

Third Ways

A lecture for the Brisbane and Melbourne branches of the Australian Family Association.

October 14 & 16, 2008.

Presentation copy.

by Allan Carlson, Ph.D.

There is an ancient Chinese curse, which goes: “May you live in interesting times!”

Alas, we now do. The last several months have witnessed the growing crescendo of economic crisis, starting first in America; then extending globally. Failing banks, crashing stock markets, foreclosed homes, vanishing savings, tumbling real incomes, mounting joblessness, seizures of banks by the state, government bailouts, fear and distrust: nothing quite like it has been seen since the years 1929-1933, which ushered in the Great Depression.

If there is any good in this, it might be in the rush of “gallows humor” in America: you know, the not quite side-splitting jokes told by persons about to be executed, in this case financially speaking. Here’s a set of “New Stock Market Terms” or definitions making the rounds in my country:

BULL MARKET – A random market movement causing an investor to mistake himself for a financial genius.

BROKER – What my broker has made me.

FINANCIAL PLANNER – A guy whose phone has been disconnected.

CASH FLOW – The movement your money makes as it disappears down the toilet.

INSTITUTIONAL INVESTOR – Past year investor who’s now locked up in a nuthouse.

And, my favorite: P/E RATIO – The percentage of investors wetting their pants as the market keeps crashing.

Well, some see this as a crisis of Finance Capitalism equal to that of the Great Depression. Others warn darkly of a swarming New Socialism.

In fact, I want to suggest that neither of these explanations helps us much in understanding our “interesting times”: What we are actually seeing, I will suggest tonight, is the culmination of what the English journalist Hilaire

Belloc called “The Servile State,” or what his friend Gilbert Keith Chesterton called – with somewhat less poetry but equal insight – the “Business Government.”

Some of you, I am sure, are quite familiar with their work. Others, perhaps less so. As a way of understanding our times, allow me to offer a summary.

The Chesterbelloc

The leftist English playwright George Bernard Shaw called their joint program the “Chesterbelloc,” twisting the two authors’ names into a “fabulous beast,” one that promised agrarian reform, small-scale production and retailing, and greatly expanded property ownership. Chesterton and Belloc preferred the label Distributism.

In recent decades, most commentators on their early 20th century reform project have portrayed it as “naïve,” “reactionary,” “chaotic,” “childishly simple,” and “bizarre.” They have also dismissed the Distributist League of that era as a “sorry spectacle” composed of “cranks of various hues,” where the “beer would flow” and “songs ring out,” all to no effect.

In fact, Distributism actually displayed impressive levels of clarity, coherence, and detail. As shaped by Belloc and Chesterton, the Distributist political program offered the world a compelling “Third Way” alternative to finance capitalism and socialism. And Belloc’s analysis of the “Servile State” still stands as remarkably insightful, with special relevance to our own time.

The origins of Distributism actually lay in the papal encyclical ***Rerum Novarum***, issued by Pope Leo XIII in 1891. Rejecting both unbridled capitalism and socialism, Leo asserted in this remarkable document that the answer to the woes of industrialization lay in the redistribution of property, especially in private homes and land. He argued that the law [quote] “should favor ownership, and its policy should be to induce as many as possible of the people to become owners.” Leo continued: “If working people can be encouraged to look forward to obtaining a share in the land, the consequence will be that the gulf between vast wealth and sheer poverty will be bridged over, and the respective classes will be brought nearer to one another.”

Chesterton drew other lessons from ***Rerum Novarum***: FIRST, the “exceedingly radical” implications of seeing that men and women are wonderfully different; SECOND, the proposition that public life exists to defend private life; THIRD, the truth that private property secures liberty; and FOURTH, the premise that “all political and social efforts must be devoted to securing the good of the family.” In his 1910 book, ***What’s Wrong With the World***, Chesterton underscored the political imperative of delivering the ownership of a house and lot to every family. “Property is merely the art of the democracy,” he wrote. “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.”

The problem in England of this era was that only one in ten adults actually owned a house and a piece of land. The vast majority, in city and country, were renters. In his book *The Servile State* (published 1911), Belloc explained how the English landed gentry had used the seizure of monastic lands in the 16th Century, the legal enclosure of common fields in the 17th and 18th centuries, and capitalist monopolies in the 19th Century to consolidate property ownership in a relatively few hands.

In shaping their political program, Chesterton offered careful distinctions. “If capitalism means private property, I am a capitalist,” he reported. However, he argued that the label held in his time a much narrower meaning. A “relatively small” class of owners possessed “so much of the capital” that “a very large majority” of citizens must serve these capitalists for a wage. Such an exercise of monopoly was [quote] “neither private nor enterprising.” Indeed, “it exists to prevent private enterprise.”

Belloc described the consequence as the Servile State, where monopoly capitalists and government bureaucrats actually merged into a “corporate state” practicing state capitalism. Under this deal, the wealthy capitalists gained order and protection of their property, while the workers received welfare benefits tied to their labor, providing security but also confirming their servile status. Chesterton added that this “new sort of Business Government will combine everything that is bad in all the plans for a better world... There will be nothing left but a loathsome thing called Social Service.”

Socialism was no answer to this situation, Belloc and Chesterton maintained, for it would only further consolidate power in the hands of a bureaucratic state. The alternative would be to build the Distributist state – premised on the kingdom of the home – that would encourage the widest possible distribution of property. Put briefly, property was so vital to true liberty, the “Chesterbelloc” held that every family should have some.

To that end, they advanced a broad program of reform:

- To greatly expand home ownership by families, mobilize “the credit of the community” through locally-controlled, cooperative credit unions to enable “private ownership of houses and small plots just outside our great urban centers.”
- To restore the small shop, use differential taxation against chain stores (insuring no more than a dozen shops per corporation) and against big department stores as well (here, Belloc specifically cited Harrods of London as the problem).
- To redistribute land and other properties, tax contracts “so as to discourage the sale of small property to big proprietors and encourage the breakup of big property among small proprietors.”
- To decentralize industry and cheapen electricity, expand access grids, “which might lead to many little workshops.”

- To encourage agrarian resettlement, the “peasantry must be privileged as against the diseased society around it.”
- To restore craftsmen, subsidize “the small artisan at the expense of Big Business.”
- To decentralize transportation, discourage the railroads and favor the automobile.
- And to encourage urban home ownership, “there ought to be a simple rule: every [rental] lease should automatically contain the power of purchase by installment.”

During the 1920’s, Belloc and Chesterton entered real political battles, employing these principles. They fought, for example, in the “London Omnibus War,” favoring the small, private bus companies that challenged the public monopoly held by Lord Ashfield. In the United States of the 1930’s, Distributist ideas inspired many New Deal programs to counter the Great Depression. These included the Subsistence Homestead Act (which provided a house, garden, and five acres to families displaced by the Depression) and the Housing Act of 1934, which revolutionized home financing in a responsible way.

This influence extended after World War II. In Great Britain, the Conservative Party adopted large shares of the Distributist program, pledging to make the nation a “property-owning democracy.” Here in Australia, as you know, the young Distributist B.A. Santamaria launched a successful campaign to end Communist influence in your nation’s labor unions; later, he was a founder of the Democratic Labour Party, which featured a “model Distributist [domestic] program.”

In our time, I suggest the Distributist worldview goes far to illuminate the current economic crisis.

- It shows how good, Distributist-inspired programs designed to provide land and houses to the propertyless have been twisted into vehicles of irresponsible lending and raw financial speculation. The probable result will be a further consolidation of wealth in fewer hands.
- The Distributist worldview underscores why and how the true middle class seems to grow ever smaller: with a relative handful of entrepreneurs climbing into the capitalist class, while the vast majority now sink into the servile state, toward minimum wage “service” jobs tied to state welfare benefits.
- The Distributist worldview shows why Freddie Mac and Fannie Mae, federally chartered U.S. mortgage companies that privatized executive pay and profit and socialized risk and loss, serve as perfect examples of the Business Government at work.

- It explains why all the ‘bailout’ and ‘rescue’ schemes adopted by at least the American government will probably have the primary effect of protecting the wealth and assets of great corporations and the very wealthy.
- And it explains the irony of how one of the Americans responsible for this crisis – former Goldman Sachs CEO Henry Paulson who five years ago successfully fought to weaken the reserve obligations of private U.S. investment banks – now holds, as U.S. Secretary of the Treasury, 700 Billion precious public dollars, which many Americans believe will somehow wind up mainly in the pockets of his old friends.

The ‘Myth’ of The Family Wage?

The current financial crisis underscores another hard truth largely forgotten over the last 30 years: the natural family of husband, wife, and their children has no place in the uninhibited market economy.

Between about 1850 and 1970, the non-Communist labor unions of Western Europe, North America, and Australia pursued a common goal: payment of a family-wage to husbands and fathers so they would be able to support their wives and children at home. This cause faced many obstacles.

Most industrialists and other employers favored a completely free labor market, where men, women, and children alike would bid wages down to the lowest possible level. Indeed, manufacturers came to agree with the emerging feminist movement that men and women should receive equal pay for equal work and that work restrictions on women and children should be opposed. Such policies would maximize their profits.

For their own reasons, the Communists agreed. Friedrich Engels saw how the introduction of machines led to the dismissal of skilled male craftsmen and their replacement “by women and even by children at one third...of the wages earned by the men.” Karl Marx’s collaborator continued: “It is inevitable that if a married woman works in a factory family life is...destroyed.” All Marxist theorists celebrated this end, for it furthered the process of proletarianization and so hastened The Communist Revolution.

While industrialists and Communists were content to let a free labor market follow its course, most leaders of the working class in the western world pursued a different strategy. In order to shield the independence of their homes, salvage the essentials of family life, and protect women and children from exploitation, they favored a family wage for husbands and fathers. As an early article in England’s *Trades Newspaper* explained, “the labouring men of this country...should return to the good old plan of subsisting their wives and children on the wages of their own labour and should demand wages high enough for this purpose.” In the U.S.A., the Philadelphia Trade Union warned its members:

Oppose [the employment of women] with all your mind
and with all your strength for it will prove our ruin. We

must strive to obtain sufficient remuneration for our labor to keep the wives and daughters and sisters of our people at home.... That cormorant Capital will have every man, woman and child to toil; but let us exert our families to oppose its designs.

Feminists have long attacked the family-wage concept for its clear reliance on gender-role discrimination. However there are other ways to view this alternative to both unbridled capitalism and socialism. To begin with, a family-wage system opposes the inherent tendencies of industrial capitalism to turn all human bonds into money exchanges and all human activities into a test of efficiency. In addition, such a system combines elements of medieval “just price” theory with a vision of household autonomy. A family-wage also insists that pay for work has a social component independent of “supply and demand.”

Importantly, a family-wage system also challenges and limits the state. It places the redistribution of earned income within families, where the employed male laborer trades cash income for the noncash “social labor” of wife and children. In contrast, the welfare state represents the socializing of both parts of this exchange, by the taxation of earned income and by the provision of state services to replace family functions.

Some feminist historians now argue that a family wage system never existed. However, the evidence is overwhelming that this ideal dominated labor goals throughout the North Atlantic and Oceanic regions for over one hundred years and that it had measurable effects on wages and the job market. In Belgium, for example, historians have shown a “thorough transformation” in the family life of workers between 1853 and 1891, based on a withdrawal of married women from the labor market and a sharp rise in the real incomes of men.

The United States also had a family wage regime roughly between 1870 and 1970, although its nature changed over time. Prior to the early 1940’s, the system rested primarily on legal barriers and forms of direct wage discrimination in favor of male workers. For example, bans on the hiring of married women were common. The labor shortage caused by World War II brought an end to most of these restrictions, together with a mandate of equal pay for equal work among women and men. After 1945, though, a more powerful dynamic actually strengthened the American family wage: the cultural recognition of “male” and “female” jobs.

Women who did work crowded into lower-paying fields such as file clerk, secretary, stenographer, nurse, and elementary school teachers. For their part, men expanded their dominance of high-income fields such as attorney, auditor, chemist, engineer, and medical doctor. In 1939, the median wage for a woman was 59 percent of a man. By 1966, it had fallen to 54 percent. For good economic reasons, most married women chose to be full-time mothers and homemakers; and large majorities judged the system fair and just.

Here in Australia, a network of wage courts fixed wages in various industries. All of them implemented a differential wage between working men and women, in order to protect family relations. Interestingly, these wage courts also agreed on a female wage that was 54 percent of that of men.

However, during the 1960's, family-wage systems around the globe fell apart. The equity feminist movement –fairly dormant for decades – came roaring back with new strength, demanding absolute equality between women and men. Citing “labor shortages,” government labor planners angled to pull the young mothers out of their homes. Labor unions, which had pressed for a family wage for over a hundred years, curiously and quickly abandoned the cause.

There were many consequences: some foreseen; some not. Predictably, as married women poured into the labor force, the real wages of men fell: in the USA, by 15 percent between 1973 and 1993. This was simple economics. In turn, this placed new burdens on the one-income family with the mother at home; while – in relative terms – rewarding the two-income household.

Unintentionally, these changes were one factor in the sharp rise in the proportion of children living in poverty over the same years. The new gender egalitarian system also had the effect of increasing the income inequality of households. Moreover, home gardening, food preparation, childcare, and other residual forms of home production rapidly disappeared. Finally, as the economic logic of marriage (premised on a ‘division of labor’ within the home) diminished, the divorce rate soared while both the marriage rate and the marital fertility rate declined sharply.

The family-wage system had been the means by which families had managed to survive as autonomous entities in an industrial world, with still intact and functional home economies. As historian Jane Humphries has put it, the “battle for a ‘family wage’ was ... [a] demonstration of working class insistence on the integrity of their own kinship structures.” Its fall brought the mutually reinforcing expansion of both mega-capitalism and the centralizing state, and the decay of family life.

What Next?

My book, *Third Ways*, also deals with efforts by agrarian theorists and political leaders – mainly in Eastern Europe and Russia – to craft agricultural democracies resting on small family farms and cooperatives. While time does not permit me to explore them this evening, they shared with the Distributists and the advocates of a family wage a focus on family integrity linked to property ownership.

By the 1990's, in any case, the search for a Third Way economy was over. Part of the reason was that the “Second Way” of Communism was dissolving around the globe. However, free market liberalism has also now entered its own crisis. Who really won the great ideological contest of the 20th Century?

Perhaps the actual winner was that phantom entity first identified by Hilaire Belloc nearly a century ago: the Servile State. Here, owners accept certain paternalistic obligations toward workers, commonly mediated through the state; workers accept their servile status in exchange for a base security.

Beyond examples this week of the merger of big government and finance capitalism where might other signs of the contemporary Servile State be seen? To begin with, the reality of private property may be dimming. As early as 1969, for example, Sweden's Justice Minister premised a basic reform of Sweden's marriage laws on what he called "declining public interest in material property" in favor of pensions, annuities, and other claims on the welfare state.

Another sign of The Servile State is the strange new subjection of women. In the cutting-edge state of Sweden, this end has come through the open nationalization of women's labor. Sweden actually has few female CEO's. Most Swedish women still perform classic "women's work": child care, elementary school teaching, eldercare, and social service. However, they now do so as specialists working for the state. Traditional women's tasks have been socialized, so becoming the "loathsome thing called Social Service," a phrase coined by and a process foreseen by Chesterton.

Still another sign of the Servile State as winner comes from Russia, where Agrarian dreams of a family-centered peasant economy died three-quarters of a century ago under the violence of Lenin and Stalin. In the early 21st Century, "Mafia capitalism" has clearly won out in this land; property is highly concentrated among a small group of oligarchs; while a minimalist welfare state inherited from the communist era keeps the large majority of the population alive: traits that are almost pure expressions of Belloc's pleasant nightmare.

The new China may represent the Servile State as well. In 2002, for example, authorities announced that the ruling Communist Party of China would open its membership to capitalists. One could almost see Lenin's mummified body attempting to roll over in its elaborate tomb. Meanwhile, Western corporations moved their factories to China, sure that its authoritarian regime would keep the workers docile, cheap, and strike-free.

In terms of political economy, then, there now seems to be only one big player, not two: be it called the Servile State; or the "Business Government" of Chesterton's analysis; or the "State Capitalism" of modern parlance. Belloc said that despite periodic crises, this system would be highly stable. However, those who still seek an authentic liberty premised on personal autonomy, family integrity, and a true culture of enterprise might look again to what we might now relabel The Family Way. Phrased positively, this model would:

- First, Treasure private property firmly in family hands as the foundation of a free society.
- Second, Seek to decentralize, decentralize, decentralize.

- Third, Understand that the central social and political challenge is to keep competition and the quest for efficiency out of the family and the local community; and at the same time to keep family-styled altruism out of central government.
- Fourth, Defend the natural family economy through appeals to human biology and human history, emphasizing marriage and the generation of children.
- Fifth, Place primary faith in cultural affirmations and defenses, and only secondary trust in state actions.
- Sixth, Look to the infusion of religious energy into culture, politics, and economic life as the surest source of renewal. Only homo religiosus, economist Wilhelm Röpke's name for man created in the image God, only 'religious man' can stand up to the servile heir of homo economicus, or 'economic man.'
- And finally, build on small acts. In the end, the Family Way means reconnecting everyday tasks with the great purposes of the Creator. Only then do common deeds bend toward transcendence.

How might these principles translate into current Australian political questions? Actually, it is dangerous for an outlander like myself to offer too much advice. Beyond a few basics, I do not know the details, let alone the nuances of your political life. All the same, I will briefly address two contemporary Australian issues: affordable housing and paid parental leave.

Regarding housing, we Americans have made a mess of things, but some lessons may have been learned. The primary one is that the goal of "decent and affordable shelter for families," the initial Distributist impulse, long ago ceased to be the driving force in the American housing system. Around 1970, this system quietly but decisively shifted toward favoring housing as a vehicle for financial investment, and consequent speculation. Something similar appears to have happened here.

What would be the proper corrections? First, housing subsidies – be they direct or through the favored tax treatment of mortgage interest – must be limited to one principle residence per family, and they should be capped. Second homes, vacation homes, 'investment' homes, and McMansions should receive no special encouragement.

Second, to the degree possible, government-favored home subsidies should be made available first to young married couples with children.

Third, mortgage banks should be kept relatively small and locally controlled. While the price might be slightly higher interest rates, the gain would be more honest and responsible lending.

And fourth, borrowing a page from Chesterbelloc, real estate contracts might be taxed "so as to discourage the sale of small property to big

proprietors and encourage the breakup of big property among small proprietors.”

Turning to paid parental leave, your current Minister for Family, Housing, Community Services and Indigenous Affairs, Jenny Macklin, has actually articulated the correct principle: family policy should give “parents real options to make the best decisions for their children and address the realities of modern Australian life.” I am not sure, though, if she understands the implications. For one, any “paid parental leave” for parents taking time off from their jobs to care for small children that is mandated by government and funded by taxes should be matched by a tax credit (or some equivalent) for the married couple with a full-time parent at home. This credit could be set at 50 percent of the median paid leave. Such an approach would avoid the anti-choice aspect of the looming Swedish model, which has always aimed at destroying the home economy: above all, by eliminating the full-time mother.

I hope that these thoughts are helpful. And I hope that the great nation of Australia, one of God’s favored places on earth, will enjoy an authentic child-centered and family-centered future.

— Dr Allan Carlson, founder of the World Congress of Families, directs the Howard Center for Family, Religion and Society, based in Rockford, Illinois. This paper is the full version of a lecture he gave for the Brisbane and Melbourne branches of the Australian Family Association on October 14 and 16, 2008.

The Third Way is a position akin to centrism that tries to reconcile right-wing and left-wing politics by advocating a varying synthesis of centre-right and centrist economic platforms with some centre-left social policies. The Third Way was created as a re-evaluation of political policies within various centre-left progressive movements in response to doubt regarding the economic viability of the state and the overuse of economic interventionist policies that had previously been popularised by The Third Way is a mission for Franklin Clinton, Michael De Santa and Trevor Philips started by Franklin Clinton from the living room in his house in Vinewood Hills, Los Santos. It is one of three choices for the final mission alongside The Time's Come and Something Sensible. Franklin, at his house in Vinewood Hills, is visited by Devin Weston reminding him of his request to kill Michael De Santa. Once Weston leaves the player is given the choice to kill Trevor, to kill Michael or to save both. The Game Recap: GTA V: The Third Way. Do you like this video? "Hey, my bad, homie. I picked C, ain't that a bitch?". • Franklin Clinton to Devin Weston . The Third Way is the final storyline mission and canon ending of Grand Theft Auto V . The mission is triggered if the player has Franklin choose option C (Deathwish). Agents Steve Haines and Dave Norton task Franklin to kill Trevor, due to him being a liability, despite having saved both of them. Later, Devin Weston shows up at Franklin's house and tells