The Church and the Market: A Catholic Defense of the Free Economy. By Thomas E. Woods, Jr. Lanham, Maryland: Rowan and Littlefield, 2005.

When studying the origins of the Austrian School, one is often struck by the influence played by Catholic thinkers and culture during the centuries leading up to the publication of Menger's *Principles*. Much recent scholarship, from the likes of Murray N. Rothbard, Barry Smith, and Alejandro A. Chafuen, presents a convincing case that the Austrian School is the logical extension of economic theory as it developed on the European continent from the time of Aquinas through the scholastic writers of the late Middle Ages, to the tracts of Cantillon, Turgot, and J.B. Say, on down to late nineteenth century Vienna.

As a result, the free market theorist is often puzzled by the many important Catholic thinkers who, since the last decade of the nineteenth century, diverge on economic issues from this tradition in favor of the theories of the New Economics (to use the preferred term of journalist Henry Hazlitt for Keynesian theory) and other economic ideas the origin of which can often be traced to Calvinist-influenced British classicism. Indeed, classical and neoclassical economics themselves result from a secular schism in the development of economic thought that began with Adam Smith and lead to Mill, Marx, Marshall, and Keynes. That the modern Catholic moral theologian is so heavily influenced by this branch is understandable given its current dominance in the economics profession. What is less understandable is the apparent ignorance these otherwise learned men and women display toward the Catholic intellectual tradition that so contradicts the thrust of their pronouncements in the area of economics.

This disparity is addressed, and mended, by Thomas E. Woods, Jr., in *The Church and the Market: A Catholic Defense of the Free Economy*. At 237 pages, this book is remarkable in its overwhelming reliance on Austrian thinking from past generations and the present—from Hostiensis to Hülsmann and scores of others in-between—as the antidote to some of the trendy government-friendly ideas promoted over the decades by various popes, prelates, and members of the laity.

One important argument that Woods deals with in his opening chapter is that just because the pope says it, Catholics are not bound to believe it—if "it" is not in the area of faith and morals. In other words, teachings on wage policy do not carry the same weight (for Catholics) as teachings on the doctrine of the Immaculate Conception, whatever the actual merits of either. Woods writes,

> [I]t is perfectly unobjectionable for churchmen to say that churches should be built with the sturdiest materials in order that they might remain standing for as long as possible. But they go beyond their competence *as churchmen* and

> their ability to bind the faithful on pain of mortal sin as soon as they say, "The best building materials are A, B, and C, and the wisest techniques to use are X, Y, and Z." A churchman *qua* churchman has been vouchsafed no particular insight into such a question. (p. 6; italics in original)

In subsequent chapters, Woods analyzes some of the major areas where economic policy and Church teaching intersect, including prices and wages, money and banking, foreign aid, and welfare. In each instance, he utilizes Austrian theory to argue against some of the wisdom of various ecclesial recommendations for economic policy. These are free-market arguments that neoclassical economists would be unable to make given their utilitarian biases. Austrian arguments, however, based on natural law and *a priori*, noninductive logic, especially appeal to the Catholic mind.

But any intelligent layman would benefit from hearing Woods's praxeological justification for market-determined wages that reflect the worker's discounted marginal value product, and how this has increased over time due to the general increase in labor productivity that markets encourage—the opposite of what would result if papal calls for "just wage" legislation were embraced more fully. He writes,

> [The papal encyclicals] *Rerum Novarum*, *Quadragesimo Anno*, and other pertinent documents simply take for granted that wage rates are determined by the more or less arbitrary fiat of employers (a statement of fact on which men of good will may disagree). . . . Likewise, in *Laborem Exercens* Pope John Paul II suggests that wage rate determination is more or less arbitrary when he remarks that during the early days of industrialization, entrepreneurs, following "the principle of maximum profit," attempted "to establish the lowest possible wages for the work done by the employees."
>
> Little or no acknowledgment is made of the enormous increase in living standards that became evident among the great mass of the population from the Industrial Revolution to the present, or the substantial increase in the purchasing power of wages that occurred throughout the nineteenth century, the century of *laissez-faire*. This is surely one of the most outstanding features of modern European economic history, yet for some reason it features not at all in the social encyclicals. To the contrary, the social encyclicals routinely speak as if the workers' condition had actually stagnated or even deteriorated (as indeed popular opinion continues to believe). William Luckey writes that it is "hard to excuse Leo XIII" for his statements to this effect. "Using life expectancy figures, which ought to have been available to Leo, it is clear that at the dawn of the nineteenth century life expectancy in England was about 37 years, but after 1871–5, about 20 years prior to *Rerum Novarum*, there is an acceleration in life expectancy with no setbacks, so that by 1900 English life expectancy is about 50. Real per capita income begins to soar immediately after 1800 in all of Europe." (p. 72)

In a similar manner, Woods invokes the arguments of Hans-Hermann Hoppe to criticize welfare's deleterious effects on the family which shred any argument for the welfare state endorsed by Catholic Charities, the Campaign for Human Development, or any other group that draws redistributive conclusions from Catholic social teaching. Notes Woods:

> If the state (at any level) takes on these tasks, though, it effectively subsidizes the breakup and dispersal of these extended family units. If the state is prepared to provide the services that until now had to be provided primarily by members of the family (or by neighbors that people had known for years), then it is much easier for one of its nuclear families to take that job in Spokane. Should times get tough, the state will always subsidize their child

> care, unemployment insurance, health care, and so on. The extended family is, in large part, almost the only community left in America, and it is scarcely to be believed that some Catholics, in the name of "social justice," would want to subsidize its breakup. But that is precisely what the welfare state does, trite blandishments to the contrary notwithstanding. (pp. 148–49)

There is much more of importance in *The Church and the Market*. Woods cites Martin de Azpilcueta (Doctor Navarrus) on price fixing, Juan de Mariana on monetary debasement, George Reisman on wages, Giles Lessines and Roger Garrison on time preferences, Shawn Ritenour on *Wertfreiheit* (value freedom), Joseph Salerno on economic calculation under socilaism, Sam Bostaph on the *Methodenstreit*, David Gordon on Mises, Wilhelm Röpke on the welfare state, Eric Schansburg on rent dissipation, Tomás de Mercado on fractional reserve banking, David Beito on fraternal organizations, James Sadowsky on so-called "wage slaves," Morgan Reynolds on unions, Gottfried Harberler on international trade, Luís Saravia de la Calle Veroñese on just prices, Bertrand de Jouvenel on monarchical centralization, Richard Vedder and Lowell Gallaway on the New Deal, Raymond de Roover on guild systems, Don Boudreaux on quality-of-life improvements, Luis de Molina on just wage theory, Joseph Schumpeter on the critics of capitalism, A.M.C. Waterman on the economically confused Vicomte Alban de Villeneuve-Bargemont, Gabriel Zanotti on choice, Domingo de Soto on usury, and more. This list barely scratches the surface of Woods's research.

In many ways, Woods's effort reminds me of an abridged version of Murray Rothbard's monumental history of economic thought volumes, applied narrowly to Catholic social teaching. Readers can absorb as much about the history of economics and Austrian and (proto-Austrian) theory as they will about the state of Catholic social teaching. If so, they will get two books for the price of one—for a highly readable book that reflects much effort by a serious and gentlemanly scholar.

CHRISTOPHER WESTLEY
Jacksonville State University