

CAPITALISM AND DISTRIBUTISM: DEFINITIONS AND CONTRASTS¹

by

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Capitalism no more means the affirmation of an individual, or a family's right to possess land, machinery, housing, clothing, reserves of food and the rest, than fatty degeneration of the heart means the normal function of the heart as the circulator of the blood in a healthy human body.

- Hilaire Belloc²

I

When one considers how often and with how much passion the question of capitalism has been debated for the past one hundred and fifty years or so, it is surprising how seldom a true definition of it has been attempted. Most discussions of the subject seem to assume that everyone already knows what it is, or they characterize it simply in historical or even geographical terms. But what *is* capitalism? Is it possible or desirable to define it, and if so, can we learn anything from such a definition? In the first part of this article I wish to approach the question of a definition of capitalism and to argue that a definition is not only possible, but that the correct definition can shed much light on the actual *modus operandi* of capitalistic economic systems and on what has often been called the "spirit of capitalism." In the second part, I will discuss distributism and contrast it with capitalism.

That many have found it difficult to define capitalism is no secret. As Robert Heilbroner wrote, "*What is capitalism?* That is the profound and perplexing problem to which this book is addressed." And he goes on,

But the question of what capitalism "is" presents challenges of another kind. Now the difficulty is not so much to cope with masses of material as to decide on a few quintessential elements. This is a much more recalcitrant question. The variables that affect the capitalist process overwhelm us in their complexity, but it is at least imaginable that they might be coherently ordered. No such conceptual clarity is available when it comes to determining the irreducible elements of the system. No formal procedures, even at the most abstract level, tell us how to specify the essence of a thing.³

Amintore Fanfani, in his *Catholicism, Protestantism and Capitalism*,⁴ gives a survey of opinions on what capitalism is, and finally concludes that instead of trying to define capitalism itself, it is rather in capitalism's spirit that we must look for its essence, i.e., that in certain characteristics of the capitalist

1. This article incorporates some material originally published in my "Some Economic and Cultural Considerations of Capitalism," *Caelum et Terra*, vol. 5, no. 1, winter 1995.

2. *The Crisis of Civilization* (Rockford, Ill. : TAN Books, 1992 printing) p. 139.

3. *The Nature and Logic of Capitalism* (New York : W.W. Norton, c. 1985) p. 14.

4. New York : Sheed & Ward, 1939.

man, as distinguished from the pre-capitalist, we can identify what capitalism really is.⁵ But although discussions of the 'spirit of capitalism' are valuable, they are not the same as defining the thing itself. I will return to the spirit of capitalism and Fanfani's observations a little later.

Thus doubtless it seems to many that it is useless to attempt a definition of capitalism and that the best we can do is some kind of rough description. But before we look at what I will argue is the correct definition of capitalism, let us consider some of the previous attempts at description or definition.

Definitions of capitalism

Of course, on an everyday level, people often uncritically assert that capitalism means private ownership of property, or perhaps 'private property in the means of production.' But clearly neither of these is the case, since private property has almost always been with us, even in times usually not considered capitalistic, and 'private property in the means of production' is nearly as common as the former. Let us turn to some of the deliberate attempts that have been made to define, or at least describe, capitalism.

Joseph Schumpeter, in his well-known article, "Capitalism" for the *Encyclopaedia Britannica* wrote as follows:

A society is called capitalist if it entrusts its economic process to the guidance of the private businessman. This may be said to imply, first, private ownership of nonpersonal means of production, such as land, mines, industrial plant and equipment; and second, production for private account, *i.e.*, production by private initiative for private profit. But, third, the institution of bank credit is so essential to the functioning of the capitalist system that, though not strictly implied in the definition, it should be added to the two other criteria. Common parlance applies the adjective "capitalist" to almost all the phenomena of modern society, particularly when envisaged with reference to the socialist alternative.⁶

Schumpeter further states that, "Most of the features that define the capitalist order may be found in the ancient world, and particularly in its Graeco-Roman sector."⁷

Robert Heilbroner in *The New Palgrave*, a standard dictionary of economics, speaks thus of capitalism:

Capitalism is often called *market society* by economists, and the *free enterprise system* by business and government spokesmen. But these terms, which emphasize certain economic or political characteristics, do not suffice to describe either the complexity or the crucial identificatory elements of the system. Capitalism is better viewed as a historical 'formation', distinguishable from formations that have preceded it, or that today parallel it, both by a core of central institutions and by the motion these institutions impart to the whole. Although capitalism assumes a wide variety of appearances from period to period and place to place...these core institutions and distinctive movements are discoverable in all of them, and allow us to speak of capitalism as a historical entity, comparable to ancient imperial

5. *Ibid.*, pp. 9-10.

6. Joseph Schumpeter, "Capitalism," *Encyclopaedia Britannica*, 1962 ed., vol. 4, p. 801.

7. As against Schumpeter's statement, we may proffer the words of Fanfani, "Capitalism...is wholly original, and was perhaps unknown to any age but that which followed the thirteenth or fourteenth centuries" (*Catholicism, Protestantism and Capitalism*, p. 9).

Furthermore, as we will see, Schumpeter's statement contains an equivocation about the role of private initiative in the economy.

kingdoms or to the feudal system.⁸

Another standard source, the *International Encyclopedia of the Social Sciences*, in its article "Capitalism,"⁹ gives a historico-geographical description rather than a definition. "Capitalism is the economic and political system that in its industrial or 'full' form first developed in England in the late eighteenth century." But like most attempts to describe capitalism by placing it in an historical or social context, this one raises further questions. What was it about England in the late eighteenth century that constituted capitalism? The disappearance of the guilds? The rise of large firms controlled by rich men? An increase of financial speculation? New technology? This article goes on to say that "Self-interest as ultimately the servant of society, the minimization of the role of the state and the institution of private property constituted the essence of capitalism in the nineteenth and early twentieth centuries." Note, however, that the writer says, "in the nineteenth and early twentieth centuries." Here again the description of capitalism is historically limited. And since we no longer live in the nineteenth or early twentieth centuries, if we want to look at capitalism as it exists in our own time, is this definition therefore no longer useful?

Then we have the attempt at definition that focuses on the results of capitalism. For example, "Capitalism is an economic system characterized by the private, unequal ownership of the means of production or tools with which man produces his livelihood."¹⁰ This may be a good definition of what capitalism becomes *in practice*, that is, what seems inevitability to happen under capitalist arrangements, since private ownership does become unequal. But I do not regard this as getting at the essence of capitalism. For to describe the effects of the capitalist system in action is not the same as to state what exactly it is that makes it capitalist.

In contrast to these efforts at definition or description are those who argue that an attempt to capture capitalism in a definition is a mistake, for in fact it is not one thing. John Groenewegen argues that there is in fact more than one kind of capitalism, and distinguishes "four types of capitalist systems: the Anglo-American, two varieties of the continental European system, and finally the Japanese type of capitalism."¹¹ And each type differs in "the organization of transactions, the nature of the firm and markets, the role of government, and the value system, in which [it] is embedded...." Given these differences, is it useful, or even possible, to find a definition which applies to all of them? And how even do we know that these "four types of capitalist systems" ought all to be called capitalist? What general characteristics makes them all capitalist?

All of these descriptions of capitalism bring out important points, but do any of them reach exactly what capitalism is? Some of them seem to include as capitalist too many societies, others to list characteristics of capitalist economies without naming those which are essential. But is it possible to do

8. *The New Palgrave : a Dictionary of Economics* (London : Macmillan, c. 1987) vol. 1, p. 347. Earlier Heilbroner had written,

For it is not socialism alone that presents us with a confusing heterogeneity of systems, but capitalism as well; and yet we feel perfectly assured in applying the common term "capitalist" to worlds as far apart as those depicted by Sinclair Lewis and Thomas Mann, or Faulkner and Proust. And there is a very good reason for our generalizing approach to the societies of capitalism. This is the presence within all of them of a common set of institutions and ideas - the institution of the basically uncontrolled market system and the ideas of the legitimacy of the private ownership of the means of production. In a word, we find a *business system* at the core of all capitalist societies, no matter how diverse their other characteristics. (*Between Capitalism and Socialism*. New York : Random House, c. 1970, p. 80.)

9. Calvin B. Hoover, "Capitalism," vol. 2 (Macmillan & Free Press c. 1968). The quoted sentences are on pages 295 and 296.

10. Lynn Turgeon, *The Contrasting Economies : a Study of Modern Economic Systems* (Boston : Allyn and Bacon, 2nd ed., 1969) p. 23.

11. "Institutions of Capitalisms: American, European, and Japanese Systems Compared," *Journal of Economic Issues*, vol. 31, no. 2, June 1997, p. 335.

better?

Capitalism defined

Is it possible to come up with a definition of capitalism which gets at what distinguishes it from other economic systems, and which also helps us to understand the course which capitalism takes in practice? I think that it is, and that the following definition, a definition gleaned from the encyclical of Pope Pius XI, *Quadragesimo Anno* (1931) will fulfill both these conditions. Pius speaks (no. 100) of "that economic system in which were provided by different people the capital and labor jointly needed for production."¹² In other words, capitalism is the economic system in which, *for the most part*,¹³ some people provide the capital for financing an enterprise and others provide the labor, that is, they work for wages on enterprises owned by the owners of capital.¹⁴

This definition of capitalism, I believe, not only gets at what is essential in capitalism, but enables us to understand what invariably results from the separation of ownership from work, why so many evils have, and always will, arise from any capitalist system, so long as this essential point of capitalism is maintained, the separation of ownership from work.¹⁵ If we look at some of the discussions of capitalism quoted above in light of Pius' definition, I think we will see how the definition sheds light on them.

Heilbroner, for example, in his article in *The New Palgrave*, goes on to say,

Both Smith and Marx stressed the importance of the expansion of the commodity form of wealth. For example, Smith considered labour to be 'productive' only if it created goods whose sale could replenish and enlarge the national fund of capital, not when its product was intrinsically [sic] useful or meritorious. In the same fashion, Marx described the accumulation of wealth under capitalism as a circuit in which money capital (M) was exchanged for commodities (C), to be sold for a larger money sum (M'), in a never-ending metamorphosis of M-C-M'.

Now it is precisely the separation of ownership from work which produces this emphasis on commodity sale, because this separation creates a body of men who are no longer focused directly on production, but rather on moneymaking itself.¹⁶ For if one accepts that the inherent purpose of economic activity is the

12. Paulist translation, as published in *Seven Great Encyclicals* and elsewhere. The original Latin speaks of the economic system "qua generatim ad commune rei oeconomicae exercitium ab aliis res, ab aliis opera praestaretur." *Acta Apostolicae Sedis*, vol. 23, no. 6, June 1931, pp. 209-210.

13. It is not suggested that in a capitalistic economy there are no economic activities in which the same person supplies both labor and capital, simply that such separation is the characteristic note.

14. A few economists have given a more or less similar definition. E.g., "Here, then, is the essential dividing line: under capitalism the worker does not work on his own; he works for his employer, the capitalist. The worker is propertyless and has to offer his labour for sale in the market. The capitalist, by virtue of his owning capital, is in a position to buy labour." A. K. Dasgupta, *Phases of Capitalism and Economic Theory* (Delhi : Oxford University Press, 1983) p. 125.

In a sense this definition is implicit in Marx. Cf. *The Communist Manifesto*, "In proportion as the bourgeoisie, i.e., capital, is developed, in the same proportion is the proletariat, the modern working class, developed - a class of labourers, who live only so long as they find work, and who find work only so long as their labour increases capital." *Great Books of the Western World*, vol. 50, p. 422.

15. Thus under the German co-determination (*Mitbestimmung*) system, since labor is associated in the management of capital, we no longer have capitalism in its pure or perfect form.

16. Of course, those who *manage* a firm are occupied with production. Thus firms actively managed by the proprietor are an imperfect form of capitalism, since they preserve some features of a non-capitalist order. The capitalist here is still focused on production. It is in the corporation that capitalism assumes its perfect form.

production of those goods and services necessary or useful for a truly human life, then it is production which is of the essence of economic activity. But as soon as my direct occupation is not production for use, but moneymaking *simpliciter*, then my whole focus changes. I no longer care what is made or how much of it, as long as it is profitable. We can see this in the activity of the stock market.

Stock market activity is so far removed from real economic activity, that the stock traders' interests are centered only on the rise or fall in the stock prices of a company. Whether the company is making something useful or not is of no concern to them. And when the rest of us focus on stock prices as an indicator of the health of the economy, the absurdity of this is made clear. When the stock market collapsed in 1929, for example, no real wealth immediately left the country. But because the market's decline was perceived as an indicator that the country was in serious economic difficulties, real wealth did begin to disappear as factories closed and farm products were even destroyed because they could not find buyers. But the absurdity of this should be clear - the exchange of what are only surrogates for real wealth, stock shares, for example, need not have an effect on real economic goods unless the system in place is focused less on production and immediate sale to consumers and more on manipulation of these surrogates for the purpose of moneymaking.

After the September 11, 2001, terrorist attacks, when the New York Stock Exchange was closed for a few days, everyone waited with bated breath for the Exchange to reopen to find out whether the country was prosperous or not! Yet regardless of how well or ill the stock market did, the same amount of real economic goods were present in the nation.

Another of the authors whom we briefly surveyed above, defined capitalism in this way: "Capitalism is an economic system characterized by the private, unequal ownership of the means of production or tools with which man produces his livelihood."¹⁷ Here again Pope Pius' definition helps us, for by defining capitalism as the separation of ownership from work, we describe an economic system in which, because some no longer focus on production, they are free to focus on limitless wealth, thus ultimately causing the "unequal ownership of the means of production" which Turgeon took to be of the essence of capitalism, whereas it is simply one of the results of capitalism, or the "spirit of capitalism."

If a society sees economic activity as a human activity directed toward an end - fulfilling that society's need for goods and services - then it will tend to erect safeguards, legal, social, customary, to channel economic activity toward those ends. But as soon as a society has largely forgotten that economic activity has its own inherent end, then the mere acquisition of wealth comes to be implicitly taken as the purpose of economic activity.

Now, of course a necessary and important by-product of production is the support of the producer. Everyone who understands that economic activity exists for the provision of necessary and helpful goods and services, will also recognize that the producer must make his own living by the use or sale of what he makes. So there is another inherent end in this, the maintenance of the producer. And there is also a limit inherent in this, namely, how much one needs to support oneself and one's family.

Capitalism, however, has brought with it its own spirit, a spirit which regards wealth not as a necessary means for supplying our earthly needs, but as something to be increased beyond measure. What do I mean by "beyond measure"? I mean by it something fairly precise, for in speaking of the correct measure of our earthly needs, man himself is the measure. Thus, for example, a man can eat only so much food in a day. If he wanted three times as much food every day as he could properly eat, he would be desiring to multiply his possession of food beyond the proper measure. Every man needs a dwelling. Perhaps some few could make an argument that they need more than one. But surely at some point any *legitimate* need for more houses would be passed. A man who claimed the need for (say) four houses, is obviously asking for more than he needs. And so on with the rest of our property. Material things exist to satisfy reasonable human needs, not unlimited human wants.¹⁸ Fanfani, indeed,

17. Turgeon, *The Contrasting Economies : a Study of Modern Economic Systems*, p. 23.

18. See St. Thomas Aquinas, *Summa Theologiae*, I-II, q. 2, a. 1 ad 3, "...the appetite of natural riches is not infinite, because according to a set measure they satisfy nature; but the appetite of artificial riches is infinite,

summarizes Catholic teaching on the acquisition of wealth as follows.

Man has necessities, needs that must be satisfied, and, if temporal goods can satisfy them, it is a duty and legitimate to seek to acquire such goods, bearing in mind two rules, first that they must be acquired by lawful means, secondly that the amount acquired must not exceed the need.¹⁹

Or as Fr. Bede Jarrett said of the pre-capitalist ethic in his *Social Theories of the Middle Ages*,

Merely to engage in commerce for the purpose of making more money was not a sufficient justification, for money should be only a means to an end. To make it an end in itself was to spoil man's life, because life thenceforward became robbed of definite purpose.²⁰

Thus the results which capitalism brings, and which many writers have considered to be part of the essence of capitalism, are instead inevitable results of capitalism in practice. For as soon as we divorce ownership from work, given fallen human nature's propensities, we will create a society in which wealth no longer is seen as having a purpose, economic activity exists primarily to produce that wealth, and the real economic needs of society are subordinated to the freedom to engage in limitless and socially useless wealth acquisition.²¹

Above I said that Schumpeter's discussion of capitalism included equivocations. Consider his statement that "society is ...capitalist if it entrusts its economic process to the guidance of the private businessman" and is characterized by "private ownership of nonpersonal means of production... and...production for private account, *i.e.*, production by private initiative for private profit." Schumpeter fails to distinguish here between the various ways in which private ownership can be exercised, *i.e.*, either with an eye for production and a reasonable remuneration for the producers, or with an eye for mere gain and a remuneration for the owners or controllers that is potentially limitless. And the reason he does this, as he says, is because he is chiefly contrasting private ownership "with reference to the socialist alternative." When socialism fills the back of our minds as the only alternative to capitalism, we are not apt to focus on the different ways in which private property can be used and the different kinds of legal frameworks which would support such diverse uses of private property.

Nor is it only those who own the means of production who exemplify the effects of capitalism, for the separation of ownership from work tends to create a permanent class of non-owning workers, a circumstance often deplored by the popes,²² and one which exacerbates class feeling and class warfare. This situation in turn produces men alienated from their work and dulled in spirit. If the managers and directors of corporations had to work in coal mines and on assembly lines we would soon see drastic changes in such work. For under capitalism some men are in a sense tools of those who are the owners of capital.

because it serves inordinate concupiscence...."

19. *Catholicism, Protestantism and Capitalism*, p. 128.

20. Westminster, Md. : Newman Book Shop, 1942, p. 155.

21. "But wealth obtained indirectly as profit out of other men's work, or by exchange, becomes a thing abstracted from the process of production. As the interest of a man in *things* diminishes, his interest in abstract wealth - money - increases. The man who makes a table or grows a crop makes the success of the crop or the table a test of excellence. The intermediary who buys and sells the crop or the table is not concerned with the goodness of table or crop, but with the profit he makes between their purchase and resale. In a productive society the superiority of the thing produced is the measure of success: in a Commercial society the amount of wealth accumulated by the dealer is the measure of success." Hilaire Belloc, *An Essay on the Nature of Contemporary England* (New York : Sheed & Ward, 1937) p. 67.

22. Cf. *Rerum Novarum*, nos. 4 and 35; *Quadragesimo Anno*, nos. 59 to 63; *Mater et Magistra*, nos. 112 to 115 (Paulist translation); *Laborem Exercens*, no. 14 (Daughters of St. Paul edition).

The *Wall Street Journal* of July 24, 2001, carried an article on the growing practice of factories operating 24 hours a day, seven days a week. The article discusses a Mr. Herman Lea, a part-time Protestant preacher, who had hoped to become a regular pastor, but whose schedule and life have been entirely disrupted by the factory's new work schedule.²³

Mr. Lea and his co-workers have discovered the unspoken reality of manufacturing: Increasingly it is structured around the machines, rather than the people who run them. The reason is economics. Every hour a costly plant sits idle is a drain on a company's bottom line, something no one can afford in the face of today's sharply slowing economy.

Compounding the new schedule is Goodyear's move to 12-hour shifts, which is common when companies go nonstop. Mr. Lea gets more days off with the longer shifts, but the longer workday is far more grueling for the 50-year-old. Moreover, his days off vary each week, complicating his life. He had a stroke in February, which he blames partly on the stress of juggling his schedule.

Of another worker at the same plant, the *Journal* says,

But Mike Baker, a maintenance worker at the plant who used to be very active in his church, often had trouble making board meetings. So he stopped serving. This year he also stopped working as an umpire for high-school baseball games. "This is the first year I haven't umpired in I don't know how long," he says. "It's hard to give it up."

The making of economic activity into a relentless pursuit of riches, the "bottom line," clearly often has deleterious effects on workers and reveals what happens to capitalism in action: not only the frequent financial exploitation of workers, but the insistence that they structure their entire lives, and the lives of their families, around the economic process.

As Fanfani related, capitalism has long looked at labor as simply so many tools.

The absolute State encouraged early capitalism in another manner by placing cheap labour at its service. Charles VII granted Jacques Coeur the privilege of pressing idlers and vagabonds to serve on his ships. His successors authorized tapestry-weavers, glass blowers and pottery workers to employ children from the foundling hospitals. The King of Prussia gave a certain Hirsch the Potsdam orphans to work at making velvet. And in Prussia and Austria even the soldiers worked for industry. Soldiers on leave were sent to the manufactories; those in barracks carded and wove wool, and at Bratislava five regiments quartered in the town spun cotton for a local contractor.²⁴

I am not suggesting, I should note, that the separation of labor from capital, of ownership from work, is *in itself* unjust. Pius XI says, in the very next paragraph, "the system as such is not to be condemned." If such separation were in itself wrong, than an elderly grandmother would do wrong were she to hire the teenager next door to mow her grass or paint her porch. For in this case she supplies the capital and he the labor. As I said, every society will always include some economic activity of this type, i.e., where one party supplies the capital and the other party the labor. This presents a difficulty chiefly when it becomes the dominant form of economic activity and sets the tone for the whole of the society.²⁵

23. Timothy Aeppel, "Juggling Act: More Plants Go 24/7, and Workers Are Left at Sixes and Sevens" *The Wall Street Journal*, Tuesday July 24, 2001, p. A1.

24. Fanfani, pp. 106-107.

25. The Popes have often deplored the separation of ownership and work; cf. Leo XIII's statement, "The

If what I have said is accepted as more or less true, then we can see that if we define capitalism correctly, we can understand better capitalism's effects in practice, or what is sometimes called the "spirit of capitalism." Here is Fanfani's description of capitalism in action.

Modern man, who is capitalistic, regards wealth as the best means for an ever more complete satisfaction of every conceivable need; he also regards it as the best means for improving his own position. He considers goods as instruments to be used *ad libitum* by their possessor. He does not recognize any claim on them on the part of third parties not their possessors, still less does he think it unlawful for their possessor to use them so as to obtain an unlimited increase or their reproduction at ever diminishing cost.²⁶

To regard it as lawful or even perhaps laudable to increase wealth without measure, flows naturally from the separation of ownership and work, as I said above. For work as the production of goods and services is naturally oriented toward the fulfillment of human needs, whereas the accumulation of wealth has no natural orientation except toward the satisfaction of potentially unlimited desire. Gain has no natural limit. But to allow moneymaking to assume such a place in human life and society is to divorce man from any inherent limits and ultimately to allow his culture to become permeated with a commercialism that subordinates everything to irresponsible economic activity. A capitalist economic system will invariably result in the commercialization of the whole of society. Why? Because society will be focused not on the production of goods and services for use, something which is inseparable from man's life on earth, but increasingly on the mere acquisition of wealth. Moneymaking becomes the keynote of society. As has been truly noted, "society itself becomes an `adjunct' of the market."²⁷

Nor are the supporters of this new type of society especially shy about what was done when traditional Western culture was transformed by the new economics of eighteenth century Deism, as embodied for example in Adam Smith's *The Wealth of Nations*. As Ralph Lerner wrote, Smith and other like-minded thinkers "saw fit...to promote a new ordering of political, economic, and social life," based ultimately on ideas going back "to Locke and Spinoza, to Hobbes and Descartes, to Bacon and Machiavelli."²⁸ What was this new order they were recommending, and what was the old order they were rejecting?

The old order was preoccupied with intangible goods to an extent we now hardly ever see. The king had his glory, the nobles their honor, the Christians their salvation, the citizens of pagan antiquity their ambition to outdo others in serving the public good. However much men vied for a fine field, a good herd, a large purse, it was not by these alone that they would make their mark.²⁹

law...should favor ownership, and its policy should be to induce as many people as possible to become owners." *Rerum Novarum*, no. 35 (Paulist translation).

26. Fanfani, p. 22. Max Weber, in *The Protestant Ethic and the Spirit of Capitalism* (New York : Charles Scribner's, c. 1958; orig. published in 1904-05), summarized the capitalistic spirit in these words, "Man is dominated by the making of money, by acquisition as the ultimate purpose of his life. Economic acquisition is no longer subordinated to man as the means for the satisfaction of his material needs. This reversal of what we should call the natural relationship, so irrational from a naive point of view, is evidently as definitely a leading principle of capitalism as it is foreign to all peoples not under capitalistic influence" (p. 53). Weber, as does Fanfani, distinguishes between capitalism as a system (what he calls "the capitalistic form of an enterprise") and the spirit of capitalism. See pp. 64-69.

27. Ellen Meiksins Wood, "From Opportunity to Imperative: the History of the Market," *Monthly Review*, vol 46, no. 3, July/August 1994, p. 20.

28. Ralph Lerner, "Commerce and Character : the Anglo-American as New-Model Man" in Michael Novak, ed., *Liberation South, Liberation North* (Washington : American Enterprise Institute, c. 1981) p. 25.

29. *Ibid.*, p. 26.

Instead, "Eighteenth-century men had to be brought to see how fanciful those noncommercial notions were."³⁰ And thus what was this old order to be replaced by?

They thought human behavior was adequately accounted for by dwelling upon the wants by which men are driven - wants that are largely, though not exclusively, physical; wants that are part and parcel of the self-regarding passions; wants that cannot in most cases be satisfied.... This Hobbesian truth was axiomatic for the commercial republicans. Their reason told them that a surer guide to sane behavior could be found in the operations of a nonrational mechanism, the aggregate of small, anonymous calculations of things immediately known and felt by all. It was more reasonable to rely on the impersonal concourse of buyers and sellers than on the older standard of reasoned governance for proper hints and directions precisely because the market could better reckon with the ordinary passions of ordinary men. Indeed, where the ancient polity, Christianity, and the feudal aristocracy, each in its own fashion, sought to conceal, deny, or thwart most of the common passions for private gratification and physical comfort, the commercial republic built on those passions.³¹

And of this new order Lerner goes on to say, "The contrast with and opposition to the Christian and Greek worlds could hardly have been greater."³²

We can see by this that capitalism and the commercial order that it brought about has changed more than the economic system - and of course this is no surprise. Like a leaven working its way through dough, the separation of ownership from work has allowed society to turn its almost exclusive attention toward economic gain. The fulfilling of human needs via economic activity was now important only insofar as it produced gain, for gain itself had become the sole good. And that this had profound effects on all of human life and culture we have already seen. But a society in which the principle of limitless gain was not victorious would look very different from our own.

Seen from the vantage point of our habits engendered by our thoroughly industrialized society, it is hard even to imagine life in countries not yet industrialized, at least to the same degree. Spain is a good example of the latter. Holidays, saints' days, local fiestas lasting for several days, family celebrations, and so on, have at least as great an impact on the course of life as work and efficiency-mindedness. Next to work rhythm there is also a leisure rhythm, not in the sense of "rest from work" but as a form of the outlook on existence.³³

In his book, *In Tune With the World*, Josef Pieper often speaks of the "totalitarian laboring society,"³⁴ a society such as that of the Nazis or communists which was dedicated solely to its own ends with no openness to God or the transcendent. But could not the same be said of capitalist society? Do not rest or holidays among us find their only justification as recuperation from work and preparation for further effort? Ours is a society equally shackled to work in that it knows no other purpose for human

30. *Ibid.*

31. *Ibid.*, p. 30. Lerner's entire essay, written by one who favors the commercial order, should be read in order to see exactly how far the new capitalist world is opposed to traditional Western and Christian life.

32. *Ibid.*, p. 33.

33. Thomas Molnar, *Authority and Its Enemies* (New Rochelle, N.Y. : Arlington House, 1976) p. 76. Contrast the picture Molnar paints here of a society engaging in communal festivity with a society in which the factories run 24 hours a day, 7 days a week, and there is no room for any communal festivity or even for the common observance of Sunday.

34. (South Bend, Ind. : St. Augustine's Press, 1999) See, for example, p. 9.

existence. Contemplation is no more characteristic of it than it was of Stalin's labor camps.

The very justification for private property in our society and in a traditional society differs. Consider the famous statement of Leo XIII about private property:

Men always work harder and more readily when they work on that which is their own; nay, they learn to love the very soil which yields in response to the labor of their hands, not only food to eat, but an abundance of the good things for themselves and those that are dear to them.³⁵

But we would try in vain to discover how an owner of stock, for example, could ever "learn to love the very" shares which yield, not "an abundance of good things," but a dividend check or a capital gain, in response to the labor of someone else's hands. With such a situation, instead of an economy devoted to meeting real human needs, we have an economy devoted to making money in any way possible, with ownership, control and labor separated to the detriment of all three.

When ownership and work are joined, then not only will many evils be reduced or eliminated, but many good things will more easily flourish. Property will be seen again for what it is, a means of support for men and their families, not something whose chief use is to facilitate financial speculation, a speculation which moreover results in the disruption of economic stability, and thus of the stability of neighborhood, parish and family. Property is not simply convertible with money. No one who looks at his land as simply so much potential cold cash could ever "learn to love the very soil which yields in response to the labor of their hands...an abundance of the good things for themselves and those that are dear to them." These are fundamentally different ways of viewing property, and in fact of viewing life as a whole.

The remedy then for this is simply the rejoining of what has been separated, the reconnecting, as much as possible of ownership, control and work. For that we need an establishment of worker ownership, or better yet, of that distributist order which Chesterton, Belloc and many others labored to bring about. And it is that order which we will next discuss.

II

In the previous section I discussed what exactly capitalism was, and showed that capitalism's essential note, the separation of ownership and work, was also the reason for capitalism's characteristic ills: a harshly competitive economic life, exploitation of workers, the commercialization of society. Next we must examine and contrast the alternative to capitalism which I am recommending, namely, distributism.

Of course, not only is the name *distributism* unfamiliar to most people in this country, but even the notion that there is any alternative to capitalism except socialism or communism is likewise unfamiliar. There are many reasons for this supposition that capitalism has no rival except for some form of socialism, the major extrinsic reason being that in public discussion of economics it has been assumed for decades that either capitalism or socialism/communism were our only alternatives. But there is another set of reasons, intrinsic to our notion of economics. For both capitalism and socialism/communism inhabit, one might say, the same economic world. They have, for example, roughly the same goals: productive efficiency and equity. As regards efficiency, they differ greatly about means; as regards equity, they differ also about means and to some extent about ends. But the upholders of each system in a sense understand each other. They are after the same things though in different ways.³⁶

35. *Rerum Novarum*, no. 35 (Paulist translation).

36. This is the truth, e.g., behind the passage in Pope John Paul II's encyclical *Centesimus Annus*, in which he contrasts the mainly U.S. attempt in the decades after World War II to defeat communism by trumpeting the

Socialism, at least in its Marxist variety, was a child of capitalism. It is a commonplace that Marx was rooted firmly in what John Kenneth Galbraith calls the "central tradition" of economic thought, chiefly through the influence of David Ricardo.³⁷ As Joseph Schumpeter says of Marx,

Marx had a master then? Yes. Real understanding of his economics begins with recognizing that, as a theorist, he was a pupil of Ricardo. He was his pupil not only in the sense that his own argument evidently starts from Ricardo's propositions but also in the much more significant sense that he had learned the art of theorizing from Ricardo. He always used Ricardo's tools, and every theoretical problem presented itself to him in the form of difficulties which occurred to him in his profound study of Ricardo and of suggestions for further work which he gleaned from it.³⁸

And Ricardo, of course, is one of the central figures in the classical/neoclassical tradition of economics that descends from Adam Smith and is still today the intellectual mainstay of the capitalist system.³⁹

material goods of our economy and way of life. The Holy Father wrote (sect. 19) "Another kind of response, practical in nature, is represented by the affluent society or the consumer society. It seeks to defeat Marxism on the level of pure materialism by showing how a free-market society can achieve a greater satisfaction of material human needs than Communism, while equally excluding spiritual values. In reality, while on the one hand it is true that this social model shows the failure of Marxism to contribute to a humane and better society, on the other hand, insofar as it denies an autonomous existence and value to morality, law, culture and religion, *it agrees with Marxism*, in the sense that it totally reduces man to the sphere of economics and the satisfaction of material needs." (Emphasis mine.)

Apropos here are these words of Fulton Sheen: "The Church agrees with some of the protests of communism. In fact, there is a far better critique of the existing economic order based on the primacy of profit in two Encyclicals of Leo XIII and Pius XI than there is in all the writings of Marx. But the reforms of communism are wrong, because they are inspired by the very errors they combat. Communism begins with the liberal and capitalistic error that man is economic, and, instead of correcting it, merely intensifies it until man becomes a robot in a vast economic machine. There is a closer relation between communism and monopolistic capitalism than most minds suspect. They are agreed on the materialistic basis of civilization; they disagree only on who shall control that basis, capitalists or bureaucrats. Marx himself admitted he got many of his economic ideas from liberal economists such as Ricardo and the author of an anonymous work on interest. Capitalistic economy is godless; communism makes economics God. It is Divinity itself. Capitalism denies that economics is subject to a higher moral order." *Communism and the Conscience of the West* (Indianapolis : Bobbs-Merrill, c. 1948) pp. 80-81.

37. *The Affluent Society* (New York : Mentor, c. 1958) p. 59. Ricardo lived from 1772 to 1823. His chief work, *The Principles of Political Economy and Taxation*, was published in 1817.

38. *Capitalism, Socialism and Democracy* (New York : Harper, 3rd edition, 1950) p. 22.

39. Sometimes what is known as Austrian economics is contrasted with the mainstream neoclassical school. And there *are* differences. The Austrians are (rightly) much more skeptical about econometrics, for example, and seem to regard the factor of time more realistically than does the neoclassical school. Also, they are not mesmerized by (as Ludwig von Mises put it) the "mathematical description of various states of equilibrium," which he described as "mere play." I am here considering them as allied with the mainstream, however, for these reasons: Their general use of a deductive methodology - Carl Menger, the founder of Austrian economics, "defended the role of a priori, deductive theory against the antitheoretical stance of the burgeoning German Historical School" - yet this deductive approach to the multifarious human activities that constitute the economy is one of the hallmarks of the tradition descending from Adam Smith, and one of its most objectionable features. Secondly, their policy prescriptions are, if anything, more radically free market than those of the neoclassical school. As Geoffrey Hodgson wrote, after noting some of the differences in the Austrian approach, "However, in other respects the neoclassicals and Austrians share common ground. This is particularly the case in regard to their inheritance of classic liberal ideology." David L. Prychitko, ed., *Why Economists Disagree : An Introduction to the Alternative Schools of Thought* (Albany : State University of New York, c. 1998) pp. 5, 17, 164.

In this same vein, F. A. Hayek, wrote that "Carl Menger...was among the first in modern times consciously

Consequently, both socialist and capitalist economics are products of the European Enlightenment tradition and thus can be seen as modernizing and anti-traditional forces. As Michael Novak wrote: "There are two major traditions of revolutionary political economy in the world, one liberal [i.e. capitalist] and the other Marxist." And both of them, he goes on to say, "compete against a backdrop of traditional, often peasant, societies."⁴⁰ But distributism, on the other hand, is concerned to uphold, not precisely a peasant society, but rather a way of looking at economic activity that our ancestors had, of subordinating economic activity to human life as a whole, to our spiritual life, our intellectual life, our family life. It does not regard the mere production of goods, still less the mere acquisition of wealth, as ends in themselves. Such a traditional view regards society neither as an "'adjunct' of the market"⁴¹ nor as the embodiment of the Marxist workers' paradise. As a result, from the standpoint of traditional societies,⁴² both socialism and capitalism can be seen as reductionist attempts to subject all human life and society to an essentially economic principle of organization.⁴³

For traditional societies did not necessarily look upon something from a purely economic standpoint just because the thing in question was part of the process of the generation of material wealth. For example, consider the concept of property. The economic tradition stemming from Adam Smith, the theoretical expression of capitalism, has not asked many questions about what property is: land, real property, movable goods, as well as such intangible surrogates for real economic goods as currency, shares of stock, futures contracts, stock options, etc., are all considered property and equally so. No one of them is primary. None is the paradigm for property. Therefore, since one can legally own each of them, and they can be exchanged for each other according to their money value, they are basically equivalents. Land, for example, is nothing special, and an ancestral home or farm has no more worth than stock options of equal monetary value. Property is nothing except forms of money value, embodied in different things.

What follows from this? Since property is interchangeable, it comes to be seen as existing for the sake of exchange, and exchange is facilitated by having no attachment, emotional or familial or social, to any particular piece of property. Attachments like this are considered uneconomic and thus causes of economic inefficiency.⁴⁴

to revive the methodical individualism of Adam Smith and his school." "Individualism, *True and False*" in Chiaki Nishiyama and Kurt R. Leube, eds., *The Essence of Hayek* (Stanford : Hoover Institution, c. 1984) p. 154.

40. *Liberation South, Liberation North* (Washington : American Enterprise Institute, c. 1981) p. 97. Many people do not understand that capitalism has been the chief modernizing and secularizing force in Western culture.

41. Ellen Meiksins Wood, "From Opportunity to Imperative : the History of the Market," *Monthly Review*, vol. 46, no. 3, July-August 1994, p. 20.

42. When I say "traditional societies" I am not thinking primarily of primitive or uncivilized societies. Rather I am using the term as it was used in Walt Rostow's *The Stages of Economic Growth* (Cambridge University Press, 2nd ed., 1971). In Rostow's usage, "traditional societies" include not only primitive cultures, but the high civilizations of ancient Greece and Rome, China, India, medieval Europe, indeed all human cultures up to the triumph of the scientific revolution in eighteenth-century England. Rostow defines it thus: "A traditional society is one whose structure is developed within limited production functions, based on pre-Newtonian science and technology, and on pre-Newtonian attitudes toward the physical world. Newton is here used as a symbol for that watershed in history when men came widely to believe that the external world was subject to a few knowable laws, and was systematically capable of productive manipulation." p. 4. See also C. S. Lewis' essay, "De Descriptione Temporum" in his *Selected Literary Essays* (Cambridge University Press, 1980) pp. 1-14. Lewis likewise places what he calls "the Great Divide" in human history at about the same time as Rostow does.

43. This is akin to what John Paul II calls "*the error of economism*," that is, "of considering human labor solely according to its economic purpose." Encyclical *Laborem Exercens*, no. 13 (Daughters of St. Paul edition). Strikingly, the Holy Father links the rise of economism with the separation of labor from capital. As I argued in the first section, capitalism does this not just to human labor but to the whole of human society.

44. Galbraith says that the criterion of efficiency for increased production is the only one that mainstream economics considers of any importance. *The Affluent Society*, pp. 223-226.

If I am unwilling to sell my farm, at an excellent price, because my grandfather is buried on it or because I do not wish to subject the neighboring farmers to a suburban housing development, I am clearly acting against the rationale of capitalist economic thinking. But if this is so, if property is simply a collection of things of different types which we may use to enrich ourselves, why does it matter who owns it, provided that it does its job? Thus capitalists do not blush when property becomes concentrated largely in the hands of the rich,⁴⁵ and communists do not blush when property becomes concentrated largely in the hands of the government. Property in both systems has no meaning except its cash value, so the only questions to be asked about ownership are questions of so-called efficiency, i.e., how to get the most wealth out of it, or equity, i.e., how to prevent poverty or redistribute wealth, etc. Capitalists and communists, of course, differ about which system best produces efficiency and equity, but they do not disagree that these are the only relevant questions to ask.⁴⁶

But if we look at property in a different way, then we might see that there are other alternatives than either capitalism or socialism. If we look at property as existing not to facilitate exchange and wealth creation alone, but as part of a society where other things, such as worship of God, love of family, cultivation of the intellect and the fine arts, are paramount, and where the provision of the material goods and services that man undoubtedly needs, is seen as something that is *for the sake of* those more important goods, we might come to see that property must be looked at as more than economic, and then also we might begin to make distinctions about different sorts of property based on other than monetary values.

Land, for example, is able to be given a money value, and thus we are accustomed to considering it as simply one more form of property, equivalent, as I said, to any other. But there are many reasons for thinking that land is not simply another form of property, or rather, that land is a *special* form of property. On the purely economic level, the amount of land is, in the first place, fixed, or almost entirely so. It can be increased only rarely and with great difficulty. Secondly, if land is rendered useless or harmful, for example, by dumping chemicals or toxic waste on it, although theoretically it can be cleaned up, often this process is extremely difficult and expensive, and in the case of nuclear waste, might take centuries. Thirdly, and as following from the first point, land is the precondition for almost any other kind, not only of economic activity, but of any kind of human activity.⁴⁷ Thus Leo XIII's famous statement that "the

45. Between 1970 and 1997 the "percent distribution of aggregate income" received by the lowest 20% of the U.S. population fell from 5.4% to 4.2%, while the percentage received by the top 5% rose from 15.6% to 20.7%. During the same period the percent received by the highest 20% rose from 40.9% to 47.2%. *Statistical Abstract of the United States, 1999* (Washington : Government Printing Office) table 751.

46. Capitalism, at least as upheld by many of its exponents, makes a kind of equity claim just as much as socialism does, in the sense that it sees itself as the best means for eliminating poverty and thus raising the general level of wealth. See, for example, Michael Novak, *This Hemisphere of Liberty : a Philosophy of the Americas* (Washington : American Enterprise Institute, 1990) pp. 101-106.

Some carry this notion rather far. "The market economy has created unfathomable prosperity and, decade by decade, century by century, miraculous feats of innovation, production, distribution, and social coordination. To the free market, we owe all material prosperity, all leisure time, our health and longevity, our huge and growing population, nearly everything we call life itself. Capitalism and capitalism alone has rescued the human race from degrading poverty, rampant sickness, and early death." Llewellyn H. Rockwell, Jr., "The Legitimacy of Capitalism." Posted July 19, 2002 on the website of the Ludwig von Mises Institute, www.mises.org

This concern is present in the earlier capitalist theorists also, for example in Smith and Ricardo. The full title of Smith's work is *An Inquiry into the Nature and Causes of the Wealth of Nations* and he sees his principle of the division of labor as being chiefly responsible for this increase of wealth; cf. bk. I, chaps. 1-3. Similarly Ricardo argues that only by applying his own free-market solution will the poor really be helped, and that any "interference of the legislature" or "systematic or casual charity" will, so he avers, end up hurting the poor more than helping them, and "he is the best friend of the poor" who can come up with the best scheme for abolishing the current welfare laws. *Principles of Political Economy and Taxation* (London : J.M. Dent, 1911) pp. 61-62. Cf. the entire chapter 5, "On Wages."

47. Moreover farming, and any other sort of work directly dependent on the land, such as herding of animals, does not fit the capitalist free market paradigm which is taken from commercial activity. Farms, for

earth, though divided among private owners, ceases not thereby to minister to the needs of all; for there is no one who does not live on what the land brings forth."⁴⁸

Looking only to economic arguments, that is, to arguments drawn from man's need and ability to use external goods, land is not the same as, say, stock certificates. And this is confirmed for us if we look beyond economic considerations. Nor, in doing so, are we moving from the realm of the objective to the realm of the subjective, from the realm of facts or reason to that of "values" or emotions. Only if we regard man as purely an economic being, as one who realizes his true self in producing and consuming alone, can we think that it is solely economic motives which a hardheaded person ought to attend to, and that everything else is simply the subjective province of poets or dreamy clerics.⁴⁹

What in fact is man's life for? A Christian can hardly say that it is for the amassing of goods. On the contrary, our Lord said, "A man's life does not consist in the abundance of his possessions" (Luke 12:15). Rather, it is our spiritual life, our intellectual life, our family and community life, in which one's true life consists. But if this is so, then the external supports that mankind undoubtedly needs ought to facilitate these aspects of life. For example, family life is easier if a family can stay in one place, if its extended family can grow up naturally around it, if it can be part of the same parish and community. But if land is seen as simply one among other economic goods, to be sold at will for the sake of the greatest gain, then the likelihood of such stable communities and neighborhoods is reduced. This special treatment of land can be seen in the institution of the Jubilee year in the Old Testament.⁵⁰ During the Jubilee year, which was to be observed every fifty years, landed property would be restored to its original owners. Even if a man did not have sufficient money to buy back his property "in the jubilee it shall be released, and he shall return to his property" (Lev. 25:28).

Moreover, what is true of land is true in a lesser degree of other kinds of property, namely of all property which directly subserves a true human life. Just as we are all dependent on the land, we are all dependent on the products of the land and on many of the products of human art such as clothes, dwellings, etc. It cannot be a matter of indifference to a human community whether such products, and the means for producing them, are confined to the ownership of a few and sold to the others at high prices, or whether they are widely available. Property must serve man, that is what it is for. And since this is true, it follows that the arrangements that mankind makes for managing property are properly the concern of the community.⁵¹

And as for other kinds of property, the kinds that might be considered more derivative, such as shares of stock, they are legitimate only insofar as they truly serve the needs of the kind of society I am about to sketch. Although capitalism sees them as equal in validity to a farm or a workshop, we must ask whether they are really so. Man's economic relations and activity must be part of his life, not something separate, still less something which itself remakes how man lives. But in fact, in modern times, the economic system has tended to be the paramount factor in human life, demanding that everything else be reshaped to serve capitalist economic activity.

Only in modern "market society," Polanyi argued, is there a distinct "economic" motive, distinct economic institutions and relations, separated out from non-economic relations; and

example, cannot be moved to cheaper locations as can factories, and they are heavily dependent on non-economic factors, such as the weather. Successful farming is more than a job, it is a way of life, and often requires several generations to learn. But if farmers are uprooted from the land, who is there to teach this knowledge when new farmers are needed?

48. *Rerum Novarum*, no. 7, (Paulist translation).

49. Cf. John Paul II, Encyclical *Centesimus Annus*, nos. 19 and 24.

50. See Leviticus 25:8-17, 23-55.

51. That property rights are not absolute and are subject to reasonable regulation by the civil authority is clear from papal teaching. See, for example, *Quadragesimo Anno*, nos. 44-52 (Paulist translation) and *Populorum Progressio*, nos. 23-24 (Daughters of St. Paul edition).

because human beings and nature - in the form of labor and land - are treated, however fictitiously, as commodities in a self-regulating system of markets driven by the price mechanism, society itself becomes an "adjunct" of the market. A market *economy* can exist only in a market *society*, that is, a society where, instead of an economy embedded in social relations, social relations are embedded in the economy.⁵²

This last phrase is important, "instead of an economy embedded in social relations, social relations are embedded in the economy." No one denies the necessity for man to work, to produce, to consume, even to exchange and trade. But as I pointed out in part one, under capitalism it is economic activity, particularly the activities of exchange and trade, which have come to dominate society, to reshape society in their image. But society needs to control economic activity so that it is a servant, not a master.

Now the notion of controlling economic activity makes most people think of socialism or state control of the economy. But this is not what I am talking about. Rather, I am talking of an economy in which, as much as possible, economic activity performs its natural role of providing man with the goods and services he needs without coming to dominate life. And it is my proposition here that this is best accomplished by what is called *distributism*.

Distributism is an economic system in which private property no longer is regarded as something to be manipulated, sold, resold, exchanged and transformed, for the sake of gain *alone*, but rather something which is for the production of necessary goods and services and which, with the aid of legal and social systems, serves human life and society. Thus a farm is for producing food, and a farmer is a food producer, not someone who is hoping for a good price when he is able to subdivide his land and sell it to housing developers. Moreover, the farmer is part of a rural way of life which has important benefits for society, and by raising his family on his farm the farmer is contributing to the health of the nation. Nor are factories or workshops to be looked at primarily as means for making money, but as existing for the sake of production. Of course, producers must earn enough by their work to support themselves and their families. But they must see this as a by-product of their productive activity. Thus there is a difference between a man making a living by producing (say) shoes, and making a living by selling his shoe factory to a large corporation which will promptly close the factory and ship production overseas. Or between someone who makes his living selling books and someone who makes his living speculating on the rise and fall of the stock market. It is my contention that distributism is the best means of creating the kind of economy I have suggested, because well-distributed private property, safeguarded to prevent it being again concentrated in the hands of a few, will tend of itself to create conditions in which economic activity is looked at as for the sake of production rather than for the sake of gain alone, which will tend to create "an economy embedded in social relations," and in which the intangible goods which the human community requires, such as stability and prosperity, are also fostered.

What then is distributism?⁵³ Distributism is that economic system or arrangement in which the ownership of productive private property, as much as possible, is widespread in a nation or society. In other words, in a distributist society most heads of families would own small farms or workshops, or in the case of entities which are necessarily large, such as railroads, they would either be jointly owned in some way by the workers themselves, or, less preferably, by the government.⁵⁴

In the first place it is necessary to discuss some of the objections to such an arrangement which

52. Ellen Meiksins Wood, "From Opportunity to Imperative: the History of the Market," p. 20.

53. Much of this description of distributism is taken from Hilaire Belloc's *The Restoration of Property* (New York : Sheed & Ward, 1936, republished 1946), the most complete discussion of a distributist order and how it might be established. The last few chapters of Belloc's *The Crisis of Civilization* (1937) as well as G. K. Chesterton's *The Outline of Sanity* (1926) are also helpful, as are parts of his *What's Wrong With the World* (1910). These latter three are in print today.

54. Belloc, *The Restoration of Property*, p. 88. It is probably worth noting that Pius XI in *Quadragesimo Anno* specifically sanctions state ownership of certain industries. See section 114 (Paulist translation).

readily occur to the reader. For example, it is often assumed that distributism necessarily entails a lower level of technology than we have today, or even a reversion to the technology of the Middle Ages. Neither of these is true. Although there may well be reasons to question the ever more rapid technological changes that are characteristic of our culture, and to wonder how much modern technology has really benefited man, still distributism as such is incompatible with no particular kind or level of technology. It is true that the *direction* of technical research might well change towards inventing devices which are more useful to smaller enterprises, but this in itself does not mean a slowing down in inventions.

Secondly, when people hear the word *distributism*, it seems to some to suggest a situation in which the government takes away people's property and gives it to others.⁵⁵ Such people fear that the government will expropriate the property of the rich, or even the middle class, and distribute it to the poor. So that those who have worked hard to accumulate something will find it taken away and given to those they consider lazy and envious. But this would not be the case. Rather, the chief method which Belloc suggests for establishing distributism would be the use of taxation, which would induce a sell-off of concentrated property.⁵⁶ For example, if I own one or a few stores (say pizza restaurants) I would have a reasonable and normal rate of taxation, but as soon as I begin to assemble a chain of such businesses, then my rate of taxation would rise so sharply that no one could continue to own such a chain.

There must be a differential tax on chain-shops, that is, on the system whereby one man or corporation controls a great number of different shops of the same kind. To control two such may involve but a small tax, to control three a larger one in proportion; and so on, with the curve rising steeply until the ownership of, say, a dozen in the territory over which the Government has power becomes economically impossible.⁵⁷

And a similar scheme of taxation would attack "multiple shops," that is, stores selling many lines of goods, such as department stores, and stores with "large retail turnover."⁵⁸

Of course, a suitable period of time (say three to five years) would be necessary during which

55. It may well be that some other name should be found for distributism, e.g., the system of micro-property.

56. Excessive taxation is certainly wrong, but discussions and condemnations of unjust taxation by Catholic writers are concerned with a monarch's or government's appropriation of too much money from the citizens when this is not required by the exigencies of the common good. (See, e.g., St. Thomas Aquinas's letter to the Duchess of Brabant, "De Regimine Judaeorum," which, while chiefly concerned with questions about her Jewish subjects, contains a good short discussion of the subject of taxation in general.)

In the case of the taxation system which Belloc recommends to bring about well-distributed property, the intention and hope is that no one will ever have to pay a penny of it to the government. It is a use of taxation to achieve social goals, such as the tax credits given by the U.S. government to businesses to do certain things. It is not a scheme by the state to collect excessive funds, or indeed, any funds at all.

Belloc himself was the determined opponent of excessive taxation. He writes, "High taxation is incompatible with the general institution of property. The one kills the other. Where property is well distributed resistance to big taxation is so fierce and efficacious that big taxation breaks down." *The Restoration of Property*, p. 119.

His point here is that well-distributed property *means* something different from property in a capitalist society. In the former it is connected with the family and is, in a way, part of the extension of a man's personality; in the latter it is simply a store of money value. Thus in a distributist society taxation of property which truly supports a man and his family would be low.

57. *The Restoration of Property*, p. 69.

58. *Ibid.* As to this last Belloc writes, "Your large retail distributor who has only one place of business and who deals with only one kind of business can be, and is, in his way, destructive to the small man just as much as the large distributor who owns chain shops or as a multiple department store." p. 72.

Belloc also sketches the means for the establishment of a rural distributist order. Cf. *ibid.*, pp. 93-118.

large owners shall be able to complete an orderly sell-off of property to small owners before the new tax system comes into effect. Moreover, if this taxation were instituted gradually, that is, say in five years ownership of ten chain stores would result in an increased but still moderate tax, increasing every year so that over a period of years the entire distributist legal framework would be in place, this would give owners even more time to prepare and also help to prevent a "firesale" of their property. Similarly some form of guaranteed loans would have to exist to allow those without property or money to purchase the excess property that was being sold.⁵⁹ So although necessarily every difficulty cannot be anticipated, the main outline of how we might proceed is clear.

And since this tax structure is to persist even after a distributist economy has been established, this will answer the objection that property will inevitably become concentrated again,⁶⁰ since all men are not equal in intelligence, strength or energy, nor for that matter, in ruthlessness or deceitfulness.⁶¹ Moreover, one key but often overlooked point of distributism, is the requirement that small owners be formed into occupational groups or "guilds," after the manner of medieval producers and after the teaching of the twentieth-century popes who championed this mode of organizing production, especially Pius XI and Pius XII.

The safeguarding of the small unit, the seedlings of re-afforestation, the delicate experiments in the reconstruction of property, must take the form of the Guild: not the unprotected guild arising spontaneously (for that would soon be killed by the predatory capitalism around it) but of the Guild *chartered and established by positive law.*⁶²

The role of the guilds, or better, "occupational groups," will be to provide a measure of organization to the small owners, whether urban retailers or small manufacturers or small farmers. These self-governing bodies can concern themselves with assuring a supply of raw materials, with seeing that technological knowledge is made available to the entire membership, with prices and market share, with training and apprenticeship programs, and with making sure that no one firm or owner enlarges his business or farm so as to begin anew concentrations of property.⁶³ Occupational groups might well own cooperative banks so

59. Belloc himself touches on this point, p. 72. But for a more developed theory which could easily be adapted to the establishment of distributism, see John H. Miller, ed., *Curing World Poverty, the New Role of Property* (St. Louis : Central Bureau/Social Justice Review, 1994), for some interesting ideas about financing enterprises out of future profits, accompanied by loan guarantees. See especially pp. 133-149.

60. This is one of the criticisms made by Todd Flanders in his paper, "Where Distributivism Goes Wrong" (available on the Acton Institute website, www.acton.org).

61. Lest it be thought that this is too harsh a judgment on those who are successful in a competitive business environment, one should remember the at least equally harsh judgment of Pius XI expressed in *Quadragesimo Anno*, "This accumulation of power, a characteristic note of the modern economic order, is a natural result of unrestrained free competition which permits the survival of those only who are the strongest. This often means those who fight most relentlessly, who pay least heed to the dictates of conscience" (no. 107, Paulist translation).

62. *The Restoration of Property*, p. 136. See pp. 136-140.

63. Leo XIII recommended the re-establishment of the guilds for the purpose of bringing about peace between capital and labor at least as early as 1885. (Cf. Joaquin Azpiazu, *The Corporative State* (St. Louis : Herder, 1951) pp. 86-87. In his encyclical *Rerum Novarum* (1891) he spoke about them especially in sections 36-43 (Paulist translation). He entrusts them (sect. 34) with authority over wages, "the hours of labor in different trades, the sanitary precautions to be observed in factories and workshops" and other matters not specified. In *Quadragesimo Anno* (1931), Pius XI speaks of them again (sections 81-87, Paulist translation). The literature on them, from the 1930s and 1940s especially, is voluminous.

Nor have subsequent popes been silent on them. Pius XII spoke of them often, and John XXIII in *Mater et Magistra* (1961) also refers to them (no. 37. See also nos. 65-67, 84, 86-90, 100, Paulist translation). John Paul II also clearly alludes to occupational groups in *Laborem Exercens* (1981), nos. 14 and 20 and in *Centesimus Annus*

as to provide financing to their members. They could also provide health insurance as well as benefits for their widows and orphans.⁶⁴ And in a Catholic society, as the guilds of the Middle Ages did, they will have Masses said for their deceased members and celebrate the feast of the patron saint of their trade or occupation. Overall, they will attempt to foster a fraternal spirit, so that the members look upon each other as brothers serving the common good, rather than as economic rivals.⁶⁵

Another criticism of distributism that must be faced was made by Todd Flanders in his paper already referenced, "Where Distributivism Goes Wrong."⁶⁶ Flanders states "We also know that the widespread distribution (i.e. transfer) of property that distributivists seek could not be accomplished without massive state intervention and the most tyrannical oversight of the transfers." Yes, some oversight would be necessary, but there is no reason to think that it need be "tyrannical." Much of the supervisory work could be done not by the government, but by the occupational groups mentioned above. Of course, for those who are convinced that the entire distributist project is outrageous and unjust in itself, any level of supervision will seem "tyrannical." But the recording of sales of property and property ownership need not involve excessive or intrusive supervision by the state.⁶⁷

But if a distributist order were to be inaugurated, another question presents itself, that is, what is to become of the huge amount of money which the present owners of property will receive from the sale of their businesses and land? Where would such a huge amount of money be invested? Fortunately it appears that the money matches the need for money. That is, if would-be small owners are to be set up in business, they would need to be financed. Here the guilds or occupational groups, either individually or jointly, could establish a fund to make low-interest loans to the new owners. And the money for these funds could be borrowed from the former owners of property, who could possibly receive favorable tax treatment of their interest payments if they made their money available to these funds. And the repayment of the loans by the small owners could be made from their current profits, that is, a certain amount could be set aside each year to pay back their start-up loans.⁶⁸

Of course, no one will be forced to become an owner under distributism. Some men will still

(1991), nos. 7, 13, 43, 48.

64. One can see from this that in a distributist society the role of the state would actually be reduced, as many matters now handled by the government could be taken over by the occupational groups.

65. The notion that those who are in the same line of work ought to regard each other, not as competitors but as brothers engaged in serving the common good, might seem strange. But as Richard Tawney pointed out, "The idea that there is some mysterious difference between making munitions of war and firing them, between building schools and teaching in them when built, between providing food and providing health, which makes it at once inevitable and laudable that the former should be carried on with a single eye to pecuniary gain, while the latter are conducted by professional men who expect to be paid for service but who neither watch for windfalls nor raise their fees merely because there are more sick to be cured, more children to be taught, or more enemies to be resisted, is an illusion only less astonishing than that the leaders of industry should welcome the insult as an honor and wear their humiliation as a kind of halo. The work of making boots or building a house is in itself no more degrading than that of curing the sick or teaching the ignorant. It is as necessary and therefore as honorable." *The Acquisitive Society* (New York : Harcourt, Brace & World, c. 1920) p. 96. If today it sometimes seems that physicians or teachers are more interested in money than they were when Tawney wrote, this is in part because of the pervasive commercialism of our society that tends to make one measure all human activity by the amount of money it takes in.

66. Available on the Acton Institute website, www.acton.org

67. Could a distributist economy be instituted without the kind of taxation that Belloc proposes? In his *Outline of Sanity*, Chesterton suggests "half a dozen things which would help the process of Distributism." They range from a "league of voluntary dedication," apparently to buy only from small shops, to subsidies to small operations to the "taxation of contracts so as to discourage the sale of small property to big proprietors." *The Collected Works of G. K. Chesterton*, vol. V (San Francisco : Ignatius, c. 1987) p. 98. See his whole chapter, "A Misunderstanding About Method," pp. 91-99. Certainly there is no reason why a combination of methods could not be used.

68. See Miller, *Curing World Poverty*, pp. 133-149.

prefer to be employees, and doubtless some will remain employees, willy-nilly. But the point is that society will tend to look upon property and economic activity differently from the way it presently does, and this will result in a fundamental shift away from our commercialized society with the difficulties attendant upon capitalism. Let us look at just one of these difficulties, the conflict between employment and inflation, and at how distributism would be a remedy for this evil.

This instability, which is endemic to capitalism, was well captured by this headline on the front page of *The Washington Post* for November 11, 1997: "U.S. Jobless Rate At 24-Year Low; Inflation Feared." The story goes on to say that this news caused the Dow Jones industrial average to fall over 100 points and that "Federal Reserve Chairman Alan Greenspan has cautioned that continued shrinkage of [the number of unemployed] will lead to higher inflation sooner or later."⁶⁹ What can one say about an economic system which gets worse as it gets better, or more precisely, as one measure gets better another inevitably gets worse? If this were a characteristic of socialism instead of capitalism, we can be sure that it would have been widely denounced as a sign of the absurdity of that system. It is worthwhile to look briefly at the reason for this instability with full employment under capitalism.

Under capitalism production is not primarily oriented toward use and consumption, but toward profit. That is, instead of profit being a by-product of production and consumption, production and consumption are by-products of profit. For if my product is legal and makes a profit, few capitalists care a fig about whether it is really useful to society, and especially whether their product is being produced in an amount that society can absorb.⁷⁰ Thus car manufacturers hope that people will buy a new car every few years, and spend large amounts of money trying to persuade us to buy a new car, whether we really need one or not. If every car owner kept his car until it wore out, this would doubtless be a major problem for auto manufacturers.⁷¹ Thus there is no inherent limit to capitalist production since it is driven by profit alone, not by society's needs.

But how does distributism remedy this problem? God has created man and the earth such that by one man's work more than one person can normally be maintained in existence. One family can produce more than enough food for itself, and even before the industrial revolution, civilization was capable of producing enough food and shelter so that some members of society even had the leisure to devote themselves to philosophic and literary labors. Therefore we can see that, if the majority of adult men were producers of the goods which mankind needs in order to live a truly human life, not only would we have plenty of goods to go around, but some could devote themselves to the cultivation of spiritual and intellectual goods. And for those working to produce necessary material goods, if their efforts resulted in an abundance of such goods, then, since they would be self-employed, they could easily cut back on their work so as to have more time for leisure. Full employment would be the norm under distributism, but it would not result in harmful inflation.

Under capitalism at full employment employees can demand wage increases which are harder for firms to refuse because of a shortage of workers. In addition, the economy needs to sell the goods it produces in order to provide this full employment, since without buyers for their products firms cannot hire employees. This in turn requires advertising, which leads to increased demand and thus to higher prices.

The preponderance of the evidence indicates that inflation can be affected by the pressure of

69. "At full employment the economy is patently unstable. Prices move relentlessly upward. But if production is much below the full employment level, a drastic reduction in income is visited on those who are unable to find jobs. This is taken as a serious indication of economic failure, and is." Galbraith, *The Affluent Society*, p. 235.

70. "Of itself, an economic system does not possess criteria for correctly distinguishing new and higher forms of satisfying human needs from artificial new needs which hinder the formation of a mature personality." John Paul II, *Encyclical Centesimus Annus*, no. 36.

71. In 1995, of the 123.2 million cars in use, 46.2 million were under 5 years in age, and 26.9 million were 6-8 years old. *Statistical Abstract of the United States*, 1999 edition, table 1032.

demand in labor and product markets. If unemployment is pushed above the lowest sustainable unemployment rate, inflation tends to moderate, while high output and employment tend to lead to rising inflation.⁷²

But in a distributist economy, as I said, these factors would not apply. First of all, with the employer/employee relationship much rarer, the entire wage question would be a much less important component of the national economy. Secondly, each producer would need to sell only enough to maintain himself and his family, not provide for a self-fueling economic engine that feeds upon itself. If one million independent micro-businesses were producing and providing the products and services that people needed, this is essentially a stable relationship. As population increases, so do providers of goods and services. There is nothing in this relationship to cause inflation or other economic dislocations.⁷³ It is firmly rooted in the nature of man as both producer and consumer, producer of the real economic goods he needs to live his life, but producer in sufficient quantity that his entire life need not be occupied with work.

Conclusion

In this article we have seen that capitalism, the separation of ownership and work, necessarily leads to many different kinds of economic exploitation and dislocations. Distributism is offered as an alternative, an alternative founded on man's real need for external economic goods, but recognizing that man is not simply a worker or consumer, and that the economic apparatus must be firmly subordinated to the totality of man's existence. Capitalism is able to maintain its hold on our minds chiefly because it is supposed that its only rivals are socialism or communism. But if in our consideration of economics we refuse to allow the preconceived categories of modern secular thought to bind our thinking, then perhaps we can look at alternatives. And if we do this, then the alternative of distributism looms as a very attractive possibility, a possibility that can become a reality only by first capturing our minds, our imaginations and then our wills.

72. Paul A. Samuelson and William D. Nordhaus, *Macroeconomics* (Boston : Irwin, McGraw-Hill, c. 1998) pp. 332-333.

73. In fact, it is probably the truth that the closer an economy is to pure barter the more healthy and stable its exchange relationships will be and the less susceptible to inflation or other negative factors. As Ricardo himself said, "If any cause should raise the price of a few manufactured commodities, it would prevent or check their exportation; but if the same cause operated generally on all, the effect would be merely nominal, and would neither interfere with their relative value, nor in any degree diminish the stimulus to a trade of barter, *which all commerce, both foreign and domestic, really is.*" *The Principles of Political Economy and Taxation*, p. 149. Emphasis mine.

This is not to suggest that we seek to establish a barter economy, which is an absurdity; rather it is to point out that to the extent that money and the money supply come between buyer and seller there is more of a chance for dislocations caused by what ought to be simply a means of facilitating exchange and serving as a store of value. When money takes on a life of its own, so to speak, it necessarily complicates the economy and is apt to become a cause of inflation, among other negatives. This is especially evident in financial speculation, where purely monetary transactions that have no economic value, that is, produce no real economic goods, become a means of enriching the speculator, often to the detriment of the real economy. Money here has become an enemy of the economic system. Cf. these words of George Soros: "I am sure that speculative activities have negative consequences but I never think about them and cannot afford to think about them. If I stopped doing some things because of moral scruples, I would have to stop being a speculator. I feel no remorse whatsoever about having won money when the pound was devalued; I did not speculate against the pound to help England or hurt her; I did it to earn money." Quoted in Helen Alford and Michael Naughton, *Managing As If Faith Mattered : Christian Social Principles in the Modern Organization* (Notre Dame University Press, c. 2001) p. 53.