

**Auckland Business Forum**

**Morality, Capitalism and Democracy**

**Roger Kerr**  
**EXECUTIVE DIRECTOR**  
**NEW ZEALAND BUSINESS ROUNDTABLE**

**AUCKLAND**  
**7 DECEMBER 1992**

## MORALITY, CAPITALISM AND DEMOCRACY

"And not by eastern windows only,  
When daylight comes, comes in the light;  
In front the sun climbs slow, how slowly!  
But westward, look, the land is bright!"

Arthur Hugh Clough

It's been said that if you can keep your head when all around you are losing theirs - then it's possible that you're the one who hasn't grasped what's happening. Yet it is important for us to have a fair understanding of what's at stake when the economic and political institutions of our democratic system are under attack. The danger is that these onslaughts can undermine the initiative and enterprise which are crucial to the wealth-creating capacity of this country.

Is capitalism inherently corrupt? Are markets murky? Are profits obscene? Is privatisation stealing citizens' assets to make the rich richer? These are among the issues of this address which I have called *Morality, Capitalism and Democracy* in acknowledgement of a paper bearing the same title by the distinguished theologian Michael Novak. It is Novak's contention and mine that the criticisms of our basic political and economic institutions are not justified.

We can thank these past decades of Marxist-Leninist doctrine not only for the argument that capitalism is morally inferior to socialism, but for the fact that the very word capitalism is a target for unease among the ill-informed or gullible. For more than a century socialism was the inspiring, revolutionary creed that raised the hopes of mankind, and capitalism was targeted as being the dispiriting, defensive regime that protected the wealth of the rich. However, the *economic* case for socialism has collapsed with the demise of the planned economies. As Robert Heilbroner, the most prominent Marxist in the United States, has conceded:

"Less than seventy-five years after it officially began, the contest between capitalism and socialism is over; capitalism has finally won. ... the great question now seems how rapid will be the transformation of socialism into capitalism, and not the other way round, as things looked only half a century ago."

Similarly, the *political* indictment of socialism is complete. It has been revealed in its milder forms as conservative, reactionary and immobile, the instrument of the politically powerful; in its full-blown version as a monstrous regime of tyranny, repression and murder. The politicisation of life in countries that remained ostensibly democratic led to interest group contests to use the power of the state to gain privileges and resources, and to competition between politicians to prove their 'compassion' by promising ever-increasing amounts of state welfare or 'free' services.

But towering above the economic and political defects is the *moral* indictment of a system which bred the worst forms of envy, inequality and corruption, and in the democracies treated individuals not only as voting fodder but as objects of condescending pity - whose independence was of no account and who were never held responsible for their circumstances.

With the economic and political case against socialism now won, the task of defenders of democratic capitalism in the years ahead is to demonstrate that it triumphs also on moral grounds. More than any other philosophy, capitalism, with its roots in classical liberalism, is based on a conception of the individual as a morally responsible agent. The market is inseparable from a wider vision of a society of thinking, valuing, choosing and morally responsible individuals.

Michael Novak - a former committed socialist and political activist himself - is one of a host of theologians and philosophers who have addressed these issues. One of Novak's primary points is that with the issue of capitalism versus socialism now settled, what is urgently needed is an evaluation of the strengths of capitalism in our continuing search for a just and humane political economy. He finds such strengths in our inherited ethical traditions. These ensure that we don't have either a capitalism unfettered by moral considerations, nor a state dominated by one socio-political viewpoint. Novak's primary thesis details how today's free societies have evolved from a rich philosophical tradition with three mutually supportive elements:

- First, democratic capitalism offers an economic system based on competition, under the law, to channel self-interest into the service of others, and to promote human creativity as the key to ending poverty.
- Second, it is a political system containing constitutional checks and balances to protect the rights of the individual and to avoid the abuse of power.
- And third, underlying both the economic and political structures of our society, illuminating and guiding them, are our moral and cultural traditions, our rich Western inheritance from Greece and Rome, from Judaism and Christianity, from the Renaissance and modern humanism. The traditions that we have inherited, open and tolerant, have helped to form the ethical code stabilising the whole civic structure of our democratic way of life.

Those who are accustomed to refer to democratic capitalism as if it were morally stunted need to be reminded of these ethical foundations of our free society. Its political and economic theories, based on a moral vision of respect for each individual, can more than hold their own against collectivist compulsion and coercion. The very fact that we can constantly debate publicly about what should be our priorities in social, economic and political policy is evidence of the way our moral cultural system protects the ideals which underlie our society, judges where and when it is found wanting, and points to our forward direction.

No political, social or economic system can ever be perfect. We have surely by now understood the fallacy of utopian visions, and their propensity to turn into nightmares. So no case can be made against the market system solely on the grounds of inevitable imperfections. The crucial point is that the market failure of capitalism is mostly corrigible, whereas government failure is generally incorrigible. It is hard to ameliorate or eradicate. The market system - if it is allowed to work - not only has powerful equalising tendencies but also provides both the wealth and the mechanism for helping the least well off in society. The political system offers only the precarious power of 'voice', the right to 'participate', that is inherently unequal and that favours the already strong and influential - those who are articulate and well endowed with cultural power. As the Nobel laureate James Buchanan has written:

"It is critically important that we... shed once and for all the romantically idiotic notion that as long as processes are democratic all is fair game... democracy has over-reached its limits... [in] the excessive political exploitation we exercise against each other... nearly all end up as net losers."

Politics is the happy hunting ground of political people; commerce is the world of ordinary men and women.

The liberal philosophers taught us that the only reasonable assumption we can make about the nature of human behaviour is that individuals who achieve power under any political order will always be tempted to exploit this power for their own ends. This view at least concurs with a Christian perception of the human condition. But it should be remembered that the ultimate preoccupation of the English liberal philosophers, from Hobbes, Hume and Adam Smith to John Stuart Mill, was the design of political institutions that would make for the most tolerable life for the citizens who lived under them. They concluded that the liberal, political economic order based on the operation of the free market represented the set of rules most conducive not only to prosperity and freedom but also to personal moral behaviour.

It is instructive to recall that the source of Adam Smith's initial fame was moral philosophy rather than economics. Contrary to a recent claim by Professor Lloyd Geering, there was no discontinuity - no shift from an emphasis on human sympathy to one of self-interest - between *The Theory of Moral Sentiments* and *The Wealth of Nations*. As the introduction to the Penguin version of the latter makes clear, Smith regarded them as two parts of a single, greater whole which he hoped to complete with a published account of :

"... the general principles of law and government, and of the different revolutions which they had undergone in the different ages and periods of society."

One Smith scholar, Albert Hirschman, has explained the celebrated Adam Smith problem - the puzzle over the compatibility of the two works - in the following terms:

"In the former work, so it appears, Smith dealt with a wide spectrum of human feelings and passions, but he also convinced himself that, insofar as "the great mob of mankind" is concerned, the principal human drive end up motivating man to improve his material well-being. And logically enough, he then proceeded in *The Wealth of Nations* to investigate in detail the conditions under which this objective on which human action tends to converge so remarkably can be achieved. As a result of his emphasis on the noneconomic springs of economic action, it became possible for Smith to concentrate on economic behaviour in a manner that was perfectly consistent with his earlier interest in other important dimensions of the human personality."

Smith argued that we need constant help from one another, and that this is more likely to flow from self-love than benevolence. But this is only half of what he said on the subject. He emphasised that we may achieve much by pursuing our

legitimate self-interest, providing for our own needs and for those dependent on us, but he also stressed the importance of individual conscience, viewed as 'the impartial spectator' standing aside to observe and monitor our actions.

An integral part of his theme was the expectation that every human being should seek to do right according to his or her sense of duty. This 'self-interest,' so frequently targeted as a defect in capitalist philosophy, is no more than an inevitable concern with our own and our family's survival and welfare. We pursue it by mutual adjustment to others, recognising their identical concerns, while we provide goods and services for them. People act from self-interest because it is the interest they know and are equipped to judge. They do not profess to know the interest of others better than others do themselves.

Charges of self-interest, materialism and greed which can be made against individuals are not indictments of capitalism as such, but symptoms of a moral malaise to which individuals in any socio-economic system can succumb. Self-interest can appear in many forms. It is inhibited by law, by the inherent disciplines of the market, but ultimately, and more importantly, by the conscience of the individual. It's important, when recognising the strong efficiency advantages of the market, to see that we don't indict it on the grounds of moral issues which have nothing to do with the market per se, but which are part of the human condition - and which don't disappear under alternative socio-political arrangements.

To the extent that income and wealth depend on individual effort, on human ingenuity, and on providing goods and services for other people, market competition ensures that only those prosper who best satisfy the requirements of their fellows. The values of capitalism - a reputation for truth, honesty, integrity, efficiency, hard work, reliability and fair dealing - are hard-won assets that are not built up overnight. But the loss of reputation is immediately devastating, which is why the market provides strong incentives for ethical behaviour. 'Honesty is the best policy' is a rule of business conduct in the marketplace as well as an ethical precept.

Friedrich von Hayek, who was widely acknowledged as one of this century's leading supporters of a free enterprise economy, has also pointed out that if such economies are to work, they need moral standards which are not inherent in the system itself. Brian Griffiths puts it this way:

"Professor Hayek recognises that a free-enterprise economy requires the presence of strong moral standards of a particular kind for it to work: the two crucial ones being a belief in individual responsibility and a recognition that the merit and worth of individuals do not correspond to the material rewards of the market economy. Without these he acknowledges quite candidly that the system cannot survive."

Note, in particular, Hayek's emphatic rejection of the charge that a market system only values people in material terms. The fact that diamonds are more expensive than water says nothing about their relative worth to life. Paid work is not intrinsically more valuable than unpaid work. These are among the most common misconceptions of the market system.

The market system, too, provides maximum room for individual initiative, so necessary to achieve the wide dispersal of economic power. It allows people to

accumulate property, which helps to protect individual liberty, independence and autonomy. Private property is a concept at the very heart of the market system. St Thomas Aquinas stressed its importance in these well known words:

"... Private property is necessary for human life ... each person takes more trouble to care for something that is his ... sole responsibility than what is held in common or by many ... there would be chaos if everybody cared for everything."

Communities which do not respect property rights do not prosper, as the Eastern European experience has shown. Protection of property rights corresponds to the prescription "thou shalt not steal". Stealing can take many forms. Private property becomes non-existent when the state takes too much of it by force, in the form of excessive taxation, or by subterfuge, through inflation. The institution of private property is undermined when employees cheat on employers, when corporate crooks exploit minority shareholders, when copyright is breached, when legal claims to land or resources are uncertain, and when the state can take property without compensation for environmental or heritage reasons. Without secure property rights, historical experience shows that economic progress is stifled and individual freedom is threatened.

One of the most persistent attacks on the democratic capitalist economy and upon business is coming from certain sections of the church. Although many of these church representatives would claim not to be socialist, they seem curiously unaware that it is the discredited philosophy and concepts of socialism that they are advocating. This development is not confined to New Zealand. As Arthur Seldon, writing about the United Kingdom, notes in his recent book *Capitalism*:

"... Seen through the pronouncements of such churchmen the Church seems to have abandoned its spiritual role as the teacher of moral precepts to join the queue of political rent-seekers. In the nineteenth century the Church was a pillar of economic freedom, growing wealth, and increasing private charity. In recent years it has joined the critics who denounce the morals and values of capitalism."

And the Reverend John Williams, speaking about church thinking in Australia, remarks in an aptly titled article *How to Generate Poverty Without Really Trying* that:

"... ecclesiastic statements and publications on economic issues uncannily reflect the left-wing agenda of yesteryear's academics, and the bulk of today's ... teachers, journalists and commentators."

Whether the representatives of the church should enter the debate about economic policy is something for the church to decide. But if they do, we have a right to expect they demonstrate an understanding of economics and observe truth and accuracy in debate. It was therefore galling to find our organisation attacked by Cardinal Tom Williams on the grounds that:

"... they have never said anything except in the interests of the Business Round Table (sic) even though they are dealing with broader economic policies."

An inquiry into the basis of this accusation brought neither justification nor apology. Our founding charter commits the organisation to the pursuit of overall national interests, not sectoral interests, and we place the highest value on maintaining the integrity of that commitment. We took pride in the comment of John Hyde, then director of the Australian Institute for Public Policy and a respected former politician, that:

"My cynicism about political lobbies seldom fails me but I believe this one might have New Zealand's interests in mind."

An equally disappointing experience was the response to the initiative by Federated Farmers this year to involve the Social Responsibility Commission of the Anglican Church in opposition to restrictions on imports of Japanese used cars. Not only do such restrictions harm the economy but, as Sir Roger Douglas noted the other day on television, the availability of lower-priced cars has greatly benefited low income people in places like Otara. Regrettably, the Commissioner, Richard Randerson, declined to be come involved on the grounds that the Commission lacked the necessary expertise. Economic issues don't come easier than the case for free international trade. Are representatives of the Church speaking with expertise on other, much more difficult, topics?

Elsewhere Richard Randerson has found it relevant to lace arguments with references to "impeccably dressed business leaders" and to claim that "A cult of selfishness and materialism has been unleashed in New Zealand by market forces." The idea that the rich are rich because the poor are poor - that some people need to be kept in poverty so that the rich may grow wealthier - is one of the most impoverishing myths in Marxist dogma. The fostering of social envy was an explicit part of the socialist project. As Michael Novak has written:

"Communism mandated lethal injections of envy into every man, woman and child. People were taught by communist regimes to despise those who got ahead, and to pull them down. They were not taught that envy is a cardinal sin; they were told it is the first of the virtues; they were taught to call it 'justice' and 'equality'."

An endorsement of social envy by leading ecclesiastics, attacking the world of business while advocating an expansion of the welfare state, is at odds with the Judaeo-Christian view of men and women as individuals free to make their own choices. It is also contrary to the attitudes of ordinary New Zealanders. In a poll this year, 91 percent answered "no" to the question: "Do you resent other New Zealanders who are wealthier than yourself?" An attitude of hostility and suspicion towards people actively engaged in the process of wealth creation is insidious - and centuries-old Christian doctrine warns specifically against this. This preoccupation with economic and political concerns seems to have replaced much of the modern church's activity in traditional fields of theology, prayer, and liturgy, and its concern with the perennial questions of an individual's relationship with his or her creator and the task of living in charity with one's fellows.

A document of special relevance to our subject is the recent encyclical *Centesimus Annus*, issued to mark the centenary of *Rerum Novarum*. As one reviewer put it:

"For the first time in the history of Catholic social doctrine, there is an emphatic approval of the market economy as the optimum arrangement in today's world."

The encyclical describes the modern business economy as "human freedom exercised in the economic field," and states that "no exploitation in the Marxist sense exists in Western societies today". It endorses profit as an economic goal. The economic function of democratic capitalism is seen as circumscribed within a strong juridical framework which places it in the service of human freedom. Gerhart Niemayer points out that *Centesimus Annus* endorses specifically:

"... the fundamental role of business, the market, private property, and its resulting responsibility for the means of production, as well as for human creativity in the economic sector."

It's interesting, too, to note that Pope John Paul calls upon the Catholic principle of subsidiarity when dealing with the need the poor have for jobs. Instead of invoking the socialist theory of state provision, ritually invoked by the media clergy and others still living with essentially socialist doctrine, the present Pope says unequivocally that:

"Primary responsibility (for human rights in the economic sector) belongs not to the state but to individuals, and to the various groups and associations which make up society ... the State could not directly ensure the right to work for all its citizens unless it controlled every aspect of economic life and restricted the free initiative of individuals."

The contrast between the teaching of the encyclical and some of the pronouncements of the church in this country is striking. Could it be that New Zealand has somehow fallen off the Vatican's mailing list?

In the passage I quoted earlier, Arthur Seldon goes on to point out that:

"In the nineteenth century the Church was a main source of charity in establishing schools, building hospitals and providing almshouses for the old. Its churches were full. Since giving has been enforced by and through governments, the Church has lost to the welfare state its role of compassion for the needy, the sick and the aged. Church attendances have fallen below one in ten."

A similar point is made by Ormond Wilson, a left-wing intellectual and member of the first New Zealand Labour government. In his autobiography *An Outsider Looks Back*, Wilson observes that consciously or unconsciously, Marxist doctrine was a dominating influence underlying Labour's policies in the thirties. But the picture he paints is one of a government which was nevertheless acutely conscious of the dangers of excessive state welfare, both on those who might become dependent and on institutions such as the church whose role might be usurped. On Wilson's account, the party's thinking was much closer to that of Sir Roger Douglas than it was to that of the NewLabour party. By today's standards, the welfare measures of the time were modest. As they expanded in later decades, however, the role of the

church and other voluntary institutions was crowded out, religious observance declined - to the point where the largest religious denomination, the Anglican church, has shrunk to the size of the 'no religion' group in census returns - and the concept of charity degenerated into a system of state services and benefits.

"For the rest of us," Wilson lamented, "there is now a tendency to consider that distributing money, whether in the form of government grants, lottery profits or tax-deductible donations, absolves us from any personal responsibility for further action."

Ormond Wilson pointed out, too, that money is too readily regarded as the solution to contemporary problems, that in this country we tend to blame the government for all our ills, and to demand that it should remedy them. By widening the call for relief from the government, we widen the sphere of state intervention. Though the presence of hardship requires action, it may not invariably be government action. Other sources of aid are provided by self-help within the family and neighbourhood, insurance, friendly societies, mutual aid and charity. It may be an indictment on the whole concept of state-regulated charity to realise that:

"Of the 12 million covered by the 1911 National Insurance Act in Britain, one of the earliest measures inaugurating the Welfare State, some 9 million were already providing themselves with benefits equal to or better than those supplied under national insurance, through the friendly societies, these private, voluntary collective agencies for mutual aid, whose members eschewed dependence on others and prided themselves on their self-reliance."

A question of concern is whether the Christian church today has moved so far away from its primary function that it is in danger of becoming one of the pressure groups which corrode democracy. It's easy to talk about caring for people - as if that's not what every political and social institution is trying to do. It's also easy but empty to talk about putting people before the economy rather than the other way round - as politicians from Sir Robert Muldoon to members of the Alliance party, and churchmen such as Cardinal Williams, have been wont to do - as if there were any valid economic goal other than serving people's needs. But is it responsible to press the government to do more when it's already over-extended and debt-ridden? And is it responsible to argue for further increases in taxes which will only make people more dependent on the state by reducing their ability to take care of themselves and to help others?

Prime Minister Margaret Thatcher's celebrated speech to the Church of Scotland stressed that Christianity is about spiritual redemption, that we are told that we must work and use our talents to create wealth:

"It is not the creation of wealth which is wrong," Mrs Thatcher said, "but the love of money for its own sake. What is certain, however, is that any set of social and economic arrangements which is not founded on the acceptance of individual responsibility will do nothing but harm ... we are all responsible for our own actions. We cannot blame society if we disobey the law. We simply cannot delegate the exercise of mercy and generosity to others."

I recalled these words when reading the claim of Catholic priest Father Jim Consedine that the government was responsible for the tragic deaths of seven youths who died in a fire in Christchurch earlier this month, "as much," he said, "as if a Cabinet Minister had struck a match." Some media reactions to this outburst were refreshingly direct. The *Evening Post* editorialised that:

"... even the most trenchant critic of the present administration must recoil at this inflammatory nonsense... . These strident proponents of the welfare state are its worst advertisement, giving credence to the claim that excessive dependence on the state extinguishes all notions of personal responsibility."

And Rosemary McLeod added:

"What about the church? What was its part in the life and death of the seven children? What did it do for them while they were still alive? And what can it say of its own failure to sell the idea of parental responsibility, individual self-respect and Christian values?"

Michael Novak makes the point that the more the redistributive state attempts to impose equality, the more it deprives individuals of personal responsibility. He asks how, short of an absolute tyranny, can individual differences be equalised? And why should this goal be regarded as morally acceptable? What about issues such as individual effort, sacrifice, achievement, needs, productivity, enterprise, contribution to the common good and valuation of services? The Christian view is that each single person is utterly unlike any other. Differences do not automatically constitute inequalities; and since equality is not the norm, there is no moral case for trying to make people "more equal". As Novak explains:

"It is important here to avoid confusion between two quite different aims of social policy. It is quite right to wish to come to the support of the poor, the disabled, and others who are (temporarily or permanently) unable to provide for their own necessities. It does not follow that the good society should expunge all diversity, variety and inequality either of gifts or of outcomes."

Although we are witnessing the collapse of the economic and political case for socialism, we would be making a great mistake to think we are rid of socialist theory, of the familiar collectivist concepts of coercion. We constantly hear calls for more state intervention, and these will redouble in the lead-up to the general election. We should weigh very carefully what these imply. Old Marxists never die, they only change their spots.

In particular, the moral case for democratic capitalism remains poorly understood. Capitalism is a fallible system, because human beings are fallible. Where they step outside the law they should be punished for their transgressions. We should stigmatise the crooks. But we should also stigmatise those who recklessly attack our political and economic institutions - for example those who, for their own political ends, come out with accusations which turn out to be non-bribes to non-Business Roundtable members. And we need to remember that capitalism is a system that depends for its vitality on profits and losses, successes as well as failures. From the collapse of the South Sea Bubble to the collapse of the sharemarket boom in 1987, some investors have taken undue risks, been tempted by get-rich-quick schemes,

and lost money. In the absence of fraud or other misconduct, that is not an indictment of the system.

Nothing I have said denies the importance of government agency in allowing the market order to work and in helping shape the good society. There is an important government function to maintain law and order, define property rights, adjudicate disputes, enforce contracts, promote competition, maintain an honest currency, provide a social safety net and act in those spheres important enough to justify government intervention. No serious supporters of the market system advocate unfettered free enterprise and nor does the Business Roundtable.

I hope I have sketched out for you some of the elements of the moral case for democratic capitalism that needs to be elaborated in its detail and subtlety in the period ahead. For a summary, I can do no better than quote to you this passage from Seldon's book on the subject. He writes:

"The historic recuperative strength of capitalism lies in [several] pillars: the human ability to recover after adversity that it liberates, the family it fortifies by refraining from paternalism, the private property it strengthens by law, the ferment of new thought and ideas it promotes by political liberty, the encouragement of scientific discovery it creates by the prospect of individual gain, [and] the generosity in giving it promotes by low taxation... This is the glory of capitalism we should celebrate."

We should also celebrate the progress our own country has made in abandoning its tradition of "socialism without doctrine", state paternalism and the "economy of fear" that went with it. Most of us now know that road led to the lowest rate of productivity growth of any developed nation and a steady slide towards the third world. Change was always going to be difficult, and it was made far harder by inconsistent policies and teabreaks along the way. We are still at risk of a failure of nerve and a loss of momentum, but for the first time in a generation we have the prospect of sustainable economic growth, the most effective anti-poverty programme ever invented.

The debate is not, as some church leaders would have it, about whether the cause of the socially and economically disadvantaged should be championed. Of course it should - a talisman of the good society is how effectively it cares for its most vulnerable members. There is no need to have particular concern for better off people. They can look after their interests more or less adequately under almost any set of social arrangements. Our concern should be for the effective protection of the less well off.

But the key word is 'effective'. Compassion and good intentions are not enough - they pave a well known road. Soft hearts are admirable, but soft hearts and soft heads are not a good combination. To find effective remedies we need soft hearts and hard heads. Church doctrine such as liberation theology, which still appears to be reflected in the thinking of the World Council of Churches, helped shape policies which exacerbated third world poverty. As Novak posed the question in the title of his book on the subject: 'Will it Liberate?' Similarly the question to be asked of any prescription for economic policy is 'Will it work?'

The prescriptions that are still coming from many quarters include higher taxes, more generous welfare, re-regulation of the labour market, state ownership of industry and restrictions on trade. All experience here and elsewhere tells us such policies do not work; they were the policies that got us into trouble in the first place; and a return to them would make the social problems immeasurably worse.

If we consolidate on the progress we have made in recent years, we can be optimistic about our chances of finding a genuine solution to the problems of those who have fallen into unemployment or dependency through no fault of their own. But we need to stay sober about the task that lies ahead, and avoid unrealistic expectations. The legacy of debt, of poor skill levels and of a culture of welfare rather than work will not disappear overnight.

In particular, New Zealand will have to make its way in a dramatically changing global economy.

In many countries around the world, people are prepared to work very hard for a lower standard of living than we enjoy. In the past, industries could not locate in many of those countries because they were kept out by socialist governments and other barriers. No longer is that the case; huge new investment and market opportunities are being opened up. In the past, New Zealand enjoyed advantages of infrastructure and human capital over the new competitors. But the Asians and others are saving and investing at high rates and running hard to improve their skill levels. A modern, open New Zealand economy will have to match these trends; we will not be able to pay New Zealand workers more than their skills will command on world markets. At most we have a breathing space before the forces of international competition will intensify.

But there is no reason why we cannot do as well as others if we put our mind to it. Around the world there is admiration for what has been achieved, and keen interest to invest and do business in New Zealand. Saatchi and Saatchi are right to say this country has opportunities before it as it's never had before. They are right to argue that the next step is in our hands, not those of politicians.

We therefore need to tackle the obstacles to further progress, which are now as much cultural and attitudinal obstacles as economic ones. If less than a decade of economic debate could turn around our approach to economic issues, I see no reason why similar effort cannot do as much for moral and cultural issues.

We need groups with traditional ethical values like the Auckland Business Forum to explore the political, economic and moral meaning of the changes we are experiencing. We need scholars like Michael Novak to help us in this task.

Michael Novak's *Morality, Capitalism and Democracy* is a timely reminder that capitalism alone recognises that the wealth of nations is to be found in the creativity of the human person.

The world is awakening to the discovery that competitive markets are indispensable to individual freedom, and to national regeneration.

We are becoming part of this larger world, of its democratic tradition and its moral system based on the great cardinal virtues of faith, hope and charity. They make

their own particular contribution to that extraordinary capacity of the human spirit to cope in times of challenge. If we hold fast, then "... westward, look, the land is bright!"