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The Time has Come to Reevaluate Strategy for Change

Interview: Heather Richardson Higgins

Heather Richardson Higgins is Executive Director of the Council on Culture & Community which seeks to examine and promote the attitudes and values essential for democratic capitalism and American civilization. She is a Senior Fellow at the Progress & Freedom Foundation and the Director of the Randolph Foundation. A graduate of Wellesley College and New York University, she has been editorial writer for the *Wall Street Journal* and

Assistant Editor of *The Public Interest*. In addition to being a regular commentator on cable and public television programs, she co-hosts, with Newt Gingrich, *The Progress Report*, a live weekly hour-long program on public policy issues.

R&L: How valuable are mediating institutions to community life?

Higgins: They play an extraordinarily valuable role. The family is probably the most important institution. Yet it cannot flourish without communal support. Just the other day I was talking with a cab driver who works 12-plus hour days, as does his wife, in order to keep their children in private school which they believe is essential for their children's success. But, while the parents were working outside of the home, the children had fallen in with some very bad company which led to parental discipline. The government then stepped in and told the parents to refrain

from disciplining their children or they would be taken away and placed in foster care. This couple had already lost one child to this process and will soon face a hearing. In this matter they don't know what to do because, if what the father says is true, the community is not supportive of their efforts to provide better opportunities for their children, and keep them on the strait and narrow. Institutions which support parents who seek to raise their children properly become imperative.

R&L: How do government policies impede the success of community-based organizations?

Higgins: Government impedes on several levels. First, it impedes at the family level by disenfranchising the father. There is no reason to have a father around if you are so inclined, if you don't need the money, if the money is coming from somewhere else or, in fact, if having the father around is a net drain on your income. In a recent television program regarding gang problems in Little Rock, Arkansas, fathers were the most salient absence in the whole hour of footage. They were not available to impose any form of order in the lives of the young men. By making fathers unnecessary, government has basically subsidized what Barbara Whitehead calls the "separatist primal desires" of men and women—that is for men to inseminate and leave, and for women to be left alone to play with their dolls. Under these conditions, the essential cohesion that two responsible parents offer a child is missing.

Government programs pose serious problems for community institutions when they directly compete with those organizations which attempt to provide charity while seeking to assist the individual beyond materialistic ends. Properly per-

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formed charity not only feeds you, but keeps your self-respect intact. It teaches you to work, and helps make the connection between what others do for you and what you are expected to do for yourself. When a government agency down the street neither demands nor expects anything from aid recipients, entities that wish to impose conditions which will ultimately lead to the betterment of the recipients struggle that much more.

R&L: The Church and other religious mediating institutions provide a positive alternative, don't they?

Higgins: Religious institutions are central because they are an organizing force within the community. They are not simply an outlet for responsible action within the community; they also encourage and remind us in an organized, systematic way to assist others.

R&L: In the past, you have noted that some religious leaders fail to uphold this vision.

Higgins: There is a problem of late, particularly with the mainline denominations, and certainly with some of the Catholic bishops. The

problem lies in their calls for social action. I am left with the distinct feeling that these clergy have abandoned one of religion's most important roles: to act as an agent for change and improvement within a community. But they refuse to do it themselves, and instead become goads for government action. Thus,

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in essence, they lose their moral authority and we lose one of the primary institutions for affecting responsible change.

R&L: Could you speculate as to why this has become the trend? What sort of forces have caused the leadership of the established churches to behave in this way?

Higgins: Government solutions are very tempting. If you think about it, who wouldn't want to go to a central entity which has the power to immediately affect the entire country with vast resources? It's much

more satisfying to feel you have done something on a national level rather than merely in your own backyard; though in reality it is more effective to pursue the latter. It seems to me that many people became uncomfortable with religion, particularly in the '60s with its secular trends. Even the religious people bought into the idea that one shouldn't impose one's values on someone else. They wanted to do good without any strings attached. So if you asked the government to do it, your personal sense of good would remain intact and you would be less criticized.

Also, the churches use government more and more because the reasons for doing good have changed. The question is—What needs to change? The individual or society? You used to do good because you wanted to help the person in need have a better life by helping themselves. Later thinkers amend society, rather than the individual. Government policies were thus pursued because they made us feel good about ourselves; we were “doing something” by calling for a government program. Considerably less care was paid to whether something actually worked and benefited its intended beneficiaries.

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It was also a cheap and easy way out. When the government tackles a problem, you have a lot more leisure time because you don't have to volunteer yourself. Someone else solves the problem for you while you feel morally virtuous for making grand statements about what the government ought to be doing about it.

R&L: *You have been active in the United States in trying to build up communities. What sort of obstacles might Eastern Europe encounter in*

its effort to start again after so many years of communism?

Higgins: One of the greatest deterrants, particularly in the Soviet Union, is people's refusal to give up certain erroneous ideas. Misguided notions of what constitutes equality seem to be one of the biggest errors. There is still a real social stigma attached to anyone who excels in work or income. People believe that the success of one is acquired at the expense of another. Many still accept

the false notion that the economy is a fixed pie in which it is morally reprehensible if anyone gets a larger slice than another.

Secondly, as changes occur, and change occurs rapidly, it will cause much distress. People are being asked to make immediate advances we have made over a much longer time period. There are prices to be paid for every advance, not least of which is the feeling of discomfort of losing what is known and familiar.

In The Liberal Tradition

John Henry Newman 1801-1890

"He who acts against his conscience loses his soul."

John Henry Newman, perhaps the most prominent churchman of nineteenth-century England, was born in the City of London to a Huguenot mother and a father of religiously broadminded sentiments. While a member of the Church of England, his views began to move gradually from low-church evangelical to high-church catholic until his conversion to Roman Catholicism in 1845; soon after, he was ordained a Catholic priest, and was made a cardinal by Pope Leo XIII in 1879.

While an Anglican priest, he spent much of his time, both on and off the Oxford University campus, fighting a form of liberalism he called the "anti-dogmatic principle": "Liberalism in religion is the doctrine that there is no positive truth in religion...." A Fellow at Oriel College (Oxford) and Vicar of University Church of St. Mary, he was a liberal for his era in ways that did not contradict his Christian orthodoxy. During his Anglican days, he supported Catholic Emancipation of 1829, and as the leader of the Oxford Movement, he sought to sever the tie between the Church of England and the crown, believing that state control of the Church could never serve the interests of religion. Following his conversion, he took up a defense of lay rights against clericalism and defended the liberal arts against fellow clergy who desired to restrict student access to new knowledge for fear these ideas would undermine their faith.

In his classic autobiography, *Apologia Pro Vita Sua*, he contrasted theological liberalism with the sort of church reform he supported by naming liberal Catholics Lacordaire and Montalembert as individuals he admired. He was never active in politics, though he held opinions and expressed them privately. His support for Gladstone's Liberal Party strengthened toward the end of his life. Newman's close collaboration with Lord Acton and his publication *The Rambler*, further indicated his liberal sympathies on church matters. He was an early opponent of Church involvement in temporal affairs and was greatly responsible for convincing young Acton of the correctness of this position.

A

Sources: *John Henry Newman* by Charles Stephen Dessain (A&C Black, 1971) and *The Acton-Newman Relations* by Hugh A. MacDougall (Fordham University Press, 1962).

R&L: *Could you suggest why there has been a severing between public and private morality?*

Higgins: The fewer ethics that guide society, the greater the intrusion of laws. You could argue that the number of laws a society has is directly and inversely proportionate to the amount of its ethical self-governance. We have become highly litigious. We have lost sight in many

people have no notion of a corollary obligation or duty attached to rights. People claim they have a right to whatever they happen to want at the moment, which is not what a right is at all.

R&L: *You have discussed the role character plays in our national politics. How significant a role does character play in the life of a public servant?*

I am left with the distinct feeling that these clergy have abandoned one of religion's most important roles: to act as an agent for ... improvement within a community.

instances of any kind of objective value of real harm and we are becoming a society where there is a new found "right" to not be offended, which is obviously unsustainable.

R&L: *There seems to be a disconnection between rights and responsibilities. Could you speak to that problem?*

Higgins: The separation results from a misunderstanding of the word "rights." We have created a new class of rights which are wholly antithetical to what the word used to mean. Rights were always the minimum standard of expected behavior. They were negative by definition and applied to all people equally, never demanding anything from anyone else. They were also limited. There were always circumstances which would modify them; not yelling "Fire!" in a crowded theater is a classic example.

We now view rights as positive, shifting with time and the individual's circumstance. They also require something *from you for me*, which is a far stretch from what a right once was. Consequently,

Higgins: To be honest, I wish that it played less of a role. Though I will concede that it does depend on the particular character issue in question. There have certainly been many great national leaders who have had less than admirable personal lives. We should consider the manner in which they handled their indiscretion, and whether or not they felt shame and recognized that they were doing something they ought not do. Unfortunately, individuals with leadership capabilities do not necessarily have fine characters.

R&L: *From your philanthropic activities, you've observed how many foundations lose the original vision of their founders. How do foundations prevent this from occurring?*

Higgins: This is a simple question with an incredibly complicated answer. In short, those who devise foundations should do so with clearly focussed charters. Even then, they always run the risk that their message will be subverted due to lack of accountability. The best thing to do is follow the wisdom of founders such as John M. Olin who basically gave his own foundation a

limited life. It will not be run by people who never knew the founder and who couldn't care less what he believed. Donors would be much better off spending a much larger amount of money up front on causes they support.

R&L: *What is the political orientation of most American foundations? Some claim that big-money foundations are conservative, yet for politically-active foundations, the opposite appears to be true.*

Higgins: The data that I have seen of politically self-identified foundations indicates that 75 percent (by dollar volume) are left of center and 25 percent are right of center. I believe the Ford Foundation alone outweighs all the conservative foundations put together.

However, larger foundations do tend to support better established institutions primarily because foundations have part-time people on their boards who don't want to be embarrassed by any kind of irregularity in a grantee. So the inclination is to give money to large well-established institutions that are not going to do anything that will come back to haunt them. There isn't a lot of fresh thinking that goes on in the foundation world.

R&L: *Why is it that corporations rarely fund conservative causes?*

Higgins: One often has the feeling that corporate executives park their brains at the door when it comes to public policy issues. They rarely contemplate the essential foundations of their beliefs. Too many of them attempt to buy support from groups hostile toward business by making contributions. Ultimately this teaches the grantees to bark louder in order to receive more money.

R&L: *How should private founda-*

tions and charities prepare for welfare reform?

Higgins: When reform began to look like a possibility last spring, I and others began to push an idea—which Newt Gingrich has picked up—whereby charitable contributions will actually receive a tax credit. This would stimulate charitable giving in a dramatic way.

I strongly recommend Marvin Olasky's *The Tragedy of American Compassion* to anyone involved with philanthropy who desires to learn how charities can be most effective. It is critical to support programs that actually work and that make a difference in a particular community. We will all benefit if those who get involved in charitable organizations follow some of the effective principles of charity outlined in this book.

R&L: *As I understand it, you've known Newt Gingrich for some time now. Will Speaker Gingrich be willing and able to follow through with governmental reform?*

Higgins: I think he will surprise a lot of people. Newt is a bold visionary. He is quite convinced that the American public is in many ways far more prepared for radical change than most politicians would care to admit. Newt understands that his own political future rests on being a man of his word, and I believe that he is very committed to implementing not merely half-way measures but true and effective changes.

R&L: *For years, many Republicans were content to maintain and benefit from big-government—to be part of the establishment—rather than cut it.*

Higgins: They were “me-too” Republicans. They wanted what the Democrats wanted but only 80 per-

cent of it. We now have our very first “me-too” Democrat—President Clinton.

R&L: *Given the recent Republican successes in the House, do you see this problem continuing?*

Higgins: Certainly. However, I think the House freshmen are not interested in playing that game. Being a minority party holds no appeal for

One often has the feeling that corporate executives park their brains at the door when it comes to public policy issues. They never sit down to think about the essential foundations of what they ultimately believe.

them. Their vision and agenda are very clear. Even in the Senate, the fact that Simpson was not chosen as majority whip indicates that there really has been a shift in the dominant power in the Republican Party.

R&L: *You wrote in Policy Review just a couple years ago that society was ready for radical change and you maintained that position all the way up to November.*

Higgins: In fact, I specifically predicted a Republican House majority in mid-October on CNN and they laughed.

R&L: *So, how were you able to acquire this great instinct for political prediction?*

Higgins: I have no idea. I think I simply got lucky. First, I looked at

the phenomenal degree of change in the leading political parties of other countries. In almost every instance, the magnitude of the change had not been properly caught by the pollsters. Second, considering the level of voter disgust in the U.S., and particularly in an off-year election, the people who were angry and upset would have a much higher motivation to vote. Those who were not angry were probably, at best, neutral. There is very little support among the American people for the liberal ideas which animated most of those defeated incumbents. Consequently, the stage was set for an imbalance in the turnout which would lead to an electoral result different from what the pollsters foresaw.

R&L: *What should society do, in addition to what we have already discussed, in terms of putting in place a strategy to take advantage of the recent election results?*

Higgins: For years, we've been in a position of besieging the castle and therefore had built a very active catapult industry. Suddenly, we found ourselves inside the castle, still making catapults and other devices we no longer need. We must think very seriously about where we are and retool in order to leverage the opportunity we have to implement our ideas in a way that best takes advantage of the circumstance. We must avoid doing things simply because they have always been done that way.

Human nature makes us reluctant to make the transition to new ways of thinking. But it is very important that we all reevaluate where we and our institutions are and how best to proceed from here. A

The State that Justifies

James V. Schall, SJ

Many thought that a clear lesson about the size and function of the state had been learned from twentieth-century history, particularly with the collapse of communism. Human well-being required a very limited state. The state itself had turned into man's greatest enemy, so its purpose and centrality needed rethinking. Economic prosperity could be best achieved through the free operation of the market.

Most institutions of culture should be left in the hands of voluntary agencies. These organs of culture—museums, galleries, and theaters—should not be administered by state bureaucracies. Education and the press should not be state-run monopolies. Religion should be free and encouraged. The state's jurisdiction should be limited to general purposes like the common defense, policing, and justice resolution.

State employees, moreover, should not be society's most cared-for and pensioned members. Their numbers should not be so great as to become a major political factor in deciding elections. They should not be able to manipulate the organs of society for their own benefit. They are primarily servants, not receivers of public benefits.

Most of the things the state does can be done more efficiently and effectively by putting these activities in private hands. Private property and private initiative are in fact guarantors of both freedom and productivity.

What is clear since the crisis of Marxism is that these lessons about the nature of the state are not always learned with any clarity. Too many

people are reversing their attitudes toward the state, because no external enemy exists, believing officials should take control of all neglected aspects of society.

In fact, late nineteenth- and early twentieth-century socialists argued that there was nothing wrong with Marxism, as long as its purpose could be achieved by capturing the institutions of the liberal state

When the state becomes an instrument of political ideologies designed to cure human ills, it does take on characteristics of a substitute religion.

though political, not revolutionary, means. But the purpose of socialism was total state control, a purpose that reappears now under names like "welfare" and "liberal" instead of socialist.

A new version of this state socialism, though rarely called that, is being proposed as the objective of republican government. The voting patterns of democratic societies since World War II reflect a popular desire to be the primary objects of state attention. They appear to have willingly given up their sense of independence and initiative. The bureaucracies, media, and politicians accept this condition as natural. Indeed, it is their primary justification for existence. A helpless, wanting, and envious citizenry is the tailor-made

counter-part of zealous politicians and bureaucrats who are anxious to attend to everything.

That this disastrous trend may be changing is one of the more hopeful signs of recent political life. Certainly the dangers of this "democratic socialism" are recognized more clearly by the people, if not by politicians, in recent decades. Democracy, of course, only works with a virtuous people, and the origins of virtue are not primarily political. Some encouraging signs that people are beginning to realize this, even on the political plane, seems evident; much, however, still needs to be done precisely to counteract the established bureaucratic and ideological state.

Divination of Temporal Power

During this century, the state acquired certain religious overtones or missions. Political oratory in democratic societies is surprisingly biblical and ethical. Drying every tear and curing every hurt is not so much a description of heaven but of state policy. Hospitals and education were mostly developed under religious influence and guidance. These institutions gradually or violently came under state control, without losing their sense of mission. "Humanitarian" motives replaced religious ones. Religion was looked upon either as a source of discord or as a supporter of the state, not as a transcendent relation to God. Religion was the source of energies and initiatives not inspired by politics or motives of self-interest.

In modern times, the state has taken on particular importance for

faithless men. When the notion that certain things do not belong to Caesar disappears, state power grows. Indeed, the modern state can be called the one substitute for God. It claims total allegiance of the human soul, even where that soul still claims to be pious and religious. When the state becomes an instrument of political ideologies designed to cure human ills, it does take on characteristics of a substitute religion.

Civil religion, classically understood, kept the masses quiet since they could not understand the ideas behind philosophy. The new state replaced this negative view with a positive notion: the state cares for the masses. It does not merely keep them quiet with religious tales but gives them all the material comfort and ethical purpose they need.

The “poor” and needy provide the political justification for the ever-increasing power of the modern state, whereas the means learned in modern times to actually help the poor and needy invariably imply a lessening of its power and scope. The growth of what Hilaire Belloc called the “servile” state goes hand in hand with preventing any independent institutions and initiatives that could alleviate poverty or need privately. To justify its size and control, the state claims to be the primary, and increasingly the only, institution that can deal with human need and purpose. Elected state officials who appeal primarily to this benevolent motive are the immediate beneficiaries of the enormous increase of state power in human life.

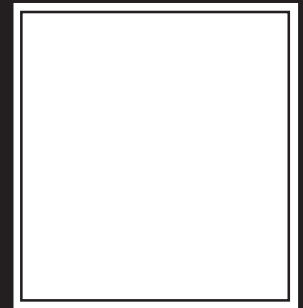
Many writers have noted the relation between a secularized notion of compassion and the growth of statepower. The state comes to conceive its mission and purpose as “taking care” of everyone—this is really what is behind the recent health care debates. We have produced, as I have called it, “the all-caring state.” The all-caring or com-

passionate state seeks to find ways to care for its subjects who are not viewed as independent citizens but as objects of concern. It has little in-

pose allows the state to portray itself as the proper organ for justifying every human activity. This enhances the power of the state since

“We have produced, as I have called it, ‘the all-caring state’ which seeks to find ways to care for its subjects who are not viewed as independent citizens but as objects of concern.”

—James V. Schall, SJ



terest in what the citizens can do for themselves. The scope of the all-caring state widens as the citizenry become more helpless and lethargic.

Subsidiarity Is Neglected

This state is not interested in a system of ordered liberty wherein citizens solve their own personal problems on their own initiatives and with their own institutions. The principle of subsidiarity is neglected because responsibility is not left at the lowest possible level. Problems are solved from the top down because the greater the perceived problem, the greater ethical scope given the state. Every local problem is a national problem, a humanitarian problem. The state deals with a general populace who have lost their initiative to solve their own problems. The state thus appears as an angel of mercy. Everyone is a victim. No one is responsible for his own disorders. Personal disorders are not cured by personal reform but by political regulation of consequences.

This loss of individual and local responsibility is encouraged by a state only too willing to step in to fill this void. It does so with its own laws and institutions which gain more and more control of the economy and social institutions. The further loss of a transcendent sense of pur-

no real room is left for a free and responsible citizenry to do anything on its own. Everything becomes politicized, especially those things in the most sensitive area of charity and compassion. The tax power is the measure of compassion. State schools and agencies take control of the primary functions of the family, whose decay is itself largely the result of “compassionate” state intervention.

From Support To Control

As the phenomenon of the all-caring state becomes more pervasive, by assuming all risk into itself, the perceived benefits of such a system becomes more and more evident. Those in charge no longer believe their purpose is to allow people to do the right and productive thing on their own. Officials begin to address themselves to what the people want, or better, to what the government defines as their “wants,” which are now seen in need of control and regulation.

The rulers become what C.S. Lewis, in *The Abolition of Man*, called human “conditioners.” The political project becomes one of refashioning man. He is made into a sort of being that will be able to live in this new benevolent state fashioned out of the compassion of the conditioners. It is

here that the modern all-caring state comes into direct conflict with human nature or transcendent purpose. The common good becomes its good. It fashions what can be or must be. The redefinition of man gives the state enormous new scope and power. It indeed makes a divine claim.

This new all-caring state sees no limit to its sovereignty. What it wills is not restricted by human nature. Man's being runs counter to what this new state perceives to be the conditions of its own existence, justified by the good it does. This perceived benevolence causes certain things to be sacrificed. At the roots of our civilization, Socrates said that it is never permitted to do evil, that it is always better to suffer evil than to perpetrate it. The power of the state was that it could kill a Socrates. But if it did, there was still his example.

To avoid this critique of nature against unlimited state power, the Socratic idea, that there are things that the state could not do, needed to be killed. The sacredness of human life could restrict the state if it concluded, for instance, that it must control the freedom of individuals to have and care for their own children. The new state's mission thus became the elimination of the idea that there is something above the will of the people. Since the state is an expression of their will, nothing can be done against its own purpose or interest.

State Redefines Man

Consequently, what is behind most of the social and political issues of our time is an effort to weaken the limits of the state by redefining the nature of man so that the classical definition does not restrict the state's all-caring purposes. Everywhere there is a policy of dealing with the effects of human actions and not with their known causes and the

moral response to them. Practically the entire agenda of the all-caring state arises from violations of virtue and the Commandments. The all-caring state cannot concede a fundamental relationship between personal morality and the social disorders that contribute to the growth of power. Instead of returning to classical definitions of political responsibility and their relation to personal morality, the all-caring state proceeds in the opposite direction by addressing itself only to the effects.

Once these effects are so widespread that they begin to overwhelm even the all-caring state, its theoreticians begin to propose ways to limit not the state but man himself. He will be redefined, reeducated, and restricted to act only within the narrow limits that this new all-caring state allows. All these changes will be proposed "democratically" but they will

have the effect of undermining man's ethical integrity and freedom.

"The state that justifies" is that state that explains its intentions and actions in the name of humanity, of the needs of the world. But what is justified is precisely that concept of man that makes him "servile," that reduces him to a subject of the benevolent state whose justification in being is precisely a perverted form of brotherly love or charity, one that does not begin with what man is but with what the new state thinks he must be even if he is not. A

Rev. James V. Schall, SJ, is Professor of Political Science in the Department of Government at Georgetown University and a Contributing Editor to Religion & Liberty. His latest books are *Does Catholicism Still Exist?* (Alba House, 1994) and *Idylls and Rambles* (Ignatius Press, 1994).

Reflections on the Bell Curve

Noel A. Black

Publication of the controversial book *The Bell Curve: Intelligence and Class Structure in American Life* by Richard Herrnstein and Charles Murray has opened a much-needed discussion about what we should do about the increasing stratification of our society.

Without trying to do violence to a thoughtful and detailed book by attempting a too-facile summary, I would outline the authors' challenge as follows: It is clear that a "cognitive elite" and a permanent underclass exist at opposite ends of a bell curve of intelligence. It is equally clear that our economy is

continuing a three or four decade trend to eliminate many (probably most) employment opportunities for those on the disadvantaged side, while three decades of social welfare programs have failed to help, and have probably worsened, their condition. So, what are the alternatives?

For those who believe in a loving God who creates each of us and who does nothing without reason, the process should begin with a series of statements reflecting principles by which we must live if we are to create a society in which it is worthwhile to live.

(1) God creates us equal in His

sight, but with various interests, aptitudes, capabilities and potentials. (2) This is probably true because without these complementary qualities, people could not easily live together in complex interrelationships in an ordered, therefore peaceful and functioning, society. (3) Some combinations of inborn and acquired qualities will command great economic return; other attributes produce material impoverishment. (4) It is our responsibility to willingly share both our treasure and our talents with others while simultaneously developing ourselves so that we become as self-sustaining economically and socially as our talents permit. (5) Man is imperfect and imperfectible.

With perhaps only slight adjustments, anyone of good will can fully support these five statements, even nonbelievers. However, those who believe in the perfectibility of man are hopeless.

After accepting these principles, we must then consider better alternatives for the underclass that won't impoverish everyone. Immediately we can eliminate socialism from consideration. The dole, or however else one wishes to describe programs that provide funds for food, clothing and shelter to able-bodied persons, promotes antisocial behavior. It is clear that we cannot continue business as usual. We must grasp the nettle.

Lest anyone seek shelter by pointing out that obviously there are some who cannot, under any circumstances, provide for their own maintenance and who lack relatives who could reasonably do so, the point is granted. Some sort of private or public dole must exist for those few among us. Let us not waste our time discussing the hardest cases. They can and will be cared for, in dignity.

Charitable giving rose to its highest level ever during the 1980s when the tax burden fell, producing

economic prosperity. With greater economic growth, stimulated by less government regulation, charitable giving will likely surpass previous levels. In short, the charitable instinct of most people can be enhanced or inhibited depending on circumstances.

Are there unmet needs within our communities? Certainly. Why is this true? A short and quick answer is that not enough money is available. But that answer is wrong—clearly wrong—because the wealth available in history's most success-

Few people remember that charitable efforts were all local before government made itself responsible over the strong objections of highly effective private welfare organizations.

ful economy is sufficient to meet every material need of the society that produces that wealth, if it is not misallocated, wasted or used counter-productively.

Nonmaterial needs include 1) education and training, and 2) spiritual needs. We spend billions on education and training. No one will claim that we get our money's worth. The data are too clear. Would any amount of money meet spiritual needs? They are essentially "costless" in the conventional sense.

If all material needs can be met, education and training can be made productive (as in the past) and spiritual needs are costless, where does this lead us? What if every child is educated to learn that work is universally necessary, that certain basic habits and knowledge are essential, that "give" comes before "receive" in life as well as in the dictionary, but that "things" don't ensure happi-

ness?

What if we understood that a living wage (one breadwinner in an intact family of husband, wife, children) is attainable in the absence of coercive wage requirements, obligatory taxation of employee and employer and unneeded regulation?

What if these regulations were removed from the market permitting competition to drive prices ever lower, within grasp of even the lowest wage earners? What if assistance to those in need was fully accountable and provided from resources gathered locally? Few people remember that charitable efforts were all local before government made itself responsible over the strong objections of highly effective private welfare organizations.

What if suppliers of goods and services didn't live in daily fear of lawsuits based on specious grounds of injury or "abuse?" What if spiritual needs could be fulfilled anywhere in the public square?

It is premature to predict precisely what will happen following the recent political sea change. If, following the principle of subsidiarity, Congress returns authority and responsibility for social welfare, and even the environment, to the states, where they once were and still belong, and the states in turn move that authority and responsibility down to the smallest local units competent and capable to act, we will witness a tremendous variety of creative local initiatives across a broad front.

Out of those initiatives we will quickly discover the most effective ways to assist those on the disadvantaged side of the bell curve and regain a truly integrated, caring and compassionate society. A

Noel A. Black served as Deputy Director of Consumer Affairs and Special Assistant to Governor Ronald Reagan in California.

When Austrians Came to America

A Review Essay by David L. Prychitko

Economists of the Austrian school in recent years, writes Karen Vaughn, “present no less than a fundamental challenge” to how members of their field view their work and the world around them. “At the very least,” she says, “Austrian economics is a complete reinterpretation of the methods, substance, and limitations of contemporary economics. At most, it is a radical, perhaps even revolutionary restructuring of economics.”

So she writes in the introduction to her splendid book, *Austrian Economics in America: The Migration of a Tradition*, the latest in a spate of books that signify the resurgence of interest in Austrian economics.

The publication of this book couldn't be more timely. With the unparalleled collapse of socialist regimes in Eastern Europe and the former Soviet Union, the economics profession finally admits that the central argument of Ludwig von Mises and F.A. Hayek—socialism will fail—was right after all. Even Robert Heilbroner, who, in one top-selling book after another, championed an ever-expanding role for state planning and democratic socialism, now (with a humility uncommon among intellectuals of his stature) admits his previous ignorance of Austrian economics, and, with it, his profound misunderstanding of markets and planning.

Many reputable economists now believe that markets are necessary for economic growth and increasing standards of living. But that doesn't mean they're all Austrians now, for Austrian economics is not a set of policy prescriptions, or

political beliefs, or positions on capitalism versus socialism. Austrian economics is a rather complicated challenge that strikes at the core of modern economic theory, a challenge which has evolved for over a century.

The difference between Austrian economics and mainstream economics has become clear, Vaughn argues, only within the past twenty years or so. To demonstrate it, she examines the evolution of Austrian economics,

Austrian Economics in America: The Migration of a Tradition

by Karen I. Vaughn
Cambridge University Press,
1994. 212 pp. Cloth: \$49.95

from its earliest beginnings in Vienna in the 1870s through today, in America.

In chapter two, for example, Vaughn focuses on the beginnings of Austrian economics, with the work of Carl Menger in Vienna. Although Menger is commonly interpreted as a co-creator of modern, neoclassical economics, Vaughn argues that he can also be interpreted as an iconoclastic theorist of the highest order; one who focused more on the market system as a “spontaneous order,” rather than a general equilibrium. While equilibrium-centered theory (such as that of neoclassical economics) concentrates on how the market system looks if it were to achieve a general equilibrium (answer: there would be no uncertainty, ignorance, money, profits, losses, entrepreneurs,

firms, institutions!), a theory of spontaneous order attempts to explain the evolution of institutions that support the market system by examining individual human plans and actions and their unintended consequences. Thus, while neoclassical economics discusses how markets “work” if and when people enjoy full and complete information, Austrian economics tries to explain how markets work when, in fact, the important information is dispersed among millions of people throughout society.

To drive home this distinction, Vaughn reconsiders the famed socialist calculation debate (chapter three). Ludwig von Mises had argued, way back in 1920, that real-world socialism will fail because a central planning board would not be able to calculate the relative values (and costs) of scarce resources. Why? Because socialism strives to abolish private ownership of the means of production. Doing so would abolish markets for the means of production, and therefore the market pricing system and profit-loss signals. Without information transmitted through the market pricing system, socialist planners wouldn't have the foggiest idea of the relative values of capital resources. Socialist planning tends to create ever growing shortages of useful goods, and wasteful surpluses of unwanted items. Rather than guide society to rising standards of living and steady increases in economic growth, socialism would plummet society into a downward spiral of waste, inefficiency, mass misery, and (as Hayek would add later) totalitarian dicta-

torship. This, in fact, did happen.

Why didn't the rest of the profession accept the Austrian argument? The problem lies, as Vaughn sees it, with the Austrians, for not fully understanding the radical nature of their own theoretical argument—both Mises and Hayek may have harbored too much sympathy with their neoclassical allies. The “debate” resulted when socialists used neoclassical theory in the 1930s to demonstrate how socialist planning can theoretically lead to equilibrium and economic efficiency. From that point on, the Austrians

tion at the London School of Economics in 1950 to become a professor on the Committee on Social Thought at the University of Chicago—but this position was established outside the economics department, where his salary was paid not by the university, but through private foundations. Mises taught in the graduate school of business at New York University, beginning in 1945, but by 1949, and through his retirement in 1969, his salary, too, would be paid only through outside foundations.

In a sense, Austrian economics in America became almost subterra-

economics in America (roughly 1940 through the 1960s) can be interpreted as one of ever-increasing marginalization of the Austrian School, then the second period, beginning in 1974 with the Austrian “revival” (as Vaughn titles chapter 5), can be seen as an astonishing resurgence of interest in Austrian economics, with dozens of scholarly books and hundreds of articles devoted to the scope and nature of Austrian economics.

In the fall of 1974, Hayek won the Nobel Prize in economics for his early work on monetary theory and the trade cycle, suggesting that the profession started to recognize the merit of earlier Austrian economics. In addition, the Institute for Humane Studies sponsored a week-long conference on Austrian economics earlier that summer, in South Royalton, Vermont. It drew together roughly fifty economists and graduate students who, not all thoroughgoing Austrians, nevertheless shared some interest in Mises' and Hayek's theories. “What started out as a crusade for Austrian economics,” Vaughn observes, “turned into a deep and extensive examination of a core of ideas that began with Menger and that have been amended, enlarged, weeded out, and improved on by scores of scholars for over a century.”

But nobody can deny that now is an exciting time to study Austrian economics, for the market system is here to stay, and the Austrian understanding of markets is finally enjoying a long-overdue recognition by other economists and social scientists.

were considered losers: they were interpreted, in textbook after textbook, as being defeated on their own theoretical grounds.

Austrian School Goes Underground

Combine this with the terror of Naziism that forced the Austrian School to relocate off the Continent, and you get an idea of the fate of Austrian economics in the post-war years. Hayek first fled to England, whilst Mises, Haberler, Machlup and others headed for America. Shaken from their institutional roots, and considered losers in the grand debate over socialism, Austrian economics became further and further removed from the burgeoning neoclassical (and Anglo-Saxon) mainstream.

Austrians such as Morgenstern and Machlup established solid careers in America by the 1950s by downplaying their Austrian heritage. Hayek would leave his posi-

tion: Hayek pursued research in legal and political theory (rather than economics), while Mises tried to reconcile Austrian economics with elements of the neoclassical mainstream (on policy grounds, however, he unflinchingly—and at much professional cost—continued to staunchly defend the free market system). His attempt at theoretical reconciliation bore little fruit, as Vaughn observes in chapter 4: “he tried too much to blend some fundamental Mengerian insights with the apparatus of neoclassical price theory to the detriment of both. The project was flawed, but it was at once so learned and complex that it would take decades to unravel its central contradiction. In fact, Mises' edifice inherited a basic incompatibility between the Mengerian and the neoclassical approach that it is still a source of controversy among modern Austrian economists.”

If this first period of Austrian

The Equilibrium Debate

For example, Ludwig Lachmann, an Austrian economist who had spent his post-war years at the University of Witwatersrand in South Africa and who was unknown to most of the South Royalton crowd, argued at the conference that Austrian economics should further distance itself from the mainstream by developing a theory of the market that does not rely at all on some notion of “general equilibrium.” That is, Austrians should strive to explain how the market produces an overall order, but an order that is not tied to some timeless notion called equilibrium.

The question of equilibrium has divided the contemporary Austrian School in America ever since, which Vaughn documents in the book's remaining chapters. What does it mean, for example, to say that the market system tends toward equilibrium? If by equilibrium we mean a perfect coordination of plans, then, as we've learned from neoclassical economics, a world of perfectly coordinated plans is a world where people can dispense with money, firms, institutions, and so on. Now we all clearly know the market is never in equilibrium. But to say that the market has a direction—it moves toward equilibrium—may be saying too much. How do we know that?

If it is an empirical claim, it would seem to be wrong (the evidence suggests that money, firms, institutions, etc., are not disappearing). If it is a formal or logical claim, then the question becomes: does the logic of each individual's actions (and its unintended consequences) necessarily imply a greater coordination of plans? The "New Austrians" (as Vaughn calls the Austrians of the 1980s and '90s influenced by Lachmann) seriously doubt both the empirical and the purely formal claims. Turned against them, the question becomes: what can replace the notion of "equilibrium"? Furthermore, can we still have a science of economics (Austrian, neoclassical, or otherwise) without referring to some notion of equilibrium? What would it look like? And where does all this leave the defense of free market policy?

At stake is nothing less than the (traditionally understood) scientific status of Austrian economics, and with it the irony that, perhaps, the tremendous resurgence of interest in Austrian economics may lead to its ultimate downfall as a scientific discipline. Many of the more traditional Austrians fear just that. Vaughn, however, is more persuaded by the

New Austrians, and writes that moving beyond, if not abandoning the equilibrium concept, "does not imply that there are no longer good arguments for the value of free markets to the achievement of human plans. Indeed, I suspect a recasting of Austrian economics in light of the recognition of time and ignorance will strengthen the arguments for decentralized markets rather than centralized government in economic affairs." "However," she warns us, "work must be done to articulate and integrate these arguments once again."

Long-Overdue Recognition

The New Austrian economists in America have only begun to unearth the extraordinary nature of their tradition. Whether this will be reconciled with more traditional Austrian economics, it's hard to say. But nobody can deny that now is an exciting time to study Austrian economics, for the market system is here to

stay, and the Austrian understanding of markets is finally enjoying a long-overdue recognition by other economists and social scientists.

The topics in this book are deep, the debates grand, the implications are limited only by the reader's own imagination. And—a rarity among economists—Vaughn writes with clarity and grace. This is a history of modern economics the way it should be written. I highly recommend it to anyone interested in contemporary Austrian economics and its innovative direction of research for the next century. A

David L. Prychitko is Associate Professor of Economics at the State University of New York at Oswego. He is editor (with Peter Boettke) of *The Market Process: Essays in Contemporary Austrian Economics* (Edward Elgar Publishing, 1994). His *Individuals, Institutions, Interpretations: Hermeneutics Applied to Economics* will be published by Ashgate in May, 1995.

Candles behind the Wall by Barbara von der Heydt

William B. Eerdmans, 1993. 266 pp. Cloth: \$19.95

Review by John-Peter Pham

Since the collapse of the Soviet Empire, legion has been the number of studies and theories seeking to explain how and why its end came about as it did. However, few are as convincing as that put forth by Barbara von der Heydt in her new book, *Candles behind the Wall: Heroes of the Peaceful Revolution That Shattered Communism*. Von der Heydt's thesis can be summed up in a phrase: communism failed because it was unable

to make people forget about God.

To explain why the Iron Curtain came crashing down, most commentators have sought to focus their gaze through the conventional lens of economics and politics. In doing so, however, they have overlooked the fact that the political and economic crises paralyzing Eastern European communism by the late 1980s were the direct consequence of a prior moral and spiritual crisis, a crisis

brought about by Marx's opposition of faith in man to faith in God.

At its base, communism represented a new anthropology which proceeds from the assumption that God is imaginary, a function created by men who, as an opiate for their misery, project the picture of a benevolent God on the screen of their fantasy and then place their hope in this picture. This picture, asserted communism, had to be destroyed so that all man's efforts might be directed to building a new world, and not squandered in the adoration of God. In the Marxist world view, man no longer needed to cling to any dreams of a happy hereafter if the "worker's paradise" could be built on earth.

However, if the new socialist man was to dedicate himself completely to the task of building paradise on earth, it was necessary that every form of faith in God, even the most private, be overcome. Hence, religion could not be tolerated, even as a private affair since even the most private faith in God had public implications, insofar as it impaired a man's energies in fashioning a new world in the here and now. Thus, the struggle against religious faith was a central concern to the erstwhile rulers of Eastern Europe.

In this context, it is easier to comprehend von der Heydt's assertion that: "The reason that Communism collapsed is that Marxism is based on the false premise that the nature of man is inherently good and perfectible through human endeavor, that it is a product of his material surroundings, devoid of transcendence." But as von der Heydt herself observes, faith without transcendence produces tyranny.

Against the backdrop of this tyranny is found the common thread which runs from the Polish Catholic workers kneeling before the Black Madonna in the Gdansk shipyard to the East German Protestant students

gathered on the rooftops of the churches in Potsdam to the Russian Orthodox grandmothers who faced down tanks in Moscow armed only with icons. These people all experienced a revolution of the spirit, a basic rejection of communism at the moral level which eventually grew into a mass movement with political consequences. It was what Polish theologian Józef Tichner aptly described as a "forest of awakened consciences": when individual believers with a heightened sense of the need to live in integrity began to stand up

Holmer and his wife, who led a Christian community for the mentally handicapped, aged, and epileptics near East Berlin. For their pastoral activities, the Holmers had suffered terribly during the long reign of dictator Erich Honecker. In late 1989, Honecker left office as perhaps one of the most hated men alive: no one would take the ailing despot in, not even his own daughter. Finally, the Holmers gave shelter to Honecker and his wife, deposed Education Minister Margot Honecker. Pastor Holmer's explana-

... if the new socialist man was to dedicate himself completely to the task of building paradise on earth, it was necessary that every form of faith in God, even the most private, be overcome.

for what they believed in, they challenged communist totalitarianism at its very roots.

Von der Heydt, who worked with the first wave of Eastern European refugees in 1989, retraced their steps in the wake of that year's revolution. Based on numerous interviews, she has written a portrait of some of the lesser-known figures of resistance, including, among others, Alexander Ogorodnikov, Vaclav Maly, and Fathers Alexander Vorisov and Alexander Men. While each of their stories is unique certain elements are common to all of them: their "conversion" experiences when they first realized that they cannot responsibly collaborate with the regime, the price they each pay for their resistance, and, most poignantly, their unbowed Christian dignity through it all, a dignity and faith which only grew in the face of the hatred before them.

Perhaps the most memorable of von der Heydt's stories is the account of East German Pastor Uwe

tion for his seemingly irrational behavior in taking in the very couple who caused him and eight of his ten children untold suffering was simple enough:

The Lord has charged us to follow him and to take in all those who are troubled or burdened ... to follow his commandment to love our enemies; and to live by the prayer he taught us in these words, "forgive us our trespasses as we forgive those who trespass against us." ... We want to live by Christ's example.

In this dramatic manner, von der Heydt succeeds in both recounting the experiences of ordinary, yet heroic, individuals while simultaneously offering an overview of the factors that led to the toppling of communism, making the latter of interest to a broad range of readers, many of whom would perhaps shy away from a more scholarly account with the same thesis. In fact, this reviewer has only one criticism which

would, in itself, only slightly diminish his ovation of von der Heydt's book. If von der Heydt errs at all, it is perhaps in accepting as *prima facie* truth the stories of many of the people she has interviewed. For example, the first twenty-five pages of *Candles behind the Wall* recount the story of one Rüdiger Knechtel, whom von der Heydt portrays as a Christian leader in East Germany who was jailed until 1964. However, in the midst of writing about Herr Knechtel's interviews of former secret police collaborators, von der Heydt mentions that some of these collaborators had helped in 1982 to confiscate a considerable art and antique collection from the same Herr Knechtel. While this reviewer has no knowledge of Herr Knechtel, he would have thought that von der Heydt would have wanted to know *how it was* that any persecuted Christian leader in any Eastern European country could have even begun to amass any sort of art and antique collection during the Brezhnev era.

In any event, von der Heydt's work will serve to remind many in the West that while it may be exporting capitalism and democracy—institutions which, as Michael Novak and others often remind us, rest on a foundation of belief in a transcendent God—to Eastern Europe, it would do well to import from there some of the spiritual depth and moral commitment which alone make that belief worthwhile. A

Rev. Mr. John-Peter Pham is an ordained deacon of the Roman Catholic diocese of Peoria, IL. He is currently a doctoral candidate studying theology and philosophy in Rome. A regular contributor to *Religion & Liberty*, Deacon Pham won the Acton Institute essay contest in 1991 while a student at St. Charles Borromeo Seminary. He will be ordained a priest in May, 1995.



Book News



The God of the Machine

Isabel Paterson

with a new introduction by
Stephen Cox

Transaction, 1993.

308 pp. Paper: \$21.95

This new edition of Isabel Paterson's classic 1943 defense of freedom, *The God of the Machine*, published by Transaction as part of the Library of Conservative Thought, should appeal to both contemporary conservatives and traditional liberals. It offers an original view of history and of how man has come to progress over time. Her argument upholds a clear commitment to traditional values, within the context of a just and ordered society based on the founding principle of individual liberty. She offers as well a powerful critique of collectivist theories. Though Isabel Paterson was not a religious person, her acknowledgment of a divine source of human origins plays a central role in her views of progress and the importance of freedom.

Utopia Unarmed: The Latin American Left After the Cold War

Jorge G. Castaneda

Alfred A. Knopf, 1993.

498 pp. Cloth: \$27.50

One observer among many who has begun to reassess the future of socialist revolution is Jorge G. Castaneda of the National Autonomous University in Mexico. He argues in his new book *Utopia Unarmed*, that violent revolution is no longer a solution to the problems that beset the region. He sees capitalism as a permanent fixture of the world economy and would like to

see political leftists reverse their longstanding opposition to democratic institutions and engage the political process in an effort to reform the economies of their respective countries. Though Castaneda supports the European model of the corporatist welfare state, his reflections on the current condition of the Latin American left is a refreshing acknowledgement of the permanence, and viability of the free market.

Out of Work: Unemployment and Government in Twentieth-Century America

Richard K. Vedder and

Lowell E. Galloway

The Independent Institute, 1993.

307 pp. Paper: \$16.95, Cloth: \$34.95

The Independent Institute has published an extremely useful volume on the origins of unemployment in the twentieth century, focusing in particular on American economic history and public policy solutions advanced during this period. The authors, economists from Ohio University, argue that Keynesian interventionist policies introduced after 1930 undermine economic stability and thus reduce employment. They connect unemployment to real-wage rates and argue that increased demands on business by labor and big government through the minimum wage, unemployment relief and trade-union collective bargaining among others, cause increases in unemployment. With a wealth of statistical data, both authors make a sound case for limited government and offer one of the best resources available for those who seek to do further research. A

This Delicate Fruit, Liberty

We are everywhere reminded that liberty is the “delicate fruit of a mature civilization,” as Lord Acton wrote. Thus we find that freedom, responsibility, and even manners, seem to wax and wane together. The Founders, schooled in ancient and modern history, intended to keep the state in its proper sphere, to prevent it from invading domains suited to the church, family, and individual.

But they also knew their institutional structure was not sufficient to sustain a free society. In their private correspondence and their public speeches, they frequently remind us that liberty cannot sustain itself absent a moral commitment to the ideal of liberty itself. Tragically, today that commitment is not as strong as it once was. The state has marched with a determination, while the defenders of liberty have lacked nerve. As a result, we tolerate levels of barbarism, of official and unofficial varieties, that would have seemed unthinkable only ten or twenty years ago.

Every public opinion poll shows the first concerns in the minds of people today are the uncertainty of economic life and crime. As we examine those two concerns, we find they are interrelated.

Our economic difficulties are due largely to a loss of economic liberties. The freedom of enterprise is restricted with each day in legislation proscribing a myriad of new costs on business. Red tape makes it difficult for business to accomplish its primary job of serving the public. Instead it comes to serve those who enforce the regulations. In a more direct way, taxes and mandates also have redirected the *telos* of enterprise away from the public toward other forms of authority. When the freedom of enterprise diminishes in this way, so too does our pros-

perity and the security engendered by it.

We have come to expect a major leap in federal power to occur every quarter or so, and we act as if it can be tolerated in perpetuity. We seem resigned to constant increases in public debt, wealth redistribution, and economic planning. Troops of social workers, inspectors, auditors, and bureaucrats are quartered in the very private spheres the Fathers attempted to constitutionally insulate from public officials. We are in the process of erecting arbitrary government. Compare today's federal policy with Mr. Jefferson's grievances against the English crown.

With the decline of economic freedom our society has forgotten the boundaries of private property. If we truly believed the commandment against coveting our neighbors' goods, a multitude of Washington lobbyists would lose their jobs tomorrow. As that law wanes, so

too does the commandment against theft, which is routinely ignored in the formation of policy and in the private conduct of the citizenry.

How can we recapture liberty? I don't disparage “policy wonks” and their concerns, but no technical solution can ultimately work to secure our future. Liberty rests on a firm moral foundation which must derive from faith. That faith has a strong private component, but it also has public representatives in ministers, priests, and rabbis, as well as lay leaders in religious bodies. It is to these people that the culture will turn when all technical fixes have failed. If these people can become partisans of the moral case for liberty, our battle is half won. *A*

Rev. Robert A. Sirico, CSP, is President of the Acton Institute for the Study of Religion and Liberty.

“The working class have much more to lose by an injury to capital than the capitalist. They are more interested in its security. Because what threatens the one with loss of luxury ... threatens the other with the loss of the necessity.”

—Lord Acton

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