of which are meant to be denoted by "capitalism") (Novak, 1982, p. 43).

The corporation, then, since it is a creature of law (the political system), while differentiated into business functions (the economic system) and moral-cultural purposes (the moral-cultural system) is as if the vehicle for the distinctive activity of democratic capitalism. It is a form of association which requires appeal to all three systems in order to give a sound account of it.

Novak's debt to Maritain on 'the corporation'

In the passage cited immediately above from *Spirit* (Novak, 1982, p. 135), Novak refers in a footnote to a section in Maritain's *Reflections on America.* It is fascinating to follow out this

[12] Novak was fond of pointing out that the American Founders cited Montesquieu more often and in more contexts of great importance than any other political philosopher; Montesquieu indeed far outstrips John Locke among them (conversations with the author). On Novak's observation, see (Lutz, 1984). Lutz summarizes: "If there was one man read and reacted to by American political writers of all factions during all the stages of the founding era, it was probably not Locke but Montesquieu" (Lutz, 1984 p. 190). Also, "[A]s the writing of state and national constitutions continues in the 1780s, Montesquieu increases in importance to the point where he accounts for almost 60% of all Enlightenment references" (Lutz, 1984, p. 192), and "Montesquieu is almost without peer during the founding era for prominence, except for Blackstone" (Lutz, 1984, p. 193).

footnote, because then we see how Novak's account of the corporation is indebted to Maritain's view.

In that passage in *Reflections*, Maritain draws attention to "the evolution of industry and management" in America. This evolution involves, Maritain says, "a transformation in the capitalist structure itself". Maritain's central observation in this section, and the "most striking fact" for him, is that "the corporations, while growing, have, at the same time, undergone deep inner changes":

> [T]hey have understood that, in order simply to exist, and to keep producing, they must become more and more socially minded and concerned with the general welfare. Thus, not by reason of any Christian love, but rather of intelligent self-interest, and of the ontological generosity, so to speak, of the stream of life, the idea of the advantage of the human being—all those who cooperate on the job, and the general public as well—is gradually taking the upper hand. I do not assume that corporations have reached a stage where they would prefer the common good to their own particular good. But they are reaching a stage where for the sake of their own particular good they realize that the superior rights of the common good must be taken into account (Maritain, 1958, pp. 105–107).

In the language of "ontological generosity, so to speak, of the stream of life" one sees a glimmer of Novak's view later that the corporation is the primary agent of innovation in democratic capitalism.

Maritain's source for his own understanding of the corporation is a 1946 work by Peter Drucker, a study of General Motors, entitled *The Concept of the Corporation*. Drucker was born in Austria and influenced by his acquaintance there with Joseph Schumpeter and Francis Hayek, before he emigrated to the United States in 1937. He became the leading management theorist in the second half of the 20th century. Drucker says in this book that "what determines the structure of a society is not the majority but the leaders", and thus, "What we look for in analyzing American society today is … the institution which sets the standard for the way of life and the mode of living of our citizens; which leads, molds, and directs. … What is essential in a society is, in other words, not the static mass but the dynamic element; … And this, in our society today, is the large corporation" (Drucker, 1964, p. 19).[13]

In the same discussion of "the evolution of industry and management", Maritain comments too on the world of not forprofit corporations in the United States:

> [O]ne of the most striking characteristics of the picture is the infinite swarming, on the American scene, of private groups, study clubs, associations, committees, which are designed to "to look out for one aspect or another of the common good", and whose activity is interlocked in an inextricable manner with that of government agencies, other private groups, universities, business, and industry. The effect is a spontaneous and steady collective regulation and prodding of the tremendous effort of the whole country, which is of invaluable importance (Maritain, 1958, p. 110).[14]

[13] It is not surprising to find Maritain relying in this way on the best experts, or surprising to find that Novak, too, turns out to be relying on such experts, indirectly, in drawing upon Maritain.

[14] Novak in *Spirit* focusses on the large for profit public corporation, but in later writings he sees that these are part of a unified social movement that includes not for profit corporations. For example: "The most distinctive invention of the spirit of capitalism is not the individual as much as it is many individuals joining together in creative enterprise. It is, for example, the joint stock company, the corporation … Correlatively, political life and moral-cultural life in liberal

So we find, in Maritain's treatment of what he regards as a humanizing trend in American business, that the corporation takes center stage, and that he posits it as having the role that Novak with much greater attention will assign to it.

At the end of his discussion, Maritain turns to what he takes to be the upshot of his discussion of the corporation, which is that this transformation of capitalism which he is witnessing stands in need of "an explicit philosophy". He cites some books which, he thinks, have reflected on some changes in capitalism after the fact. But these books do not contain the "theoretical elucidations [which were] guiding what happened. They did not formulate ideas stirring men's minds and summoning them to action" (Maritain, 1958, p. 117). He then rebukes Americans for not putting what they have discovered into words, which others could benefit from: "You are advancing in the night, bearing torches toward which mankind would be glad to turn; but you leave them enveloped in the fog of a merely experiential approach and mere practical conceptualization, with no universal ideas to communicate. For lack of adequate ideology, your lights cannot be seen" (Maritain, 1958, p. 116). Surely Maritain is referring to himself. From Europe he could not see the ideals that were being put into practice and lived in America, but which he discovered only when he actually visited the country. He praises America's pragmatism and "experiential approach". He concedes that it is much better to exemplify something than to articulate it: actions speak louder than words. Nevertheless, he ends his discussion saying: "it would be quite beneficial for [America] to develop, at the same time, an adequate ideological formulation, an explicit philosophy, expressing its own ideal in communicable terms" (Maritain, 1958, p. 118). —And this is precisely how we must understand Novak. Novak presumably understood his project in *Spirit of democratic capitalism* as fulfilling exactly what Maritain looks for here. And certainly in the 1990s many readers understood Novak's book to be playing the role that Maritain saw needed to be filled. We might say, then, that concrete reflection on the modern business corporation was at the very origin of Novak's masterwork.

To summarize the last two sections, then: Novak, in *The spirit of democratic capitalism,* apparently viewed himself as attempting to fulfill the plea of Maritain, that America articulate "an adequate ideological formulation" which expresses and which could guide the continuing evolution of American society towards an "economic humanism", and which would serve as an ideal and basis of hope for other countries throughout the world. Maritain, drawing upon Peter Drucker and his own experience at the time, regarded the corporation as the main and the distinctive agent and locus of this transformation. Novak agreed, holding as we have seen that "the corporation in its varieties is the most distinctive agency of democratic capitalism".

In retrospect, this view of the corporation can hardly be surprising in the aftermath of World War II, since the impressive and energetic service of American corporations in the war effort was as important to the Allied victory as were the strictly military accomplishments of the United States armed forces. However, the corporation serving as "the most distinctive agency of democratic capitalism" might appear to be a transient phenomenon, rooted for a moment of time in this victory in a major war, this contingency of history. That is presumably why Novak becomes intent on tracing back the energy and spirit, at least, of the modern corporation, to the American Founding

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societies also catalyze and explosion of voluntary associations. Not only are business enterprises incorporated; so also are political parties, foundations, church groups, beneficial societies, artists' unions, and many other forms of social organization" (Novak, 1993, p. 27). Nonetheless his discussion seems to be drawn to and to return to large for profit public corporations, probably because he regards these as reviled institutions whose merits need to be defended, and also because they exemplify most clearly the strengths and shortcomings in all corporations (Novak, 1981, p. 34).

and also, for his part, he is intent on giving it an even more lasting theological basis in Christian theology.

Novak's "theology of the corporation"

As mentioned, Novak wrote or edited four books on the corporation in the two decades from 1980 to 2000. Two of these precede *Spirit*, and two follow it at a considerable distance, well into the pontificate of Pope John Paul II, who was so influential for Novak. If we turn to these other books, then, we can interpret *Spirit* better and locate it correctly within the general movement of Novak's thought.

The first of the four books (Novak, 1981) is an edited collection which includes two essays by Oscar Handlin, the celebrated Harvard historian of American social and ethnic history. Handlin's contributions to this book are cited frequently by Novak in other works (see for example Novak, 1982, note 7, p. 362, and note 6, p. 395). We can understand Handlin as providing for Novak a confirmation of Maritain's claim about the centrality of the corporation in American public life, but also as linking the bursting forth of the corporation in this role, to the American revolution and to the distinctive American understanding of self-government at the time of the Founding.

Handlin makes three important points. First, he says that the modern corporation was an invention of law, to serve as a legal vehicle for a felt impulse: "It was not an institution that existed of itself or was simply a product of a long line of development. One can point to dates at which certain changes came in response to the will and intention of individuals" ("Discussion" of Handlin on the "The Development of the Corporation" in Novak, 1981, p. 13).

Second, he says that the corporation was originally understood as a grant of subsidiary authority from a sovereign authority, such as the crown, but in the American experience, incorporation came to be viewed as a right and as necessary basis of equal opportunity. In this regard, "The immediate impact of the revolution was to persuade significant numbers of people, who were close to the levers of power in the new government, that they ought to do what Britain had prevented them from doing for a century and a half, namely, form legally chartered bodies politic and corporate" but the "diffusion of the capacity to incorporate led to startling, but hardly noticed changes", namely, "incorporation in American ceased to be a privilege and became a right. Any qualified group of individuals, by some general standards, was entitled to be incorporated" so that incorporation came to signify "the opposite of a privilege; it simply meant an opportunity" (Handlin, "The Development of the Corporation", in Novak, 1981, pp. 6–8).

Third, Handlin says that historically there was no distinction between the for profit and not for profit corporation; they were conceived of as being the same thing. The distinction arose only in 1913, he says, with the institution of a Federal income Tax and the establishment of a taxing authority, the Internal Revenue Service (IRS), so that a "not for profit" corporation became simply any corporation not subject to Federal income tax ("Discussion" of Handlin on the "The Taxonomy of the Corporation" in Novak, 1981, p. 28).[15] That is to say, any sharp distinction between the two types of corporation derives historically not from and distinction in "the American spirit" but is an artifact of the tax code. Obviously such a point strongly supports Novak's intention, to understand "the corporation" as a legal instrument which spans both the economic and the moral-cultural systems, while being supported by the political system.

Something else we learn from these other books is what we might call the theological basis for Novak's realistic optimism. Novak often described himself as a "Whig", which he defined following Hayek as someone who has a respect for tradition, but believes in the potential for

[15] The IRS was originally called the Bureau of Internal Revenue.

progress which cannot be other than incremental, while affirming the importance and reality of "the natural system of liberty" (Novak, 1982, pp. 89, 288). Novak's Whig "bias" is to suppose that a society makes progress in any endeavor only through getting clear about what is basically good and right in the matter under consideration: since only then can one recognize what counts as an incremental improvement, and only then is one in a position to take care against potentialities for 'sin', which will be found in any human domain.[16] But Novak has a theological basis for his Whig presumptions. He puts it this way: "George Bernanos once said that grace is everywhere. Wherever we look in the world, there are signs of God's presence: in the mountains, in a grain of sand, in a human person, in the poor and the hungry. The earth is charged with the grandeur of God. So is human history". On such a basis, then, he looks for and finds "signs of grace [even] in the corporation": creativity; liberty; birth and mortality; social motive; social character; insight; and the rise of liberty and election. He summarizes: "In these seven ways, corporations offer metaphors for grace, a kind of insight into God's ways in history" (Novak, 1982, pp. 37–43).[17]

Novak's theory of the corporation as a sign or metaphor makes no showing whatsoever in *Spirit*. Indeed, although he recognizes there the role that, historically, Christian inspirations have played in the genesis of democratic socialism, his intuitions always tilt against any utopianism, or facile self-congratulation, which would *identify* economic institutions with spiritual realities. The Founders, for instance, he says, "called theirs a 'revolution', but in the history of the world's revolutions it was more nearly than any other designed upon common and practical lines, hardly at all pretentious, and by no means free from sin. They did not design it to be a vessel of grace and salvation, but simply as a *removens prohibens* with which human beings might work out such destiny as they judged themselves to be called to" (Novak, 1982, p. 343). Indeed, in the same way, Novak's pluralism is motivated mainly by his wariness of utopianism — not by a concern for a conception of freedom as autonomy, as in Rawls' notion of an 'overlapping consensus'.[18]

For all that, it is in the context of a discussion of the corporation that one finds, in Novak the political economist, his sharpest comments on the implications for the economy of what, with Pope John Paul II, he calls the "culture of death". For Novak the "culture of death" is at the same time a culture which looks for a security which simply cannot be found in this world, and which proves to be self-destructive and self-defeating:

> Personal security for human beings cannot be bought—or, more exactly, paid for. … one set of "progressive" programs—especially abortion—have cut through the expected cohorts of the young like a scythe, dooming the other set of "progressive" programs, concerning

[16] Novak puts a chapter on "Sin" near the very beginning his account (Novak, 1982, Part One, Chapter iv, pp. 81–95). This Whig "bias" explains Novak's fondness for the saying of John Courtney-Murray that the American Founders "built better than they knew" (Ponnuru, 2017).

[17] He is clear that corporations from a theological point of view are properly regarded as "signs" or "metaphors" of grace rather than, for example, effective instruments of grace (as the sacraments are regarded, in Roman Catholic theology). Yet he could have drawn on the etymology of the word, if he had wished: Latin lexicons inform us that *corporatio* in late Latin meant "an assuming of a body, incarnation" (Lewis & Short, 1879, s.v. *lewi*).

[18] There are superficial similarities between Novak's infamous 'empty shrine' (Novak, 1982, p. 53), and Rawls's concept of 'justice as fairness' as 'political not metaphysical.' Novak is inspired in part by Maritain's pragmatic approach to finding a formulation for the Universal Declaration of Human Rights that all the conquering and neutral nations of World War II could agree upon, but mainly by John Courtney Murray's conception of religious pluralism in the United States as based upon fruitful "articles of peace". Rawls in contrast, in the grips of a metaphysics of personal autonomy, believes that all obligation is based on a prior consent, and therefore that no law or regime can be legitimate which its citizens may reasonably reject (see in these regards Maritain, 1951, IV, "Men Mutually Opposed in Their Theoretical Conceptions Can Come to a Merely Practical Agreement Regarding a List of Human Rights", pp. 76–79; Murray, 1960; Rawls, 1987).

> universal security for the elderly. Abortion alone cut down 35 million Americans from the labor force between 1973 and 1995; these youngsters are no longer alive to support the elderly (Novak, 1997, pp. 12–13).

In the same passage, he refers to "the demographic tragedy now striking Europe—an even steeper plunge in the number of women of child-bearing age, a 'culture of death'. In economic matters, Novak proves to adopt a prophet's attitude of warning most sharply when he is discussing the corporation.[19]

It is also in discussing the corporation that Novak is clearest about what he regards as the threefold task of a theology (and presumably a philosophy) of economics. He had sketched the distinction but without especial emphasis in *Spirit* (Novak, 1982, pp. 239–240). But he gives a very clear account when he wants to explain where his many discussions of the corporation fit in:

> The most general specialization studies basic concepts common to all forms of economic life, such as work, scarcity, plenty, poverty, and wealth. The second studies rival economic systems, such as Third-World traditional economies, socialism, capitalism, "mixed" economies, and the like. At the most concrete level, a third specialization studies particular economic institutions, such as corporations, partnerships, unions, cooperatives, collectives, and so on (Novak, 1997, p. 18).

Novak's corpus spans all three specializations. His books on business as a vocation, social justice, and liberation theology (the true basis of economic growth) fall within the first (Novak, 1996; Novak et al., 2015; Novak, 1991a). His masterwork, *Spirit*, clearly falls within the second. But within the third the only entity which gets his sustained attention is the corporation, presumably because of its central importance for democratic capitalism, for all the reasons already mentioned.

Moreover, it is through his reflection on the corporation that Novak becomes clear that the distinguishing characteristic of democratic capitalism is invention. Admittedly, this idea was already present in *Spirit*, but it was not prominent. One finds, almost in passing and grouped among several other themes, and placed on the same level, the assertion: "Capitalism is very much (as the word suggests) a system of the *head*" (Novak, 1982, p. 43). Moreover, even then, "the head" means mainly planning, efficiency of means to ends, and organization. But in his two later books on the corporation, we find Novak stating most clearly the corrective note of *innovation*, which he had begun to highlight in the 1991 Afterward of *Spirit* (Novak, 1991b, pp. 415–440): "The following chapters show how the business corporation has been the voluntary association through which Americans have wrought the economic revolution that changed the world's horizons. … Despite this amazing revolution, [America's] dynamo—the business corporation—is an understudied institution, especially by scholars in the humanities" (Novak, 1997, pp. 17–18). In these later books on the corporation, Novak furthermore indicates that, in his view, the theory of *Spirit* has not been rendered doubtful by the two decades which followed but rather has been confirmed by the digital revolution has confirmed it: "Between 1981 and 1990 alone, the value of the American personal computer industry grew from virtually nothing to $100 billion. This is, according to The

[19] Novak's sharp criticisms along these lines seems at odds with his pluralism, and with his (and Maritain's) confidence in a shared framework of human rights among persons with allegiance to radically different world-views, religions, and metaphysical systems. Is the view that all human beings are created equal a metaphysical view which is necessary for democratic capitalism. Does the domain of acceptable pluralism not extend to the question of which human beings are deserving of ethical respect? Apparently pluralism here is mischievous and will undermine democratic socialism.

Economist, 'the largest legal increase of wealth in history'. This industry is now as large as, or larger than, the American automobile industry" (Novak, 1997, p. 11).

Finally, it is in the context of discussion of the corporation that one finds Novak giving his strongest encouragement of others to follow in his footsteps and develop what he has just begun:

> For philosophers and theologians, the business corporation raises many fascinating—and so far barely explored—questions. Having entered into these new territories, I can only hope that future generations of humanists will press ahead further, and do better. I guarantee them that they will experience plenty of intellectual excitement and that the results of their investigations will be of great interest to many who toil in the field, too busy sometimes to set down on paper the many things that they know, wonder about, doubt, or would like to pursue further if they could (Novak, 1997, pp. 20–21).

Lessons from Novak's thought on the corporation

Our goal in this paper was to approach and gain a better general understanding of Novak's masterwork, *Spirit of Democratic Capitalism*, through of study of what he says in particular about the corporation. What have we learned, and have these results provided a basis for a general assessment of Novak's thought now forty years later?

As regards lessons which we have learned, first, it becomes very clear through Novak's account of the corporation that he is not a proponent of laissez-faire: "Private corporations are social organisms. Neither the ideology of laissez faire nor the ideology of rugged individualism suits their actual practice or inherent ideals" (Novak, 1981, p. 52).

For that matter, for Novak, a democratic capitalist society requires a balance among the three systems (economic, political, moral-cultural), and he recognizes that the third is inherently the most at risk, and that a weakness in this system poses the greatest threat to democratic capitalism as a whole. One weakness in this system is precisely its lack of appreciation of the economic system. He shows sympathy with Schumpeter's view that the criticisms of the intellectual class will tend toward the undermining of a society marked by economic and political liberty, what he calls "the occupational hostility of intellectuals" (Novak, 1982, pp. 110–111). Furthermore, although he shows sympathy for Hayek's concept of spontaneous order, without using that name (he prefers Smith's image of an "invisible hand", Novak, 1982, pp. 113–115), he regards the order of the market place as arising among communities (corporations), and on his view the life within a well-functioning corporation would be better described as the realization of *subsidiarity* rather than spontaneous order.

Second, and by the same token, we note that the charge of individualism against Novak is misplaced. He styles himself a "liberal", and yet he rejects what is thought to be an inevitable philosophical commitment of liberals. He is a proponent of a "system of natural liberty", following the U.S. Founders and the Scottish Enlightenment, but such a "system" of course is inherently social.

Moreover, Novak in no way neglects the common good. The term "common good" is common in his writings: he uses this phrase 26 times in *Spirit*. He becomes interested in corporations, apparently in the footsteps of Maritain, because in the behavior of corporations in a free society he sees a growing tendency to conceive of business activity as contributing to the common good.[20] But it must be noted that, as regards contribution to the common good, Novak is as realistic and

[20] The reflections of Maritain come soon after a time when what "the common good" meant, concretely, for large cooperations, was obvious to all observers, namely, the ramping up of production to aid the war effort and to defeat the totalitarian powers.

practical as he is everywhere else. In the spirit of Novak, one might take it to be a default position that support of the government through taxation is support of the material common good at least (see Novak, 1982, p. 173). When Novak was drafting *Spirit*, the typical large public corporation in the United States was taxed at a rate of 48%.[21]

And yet it seems correct to hold, with Novak, that no account of the common good in a free society can be embraced, if it does not give appropriate weight to "the dignity of the human person", viz. of each individual human person: "The fallacy of socialism is to imagine that brotherhood demands collectivism. The genius of democratic capitalism is to serve brotherhood by recognizing that the most precious of all common goods is the individuality of each person, and that the best way to increase the common good is to empower people through differentiated systems" (Novak, 1982, p. 226).

Third, nevertheless, Novak recognizes a certain threat, within democratic socialist societies, to the human need for close communities. For instance, the separation of the workplace from the household which is distinctive of democratic capitalism may be perceived as a certain kind of liberty or as alienation. They are "opposite sides of the same coin", Novak says (Novak, 1982, p. 44). Nevertheless, democratic capitalism must reject nostalgia for traditional societies, he thinks.[22] He places a responsibility upon citizens to compensate for it, in a manner suitable to a democratic capitalist society. In this regard, he does not fail to give attention to the family as the basic cell of society: indeed, "the institutions of democratic capitalism … cannot function at all without certain moral strengths, rooted in institutions like the family" (Novak, 1982, p. 156). However, he does not regard the threats to the family in recent years as originating either from "the market" itself (a term which has almost no meaning for Novak) or, in a democratic capitalist society, from a properly regulated economic system. In his discussion of the family in *Spirit* he identifies "welfare dependency" and the radical ideas of the intelligentsia as the most serious threats faced by the family (Novak, 1982, pp. 157, 222).

It is important to emphasize that Novak did not regard democratic capitalism, and certainly not his account of it, as addressing the deepest wellsprings of innovation, or providing a basis for a love of life and energy directed towards human flourishing and growth (Maritain's "ontological generosity"). In *Spirit* he writes a treatise in political economy not Christian spirituality. Novak would be the first to say that each of us is presented with the task of overcoming despair, the dread of evil, the reality of sin, and anomie, and finding some basis to commit to the good. He himself found inspiration in radically demanding spiritual guides such as St. Therese of Lisieux and Leon Bloy: "For years, I have made a habit of visiting Catholic churches around the world to seek out a statue of St. Thérèse … and only in one, I believe, have I failed to discover a statue" (Novak, 1997b); "Bloy hated the bourgeois with excessive emphasis because the bourgeois trivialized the mystery of Christianity. His language was unalterably crude, his contempt for false religion matchless. His very being seemed to flash out the message: *If you are going to talk about religion,*

[21] Thus the rate for so-called C corporations. Of course the tax rate is not the same as taxes paid. Good corporate tax lawyers are highly compensated. Nevertheless, in the 1950s through 1970s the total tax paid by U.S. corporations ranged between 3 and 6% of Gross Domestic Product (see The Tax Foundation, 2021).

[22] Novak describes a time he returned to Slovakia and met a shepherd in a hut who, he discovered, "had been born in America in the same hospital in the same city in the same year as I had" but "His father had brought him home to Slovakia as a child". World War II had prevented their return earlier. The man offered him a slice of goat cheese cut with his knife. Novak says: "I could not bring myself to feel that the advantages of living in the United States were solely material. I know and value the quality of the lives of those I met in the villages of Brutovce and Dubrava. Yet I felt profoundly grateful to my migrant grandparents for *spiritual* privileges, precisely for a thicker and richer social existence than was possible in the mountain villages of my ancestors" (Novak, 1982, p. 139).

you must talk about the real thing. Do not dim the real fire of the Absolute with the dust found in so many French churches" (Novak, 2016). Democratic capitalism cannot flourish unless its citizens in general are nourished in some such deep way. But of course it is not the task of a "report upon" democratic capitalism, such as Novak gives in *Spirit*, to provide that nourishment and support.

Fourth, we notice that the labor union from a theoretical point of view has an equal status with the business corporation—it is a corporation—although on Novak's terms it is tasked with contributing to the common good not simply as a basis of countervailing power with management, but through contributing, cooperatively, to innovation and economic growth: "In the United States, the political system [of democratic capitalism] empowered labor unions in the Wagner Act of 1935; defined the forty-hour week; banned child labor; and established social security. The dynamism of the political system has tremendously affected the economic order" (Novak, 1982, p. 47).

These observations taken together suggest that common criticisms of Novak, or the dismissal of Novak's contribution (as one finds among 'the new right' for example), are not based upon an thoroughgoing, fair and balanced engagement of his thought taken as a whole.[23]

Conclusion

We asked at the start whether looking at Novak from the point of view of his account of the corporation would help provide a basis for evaluating *Spirit*. Here, as in any other case, we must judge Novak's success or failure from the task which set for himself. From looking at Novak's discussions of the corporation, we have gleaned a clear statement of that task, which he took from Maritain, namely, to give an explicit account of the dynamism of innovation and growth within American society—not neglecting its risks, potential shortcomings, and vulnerabilities— which could be used as some kind of guide and model for other societies, in a post World War II environment, in which the world had been rent by totalitarian ideologies, and where, Novak presumes, socialist governments had failed to provide relief from poverty for their citizens in general.

Our consideration of *Spirit* tends to support the view that Novak succeeded at this task. However, the following proviso, it seems, must be set down. Most of us tend to write "for" the world we were born into and formed within, rather than the world that follows upon what we write. Michael Novak was born in 1933; he came of age in the 1950s; and he writes "for" that world. One might say: he accounts mainly for the America which Maritain visited.

And then one might argue that that America no longer exists—pointing to the effects of the sexual revolution leading to the breakdown of the family; the baleful "judicial usurpation of democratic politics"; the erosion of mainline Protestant denominations, and a continuing confusion in the Catholic Church following Vatican II, which have weakened America's moral-cultural system; the growth of the administrative state; the crowding out of religious instruction by government schools; habitual deficit spending, encouraged it seems by fiat money, which places future generations under an ominous burden of debt; and various other important phenomena which Novak could not possibly foresee —such as the rise in prominence of the financial markets in

[23] For example, Rusty Reno seems to take all of Novak's thought to be in the service of "freedom" understood as liberty from constraint, and he complains that "We are drowning in freedom" —" It was characteristic of Michael to frame the highest good as liberation from constraint"—while Reno at the same time complains that our lives are dominated by an increasingly oligarchic class of elites, which seems a contradiction (Reno, 2017). But it is misguided to acknowledge, as Reno, does that Novak places the highest good for a democratic capitalist society in the balance of three systems, while saying at the same time that he took the highest good to be simply some individualistic upshot of those systems.

contrast to “the real economy”, and the displacement of communities within civil society by superficial interactions which now take place “online” through social media. He could not foresee the distortion (or is it a ‘capture’?) of corporations by woke ideologies of gender, race, and class (or “diversity, equity, and inclusion”) instead of an ordinary concern for an uncontroversial common good. Arguably, too, he did not see how the Iraq war gravely compromised the genius of the “American spirit” which he so greatly prized.

If Novak’s America no longer exists, then (unless there are other contenders) a society which attractively exemplifies democratic capitalism no longer exists. But, if so, then Novak’s account of a past America potentially serves as much as an ideal for the present America, now, as it did for countries besides America, in the 1990s. If the society he describes is not the best ideal which we can place before us, still, as citizens committed to “piety, commerce, and liberty”—then what is? And, if we do not at least place such an ideal before us, then how can we ever hope to attain it? We would be as if archers firing arrows without a mark (Aristoteles, 1894, I.2.1094a23–24).

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