

Christianity and Economic Freedom

If it is my privilege to accept the Ordo Socialis Award today – a recognition that comes as both an honour and a commitment – I do so in an awareness of the things that bind us: the Christian idea of humankind, of a person with inherent dignity, responsible 'to God and humanity', a person embedded in a family, a community, a profession and a livelihood. And it is this element of the social that implies a sense of justice that calls particularly for equality of economic opportunity, freedom, responsibility and commitment to society. Today, this Christian understanding of individual and society is put to the test in the form of the liberties we enjoy in the economic sphere. This understanding is predicated upon membership in a community, forthrightness and inner attachment.

1. The citizen: the idea of belonging

In the German language, we refer to the individual in a democracy, the 'citizen', as a 'Bürger'. The term 'burga' or 'Burg' is a reminder of the people who took up residence in a castle (German: Burg), as they offered the determination and the ability to defend the castle in the event of enemy attack. They refrained from disrupting any truces (Burgfrieden) in effect, and from polluting the castle's most valuable asset: its water. The citizen is the individual who feels a sense of belonging to a community of peace, a sense of securing a livelihood and of mutual consideration.

During the French Revolution, the citizen emerged as the opposite number of the subject. The citizen lays claim to liberty, democratic participation and the right to vote and stand for election. This modern notion of the citizen is also predicated on a sense of inner attachment – henceforth to the people of a state – that is characterised by a shared culture, by shared notions of the good life and good policy, and by shared economic concerns.

The egalitarian equality that is formative of a democracy grants the same right to vote to every state citizen who has reached a certain age. In a society in which, as a matter of principle, anyone who takes action on behalf of others must first demonstrate a qualification for the task, this is an astonishing finding. Whoever wishes to navigate a vehicle over public roads must first produce a driver's licence to demonstrate that he or she is capable of doing so. Whoever intends to pilot the ship of state is deemed a natural talent and, as a citizen of the state, suited to the task from a certain age. This bold concept of formal equality requires citizens to work from a common standard of measure for interaction, to develop a public spirit that guides their policies, to work on their powers of judgement to come to an understanding of the personal and programmatic alternatives involved, and to make the right decisions at election time. Such a democracy can only succeed in an Ordo Socialis that unites the people of the country and holds them together.

Today, in many instances civil rights have been broadened into human rights accruing to even non-citizens – rights to which, particularly in the European Union, the 'Union citizen' is entitled. These people are entitled to liberty. This does not mean that they are free to act any way they like, however; what it does mean is that they are free to autonomously commit themselves and take responsibility.

2. Freedom: the right of attachment

Freedom means the permission to differ. One person plays football to get in shape. Another plays violin, opening up the world of music. Still another gambles at the casino, squandering his fortune. These people are fundamentally different in the ways in which they exercise their freedom, and through their individuality and freedom the differences between them grow even further.

This freedom is an offer. The person entitled to freedom can accept it or turn it down. He or she may pursue a livelihood in the economy and look after his or her property; but the option also exists of living like Diogenes in a barrel, sleeping under a bridge and steering clear of the marketplace and the notion of earning a living. If a majority of the individuals entitled to freedom were to opt for the lifestyle of a Diogenes, these people would all be comporting themselves within the law, on the one hand. The system of state finance and taxation, however, the social market economy, would collapse beneath the weight of its own freedoms.

This is why the concept of a liberal order requires people who are driven not only by their own desire for freedom, but by a desire for responsible freedom as well. The small liberties of the moment entitle us to arrange things as we see fit. Whether I drink a glass of wine or beer today, set out tomorrow for a weekend in the North or the South, read the newspaper or a book the day after tomorrow – all of this is entirely up to me. In this, I am answerable to no one. When it comes to the major liberties of the future, on the other hand, liberties through which the beneficiary opens up new life opportunities that affect others as well, any broadening of freedoms always involves the acceptance of responsibility. A person who marries opens up a new world of inspiration and fascination but also accepts a life-long responsibility for his or her partner at the same time. A person who establishes a family by having a child gives the future a face but also remains irrevocably and inseparably responsible for the child for a lifetime. An individual who builds a house improves the conditions of freedom of dwelling but must build the house that is so stable and solid that one's grandchildren can still live there later on. A business founder taps a new area of professional freedom, yet he or she also assumes responsibilities for the workforce, the product, the customers and the suppliers. And an individual embarking upon university studies will qualify for a particular profession in order to serve others. Freedom is predicated upon attachment, on a willingness to accept responsibility for others.

This is why a free society lives not only from the rules of the law as enforced by the state but also from the good practices and dependable customs that people take for granted. We do not attend a ceremony in the same clothing we would wear to the swimming pool. At the regulars' table we speak in earthy terms, in diplomacy we communicate in roundabout ways, and as the bearers of difficult news we mince our words. Rugby players pursue a firm physical line of attack on the pitch, but naturally this is behaviour they will not repeat at the gala dinner after the match. If we were to try to write all of these rules down in a statute book, making them binding under the authority of the state, our statute books would be completely overloaded and our state judicial bodies thoroughly overtaxed. We need the matter-of-factness of an unwritten social order, a convention in the full sense of the term, in which people convene to come to an agreement that for the most part is rooted in their backgrounds.

The laws by which we live is open to these good and proven practices in circumstances such as those of the honourable merchant, of acting in good faith, of public decency; and it is open to the principles of proper accounting, and of acting and explaining to the best of one's knowledge and belief. These windows into ethics are a natural element of the existing legal framework. We know how to behave.

3. Trust: common action in accordance with reliable standards

This trust is the basis for our everyday interactions. I trust the other person because that individual will comport him- or herself pursuant to standards familiar to me. If we have driven to today's ceremony by car, we were certain that the oncoming vehicle would drive on the right and pass on the left. Absent this certainty, road traffic would be neither safe nor effortless. If we go to the baker's in the morning for bread rolls, we count on the fact that he will sell us food products and not products intended to harm us. On the way home from work in the evening, we feel safe from the threat of robbery or ambush.

Our entire economic system rests on a culture of trust. We all carry a piece of paper in our pockets that is worth less than five cents, yet in which we place a faith similar to faith in a talisman. We believe that a merchant whom we present with this piece of paper will provide us with a real equivalent value of € 100, all because this paper – a bank note – bears the imprint '€100' along with the symbols of the European Central Bank. In fact, if we present this bank note to our children in 20 years' time, we expect that they, too, will give us €100 in real value in exchange. We refer to this as the 'intergenerational monetary contract'. This is a contract, however, of which the debtor, our children, is still completely unaware. Our entire money economy is built upon this sensitive trust that money – the coin, the bank note, the scriptural money, the money produced by the cheque itself – will be redeemed.

This trust, in turn, is supported by the ethically grounded willingness to honour a commitment. In this connection, Christian ethics is far superior to its humanitarian

counterpart. Anyone who acts out of 'responsibility before God' is aware of his or her responsibility even if no other human is watching. An individual who repeatedly renews this responsibility through interaction with God – whether through a religious question, a prayer or the experience of a cathedral – is more reliable in his or her continuous observance of responsibility than a person who acts on the mere basis of the principle of reciprocity, a practical reason deriving from the desire for peace, division of labour and a system of bartering. In the end, Christian ethics is particularly determined in the way in which it combines the concept of freedom in self-determination with selflessness. Christian freedom relies on responsibility, but also on the sin, atonement and forgiveness around which every individual shapes his or her life. At the same time, Christian freedom observes, shares in and subsidiarily helps shape the conduct of life of one's fellows. The economic concept in which this ethics results is a willingness and effort not only to perform and earn an income, but also to share with others.

Today, in many instances this faith in freedom is no longer common. If the laws of taxation provide incentives to entice the taxpayer to invest in shipbuilding, in films, in monuments or in the solar industry, the lawmaker no longer trusts the taxpayer to know how best to dispose of his or her well-earned income. Oftentimes, taxation legislation – such as the incentives to purchase 'junk real estate' – entices people into economic folly and personal misfortune. A young woman with a monthly income of €1200 succumbed to the temptation to purchase a condominium valued at €290,000 on credit because, she was promised, it would save her €260,000 in taxes. The property could not be let, and thus it could not be sold, either. The promised tax benefits never materialised for someone with such a modest income. The young woman was left standing before the ashes of her burned capital and the reality of her debts. She attempted to pay the interest. But her disposable income was inadequate to the task. She experienced the mercilessness of interest and compound interest. She paid the interest, yet her total debt continued to grow. The result was an act of desperation. This is where we need to pause and ask whether our democracy and our economy should be permitted to systematically organise such false impulses as these, which result in economic misery and personal tragedy. The formal liberal slogans, 'Open your eyes or open your purse', or 'Every man for himself', are not the right standard here. Responsible economic activity calls for the advising of agreements in which an understanding of performance and consideration results in a fair and reasonable exchange.

4. Six principles of distributive justice

This brings us to the fundamental question of any economic activity: the search for standards to govern a just distribution of economic goods.

a. Every instantiation of distributive justice begins with the production of distributable goods. The poor person and the poor country with nothing to distribute cannot

procure this justice for him- or herself or itself – or for others. The first condition of economic justice is thus a system of productivity in which sufficient levels of goods and services of the greatest possible value are provided.

b. This is where the incentive principle of freedom takes hold. Everyone interacts in the marketplace for their own opportunity and at their own risk. Through professional qualification, effort and performance, each seeks to achieve the greatest possible success but also bears the risk for any slips that occur along the way. This also applies to the risks of excessive hard work and greed that take a considerable toll on the quality of life.

c. The principle of taxation extends the free individual pursuit of a livelihood into a state participation, giving the general public a share in this pursuit. Whoever has utilised the infrastructure of the community of laws – opportunities to earn a livelihood in an area of peace; conditions of safety from which to conclude agreements in freedom; a currency that permits agreement over prices, valuation of goods and storage of economic value; a supply of employees well-qualified in schools and universities; interactions with consumers who can deal with credit, cheque and the Internet – for his or her livelihood, must surrender a moderate portion of this livelihood to the community in order to secure the shared government basis for life and living.

d. The fourth principle of distributive justice is basic equality of opportunity, the right of every person to life, to enjoy the best possible upbringing and education, to find an opportunity to participate in working life and to earn an income. This also includes the openness of the market: as a matter of principle, everyone has a right to supply and demand goods and services. No cartels, no networks, no systems of unfair patronage and no businesses are impervious to failure.

e. For those who cannot or cannot yet avail themselves of this opportunity – the children, the sick, the unemployed and the senior citizens – the principle of the social ensures that everyone has membership in a community of laws and there can expect the economic, legal and cultural benefits that enable him or her to live life in dignity and freedom.

f. If these basics are secured, however, distributive justice does not call for redistribution of a nature that prevents freedom from establishing difference, even considerable differences in income and assets. However – and this is the core question of the distribution of profits – every profit must be justified through performance.

5. The justification of economic success

The modern ethics of economic life begins with the theory of Adam Smith: In the still-agrarian economy of the day, in the autumn the farmer is standing before his barn

and sees the abundance of his harvest – the fruit, the grain, the wine – and tries to imagine consuming this harvest in its entirety over the course of the autumn and winter. But then he becomes aware of the limited capacity of his stomach. The Invisible Hand tells him that this, his abundance, only makes sense if he shares it with others. This sharing also comprises an exchange against payment. The farmer gives others the fruit of his land, so valuable to them that they pay him commensurately.

Ludwig Erhard expressed this rule: Entrepreneurial profit is justified if the entrepreneur has satisfied another's needs.

We must create a legal ordering framework for this exchange of services that confirms transactional justice through agreement among the direct participants. The legislature must ensure clear standards for the economic activity of the honourable merchant, for the principles of action in good faith, for legal security and for the constantly renewed openness of the market. The legislature must foster a culture of moderation that leaves individual freedom its due scope without cramping it with an overabundance of norms. The rule of thumb is that in every area of law – civil law, criminal law, tax law, social law – there may only be as many rules as the ministerial deputy director in charge can actively recall from memory.

This justification of income on the basis of recognised performance will only succeed if the party performing is individually responsible and discernible. The nature of the contemporary economy, however, tends more and more towards anonymity. There are scarcely any anchor shareholders any more: individuals who maintain ties with their companies for 50 years, through good times and bad. The modern shareholder sits at his or her computer, changing companies with the click of a button, seeks out return without assuming responsibility for products or their sale and distribution. Computers sniff out and anticipate movements in value on the investment market; a large portion of financial transactions are not agreed by humans and are instead triggered by devices acting as 'vacuum cleaners for profits'.

An investor whose capital works through funds reaps yields without knowing whether the power of the capital invested was used to produce wheat or weapons. This business model systematically separates capital opportunity from capital responsibility, systematically keeping the investor in the dark as to the object of his or her investment; in this way, it organises non-accountability.

Banks sometimes grant a debtor a loan without a creditworthiness test before then selling the repayment and interest receivable the same day to a special-purpose entity in exchange for a surcharge. This entity, in turn, bundles various receivables – good and bad ones – into a package, gives them a catchy name, has a ratings agency confirm their value, and then sells the package in faraway countries. The debtor's willingness and ability to repay the loan are no longer material concerns.

In addition, the financial market is increasingly discovering the state as consumer of loans, as a large-scale debtor handing over the loan amount to today's citizens while passing the loan burden along to today's still-defenceless children. This is how the state as debtor falls into dependency upon its lenders while at the same time losing a portion of its sovereignty to the financiers. The lines of responsibility have grown completely muddled.

After all, economic planning is often based on figures that do not possess the predictive value attributed to them. We rely on economic forecasts by the 'Five Wise Men and Women', even though these are not correct as a rule. We base decisions on balance sheets even though these depict the company as financially strong in the balance of trade yet desperately poor in the tax balance sheet. We use model calculations to make projections based on current figures, in the process claiming to be able to predict the future.

Against the backdrop of this trend, for the world of finance, too, an ethically sound social order calls for a return to a market characterised by responsibility, a justification of profit based on the satisfaction of need, and a formalised responsibility for the economic and humanitarian consequences of every economic action undertaken.

6. Solidarity in Europe

Companion to an ethically sound social order that shapes economic life is the principle of solidarity: a willingness to stand by one another in times of crisis. This applies not only to relationships among individuals but to the legal relationships among states as well. This solidarity is currently and in particular a theme for the European Union.

The first requirement of solidarity is respect for the law. The Euro Union agreed to secure the stability of the value of its currency by seeing to it that no state run into debt in any given year by an amount exceeding 3% of its gross domestic product, and that no state's total indebtedness exceed 60% of its GDP. It is also a binding matter of law that a state must seek its loans itself in the marketplace, experiencing that a poor creditworthiness rating means rising interest rates. Pursuant to the principle of state autonomy, each state is responsible for its own finances and its debt before its voters and should not hope for a 'bailout' by some other state. The European Central Bank is independent and has obligations to nothing but the value of the currency itself; it is not in the business of stabilising states. This legally binding concept of stability bolsters faith in the European currency. We would not be experiencing this financial crisis if we had heeded this law. This law is currently essentially being ignored, however. It would seem that the notion of binding law is being overlooked. Law is unstable. That is why stability for the currency cannot be achieved.

As long as the financially still-strong states assist their financially weak counterparts, the principle of solidarity requires that this assistance be reciprocal in nature. If a state has stabilised a company or another state today, once this stability has been regained the latter must use the means available to it to reduce the indebtedness of the former helper state.

The core problem of the financial crisis is state overindebtedness. It is tempting to borrow money to give today's citizens more than their due while shifting the loan burdens to the generation of our children, who are still defenceless today. This is why we need to make ourselves aware of the magnitude of the loan burden. A law should stipulate that whenever state indebtedness increases by 1%, all state benefits – salaries, income support, student financial assistance, industrial subsidies – must fall by 1% as well, such that, at that moment, everyone experiences that loans are a burden to those who take them out.

The financial crisis is largely the result of actions taken by players in the financial market. They are the ones responsible for short sales, for the fact that 'vacuum cleaners for profits' are destroying distributive justice, that wagers on the collapse of companies or states create incentives to earn money through others' misfortune. It is difficult to define this 'financial market' – the banks, insurance companies, old-age pension funds, investors and speculators – in terms of individuals. That is why it is advisable to introduce a tax on financial transactions. This would plug a gap in the fairness of the current system. As things stand now, everyone – whether millionaire or beggar – must pay value-added tax whenever purchasing a good for his or her consumption. Only those who are in a position to save and invest – and we hope that this is something all will soon be able to do – pay no value-added tax for returns on savings and investments. If we were to begin here with a financial-transactions tax of initially one mil, and then of one percent, we could call the troublemakers to account, while generating sizeable tax revenues that could be devoted towards liquidation of debt.

7. Ethics as the basis for the power of renewal

A stable ethics sets the tone for the determination to do better; it prompts people to make a continual effort to avoid the mistakes of the present in the future while renewing the standards for the future.

Applying this ethos, time after time Germany has proven itself particularly capable of reform. In 1949, upon the passage of the Basic Law [Grundgesetz], the Germans faced an elemental crisis. The war had been lost. Germany was ostracised under international law. In war, the men had fallen or been taken prisoner. The homes and the factories had been destroyed. Meeting in Herrenchiemsee, the German ministers-president wondered whether we would all survive the next winter. Against this precarious backdrop, our grandparents relied on the principle of ethically self-determined freedom, instituted a currency reform in 1948, thereupon largely brought

the command economy to an end and, on 23 May 1949, announced the German Grundgesetz. The result was a powerful democracy, a stable state based on the rule of law, an advanced civilisation, an economic miracle – all of it without state loans yet while building a budget surplus (colloquially known as a 'Juliusturm') that paved the way for the subsequent financing of the German armed forces.

This tour de force of a fundamental reform was only able to succeed because the people were buoyed by their determination to do better. They sought a cultural new beginning. The theme was the joint establishment of a new, historically aware community founded upon the rule of law 'conscious of their responsibility before God and man', as it is written in the Preamble to the Grundgesetz.

In 1989, with German reunification, this power of reform was proven once again, thanks to a common determination to do better. With candles and church hymns, the people stood before the churches in Dresden, Leipzig and Berlin, unafraid of the tanks nearby, demonstrating for the fall of the Wall and of the Iron Curtain. The world held its breath, uncertain whether this undertaking of joining two rather hostile states in peace would succeed. There was no precedent for such a reform in peace in the history of law. And the Wall collapsed, and the Curtain fell.

Today – 2013 – we face another momentous crisis, yet it is one the experience of which, by comparison, is a rocking-chair affair. The aim is to renounce abundance, to establish our living conditions in a way that we merit, both economically and ethically. To accomplish this, however, we also need the elemental and communal determination to do better; we need that ethically grounded willingness to reform that has powerful roots in Christianity. That is why today a social order that will shape thinking in the economy and in the affairs of state is more important than ever before. Our freedom and our future depend upon it.