

## BOOK REVIEWS

*The Church Confronts Modernity: Catholic Intellectuals and the Progressive Era.* By Thomas E. Woods, Jr. New York: Columbia University Press, 2004.

*The Church and the Market: A Catholic Defense of the Free Economy.* By Thomas E. Woods, Jr. Lanham, Md.: Lexington Books, 2005.

IN THE FIRST TWO chapters of Book I of *The Wealth of Nations*, Adam Smith characterizes the exchange economy as one that consists of cooperating strangers—a spontaneous social order that in his day was rapidly replacing the tradition-bound economies of the pre-industrial revolution age.<sup>1</sup> A hundred years after Smith's death in 1890, the modern social world that he envisioned, and that was nurtured by eighteenth and nineteenth century liberalism, became a battlefield on which Catholic and Progressive Era intellectuals struggled for supremacy for the next 30 years.

The first of the two books by Thomas Woods, Jr., that are reviewed here argues that Catholic intellectuals and Church authorities had long warred with liberalism and modernity, longing for a return to the certainties, stability and order of the medieval world. At the turn of the twentieth century, they found themselves confronted with a new foe—one attempting to turn Modernism to its own uses. That foe was Progressivism and its main goal was social perfection through the establishment of a civic religion, with the central state taking the place of God.

The book is divided into six chapters and an epilogue. The first, and most general, chapter is aptly titled “The Stage is Set” and summarizes the basic opposing positions of turn-of-the-century

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<sup>1</sup>Friedrich Hayek builds on Smith to emphasize the spontaneous nature of the social order in “Cosmos and Taxis” Hayek (1973), while the key role of social cooperation for human thriving is treated most insightfully in Mises (1998, part 2).

Catholicism and of Progressivism. Most notably, Catholics were opposed to the Progressive ideas and arguments that ignored man's transcendent nature and that focused instead on the means of manipulating his affections and loyalties to forge a national ethic, rather than on those for the cultivation of his soul to help him achieve his proper end. Progressives, in turn, disdained the absolutism of Catholic dogma and ritual.

Each of the remaining chapters is devoted to a different aspect of the conflict of visions represented by Progressivism and Catholicism. These are, in turn, philosophy, sociology, education, economics, and the Progressive goal of a national nonsectarian ethic. Catholics entered the fray self-confident, with Conservatives dominant over Modernists, and Progressivism eventually withered on the vine; however, the story does not end there. With Vatican II, Woods argues that the self-confidence of Catholicism gave way to self-doubt and theological pluralism, and Catholicism itself began to wither in the post-Vatican II era.

The philosophical conflict was between the neo-Scholastic philosophy of the early twentieth-century Catholic Church, introduced most notably by Leo XIII, and the Pragmatism of John Dewey and William James that Progressives embraced in their war against dogma of any sort. Of particular concern to Catholic intellectuals was James's emphasis on the subjective nature of religious experience; it seemed to rob man of any teleology as a being of a transcendental nature. The concepts of natural law and objective truth were additional casualties of Pragmatic philosophy, in contrast to their central role in neo-Scholasticism.

While not being hostile to the discipline of sociology per se, Catholic intellectuals—including sociologists—were definitely hostile to a sociology bereft of the natural law tradition and unconcerned with the "ought" of human existence. As Woods argues, the teleology of Catholic sociology, and resultant social reform advocacy, was opposed to that of Progressive sociologists. Catholic sociologists and social reformers sought the full realization of man's nature as a transcendent being; they sought to purge individuals of sin and sanctify the soul of each. Progressive and other secular sociologists and social reformers placed the responsibility for social ills in economic and social institutions, rather than the sins of individuals, and sought only the improvement of man's material condition; although some did follow Auguste Comte in seeking to make a religion of humanity itself. The result was that secular social reformers could advocate birth control, sterilization, and divorce—all measures opposed by the Church. One practical application of Progressive sociology did find

merit with Catholic social reformers: this was “scientific charity”—the institutionalization of philanthropy. This reflected their belated recognition that charity is no longer simple in a world of cooperating strangers; it requires organization and system to be effective.

The real battle between the opposing sides took place in the field of education. It was not the methods, but the purpose, that divided Catholics and Progressives. Then, as now, the intellectual and moral formation of children was a key concern of the Church. The parochial system of education was designed with that purpose in mind. In parochial school, a child was to be taught a philosophy of life, an awareness of his transcendent nature and moral responsibilities. To Progressives, education was citizenship training; it should be designed (p. 86) “to inculcate in the child a national, secular, non-dogmatic ethic of social democracy, one that placed a greater premium on the democratic ethos itself than on the vindication of specific goods.” To Catholics, Progressive education was nothing but soulless vocational training. As was the case with social reform, Catholic educators did appreciate the practical side of Progressive education. Advances in biological, physiological, and psychological theory suggested more effective pedagogical methods and Thomas Edward Shields, head of the education department at Catholic University, was especially prominent and effective in urging their adoption in the parochial system.

While Progressives and Catholics agreed on the need for reform in the labor market, their reasons were different. Progressives argued that existing institutional arrangements in the market for labor were inefficient; Catholics argued that they were immoral. Progressives wished to improve the circumstances of labor in the context of the modern age; Catholics longed for a return to the institutional structure of the High Middle Ages. The Social Magisterium of the Church, initiated by Leo XIII in 1891 with his papal encyclical *Rerum Novarum*, aimed at expressing the elements of a just social order based on Catholic principles and natural law. Reform of the conditions of labor was to be founded on rights of the laborer to be treated a certain way. There is no notion of economic law, or of any “scientific” context for that matter, in this approach. (More on that later.) Most interesting in Woods’ treatment of this topic is his summary of the Catholic argument for the virtues of the medieval guilds as forerunners of the labor union movement. Especially telling is his observation that a longing for the guild structure of the Middle Ages ignores the fact that the modern laboring class is only possible because of the vast wealth created by the modern industrial society that superseded the political and economic structure of medieval times. Woods does not note

another fact worth mentioning: the medieval guilds were organizations of employers, not workers, and they structured the economic conditions of their era for their own benefit, rather than for that of the population at large. At least in their aims, they were in agreement with those of the modern labor union movement.

In his epilogue, Woods contrasts the vibrancy of Catholic intellectual life in the post-World War I era with the decline of Progressivism. The Great War dashed the hopes of many Progressives for human social perfection, while lack of commitment to such a goal left Catholic intellectuals unaffected by its apparent failure. Woods identifies (pp. 160–61) two stimuli for Catholic flourishing after the war and before Vatican II: first, “a remarkable confidence that the Church had much to contribute to combating the errors and ills of modern society”; and second, “the conviction that the Church was locked in a great struggle over which vision—the secular or the religious—was to inspire the civilization of the twentieth century and beyond.” Vatican II became another watershed, beyond which the second of the two stimuli is argued to have diminished—and with it, the influence and importance of the Church. Rather than confrontation, dialogue and adaptation have become the usual counsels of the post-Vatican II Church, Woods asserts. Coming to terms with the modern world and modern ideologies has had the result that Catholics and their Church are no longer unique. That both are dissolving into the sameness of the rest of Christianity from a lack of the zeal that motivated the evangelicalism of the mid-twentieth century would seem to be the conclusion of this study of a conflict of visions.

What is treated as the subject of one chapter in *The Church Confronts Modernity* becomes the focus of *The Church and the Market*—namely, the Church’s teachings on economic questions. In the latter book, Thomas Woods argues that economic theory—at least in its Austrian School form—contains secular truths that are not only vital to the application of the moral teachings of the Church, but are also fully compatible with Catholicism. The problem lies in convincing Catholics of this, as well as combating their tendency to view any criticism of the Social Magisterium of the Church as calling into question its moral authority. What Woods offers throughout the book is (p. 2) “a principled and unapologetic defense of the free market” as a counterpoise to the Church’s traditional skepticism toward the market and its bias in favor of statist solutions to what are perceived as economic problems. The two books do differ significantly in level of treatment. The first is an expansion of Woods’s doctoral dissertation and a solid work of scholarship, while the second is an unabashed work of advocacy.

The stakes are high: As Woods points out at the beginning of *The Church and the Market*, Catholic intellectuals and Church officials regard the alleviation of the conditions of workers and the poor to be a special mission of the Church. To disagree with the measures they have traditionally recommended is regarded by some as a disobedience to Church teachings. But what if the traditionally recommended measures would aggravate, rather than alleviate, the problems for which they are posed as solutions? What if those recommendations are founded on an incorrect understanding of economic reality? If economics has a theoretical core that contains undeniable truths about human social reality, then any application of moral principles that ignores that core imperils that application. It is here the same as it is with moral principles and physical law.

Woods does not question the moral principles and doctrine of the Church; he argues that their application in economic reality should be informed by the knowledge that economic science provides. One cannot provide food to the poor unless one takes advantage of physical law to grow it; likewise, a businessman cannot long provide alms to the poor if his business operates at a loss. Too often in the past, recognition of economic realities has not occurred because the very concept of economic law has been missing from Church teachings. The aim of *The Church and the Market* is to show that the logic of morality and the logic of the market are not only compatible, but necessarily so.

The first chapter of the book briefly presents the most basic principles of Austrian School economic theory as found in the works of Ludwig von Mises and Murray Rothbard, among others. It then uses them to demonstrate that economic calculation cannot be done in a socialist planned economy. The result is that socialist economies necessarily prevent human flourishing and, in fact, threaten the moral foundations of society. The socialist planned economy requires coercion; coercion destroys morality. Further, economic laws (such as the law of diminishing marginal utility or the law that productivity is greater under the division of labor) have no moral content per se, and exist as facts of human reality under every economic organization of society. They therefore should be viewed as part of the means to moral ends. For example, Mises's law of association shows that free trade provides a higher standard of living than interventionism; it does not say that one should favor free trade—that requires a moral judgment that a higher standard of living is preferable to a lower one. Any argument that either free trade or interventionism is moral mistakes the means for the end.

Armed with the economic laws presented in the first chapter, in the second Woods examines the market phenomena of prices, wages and the conditions of labor. His purpose is to demonstrate that decrees are no substitute for the results of the market process. Price controls create shortages and surpluses and thus penalize particular market participants. The surplus created by price controls in labor markets is called unemployment—hardly an advantage to the workers so penalized. Legislation that intervenes in labor markets to affect working conditions places burdens on employers that adversely affect their competitive positions as well as the employment level of workers in the affected industries.

As George Reisman (1996, pp. 653–68) has pointed out, the key to an understanding of labor markets is the recognition that the main cause of the increase in real wages and improvement in the conditions of labor since the Industrial Revolution is the increase in the productivity of labor. Any measure or institutional change that decreases labor's productivity is disadvantageous to labor. Wood's conclusion is that the social legislation favored by Catholic intellectuals and Church teachings, such as found in Papal encyclicals from *Rerum Novarum* to the present day, has retarded, rather than advanced, the interests of the very workers it was intended to help. This is because it was, in the main, founded in ignorance of economic law and economic reality, having assumed instead that the arbitrary will of employers was the only factor to be considered. In contrast, economics shows that employers are just as subject to economic law as their workers. Particularly opposed to the interests of workers in general are labor unions, whose activities are mainly devoted to improving the economic positions of their member at the expense of everyone else.

Chapter 3 turns our attention to money and the banking system, beginning with a brief history of money and an explanation of the fractional reserve banking system that exists in all modern western economies. The historical inflationism of the Federal Reserve System and its manipulation of the monetary system and resultant wealth redistribution are starkly described, and the superiority of a 100-percent reserve commodity money advocated. This is one chapter within which Woods does not resist moralizing, describing the entire fractional reserve system in the United States as "institutionalized fraud" and contrasting its basic operations with those of all other types of business enterprises. His basic moral rule applied here is (p. 122) "that monetary system is best which observes the most basic moral rules: do not steal and do not commit fraud." The Austrian business cycle theory is sketched out and compared with the naïve moralizing pronouncements of Catholic intellectuals such

as Fr. Charles Coughlin and Fr. Denis Fahey. This is followed by a discussion of interest rate theory and usury proscriptions that nicely lays out the time preference theory of interest to argue for the setting of interest rates in free markets.

“The Economics and Morality of Foreign Aid” are treated in the fourth chapter in a manner that leaves no doubt that the Church’s position on foreign aid to less developed countries could greatly benefit from an understanding of economic reality. Chapter 5 examines the many failings of the welfare state, but is so brief as to be merely titillating, while in Chapter 6 we find an extended critique of “distributism,” the doctrine that large economic enterprises ought to be penalized to the advantage of smaller ones because the large ones inject too much uncertainty into the lives of individuals. The Catholic writers G.K. Chesterton and Hilaire Belloc were the major popularizers of this idea. Not surprisingly, Woods does not favor the coercion and relative impoverishment that such a system would produce.

The concluding chapter of the book is an argument that no core theological or moral doctrine of the Catholic Church is at issue in Woods’s disagreement with some elements of Catholic social teaching—only their failure to be founded on an understanding of economic laws. In particular, he argues that there is “a profound philosophical commonality” between Catholicism and Austrian School economics. Both argue for absolute truth; both argue for an orderly universe that man is capable of apprehending; and the Austrian School actually extends many arguments first made by the late Scholastic theologians. Throughout the book, Woods seeks to show the parallels between late Scholastic thought on economic subjects and the Austrian School approach to the same topics.

It should be obvious that this reviewer is in fairly close agreement with Woods’s thesis, and with his applications of it to particular aspects of Church teachings on economic matters. The book is not a treatise; it is directed at the intelligent layman or religious and generally can be said to accomplish its job of clear explanation. If there is any criticism it is of the coverage attempted by the author. The chapters on foreign aid and the welfare state could be described as “sketchy” at best; more could have been done there. Also, the moralizing of the chapter on Money and Banking does not occur in the same degree and with the same intensity in the rest of the book. This is not an expression of disagreement, just an observation.

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