Marginalized Schools at War

Clashes and Common Ground of Distributism and the Austrian School Economic over History, Philosophy and Economic Theory

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**Abstract:**

*This paper compares the political economic theories of Austro-Libertarian Theory (1871-Present) and Distributism (1910-Present). The paper seeks to accomplish three goals: 1) to accurately trace the respective theories back to the their core understandings of private property and liberty 2) examine the core values and clash of the understandings on issues like property, liberty, the role of the state 3) compare these alternatives to modern capitalism and socialism and examine where they clash, where they find common ground and which theory is best at achieving any shared ends.*

From the Bolshevik Revolution of 1917 to the disintegration of the Soviet Union in 1991, the world witnessed the rivalry of two “isms” in the political sphere: Liberal Capitalism and Communism. With the fall of the USSR, the monumental struggle was seemingly decided with modern capitalism declared the winner. Yet, less than two decades later with the 2008 financial meltdown, a number of economists professed the failures of “liberal capitalism.” The crisis rekindled the economic ideals of the old third way “isms” primarily among two marginalized systems of political economy: Carl Menger’s Austrian School of Economics with its Austro-Libertarian political order and the Distributist theory of Hilarie Belloc and G.K Chesterton. These political economic theories based on private property that emerged in the 19th and early twentieth were relegated by most scholars to the dustbin of history. With the crisis of 2008 offering doubts about the viability of modern capitalism, the Austrian and Distributist were revived and sparked new interest in modern economic literature.

Despite a mutual desire to preserve human flourishing through protecting property, both ‘forgotten’ schools strongly disagree on the purpose of private property, liberty, government, and the human nature of economics itself. Shortly after the turn of the century in 2001, catholic theorists in both movements became locked in a war over their theories separate interpretation of the authority of Catholic social teaching in shaping political economy. In the following years, catholic writers of Austrian and Distributist persuasion have verbally sparred with books and articles offering strongly worded and often polemical critiques of their opponent’s position. While differences exist in both philosophy, history and theory, a great deal of common ground is to be found between Austro-Libertarian theories and Distributists political economy, especially on the issues of private property, the size of government and the key building blocks to a free society.

## Relevance: The Resurgence of Distributism and Austrian Theory

The financial crisis of 2008 raised questions about the ability of the state and central policy makers to understand economic issues and ability of those agents to address crises. For Austrian and Distributist systems of private property, both point to the state as an inhibitor of properly dealing with the crisis. In the wake of the crises, both theories have drawn attention to the problems of state planning and the solution being a reduction in central control over the economy. While they both agree on this end, the Austrian School and Distributism both distinct descriptive explanations for the root causes created by the economic crisis.

Distributist theorist often posit that capitalism and the centralization of production is inherently unstable which has repeatedly caused structural weakness.[[1]](#footnote-1) The centralization of production causes the instability when companies are unable to respond to the need of their community and overreach their authority. In addition, these large companies by increasing wealth have contributed to the size the State and allowed for its overreach to interfere with families and localized production. With the announcement of the failure of modern capitalism in the post-Great Recession crisis, Distributism has experienced a revival with a growing body of literature and subsequently the application of a theory once relegated to the history books upon G.K. Chesterton’s death in 1936 (Sparkes, 2012 p.41).

While the Distributists have political economic assumption and scattered theories, they have few outlined economic policies from their key thinks from the 20th century. Never the less, the crisis has inspired writers including John C. Mèdaille, Philip Blond, Christopher Ferrera and Allan Carlson among others to publish works describing the application of Distributism or proposing modern policy solution based on the family, not the state (Sparkes, 2012 p.41). These have gained increasing prominence among religious thinkers and subscribers to Catholic social teaching. The family-based economy is the Distributist solution to eradicating business cycles and “economic shocks.”

In contrast, the Austrians are gaining prominence for their description of business cycles and prediction of economic bubble based on low interest rates and mal-investment which better explains the issues seen in the economic crisis. (Woods, *Meltdown,* 2009) Academic and popular Austrians predicted an economic bubble in the housing market that would results in a great recession. Academic authors like Robert Blumen, Robert Murphy, and Thomas Woods, as well popular figures like Peter Schiff and Congressman Ron Paul announced the housing market was a confluence of mal-investment due to the Federal Reserve policies and its government partnership reduce barrier to lending (Ludwig Von Mises Institute, 2013). The Austrian Business Cycle Theory (ABCT) used in helping to explain the crisis gained increased prominence for the Austrian School. The accuracy in the description has raised Austrian theory to prominence in recent years.

These two systems of ‘private property’ have explanatory power which far better matches the understanding of the economy than espoused by popular economists like Paul Krugman and former Federal Reserve chairman Ben Bernanke. While it is difficult to determine why both have experienced resurgences, a likely explanation is the popularity for non-government and non-mainstream explanations for the crisis.

## History: Two Economic Systems Preserving ‘Private Property’ and ‘Liberty’

### The Origins and Foundation of Distributist Thought

The rise of Distributist thought is unique as far as theories of political economy, because it arose as a reaction of church leadership to the industrial revolution. The first work that addressed many of the concerns from the Vatican emerged from the papal encyclical issued by Leo XIII in 1891 known as *Rerum Novarum* (Rerum Novarum, 1891). This document emphasized concerns that the owner of the means of production or the factory owners take into consideration the humanity of their workers and compensate them in such a way as to help them raise a prospering family.

Pope Leo’s intent was to ensure the protection of private property and the family. For Leo, private property was the foundation of a flourishing society. Leo XIII appealed to a state of nature as affirming the “foundation of the division of property [among men], and the practice of all ages has consecrated the principle of property ownership, as being pre-eminently in conformity with human nature (Carlson, 2007 p.6)." Private property, human freedom, and human flourishing were interconnected for the Vatican.

This papal work laid the foundation for a family centric economic system. The Pope explained that no human action, law, or institution can “abolish the natural and original right of marriage, nor in any way limit the chief and principle purpose of marriage ordained by God’s authority from the beginning: ‘Increase and multiply’(Carlson, 2007 p.6). The Pope viewed marriage as the original institution and unit of society which is older than any state.

 The conclusion of Pope Leo’s understanding in *Rerum Novarum* emphasized the importance of private property as the foundation to the thriving of family and society and urged that the law, “favor ownership, and its policy should be to induce as many as possible of the people to become owners.” This treatise was held by later writers as calling for a sort of peaceful agrarian revolution (Carlson, 2007 p.6). From the papal encyclical came the inspiration for the theory of Distributism later established by Hilaire Belloc and G.K Chesterton. An editorial published forty years after *Rerum Novarum* in G.K Weekly recognized “this encyclical, in its few but brilliant pages of wisdom and exhortation, presents so clear as outline of that social philosophy we call Distributism.” *Rerum Novarum* planted the seeds of Distributism.

### Chester-Belloc Formation of Early Distributist Ideals and Doctrine

In reaction to the implications of *Rerum Norarum*, G.K Chesterton began developing a theory in 1901, as a response to popular progressives like H.G. Wells and George Bernard Shaw. Popular progressives aligned with Chesterton’s view that industrialization and capitalism increased harm to society. However, these progressives believed that the only solution to reduce poverty was scientific eugenics and selective breeding, in order to weed the gene pool of the “inferior (Carlson, 2007 p.8).”” Belloc and Chesterton saw this approach as repulsive and incompatible with freedom and virtue. Other progressives, like the Webbs, believed the solution of dealing with poverty must include public welfare, regulations of hours, wages, and working conditions. Chesterton’s conservative ideals revolted against centralizing power and dealing with poverty through governmental control. Chesterton did not believe that capitalism or government offered a path to a strong society.

 G.K. Chesterton formulated a third way based on enduring agrarian ideals and the romanticism of living in small communities, focused on the family. He first vocalized the perspective in an essay titled *What’s Wrong With the World, in which* he examined some of the believed unfortunate trends which industrialization had brought about in his day. In this essay, Chesterton begins to deal with his conception of property. He says,

“Property is merely the art of the democracy. It means that every man should have something that he can shape in his own image, as he is shaped in the image of heaven. But because he is not God, but only a graven image of God, his self-expression must deal with limits; properly with limits that are strict and even small. (Chesterton, 1910)”

For G.K. Chesterton, property involved both physical goods such as a man’s land and labor and expansion to the greatest number of people. He believed that when society maximizes the number of families who have access to mold their property, they could live out their God-given design.

Chesterton rejected the mainstream conception of private property in his day because he believe that “‘property’ had been defined by the corruption of the great capitalists (Chesterton, 1910).” He viewed the concentration of property in the hands of a few as violating property. He explains, “It is the negation of property that the Duke of Sutherland should have all the farms in one estate; just as it would be the negation of marriage if he had all our wives in one harem.” In Chesterton’s mind, industrialization had concentrated property with fewer men rather than allowing a man to own his own lands, labor, and capital.

This understanding of property makes sense in the glorification of one institution: The Family. Chesterton saw the family as the divine unit in society. As he explains in the chapter “The Free Family,”

It may be said that this institution of the home is the one anarchist institution. That is to say, it is older than law, and stands outside the State. By its nature it is refreshed or corrupted by indefinable forces of custom or kinship. This is not to be understood as meaning that the State has no authority over families; that State authority is invoked and ought to be invoked in many abnormal cases. But in most normal cases of family joys and sorrows, the State has no mode of entry. It is not so much that the law should not interfere, as that the law cannot. (Chesterton, 1910)

Chesterton views the family and the rights of the family to supersede the authority of any government institution or demands of market forces which developed in the economy. The ownership of land and property for the family is foundational and the home a “chamber of liberty” (Carlson, 2011 p.11). Chesterton emphasized that the private home tied to the soil is foundational to human fulfillment.

As every normal man desires a woman, and children born of a woman, every normal man desires a house of his own to put them into. He does not merely want a roof above him and a chair below him; he wants an objective and visible kingdom; a fire at which he can cook what food he likes, a door he can open to what friends he chooses. (Chesterton, 1910)

At the beginning of the 20th Century, Chesterton’s essay “What’s Wrong with the World” sparked a movement to advocate for broader property ownership by the anarchist institution: the family.

 A decade after Chesterton identified aliments in the political economy of the West, another writer and historian named Hilaire Belloc proposed in 1912, the existence of *The Servile State*. Belloc contends,

That our free modern society in which the means of production are owned by a few being necessarily in unstable equilibrium, it is tending to reach a condition of stable equilibrium by the establishment of compulsory labor legally enforceable upon those who do not own the means of production for the advantage of those who do. (Belloc, 1977)

Hilarie Belloc claims that capitalism has held sway in the reestablishment of the ‘Servile’ or slavery state.

Belloc makes a historical argument that history is replete with compulsory labor and poverty is commonplace while liberty is the exception. Between 500 A.D. and 1000 A.D., slavery was taken for granted. But a century later slaves were transformed into serfs with compulsory labor replaced by fixed payments of produce, and peasants gaining the right to own land. Belloc explained that “the soil and its fixtures were the basis of all wealth.” (Belloc, 1912)

 Belloc, a Catholic agrarian philosopher, praises the self-governing guilds that emerged to control production, pricing, and quality of goods and services. He understands this distributive system of cooperative bodies as preventing economic oligarchy (which he believed capitalism has renewed). For Belloc, the medieval distributive order was replaced by “the dreadful moral anarchy which goes by the name of capitalism.”(Belloc, 1912)

Belloc believed this was the system which achieved the best state of society and property for the institution of family. He believed, “restraints upon liberty were restraints designed for the preservation of [a broader] liberty, (Belloc, 1912)” and helped preserve family ties. At the heart of Distributism, as Leo XIII and Chesterton said, resides the family. While tempered by specialization in trade and local regulation, families, Belloc defends that “the family is ideally free when it fully controls the means necessary for the production of such wealth as it should consume for normal living.”(Belloc, 1912) The Distributist state is a state in which family “retains its freedom, so long as the structure made up of families similarly free, exercises its effect through costumes and law consonant to its spirit. (Carlson, 2007 p.12)” In the early decades, a new system of political economy emerged based on Catholic social teaching and preaching a system valuing the family, property and the means of production as an alternative to industrial capitalism and communism

### The Emergence of Austrian Foundations: Oresme and the Spanish Scholastics

While Austrian Theory is most often traced to its founder Carl Menger, the foundations of Austrian Theory are often traced much earlier to Nicolas Oresme and the early Spanish Scholastics.

 Nicholas Oresme, the Bishop of Lisieux, was a pioneer in the field of the ethics of private property and money production. He staunchly opposed the prince’s policies of inflation in the form of coin clipping. (Oresma, 1956) In his work *De Moneta,* Oresme appeals to ethics, Aristotelian philosophy, and Holy Scripture order to explain the fraud of devaluing and expanding the money supply. Generations later, the Austrian school has vindicated his treatment of ethics and raised the banner of virtue and the biblical ethic of ‘just scales’ that Oresme built (Hulsmann, 2008 p. ix).

The formative assumption of the thought of the early Spanish scholastic influenced the Austrian School. The foundation of scholasticism was built on the ideas of Aristotle applied through the chief scholastic; Thomas Aquinas. Much of the influential thought for political economy came through a group known as the Spanish Scholastics who were also known as the school of Salamanca (Woods, The Church and the Market p.79). The scholastic approach to economics was rooted in natural law theory. For Thomas Aquinas, natural law is the participation of intellectual creatures in eternal law.

The primary source of moral laws is God; as First Cause He has fashioned man and his environment so that some kinds of actions are appropriate and others are not. In a secondary sense, since man's intellect enables him to discover reasonable rules of conduct, the human understanding is a proximate source of moral law. The intelligent use of human understanding to work out moral laws is called right reasoning. Since right reason is founded on man's nature and the natures of other things in his environment, and since rational appraisal of the suitability or unsuitability of a given action occurs in the natural course of human life, judgments of right reason also are called natural laws. (Chafuen, 2003 p.19)

Many of the scholastics believed that natural law was self-evident and that it included assumptions of private property and the application of the golden rule. However, the Natural law understanding was divided into universal natural law of the created order, and normative natural law which provided self-evident rules of human conduct. The scholastics assigned sacred status to the jurisprudential and ethical aspect of the latter.

 The Late Scholastics often made economic and moral arguments. The Scholastics valued property and frequently cited the dictum of Augustine that “it is a heresy to state that it is sinful to own property.” Tomás Mercado acknowledged the existence of self-interest and its connection to property, “If universal love will not induce people to take care of things, private interest will. Hence, privately owned goods will multiply.” (Alves and Moreira, 2010 p.68) Diego de Covarubias y Leyva (1512–1577) considered exclusive right to own property and to benefit from that property as an outflow of natural law.

While not all scholastics believed in private property, a number of scholastics believed private poverty was foundational to a moral system of economics. Modern free market system of thought and especially Austrian theory owe much of the assumptions and thought to the Spanish scholastics at Salamanca.

### The Roots of the Austrian School: Menger and Mises

The Austrian economists adopted much of the understanding of the ethics behind human action. However, it is curious that they divorced ethics from their field of study with economics. Carl Menger, the founder of Austrian economics, separated economics as “a theoretical science with the task of investigating and describing the general nature and general interconnection of economic phenomena.” (Menger, Reprint 1985 p.39) Economics is not a normative science from the view of Austrian economics. The task of economic analysis explains cause-and-effect relationships. “[Economic analysis] abstracts from the ethical character of human conduct, leaving to ethics the making of value judgment of a moral character. [It] is concerned with how men do act, not with how they should act.”(Bourke New Catholic Encyclopedia, 1967)

Despite the inspiration of Austrian Economics from the Late Scholastics, the Austrian school of economics was formed two decades before *Rerum Novarum* with the development of Carl Menger’s conception of economic theory. Ludwig Von Mises explained that, “What is known as the Austrian school of economic started in 1871 when Carl Menger published a slender volume under the title *Grundsatze der Volkswirtschaftslehre* [principles of economics]...until the end of the [1870s], there was no "Austrian School." There was only Carl Menger. (Mises, 1969 p.9-10)

Most mainstream economists believe Menger’s contribution to modern economics was the formulation of the marginal-utility theory of value (Bloch, Jun. 1940 p.430). This theory helped shaped the discipline through the Marginalist Revolution.

 Yet, Menger’s greatest accomplishment may be his methodology for using deductive methods to develop his formal theoretical economics from laws about humanity. Menger used a methodology of social science based on clear premises which allowed him to develop a theoretical system which would apply only to problems stated under carefully defined assumptions. As Henri-Simon Bloch concludes, “While Menger made a considerable contribution to economic theory; it is his contribution to methodology which entitles him to a rank among the greatest minds in the social sciences at large” (Bloch, Jun. 1940 p.433).

It was, however, Carl Menger’s student in the ‘Austrian School’ Ludwig Von Mises who carried on the baton of deductive economics. In his economic treatise *Human Action*, Ludwig Von Mises adopted *praxeology* as a general conceptual foundation and set forth his methodological approach to economics (Mises, Human Action 1949). Mises viewed economics as the study of human action and therefore began his economic analysis with the smallest locus of action observed in the economy: the individual. Mises, known by colleagues as the “last knight of liberalism”, was recognized for building upon the theories of Menger, developing ideas from the quantity theory of money, the theory of business cycles, to economic calculation.[[2]](#footnote-2) Through Mises’s work, the Austrian School has used the praxelogical method to describe human action and economic trends.[[3]](#footnote-3)

## Distributist Philosophy: The Foundations of the Distributist Political Economy

### Limits Lead to Liberty

Distributism begins with a pre-enlightenment view of the world and more importantly of authority.[[4]](#footnote-4) Before the Enlightenment, man was considered to be a part of a community. The ideals of man deriving rights from nature would have a foreign concept as well as an idea of universal rights. For example, the rights of Englishmen would not have applied to all men but only to Englishmen. To live as a part of the community of Englishmen, strict duties and obligations were required, including obedience to God and the King as well as a number of other expectations.

 However, with the fulfillment of these duties came the privileges granted to a family. This tension between ‘freedom from’ and ‘freedom for’ can be seen with the founding of America with John Wesley’s *Address to Our American Colonies* rebuking the colonist understanding of liberty (Wesley, 1775). He argued that liberty comes through submission to proper authority and gaining duties and privileges that come from obedience rather than rebellion from the King. In the same way, most Distributists value a pre-enlightenment conception of liberty, and it is their intellectual starting point.

Christopher Ferrera’s *Liberty: The God that Failed* is an amateur historical account in which the author outlines the impact of the modern political world holding on to the new conceptions of liberty from Locke. His book demonstrates skepticism of modern assumptions of liberty and rights (Ferrara, 2012). While Distributists cannot divorce themselves completely from enlightenment thinking, their intellectual foundations attempt to do so. For Distributists, the proper authority is neither the individual nor his consent but rather an ordered liberty based on proper authority of God, King, Church, and Family. This sense of liberty, rights, community, family, and authority forms the basis of Distributist thought.

### The Family as the Cornerstone

These assumptions for Distributist theory were held deeply by its founding thinkers, G.K Chesterton and Hilaire Belloc. As G.K Chesterton said, “That keyword, which unlocks the doors of all politics and all economy, is the Family” (Aleman, 2012 p.1). According to Hilaire Belloc, Distributism is “a state of society in which the families composing it are, in a determining number, the owners of the land and the means of production as well as themselves the human agents of production (that is, the people who by their human energy produce wealth with those means of production).(Belloc, 2004 p10) ” In Belloc’s vision, Distributism meant that people should own their own farms and businesses where they can brew their own beer and produce their own cheese (Aleman, 2012 p.11). He viewed smaller local production led by the authority of guilds as giving economic freedom to families and communities.

Dale Ahlquist explained in his essay *What’s Wrong With the World (and how to fix it)* that for Chesterton, “In order for the family to have its proper authority in a society, local government must be more influential than state or federal government. Local government means neighbors who are accountable to each other. (Aleman, 2012 p.3)”As another author put it, “the family is central to a Distributist vision. The family must remain the center of economic life-not the individual, not the corporation, and not the government (Aleman, 2012)."

However, while Belloc and Chesterton provided a religious basis and methodology based on making economics ‘more humane’ through focusing on the family, they did not develop a specific means to achieve an economy based on the needs of the family.

### Private Property Meets Small Is Beautiful

In the realm of economics, the Distributist would argue that private property is the foundation. Yet, the functioning definition of private property is to distribute it as widely as possible and always defer to the principle that small is better. It is not always against the large business except under certain criteria. Distributists are only against the big institutions and businesses which seem to “diminish the freedom and creativity of the little things” like when a larger business buys up a smaller business (Aleman, 2012 p.11). This is not because the Distributist is against freedom of the big business; it is because he thinks the freedom of the little business should take priority.

Distributists have always encouraged a sense of scale; and certain sectors of economic life, they contend, need to be large and coordinated-transportation systems, for example. Yet, as many businesses as possible should be localized, or decentralized, because most information and consumption and accountability is kept close to home. (Aleman, 2012 p.54)

The Distributists contend that local businesses argue the advantages for the freedom of local areas. This advantage comes from possessing less power and result in less harm if they fail.

The Distributist ideal is that, as E.F. Schmacher said, “Small is beautiful.” Schmacher warned of impending calamity if rampant consumerism and economic expansionism were not checked by human and environmental consideration. (Schumacher, 1973) He believed that blind faith in Laissez Faire economics would have consequences on community and become too impersonal and unresponsive to the needs of humanity. Distributists see the modern economy as having committed this “economic vice.” They appeal to men like Edmund Burke and his conception of ordered liberty. “Liberty,” he wrote, “must be limited in order to be possessed.” (Reid, 1988 p.30)

### Belloc’s Cognitive Dissidence

For much of Belloc’s writing, he seeks to minimize the power of government. He does, however, make one exception and this is for the state to intervene to break up strong businesses. He believed this was key to unlocking small is beautiful. He said in his 1936 work *Essay on the Restoration of Property* “We shall find as we proceed in our search for Economic Freedom, that we cannot follow it for any distance without calling in the powers of the State, to contrast with, and as far as possible to destroy, the usurped powers of Big Business.” Belloc wanted Big Business to be broken up by the State and yet Belloc wanted decentralization.

Distributist Allan Carlson points out, that Belloc loved liberty and would certainly lean libertarian in his strong distaste for the regulation and government’s intervention, but the title Libertarian is “misleading given his massive resort to state intervention.” (Carlson, “What’s Right With Distributism) At the same time, Belloc condemned the Servile State and big government for control and manipulating the family and making people slaves to corporations.

### Distributism, Not Redistributes

However, the limitation of liberty does not involve redistributing wealth or using tyranny to achieve liberty.

It cannot be too much repeated and insisted upon that the ideal of property does not comport equality in property — that mechanical ideal is contradictory of the personal quality attaching to property. It is not a bad but a good thing that rents, the dwelling house, the income from investment, and the rest, should be upon various scales, for such variety corresponds to the complex reality of human society. (Belloc, 1936)

Distributists would criticize government redistribution in the name of equality.

“The redistributionist wants to play a constant game of recalibration and special interest stock-piling. [The Distributist movement] will concede that most government s by the power of taxation redistribute some wealth or property, but the Distributist, in fact, want to avoid that tinkering as much as possible.”

Belloc certainly saw a large role for the state in breaking up business interest, he saw the function of the state as more local. In the vision of the modern Distributist; smaller and local government is a core beliefs of the Distributists.

## Austro-Libertarian Philosophy: Foundations of Austrian Economic Theory

### The Laws of Nature and Nature’s God

The Austrian School has a system of political economy known as Austro-Libertarianism. Austro-Libertarian theory can have many starting points, but its foundation is typically understood to come from natural law theory. Natural law theory was discussed by Aquinas and later by the School of Salamanca. They understood rights as coming from the creator. Just as these men before him, Locke appeals to natural lawgiver for life, liberty and property just as Pope Leo XIII did in *Rerum Novaram*. From the chapters of Genesis One and the *‘Imago Dei’* or Image of God, Locke derived the concept of basic human equality.

 For Austro-Libertarians, there are a handful of self-evident truths of ethics that are foundational to a free society derived from John Locke’s theories of rational self-interest. Most Austro-Libertarians subscribe to some variation of the Non-Aggression Principle (NAP). According to Economist Walter Block, the Non-Aggression principle, "states, simply, that it shall be legal for anyone to do anything he wants, provided only that he not initiate (or threaten) violence against the person or legitimately owned property of another.(Block, 2003) Matt Kibbe sums up the principle as simply, “Don't hurt people and don't take their stuff.” (Kibbe, 2014 p.1) In other words, the non-aggression principle believes in natural rights, as Locke said, "Being all equal and independent, no one ought to harm another in his life, health, liberty, or possessions.” (Locke, Second Treatise of Government Chp.2)

### Apriori Epistemology with Individualist Methodology

While Austrians do not completely agree upon the methodology, much of modern Austro-libertarian theory is built off of the a priori assumption laid out clearly in Human Action. This method of economics studies praxeology (intentional human behavior) and deduction to draw conclusions about how humans act based on incentives and scarce means to achieve their highest ends.

 As each human has different preference rankings, his preferences are subjective, meaning that value is subjective to the individual as Carl Menger argued. Austrians tend to begin with the individual as the basic actor in the economy and understand that human value subjectively based on their personal preferences. In order to achieve more highly ranked preferences, three engines of economic growth must be allowed to naturally emerge: saving and delayed consumption, the division of labor, and entrepreneurship.

For Austrians, the marketplace without outside interference is the best vehicle for accurate prices which allow for accurate understanding of people’s preferences. No organization should have a monopoly through the use of force, whether the state or another organization, to coerce false prices. The size of a business competing in the market is of little concern, as long as they are competing without or with only limited restraint established in the economy.

### Natural Rights and Liberty from Legal Plunder

Austrians agree about one element of the state. If it should play any role in the market, church, or family, it should be small and cause the least amount of interference possible. Austro-libertarians advocate small government as ideal for protecting the rights of the people without encroaching upon the rights of the people. Austrian economists would advocate for liberty from the encroachment of government into the natural rights of the people. The Law by Frédéric Bastiat communicates the ideals of liberty “The mission of law is not to oppress persons and plunder them of their property, even though the law may be acting in a philanthropic spirit. Its mission is to protect property (Bastiat, 1950 p.54).” Freedom has a variety of distinct meanings and understandings. Alexis de Tocqueville helped communicate a definition that would be commonly understood among Austro-Libertarians. “Freedom is, in truth, a sacred thing. There is only one thing else that better deserves the name: that is virtue.” He concludes “What is virtue if not the free choice of what is good? (Sirico, 2012 p. 29)” Austro-Libertarians believe that people have a responsibility to achieve virtue and prosperity for themselves only through liberty.

 Austrians advocate for a limited state on every front, with as little interference as possible while still protecting the rights of the people. Austro-Libertarians often point to governments and its associates as the greatest violators of the non-aggression principle. This would apply to government as well as corporations feeding at the trough of government privilege and subsidy. The purpose of the state is to act as a night watchman, to protect our rights and liberties under natural law. Through checking the power of government, this maximizes the liberty and prosperity of humanity.

## Distributism’s Economic Theory: From Chesterton toward Policy Solution

### The Purpose of the Distributists Man, Economy and State

The purposes of the Distributist economy are the provision for the material society for the family, to provide for a relative abundance of ends using relatively scare means, and do it in a way to advance the Distributist conception of freedom. (Mèdaille, 2011 p.43) In this light, an examination of the economic policy from a Distributist perspective can be made. While Belloc and Chesterton offered only basic policies, modern Distributists have provided solutions and proposals toward achieving their ends.

John Mèdaille, a modern Distributist thinker, also considers carefully that the role of government in the Distributist economy should be “to provide the conditions under which all the other communities that make up the social fabric can flourish (Mèdaille, 2011).” For a modern Distributist, this is the sum of good government. While he doesn’t provide a clear blueprint on what the size or authority of government should look like, Mèdaille follows the footstep of Chester-Belloc in his criticism of big government.

Five reasons are given for why big government is harmful. The first flaw is political centralization. This is a political sin for the modern Distributist who thinks local decision making is best for family structures. Secondly, Distributists concerned with small business are displeased by the tendency of big government to regulate small business and yet bail out the large companies. Another strike is that big government has a mediocre track record on subsidizing or allocating resources to the best areas. The intellectual descendants of Chesterton see clearly that big government and its interventions into the economy are not sustainable for economic growth or the family. Finally, as Belloc once so eloquently defended, big government creates clients of the servile state and become functionally its slaves.

### The Tax Man Cometh?

Distributists make the bold claim that they have effective solutions to curtail the power of government. The Distributists advocates for smaller government and less taxation. Hilaire Belloc advocated a low tax system from roughly 2-10% of income. He spoke out about the expansion of the state ability to tax as the greatest confiscation system known to man. Belloc said,

That high taxation is the enemy of well-distributed property is apparent in two ways. First, it is apparent in the fact that it can be levied effectively only in the proportion as well distributed property has disappeared. Second, its effect in operation is to destroy the process whereby well distributed property is accumulated. (Aleman, 2012 p. 20-21)

In his modern Distributist works, Mèdaille starts evaluating taxation with a thought experiment. If the economic maxim that, “if you want less of it tax it" is true then what do we want less of in a Distributist economy? Through the eyes of a Distributist, taxing labor and capital would be horrendous.

Yet, two taxes would raise the banner of the Distributist cause. The first tax would be upon land through rent. Since you cannot get less land, it would be best to implement land taxes. He appeals to economists like Adam Smith and Milton Friedman and claims that taxing land will punish those who own land and do not use it for production. In addition, they would create a severe progressive tax to try to equalize wages of the most productive like CEO’s. Another plausible tax system would impose externalities, like taxing for transportation and pollution, and pass the cost directly to companies rather than to the community who are often most hurt by these systems.

### Industries through Distributists Eyes

Distributists also see major issues in the farming and industrial sectors of the economy. Mèdaille describes a Distributist solution based on Emilia-Romanga, a community in Italy which uses small production centers to produce. He proposed that the global economy start moving closer to this system. His reasoning behind this system is that it is prosperous and he claims it not subject to overproduction which he argues causes “boom-bust cycles.” They desire to focus on general machinery which can be easily repurposed and able to provide flexibility. Also, they believe this system will be worker led and scalable for more localized production.

Distributism has a remedy for more than the economy but also proposes a remedy in the field of medicine. John Mèdaille’s solutions to the medical field would be quite contrary to the current solutions for the mainstream. They recognize the myriad of problems but propose some curious solutions to break up the oligopolies eliminating current health insurance and allow for pricing of services, the abolition of the patent system and the abolition of state provided medical licensing. In the place of these systems, private guilds would emerge to regulate and provide direct accountability as well as a reasonable system of accountability for malpractice.

Private guilds and community guilds are a frequent solution proposed by the Distributist movement. These guilds, however, often stretch further than regulation of the industry for issues like quality control and certain procedure of practice. Guilds are defined as organization in which,

The men working in a particular trade remain independent tradesman in the sense that they are independent and therefore up to a point competitive. Each is working for himself, with his own capital or machinery, and in a sense working against the other. But each has entered in an agreement with the other that he will not compete past a certain point or work against the other in certain unfair or forbidden ways. In other words, there is a competition, but it is a deliberately limited competition (Aleman, 2012 p.88).

Guilds would give community and industry self-regulation.

### You Can’t Take That to the Bank

Distributists are skeptical of banking and banking interests. At the heart of Distributism, they disagree with the usury that takes place in the economy. They are skeptical of large amounts of debt and any types of debt with interest. Banking interest, therefore, should be localized.

 With regards to monetary policy, the Distributists think government must take back power and have the community regulate the money supply rather than a pseudo-private bank. But John Mèdaille suggests a Distributist money system would place the central government in charge to build infrastructure with the government acting as the lender of last resort for the states and cities. He suggests as well that government policy erase usury altogether from monetary policy. John Mèdaille’s concluding remarks would be puzzling for Distributists and Austrians alike. He claims the practice of Distributism is more “libertarian” than anything the libertarians have to accomplish.

## A Brief Overview Austro-Libertarian Policy Solutions

### The State: The God that Failed

In stark comparison with the literature of the Distributism, which tend to be a small pool of literature as far as policy proposals, Austrian theory has significant amount of literature on proposals to substantially reduce the power and authority of the federal government. While in their principle the Austrian school is united, this plays out differently in policy solutions. For the sake of clarity and brevity, Austrian theory will be considered in contrast to the understanding of the role of government, the economy and policy theories contrasting on issues of taxation, production, healthcare, usury and banking policies.

Austrian economists see government as a hindrance to the engines of growth in the economy. Through interventions into the market, the government interferes with the fundamental rights of a person to have control over their property and make decisions that reflect what they believe is best for them. Additionally, through undermining the right to property, government harms growth by undermining a healthy division of labor, weakening the ability of the Entrepreneur to serve the market, and dis-incentivizing savings and good investment with time preference through setting artificial interest rates.[[5]](#footnote-5)

Government policies often cause systemic problems in the economy and therefore Austrians would oppose government intervention. In fact, Austrians would agree with the majority of the Distributist complaints about the size and authority of the government. From centralizing political power to bailing out big business, Austrians would agree that government has interfered with the market, the family and even the church in far too many ways.

Austrian solutions for dealing with the economy vary but they all tend to move toward less government interference in the market place. Most Austrians would agree with Jefferson’s philosophy of government when he said, “A wise and frugal government which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government. (Walker, p.93)

For the Austrian, the only basic function (although some reject this function as well) is to preserve and protect as much as possible the rights and property of the people and the community. For as Han Hoppe says, “an expropriating property protector is a contradiction in terms.” (Hoppe)

### The Proper Role of Government: Protection of Rights

Ludwig Von Mises explained that Austrians are not anti-government. He explained

A famous, very often quoted phrase says: “That government is best, which governs least.” I do not believe this to be a correct description of the functions of a good government. Government ought to do all the things for which it is needed and for which it was established. Government ought to protect the individuals within the country against the violent and fraudulent attacks of gangsters, and it should defend the country against foreign enemies. These are the functions of government within a free system, within the system of the market economy. (Mises, Economic Policy 1979 p.37)

Mises did not oppose all government but rather believed it had a clearly outlined role which minimized its interference into market but was foundational to rule of law in a society. Mises expressed that

People who do not agree with [my conception] of the functions of government may say: “This man hates the government.” Nothing could be farther from the truth. If I should say that gasoline is a very useful liquid, useful for many purposes, but that I would not drink gasoline because that would not be the right use for it, I am not an enemy of gasoline, and I do not hate gasoline. I only say that gasoline is very useful for certain purposes, but not fit for other purposes. If I say it is the government’s duty to arrest murderers and other criminals, but not its duty to run the railroads or to spend money for useless things, then I do not hate the government by declaring that it is fit to do certain things but not fit to do other things (Mises, Economic Policy 1979 p.37).

For Austrians, this point of view plays out in specific advocacy in the economy.

### Austrian Public Policy: Less Government, More Market Solution

While there is no Austrian consensus on taxation, they advocate for minimalist taxation rates. Rothbard, a prominent skeptic of taxation, opposed substantial portions of the tax code and voiced critiques of every tax known to man.

As far as the production in the economy, Austrians would disagree with central planning by the state. The entrepreneur undertakes production to serve his fellow man and provide a good or service that allows him to satisfy more ends. Austrian theory doesn’t worry as much about the size of a business or industry as long as it competing without the monopoly of force. The market, through a system of profit and losses, offers the business that provided the good and services and a just and fair market wage for labor which is given according the subjective preference of the worker and employer.

Austrians also have policy solutions to deal with issues in the medical industry, which is becoming an increasing priority. The solutions of the Austrians are closely tied to the solutions of the Distributist. Reforming insurance under the law to allow people access to healthcare outside of insurance with market pricing, the abolition of government mandated patents, eradicating state run drug and medical licensing for “firm licensing” to indicate the best market products and allow for medical advancement and innovation. Austrians would advocate for private guilds in the medical industry as long as they are run in the community and don’t use the threat of physical force to carry out their ends.

Austrians are critical of the current fiat banking system of paper money. Austrians disagree about the role of money from free banking to a state provided currency backed by commodities. Austrians do, however, believe in market lending and that is should be done with interest (or usury) since its giving a “price” upon the time. In a free market, bankers would have incentive to be cautious about lending. Additionally, the benefit of free market interest rates is that it incentivizes savings and delayed consumption better than artificially low interest rates.

Austrians agree that the central bank has exerted a pernicious influence on the American economic landscape. ABCT argues that it’s the pseudo-private bank that causes the business cycles. In fact, it was their application of this theory is to the 2008 crisis which helped bring about resurgence of the theory. Austrians believe that the monopoly of the central bank must be broken as a private firm should not have a monopoly with the force of government to create credit which steals savings, interferes with entrepreneurship through mal-investment, and confuses and destroys the division of labor (Woods, *Meltdown* p. 2009). Austrians advocate getting rid of the central banking and its fiat money.

## Comparative Economic Perspective: Austro-Libertarianism and Distributism

### Marginalized Schools at War

For almost a hundred years, Distributism and the Austrian School were peaceful relatively neighbors until John Clark published his essay “Distributism as Economic Theory” critiquing Hilaire Belloc. For Distributists, this article meant intellectual shots had been fired. At the drop of a hat, these marginalized schools of economic thought declared a war over the soul of economics and the Catholic Church.[[6]](#footnote-6)

In the early years, numbers of advocates from both debated the merits of these economic systems. Early discussion emerged a few battles between economic historians Tom Woods and Thomas Storck who had a debate of literature about the merit of their perspective schools. While this debate continues, Christopher Ferrera, a lawyer and expert polemist tapped in for Mr. Storck at the turn of the century.

While nothing new appears under the sun, these intellectual traditions have re-emerged in the new millennia. Both have battled across the literature and now entire books have now become devoted to the topic advocating for Distributism and Austrianism. These schools of economic thought have been in gridlock for over a decade and, in being so, may have missed the greater picture of implementing their economic policy. Nevertheless, the finer economic points of the lively discussion can help us to recognize critical distinction between the schools. This debate has revealed the greatest points of contention between the theories

### The Distributist Concerns with Austro-Libertarian Methodology

A major concern raised in the early literature is about the focus of economics for the Austrian. While Distributism believes in the man right to property, he believes it must be subservient to grand ends of man.(Sharpe, *Capitalism and Catholic Economics*) However, this should not be major concern as Austrians view property is a means to achieving higher ends and not an end in and of itself. This is a critical economic distinction that Austrian believes that property in the form of land, labor, and capital used as a means to achieve man’s ends and not an economic end in itself.

Another major concern from Distributist is an ethic less economics. The field of economics itself has shifted from a system that uses ethics to prescribe, to a form a deduction and description about human action. Distributists have concerns that Austrian, as well as mainstream economics, would remove the ethics from economics.

“[Political Economy] is indeed immediately concerned with man's social activity inasmuch as it treats of the production, distribution and consumption of material commodities, but this activity is not independent of ethics; industrial life must develop in accordance with the moral law and must be dominated by justice, equity, and love. Political economy was wholly wrong in trying to emancipate itself from the requirements of ethics.” (The New Catholic Encyclopedia)

This is a valid concern since ethics is the foundation when dealing with issues of human action. A study of human action that is not undergirded with a sense of ethics would be as harmful as a humane science.

Austrian economics is a deductive and descriptive science which describes how humans act, and to integrate ethics would distract from its ability to help society to thrive. For example, an Austrian economist might explain the relationship between a higher sin tax upon consumption of sugary drinks and its effect upon consumption. Missing from the analysis will whether or not the tax is *ethical* or whether the consumptions *ought* to be discouraged. Yet, based on the conclusion of how a policy effects purposeful human action and resulting actions, policy makers can understand the incentive structure and degree of ethics an action promotes. Austrian would view ethics as a key component to the individuals economic decision but not proper for understanding incentive structures.

This is not to say that Austro-Libertarians ignore ethical choices in the economy. To the contrary, Austro-Libertarians thought on political economy often comments upon the ethics with authors like Murray Rothbard and Hans Herman Hoppe writing books on ethics related to government policy. These men divorce ethics from pure economic analysis as they believe economics cannot tell us whether the policy is ethical but it can tell us how people act (including ethically) from government policy. Both are important but ethics is prescriptive while economics is descriptive.

### The Distributist Objections to Austro-Libertarian Policy Proposals

Methodology is not the only major concern raised by Distributists. As far as the application of Austro-Libertarian policies, Distributists raise concerns over the question of the just wage. Distributists point to the comparatively low wages during the industrial revolution and the critiques of the Catholic Labor Movement. Pope Leo XIII in *Rerum Novarum* deals with this major question of employers must give a family wage so that a man can take care of his family. Austrians often argue that in a free market, individuals and families have a greater amount of choice through competitive business and innovation by small and large companies which allows them to collect just market wages. Distributists believe that Austrians overlook impoverished families when they believe markets and market wage provides the “fair market wage.”

“The fact is that wage negotiations are only ever fair and just if both sides in the negotiation are in equal positions. They both want something and can freely go somewhere else to get it if they are not satisfied with the current offering. Such a thing may be the case in an economy with plenty of local businesses offering competitive jobs in the same field, but is not the case when there is one large business which controls the majority, if not all, the local jobs in that field. Just as prospective employees have a bargaining advantage if they have a rare skill that is needed, a big employer has a bargaining advantage if employees are desperate to get or keep their jobs. (Cooney, 2014)

On this issue, the Distributists are partially correct. When government props up larger businesses, individuals are likely to have less choice as to where they work and jobs in the industry. Artificially high wages are both unsustainable and reduce the number of the employed which has a generally worse effect. The trade-off of higher wages often creates losers in the community.

Many Distributist are concerned that Austrians want limited and local government control but the believe big business is the problem. Both theories agree that businesses pandering the government for special privilege is harmful but they disagree on how to address it. Austrians refuse to stack the deck against big business through the authority of central government as proposed by Belloc and on a limited basis by some of his followers.

While Austrians would agree that not all businesses are good, they believe that apart from the assistant of the force of government, large business becomes increasingly difficult. Government policies are slower to change and shield large businesses at the expense of smaller businesses. Austrians see problems with the modern world of big business because it’s often propped up by the authority of government rather than creating the best products. Distributists have not demonstrated big business as a flaws of markets. Rather, modern lobbying reveals flaws of the democratic system that Herman Hoppe addresses in his great work, *Democracy the God that Failed*. Democratic systems promote a shortsighted vision and perverse incentives for politicians to play God allowing them to drown out small business in favor of the un-meriting large business.

Distributist insist that government is not the primary culprit of creating policy and an economic climate where big business is given the upper hand. The best way to establish that government is the key contributor is to look at Bastiat’s concept of the Seen and the Unseen. While it often appears that big business arises and drives smaller businesses out, this is not always the case. Sometimes this is a result of the larger business better achieving economies of scale but, more often than not in the modern world, government regulations and tax code make it difficult for smaller businesses to compete. What is seen is that big business thrive over the small business but what is unseen are the expenses and burdens caused by government policies which give advantage and often privilege to the established behemoths of business. When government is limited and the rule of law protected, industry growth can allow for small businesses to flourish.

The concept of the seen and unseen are easy to talk about in theory but numbers of examples exist. An example that is frequently brought up topic in *The Hounds of Distributism* is beer production. Before 1978, 6 companies dominated the beer industry. At the time, 92% of all beer production was controlled by 6 businesses and American beer was considered bland and uninteresting. When home brewing and small beer production was legalized and deregulated, beer production in the United States grew substantially. Over 30 years later, over 2500 small private breweries thrive and American craft beer is envied around the world. Under Distributists beliefs, the large business would choke off the smaller companies through the market. The best explanation is that government, not the market, killed private beer production. When government has been less involved, small businesses have grown.

Government is the wizard who keeps business that would fail in the market open for business. The policies that achieve this result extend beyond just taxation and regulation to government propping up larger businesses through bailouts, special regulations, licensing, minimum wage, and fixing prices. Business climate like this make the growth of small business difficult. The government’s regulatory policies cause high barrier to entry into the market and discourage competition which undermines the consumer and the worker. With high regulatory burdens, large companies are able to lobby the State for special favors over the local business who are less able to afford Lobbying. Government policies like this hurt the engines of growth in all businesses including division of labor, entrepreneurship and discourage savings.

This brings full circle with how Austro-Libertarianism deals with wages. Market wages are typically driven up with increased competition for labor in the market. In contrast, wages are much more likely to be garnished through institutions like the federal governments and central banks who devalue wages and create a massive wealth gap and transfer of wealth from the poor to the rich.

On the flip sides, businesses that provide competitive products and services allow for goods to be more to enhance the division of labor and provide more affordable goods and services to make wages go further in the market. Freer market allow for more small and proper large businesses alike to flourish through competition.

### Austro-Libertarian Objections to Distributists Romanticized History

At the time when Belloc wrote his thesis, many were declaring the capitalism was the cause of significant economic shift in wealth into the hands of the rich. For the capitalism as he defined it paired with the State, he was not too far off. With the assistance of government, unethical business that desired monopoly or cartels were given increased power to force out smaller businesses. But this is not inherent in free markets as Belloc seems to indicate because free markets help promote new, small, and local enterprises over a centralized system. Advocates of Austrian Economics seek to localize and minimize the power of central government from influencing economic outcomes.

Belloc believed that it was free markets and mass production that created bubbles. Yet, Belloc’s historical argument is deficient in explaining what causes bubbles to occur and businesses make collective mistakes to cause Recessions and Depression. In Belloc’s understanding, Big business is the culprit. The evidence doesn’t support this conclusion first because large, medium and small businesses alike make poor investments in the bubble.

Austrian business cycles theory does a better job of explaining the underlying causes. When government interferes with time preference and gives false market signals, this causes the false signals and collective malinvestment. Business greed or the size of businesses doesn’t cause errors in the market but rather false signals provide the better explanation as demonstrated by the Austrian school. Free markets don’t create bubbles but rather it has demonstrate well though Austrian Business Cycle Theory that the bubble are created through mal-investment created by unwise and unethical policies of theft committed by the central bank. While other types of issues can cause economic issues, Business cycles are a major cause of economic disturbances and the garnishing of wages.

Much of Belloc's argument comes from a deficient gap in understanding in the working of the economy. Free markets don’t cause the concentration of wealth into the hands of a few without raising all ships. Even freer economies that have high wealth gaps like the United States and Chile have seen growth in the wealth of the middle and lower classes. Freer markets allow for smaller businesses to thrive as seen in American beer production.

John Mèdaille and modern Distributists have taken a different angle arguing that the rise of the modern state is a result from big businesses who eventually leverage policy-makers to give them an advantage. Even if you start with a completely free market, big businesses will try to make it an un-free market. While this has been true that lobbying the government has grown with big business, this is not an issue with business but rather giving centralized government’s monopoly on power which can be traded for wealth. Public choice theory explains this concept that businesses and politician act in what they see as their best interest even if it may not be the ideal. Rather, under a free market system with the rule of just law and private property in the hands of localized government, smaller communities are able to prosper since businesses can’t lobby just one government but would be forced to lobby local governments which the community is more closely involved with traditionally.

If wealth is concentrated in the free market, it comes from businesses that provide service that people decide to purchase. Localized power and regulation promotes competition amongst governments to allow for businesses to best thrive. This by no means says that businesses are perfect or ethical because they do so but rather than the market perceives their goods or services in this way.

### Austro-Libertarian concerns with Distributist Policy Proposals

Even though issues of methodology and policies have been examined for the issue Distributist hold most dear, Austrians have concern with the Distributists especially in the realm of policy.

Taxation proposals often proposed to would be of major concern. Any types of law that punish larger businesses on a national level would be harmful that were proposed by the Distributist League in 1934. Giving the power to gain special favors in the law would benefit smaller business which doesn't benefit people, which harm the local businesses that are most efficient serving the community. Any type of progressive or regressive tax on business or penalties for creating voluntary contracts would create problems in the economy and would not achieve the ends of the Austrians or Distributists. While Distributists might respond by saying economic efficiency is not the end goal, they undermine business by setting up a system that benefits and plays favorite for size and industry. Discriminatory taxation of large business will continue to create regulatory dilemmas and won’t help small business to compete. Robin-hood policies will not allow for the thriving of the family or society.

One of the fundamental problems is that Distributist don’t seem to understand the nature of wealth. In theory, John Mèdaille explained that if you tax something, you get less of it but he doesn’t seem to understand its application to the real world. For example, he applied analysis of Henry George that we don’t want to diminish capital, exchange or labor so let’s place taxes on land. The idea is that you can raise revenue and make land more expensive so large land owners won’t be able to afford it. Unfortunately, this doesn’t work. Instead of spurring production, it discourages ownership of land through increased cost which results in less cultivation and production of the land (Rothbard, 1962 p.1199). This type of policy would hurt farmers and the Agrarian facet of the economy which the Distributist want to promote.

Despite Distributist general agreement against the centralization of power, Distributists would prefer to keep the power of money production in the hands of the central government. Austrian would prefer to break up this monopoly and public private partnership with the Federal Reserve. While many Distributists are on board with dealing with the Federal Reserve, they want to have the government deal with money apart giving interest rates to states and local governments. Such a policy without interest rates would be devastating to the economy because time has a price. If this price is not recognized, the economy would feed another bubble as demonstrated by ABCT.

Despite the understanding of the Catholic in usury and lending, the market must use interest to price capital. In this case, Distributist must choose between two conflicting ethics in the economy: theft and fraud or usury and just pricing through the market interest rate. On one hand, government giving an unchecked money supply with no interest creates theft through devaluing money as recognized by Oresme and the Catholic Scholastics. In contrast, a market interest rates (rather than artificially low interest rates) would use capital efficiently and encourage people towards saving without centralizing power or triggering mal-investment and theft of wages. Distributist should side with the Scholastics and chose the latter. Time preference is an important concept that cannot be overlooked in the economy without substantial harm to humanity.

## The Marriage of Austro-Libertarian and Distributist Policy Solutions

### A Holy Alliance?

There is no doubt that Austrian theory and Distributist theory are often at odds of their respective understandings of certain core assumptions as to the nature of liberty, whether economics can be an ‘amoral’ study, the proper economic actor, the history of capitalism, and other important topics of debates. The policy changes that are proposed and some of the goals claimed to be at odds infect align. Austrians and Distributists have a substantial amount in common and each movement can become stronger in through cooperation.

Austrian theory could benefit from Distributist analysis on the importance of understanding economic growth holistically. Distributism theory’s strength lies with G.K Chesterton’s explanation on the biblical foundation and conception of rights and property. Proper authority and the proper role of government are not only healthy for the economy because of less interference but because the economy flourishes when the family is healthy. A bloated State is the enemy of the family and the economy. At its core philosophy, Distributism values deeply the building blocks of a prosperous society.

Followers of Distributism can learn about how to best protect private property of both the Austrian and Distributist understanding. The Distributist analysis is the weakest in understanding the causal relationships of human action under certain economic policies. Austrian theory often leads to a better understanding of how economic policies could allow for the flourishing of the family and the economy. Both movements need to recognize they hold a common enemy and, in the end, they have common goals of smaller government, localized power, and the protection of property despite major economic differences.

### Common Enemies: Modern Economics and the Leviathan it defends

Austrian and Distributists theory unwittingly share some core criticisms of the discipline of mainstream economics. From the early pages of his book, *The Truly Free Market,* John Mèdaille justly criticizes some issue prevalent with modern economics. The first criticism is the separation of economics from its humanity and attempting to make it a physical science like physics. Both agree that mainstream economists struggle with ‘physics envy’ (Toohey, 1994 p. 57). Austrian economists would agree that the focus upon statistical analysis, while sometime helpful, distracts from the humanity of economics. Austrian economists, much like many modern Distributist, view economics from a humanistic perspective rather than a scientific one. This is why Austrians view the discipline of economics as a social science based on the laws of nature and as a science which studies and describes human action.

Distributists and Austrians would also agree on the failure, not only of modern methodology, but its failure in practice. John Mèdaille noted that with regards to the discipline of economics, “90 percent of all economists failed to note the coming of the disaster.” Austrians would agree that the field of modern neo-classical and Keynesian has nearly a perfect record of mis-forecasting but many of Austrian school of thought would be counted among the 10% who described the coming crisis.

The greatest enemy of the family and the market has been the Leviathan state. Both theories would agree that the state with its regulation, taxation, and protection of special interests, harm the individual, family, church and every societal institution. Both Distributism and Austrianism want smaller and more local government and both believe that markets provide for better and smaller entrepreneurial ventures. Three common goals that Distributism and Austrian can work to achieve is a more humane understanding of economics, more localized government rather than federal, and allowing smaller business ventures to flourish.

### Building a Truly Free Market

While truly free market spread out wealth, modern capitalism has become a system where wealth concentrates in the hands of the few. Austrians and Distributist have a solid objection to the modern capitalist scheme. In this corporatist capitalism, ownership of wealth and the means of production are concentrated in the hands of fewer members of society. Because of this current distribution supported by government interventions and favors, relatively few own the means of production, and the rest are compelled by the very structure of the thing to work for those few in exchange for a wage rather than be entrepreneurs.

Clearly, this type of system is not advocated for by either Distributists or Austrians. Rather, governments have allowed for this to take place by giving the state authority beyond the protection of rights. In fact, government policies in the market choke off small family business and concrete wealth in larger conglomerates who survives off of government privilege.

An Austrian conception of free markets is actually the best way to allow for both material wealth and for families to control the means of production. While large business will exist (as Distributists concede some must); smaller business which innovate and serve well can grow. Large business are not the enemy unless they are propelled, privileged and propped up by the state which is the case with modern businesses from General Electric to Boeing,

Austrian theory prefers that government be smaller and more local. As Alexis De Tocqueville witnessed, small businesses allow for innovation and for the thriving of society. Many of the policy reforms that Belloc introduced long ago and John Mèdaille have written about have a free market flavor. The lowering and localizing of taxation would be a solution both could agree upon in the long run. Another solution that could be agreed upon is the deregulation of industries by the government for more competitive and private guilds who be a superior conception to government monopoly from education to the medical industry.

Thomas Wood was correct when he said that the market, through competition, gives the best chance for just wage. He was communicating that prosperity gives people more freedom by increasing their means to have a flourishing family.

The abolition of the central banking would be a huge step towards ending the business cycles that are caused by false interest rates. While Distributists and Austrians will likely continue to disagree about interest, an economy without false pricing signals like the central bank provides now would enhance wealth and save it from being squandered and helping to retain value and the biblical principle of a just scale.

## The Conclusion: Which economic system advocating private property is better at upholding the values of the individual, family, and a prosperous the economy?

While Austrians and Distributists have different conceptions about property and freedom, both agree that economics must be more humane and must address the needs of local communities, and that private property should be enhanced. By placing checks on the power of the state to tax, spend, borrow, and benefit special interest and instead make the state simply an instrument for justice and the enforcement therein, a better economy for the family and the individual would emerge.

While both are justified in their disagreements and have much to learn from debating the critical issues and policy differences, Austrian theory accomplishes a significant number of ends that the Distributist desire as well as the other way around. Rather than fighting a religious war in the court of public opinion, Austrians and Distributists should fight to reduce the power of the state and enhance the ability of small businesses to compete, while allowing once more for the economic flourishing of the family.

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1. Distributist don’t make a distinction between centralizing production and capitalism [↑](#footnote-ref-1)
2. This nickname is flushed out by Guido Hulsmann in his book “The Last Knight of Liberalism.” [↑](#footnote-ref-2)
3. Praxeology is the deductive study of human action based on the fact that humans engage in purposeful behavior, as opposed to reflexive behavior like sneezing and inanimate behavior [↑](#footnote-ref-3)
4. Note: Humanity is a term which emerged out of the enlightenment, [↑](#footnote-ref-4)
5. Time Preference is used in determining the value of present as compared to future money [↑](#footnote-ref-5)
6. The Main Articles in the Debate can be found <http://distributistreview.com/mag/wp-content/uploads/2011/01/distdeba.pdf> [↑](#footnote-ref-6)