Editor's Note: *Catholic Family News* is publishing a number of articles and videos this week focused on Catholic Economics. We begin with an article that seeks to synthesize the Austrian School of Economics with Traditional Catholicism.

Other articles in the series:

Catholic Economic Debate: Against the Austrian School – Catholic Family News

What is Distributism? – Catholic Family News

The Austrian School as Checkmate to Liberalism and How Archbishop Lefebvre Fine Tunes It

By Caterina Lorenzo-Molo, PhD

In the preface of *They Have Uncrowned Him*, Fr. Francois Laisney cites Archbishop Marcel Lefebvre, who declared, "The fruit that the devil presents to the modern world to deceive it, is liberty."[1] Archbishop Lefebvre cites Cardinal Ratzinger, who said, "The problem of the Council was to assimilate the values of two centuries of liberal culture", with the Cardinal adding that with his *Syllabus of Errors*, Pius IX had rejected without appeal that the world sprung from the Revolution, when Pius IX condemned the proposition: "The Roman Pontiff can and should reconcile and adapt himself to progress, Liberalism, and with modern civilization."[2] Archbishop Lefebvre adds, according to Ratzinger, the Council was a 'Counter-Syllabus', bringing about the reconciliation of the Church and Liberalism. In his critique of the Council, his Excellency further posits, "From this, you have the proclamation of the rights of man without God; from this, the exaltation of the subjectivity of each one at the expense of objective truth; from this, the placing on the same level of all the religious 'faiths' before the law of God; from this, in short, the organization of society without God."

How then can one claim that a school of thought known to focus on man and the promotion of liberty serve as a checkmate to liberalism, and worse, be remotely connected to its courageous critic, Archbishop Lefebvre? Strangely too, why have some traditionalists and more conservative Catholics gravitated towards this supposed promoter of liberty school of thought? Without squaring the circle, this article seeks to clarify the other branch of confusion, in favor of that which may have been wrongly labeled a promoter and partner of liberalism.

Mainstream Economics

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To understand and appreciate Austrian economics, it's important to first identify the problems with mainstream economics namely, Neoclassical economics and the Chicago School: 1) They advocate the doctrine of pure and perfect competition—hence, the directive to restrain and regulate people and enterprise, which is almost always the government/ state and/ or a revolving door oligarchy, and 2) They follow the positivist-empiricist approach of mathematical models and empirical testing as the sole basis of knowing and formulating theory—hence, more collectivistic (socialist), impractical, and unrealistic with the reliance on artificially made models and standards, forcing reality to conform to the purpose of the social scientist's control.[3] The following are problems with the doctrine of pure and perfect competition: 1) It is collectivistic (socialist) because society and not the individual is the true owner of property and the only valid allocator of resources; 2) It seeks to replace competition among producers with competition among consumers in the form of a mad scramble for a fixed stock of existing wealth, where competition is in consumption not production; and 3) It is to the left of Marxism because it denounces businesses not willing to suffer losses—hence, the popularity of advocacy groups and campaigns that purport to protect consumers by shaming business to either live with the loss or go beyond the business of doing business, broadening its scope to become parent, teacher, and priest.[4] The irony is, in the supposed effort to protect people from the fangs of commercial enterprise, the result is the opposite—the enlargement of commercialism, which is now invoked to play a role in things beyond its scope. Hence, increasing the probability of propagating that fruit that the devil presents to the modern world to deceive it,known as liberty and a life drenched in liberalism.

Austrian Economics

Austrian economics is a school of thought that attempts to understand human reality through the science of human action (praxeology), avoiding mathematical models and instead focusing on entrepreneurial action and the interaction of individuals in the marketplace. While mainstream economics in these schools are premised on "a Platonic Garden of Eden", the Austrian school is premised on the real world of concretes based on Aristotelian thought, viewing the market as an active, ever-changing process versus a static state.[5] 'Ever-changing' here doesn't refer to doctrine or human nature, but the market—specifically, the process it undertakes, referring to temporal things. While the individual is valued and made center in the attempt to make sense of economic activity (without reducing human action into mathematical models), it ultimately seeks the universal and essential in human action (to have a more accurate and truthful understanding), which **does not necessarily** translate to the glorification of man. Hence, it is neither necessarily naturalist nor liberalist, neither Protestant nor socialist, of which liberalism and naturalism hail.

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One better understands what Murray Rothbard meant when he said, Protestantism is more socialist, while capitalism is more Catholic. In addition, the Austrian School holds economics is an *a priori* science, where propositions have a logical justification, as explained by Hans-Hermann Hoppe.[6] Mainstream economics, however, has fallen prey to logical empiricism and positivism by measuring people's actions through empirical testing. To understand how economics has 'fallen prey', we must first understand two general theories on the scope and general basis of knowledge: 1) Rationalism: Our knowledge is based on reason; and 2) Empiricism: Our knowledge is based on experience. Rationalism does not maintain we cannot gain knowledge from experience, but that experience does not have the same validity as deductive reasoning. Empiricism claims nothing can be known before empirical testing–a claim, which argues for rationalism since the claim was reached through 'a priori' knowledge–reason. Thus, empiricism contradicts itself. In addition, the reliance on empirical testing, which is naturally situational and dependent on numerous factors at points in time, leads to social relativism because results and answers will naturally differ. Since there is no reason to reject any hypothesis from the outset, the empiricist subscribes to the motto 'anything goes' and let's experience (empirical testing) decide the matter. In this sense, he (the empiricist), which mainstream economics peddles, is likely to become anthropocentric—hence, a naturalist and liberalist in synch with the socialist and Protestant ethic. This is logical empiricism; and it is 'unscientific' because it impedes science's natural inclination to seek generalization.

In the Austrian School, the "origin of market phenomena is in actions of individual human beings, and the origin of these actions is in the individual's ideas and value-judgments".[7] While the entrepreneur is key in the outlook of the Austrian school, his key skill of 'alertness to opportunity' is based on and is directed at having to satisfy needs and wants not now being satisfied by anyone else, keeping in mind products don't obtain value until the consumer recognizes and assigns value.[8] This doesn't refer to values in terms of what is good vs. evil, but to how valuable a good or service is to an individual or person, who is in the inevitable, God-made situation (nature) of having a body that requires maintenance—hence needs and a certain level of wants, which can either become unbridled or properly ordered by systems in place, which as Catholics, we know is best ensured by grace through the sacraments. The latter of which, Austrian economics doesn't refer to nor discuss, but neither does it deny.

In Austrian economics, the strongly motivated problem solver (the entrepreneur) continually faces the challenge of 'guessing right' amidst natural forces of the market and competition. As explained here, each participant (the entrepreneur competing for a place in the market) knows he cannot offer less attractive trading opportunities than his competitors.[9] Thus, bad products and services naturally die out because other producers will offer new goods

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and information, enabling the market to become still even more heterogeneous. For transactions to occur, gaps between buyers and sellers and their respective desires and offerings are bridged, and the presence of discrepancies indicates opportunities for entrepreneurial activities. And because the entrepreneur wants to make a sale and earn a profit, he will not likely choose to engage in bad practices and offer bad products and services. Hence, marketing is a natural fix, which can't help but set things in order, encouraging good human behavior, from both ends because the competent (seller) is naturally recognized and rewarded through consumer patronage, and the demander is naturally provided what are likely to be good solutions given the premise of the entire enterprise is the good-seeking human being. Of course, this isn't foolproof, especially given the reality of original sin, but it is at least more consistent with the Catholic perspective and business of saving one's soul vs. mainstream economics.

Protestantism Hijacked the Commercial Enterprise

Traditionally, the commercial enterprise has been associated with the Protestant ethic and the Anglo world with moral philosophers such as Adam Smith and David Ricardo, and with scientific inquiry versus scholastic dogmatism as chronicled by Joseph Schumpeter in 1954.[10] The Protestant narrative for capitalism and enterprise, was popularized by Max Weber in *The Protestant Ethic and the Spirit of Capitalism*.[11] In 1933, however, HM Robertson discovered capitalism began flourishing, not in Britain, but in 14th-century, Catholic Italy informed by the wisdom of the Scholastics.[12] It was Murray Rothbard, an atheist (perhaps, an agnostic as his creed wasn't ever clearly expressed), who declared, Weber got it wrong, and that it was in fact, the reverse, proclaiming that the Anglo and Protestant (Smith and Ricardo) committed errors such as: 1) the cost of production explanation of relative price (labor theory value) versus utility and scarcity tied with the Calvinistic spirit of reverence for work and the Scottish Presbyterian distaste for consumption led to Marxian thought; and 2) the objective vs. subjective value of goods led to the mathematical attempts to measure value, to stabilize the values, and justify the need for government control and intervention—in other words, a socialist framework for managing the economy., which has led to the propagation of modern liberalism.[13]

This is consistent with the findings of a book published by Protestants to celebrate the 500-year anniversary of Protestantism (Brand Luther). The author, Andrew Pettegree, declared that for Martin Luther, "society required firm and sometimes cruel regulation" and that for Luther, education was to be a function given to government and not left to the family or the religious. Luther's dream for education, was a "universal provision, universal attendance" through the State.[14] In addition, Luther articulated the classic printing industry "argument for market regulation, that the prior investment of the first printer, on editorial

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work, translation costs, new types, or woodcuts, should be protected against competition." This information came from Protestants themselves, who seemed to believe Luther's interventionist and socialist acts and dreams are to be celebrated. As Rothbard explained, the Scholastics based their analyses on reason and the natural law as the Austrians do when proposing theory be based on fundamental premises about individual human nature not in mathematics, which, as we have discussed, encourages a more anthropocentric and hence, naturalist and liberalist spirit.[15]

Rothbard lamented the decline of scholastic thought and Thomism, with its emphasis on reason and natural law, and the ascendancy of the Protestant framework on the arbitrary nature of the divine will and ethics.[16] He emphasized the rich and valuable contribution of Catholic Christianity, declaring Catholicism is more libertarian while Protestantism makes for a more socialist, totalitarian, and collectivist spirit. Archbishop Lefebvre fine-tunes this critique of Protestantism with his recognition of its pseudo-supernaturalism (naturalism):

"The excessively nihilistic look that the Protestant casts onto himself results in a practical naturalism: by dint of depreciating nature and exalting the force of faith alone, one relegates divine grace and the supernatural order to the domain of abstractions… grace does not operate a true interior renewal; baptism is not the restoring of a habitual supernatural state; it is only an act of faith in Jesus Christ, who justifies and saves. Nature is not restored by grace, it remains intrinsically corrupt… This pseudo-supernaturalism… leaves man, although redeemed, to the mere strength of his natural virtues; he collapses fatally into naturalism."

With the socialist orientation of Protestantism, which Rothbard identified, we can see how Archbishop Lefebvre was correct when he said, "This naturalism will be applied especially to the civic and social order: grace being reduced to a fiduciary sentiment of faith." As a result, "men will attach themselves more to the goods of this world and will forget the eternal goods." He added, "The popes then had good reason to denounce this naturalism of Protestant inspiration as the origin of the Liberalism that disrupted Christianity in 1789 and 1848."

Austrian Thought as Checkmate to Liberalism

In an ironic twist of fate, the fruit that the devil presented to the modern world to deceive it (liberty), can be curbed from bearing rotten fruit, with the Austrian perspective, where liberalism is unveiled for what it is—socialist, Protestant, and naturalist. Checkmate. The Austrian perspective can and does turn on its head, the following rotten fruits of liberalism, identified by Archbishop Lefebvre:

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a) The proclamation of the rights of man without God—which can be curbed by the effort to ultimately seek the universal and essential in human action, which fundamentally can't really be divorced from God.

b) The exaltation of the subjectivity of each one at the expense of objective truth—is curbed by the rejection of mathematical models as the primary mode of understanding human reality, replaced by entrepreneurial action and the interaction of individuals in the marketplace. Hence, preventing interventionist, collectivistic, and socialist mandates by those who do not carry the risks that come with business decisions that entrepreneurs inevitably have to make, often invoking their authority to install unjust rules and measures detrimental not only to business but to common sense traditional values. We must look to the mandates during the global lockdown, ESG, DEI, and a host of other liberal systems and ideas forced on people. Indeed, while the *a priori* way of understanding reality, which hails from Immanuel Kant, is philosophically problematic, the twisted empiricism of the modern social scientist with his inductive mode of reasoning, where the part is made into the whole, leads to social relativism that has allowed an anthropocentric elite group to exalt themselves in their subjective models, which they install on people world over.

c) The placing on the same level of all the religious 'faiths' before the law of God. But if we look to some of the premiere advocates of Austrian economics such as Rothbard (likely an atheist) and Hoppe (an agnostic), the pre-eminence of Catholic thought is—explicitly celebrated by the former and reasonably implied by the latter, in his book, *Democracy, the God that Failed*.[17] In addition to this, we have Catholic traditionalists and conservatives who tend to promote or at least be sympathetic with the Austrian school vs. other economic schools of thought because when the state has been separated from the Church and freemasonry, installed as its new religion, the Austrian thinking is more likely to allow and assist in the return of Christ the King vs. other modes of secular thought.

d) Finally, in the organization of society without God, and most especially since the 2020 global lockdown, the link between Austrian thought and Catholicism only strengthened with individuals from both sides, where Catholics who were once skeptical of the secular field saw its pragmatic value, and with them, brought more attention to the pragmatism of Catholicism itself—that the 'business' of Our Lord has real life and real-world value.

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How Archbishop Lefebvre Fine Tunes

In his book, *They Have Uncrowned Him*, Archbishop Lefebvre identifies the following problems with liberalism and its cousins–three errors that overlap (naturalism, rationalism, and liberalism): nature without grace, material prosperity without the searching for eternal goods, the civil power separated from the ecclesiastical power, politics without God or Jesus Christ, the rights of man against the rights of God, and freedom without truth.[18] They are not problems because the good and holy Archbishop said so, but because the logic of the Catholic Faith with its thousands of years of tradition and practice says so. As the Archbishop always said, *Traddi quod et accepi* (I handed on what I received). Admittedly, Austrian thought isn't complete and rightly so since it is neither a Church nor a religion, but a mere school of thought for understanding human beings in their effort to try to maintain the body in the temporal world, as it works to save its soul for the eternal. Austrian economics does not give any information beyond the temporal, and we should expect the business of doing so would be messy and even dangerous since it is neither a religion nor a Church. But because Austrian economics implies the natural interaction between human beings—specifically entrepreneurial action and the interaction of individuals in the marketplace (vs. government intervention and mandates from human 'experts' from above), it enables a better, more ordered, and prosperous society that could assist the human being in that plight to save his soul as he maintains that human body in the temporal. In the

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Austrian view, the market is a natural correction mechanism, which encourages the proper ordering of human action, which in turn, we could add and say, encourages the route towards grace (a Catholic concept), where the supernatural is no longer divorced from the everyday pragmatic of the temporal, by those who are Catholic to begin with and know and practice the Faith. As for those who follow the Austrian perspective, but aren't Catholic, the deductive approach in praxeology, has a higher probability of leading the reasonable non-Catholic to Catholic Truth, even if only from an intellectual perspective as Rothbard and Hoppe have in the former's explicit admiration and the latter's implicit compliment. As a disclaimer, I have no knowledge as to the religious creed of Hoppe as he has argued as an agnostic—meaning, he hasn't and doesn't proclaim his creed. It is, hence, important to state, I am not assuming Hoppe a non-Catholic, only that he prefers to not include this information in his analysis and work—hence, arguing as an agnostic.

Finally, even if reasonable and logical thinking of which the Austrian perspective is premised is adopted and maintained, it is important to note that man left to his own devices (no Faith, no sacraments, no grace) has a much lower probability of choosing what is best or better as the reality of Austrian thought's failure to become dominant and mainstream attests. Man left to his own devices is not more likely to remain reasonable because unless he recognizes and embraces the Logos, and remains with nature without grace, material prosperity without the searching for eternal goods, politics without God or Jesus Christ, the rights of man against the rights of God, especially when the civil power is separated from the ecclesiastical power, and freedom without truth–the struggle to find solutions to problems in the temporal will only ever be temporal, and the probability of achieving a permanent solution (which is to save one's soul), will also be lower relative to those who have embraced the Logos. But unlike ecumenism, where the Church seemed to give up, what in economic terms would be referred to as 'leverage', the Austrian perspective, with its non-Catholic (e.g. Rothbard) and non-Catholic practicing thinkers (e.g. Carl Menger), did the reverse of the Catholic Church hierarchy at Vatican II, when the Church compromised with the world. The likes of Rothbard and Menger as non-Catholic and non-practicing Catholic, who did not yet know the fullness of truth and were not assigned to officially shepherd a flock and evangelize as successors of the apostles and as *Alter Christus* (another Christ), saw a logic and beauty in Catholicism (specifically in the works of St. Thomas and the Late Scholastics), which they adopted into their secular framework, concerned with understanding man in the business of finding solutions to problems in the temporal world, mostly pertaining to maintaining his existence.

I'd like to end on a personal note. I had been a fan of Austrian economics way before I became a traditional Catholic, which only happened in 2020. But only after reading Archbishop Lefebvre, did I realize the incompleteness of Austrian thought. Indeed, it is not

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enough and can never be a road to salvation, but as I discussed earlier, it has never claimed to be so as it is neither a religion nor a Church. But as the 2020 global lockdown and the further plummeting of life towards liberalism and naturalism, Austrian thought has allowed us to breathe, and as both its praxeological basis and reality itself as it has unfolded reveals, it can and has served as checkmate to liberalism, given the organic development of that preference for more conservative and traditional modes of living it has encouraged.

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