

Economic Justice and the Free Market

by Thomas Storck

IN THINKING ABOUT ECONOMICS, AS IN THINKING ABOUT

ANYTHING, it always helps to know what is the purpose of a thing. For example, if I am taking a walk, it matters whether I am taking a stroll to enjoy a nice day, taking out the dog, exercising to lose weight or on my way to the store. It matters because, depending on which of these things I am doing, this will determine such things as my speed, my route, perhaps what pair of shoes I wear, etc. Only if we know *why* some activity is being done, can we say anything sensible about it. And of course, at the conclusion of my walk, it will make a great deal of difference if I started out to buy something at the store and ended up only having appreciated the bright sunshine.

The same is true of economic activity. Why does man have the capacity and need to produce and consume external things? The answer, of course, is obvious. We need such things in order to live because we are creatures of both body and soul,

given us intellects and hands to enable us to obtain these external things. This in contrast to the irrational animals, who have been provided with thick skins and fur and horns so that, by and large, they only need to hunt or graze to secure their food, and follow their

instincts to obtain shelter.

If this is so, then the purpose of economic activity is the life of man. And of course, the life of man is more than simply survival, it includes all that pertains to a truly *human* life. That is, it includes the life of the polis, to use Aristotle's term, the city, or, as we are more likely to say today, society or civilization. And if we look at this more precisely, we can say that it includes our spiritual life,

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creatures moreover who need to provide ourselves with external things simply to survive. According to St. Thomas Aquinas, God has

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our intellectual life, our civil life and our family life. Now, we should note well that economic activity exists to support these other activities, it exists *for* them. We need food and clothing and shelter so we can attend to our duties to God and society and our families, not the other way around. Therefore, our economic activity must be judged by how well it subserves these other activities. How well does it support the worship of God, the leisure that is necessary for intellectual life and the fine arts, for our families? If we find that any particular set of economic arrangements is disrupting these more important activities, then it is the economic arrangements that ought to change, not vice versa.

In the last issue of this journal, John Médaille had an eloquent denunciation of corporate farming ("Capitalist Pigs: The Wealth of Nations and the Wealth of Farmers," *H&E*, Autumn 2001). He showed how the creation of giant pig factories (one hesitates to call them farms), far from aiding the community life which economic activity is naturally oriented toward, tends to destroy it. Such factory farming harms the physical environment, makes life in the surrounding community unpleasant and unhealthful, and often does not provide work for those who actually live in the community. It serves only one end: the profits of those who own or control the corporations. Thus it is clear that this kind of economic arrangement violates the purpose of economic activity.

But what kind of economic arrangements are we talking about here? Mr. Médaille calls this sort of thing, capitalism, by which he apparently means a situation where large corporations, often with

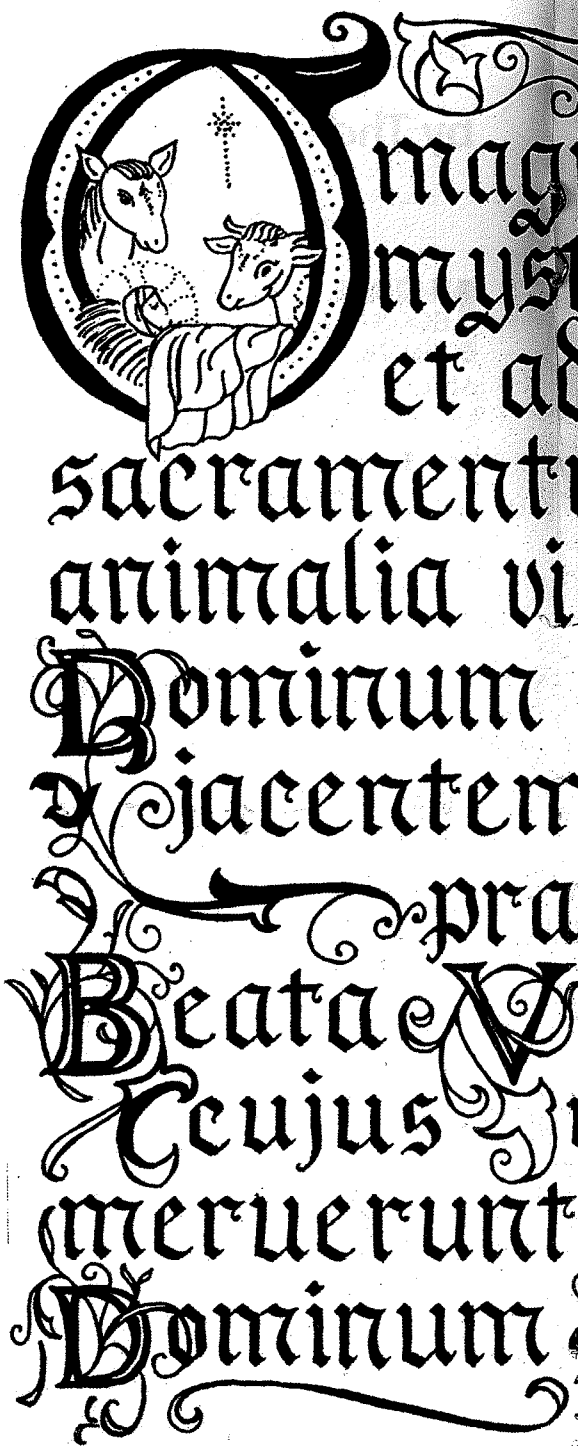
aid from governments, control the market for their own profit. He contrasts that with what he calls a "free market," which he seems to recommend as the antidote to the distressing situation he describes. But before one embraces a free market economics, I think one ought to look at it a bit more closely. Let us begin with a quotation from the encyclical *Quadragesimo Anno* (1931) of Pope Pius XI:

"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."

In other words, free competition, as in Adam Smith's model of economic activity, leads inevitably to the conditions which Mr. Médaille deplors. Admittedly, it is even worse when large firms gain the support of governments, but there are many examples of large firms that hinder and destroy community life and harm the environment, but that receive no aid from governments. No, given the fallen nature of man, his instincts for the acquisition of unlimited material goods are no more trustworthy than are his instincts for the acquisition of unlimited sexual pleasure. Both are necessary and good, but only when subordinated to their natural ends.

Attempts to justify a free market generally argue that free competition will serve the ends of economic activity, will serve man's spiritual, intellectual, social and family life. Thus Adam Smith's "invisible hand." But a little acquaintance with history shows that this is false. As Pius XI said, the "accumulation of power...is a

natural result of unrestrained free competition." Adam Smith's *Wealth of Nations* is chiefly a book against



what we would today call "industrial policy," the setting of economic goals by the state to

enrich the country. And Smith shows that in many cases such state-imposed economic goals were



misguided and counterproductive. But it hardly follows from this that freedom of competition is destined

to produce justice or the common good. Free competition is an evil for more than one reason: it will always result in economic domination by the more energetic or more powerful or more unscrupulous; instead of working toward harmony and stability, it produces economic unrest and disruption; it tends to commercialize society, since in order to gain increased market share, producers must resort to increasingly misleading advertising to gain customers.

Let us look a bit more at the second of these reasons. It is often assumed that if free competition could be prevented from producing economic bigness, then there would be nothing wrong with it. But in fact, the constant unsettling effect of competition is bad for a society. It produces business failures, bankruptcies, plant closings, the need for people to move about to find new jobs, the breakup of parishes, families and communities - in fact, it works against the real goals of economic activity, which are to serve human life.

Moreover, those who make the same product or provide the same service, ought to regard each other, not as competitors, but as brothers, brothers engaged in serving the common good by giving society a needed product. There is no reason for one to be trying to get the upper hand of the other, to take market share, to put the other out of business. Two physicians in the same town generally do not look at each other as rivals, but as compatriots. There is no reason why two bakers, two plumbers, two of any legitimate group of economic actors should not have the same attitude. It was precisely this attitude that the guilds of the Middle Ages sought to instill in their members: brotherhood among producers so that the public could

be served with an honest product at fair prices.

Of course, each producer expects to make his living by his work, to support himself and his family. And this is entirely right. But *one* living, not two or three. If I have one pizza shop and my family is supported by it, then why would I want to open a second or a third one? Let others do that, so that they can provide for their own families in dignity. And the desire to expand one's business beyond what is needed for support is usually at the expense of the businessman's own greater good, his relationship with God, with his wife, with his children.

Thus what is needed is a restraint upon the appetite for gain. To quote Pius XI again. "Just as the unity of human society cannot be built upon 'class' conflict, so the proper ordering of economic affairs cannot be left to the free play of rugged competition. From this source, as from a polluted spring, have proceeded all the errors of the 'individualistic' school. This school, forgetful or ignorant of the social and moral aspects of economic activities, regarded these as completely free and immune from any intervention by public authority, for they would have in the market place and in unregulated competition a principle of self-direction more suitable for guiding them than any created intellect which might intervene. Free competition, however, though justified and quite useful within certain limits, cannot be an adequate controlling principle in economic affairs. This has been abundantly proved by the consequences that have followed from the free rein given to these dangerous individualistic ideas."

Mr. Médaille is correct in advocating smaller kinds of

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enterprises, but he is wrong if he trusts to fallen human nature to produce or maintain them. The economic system known as distributism, whose best-known advocates were G. K. Chesterton and Hilaire Belloc, provides for the creation and maintenance of small-scale farms and businesses by two methods. The first is the use of the state's taxing power. If I have one store selling a limited number of product lines, then my rate of taxation will be reasonable, but as soon as I begin to acquire branch outlets, or to expand my stock so that it encompasses more than a closely-related set of goods, then prohibitive taxation will make it impossible for me to continue. This is a perfectly just exercise of the state's power of caring for the temporal common good. No one is forced to expand his business, and were such a distributist order to be introduced into a society, a period of five years (say) would allow an orderly sell off of large concentrations of property to small owners.

The fact is, as again the Popes have taught, that property rights are not absolute. They must yield to the common good. While the state cannot confiscate or absorb all property, it can set the bounds for its ownership and use.

Secondly, the popes have called for the creation of occupational groups, the modern "guilds," that will regulate the industry so that its activities are carried out for the prosperity of its producers and the common good of society. This is perhaps a more important means for the maintenance of well-distributed property than the use of taxation spoken of above. The purpose of these occupational groups is to work for the good of the industry or trade, but not at the expense of the public good. Thus quality products

or services, fair prices, just wages, will be one of their prime concerns, as well as new technology, a steady supply of raw materials, relations with other occupational groups and with the government. Leo XIII in *Rerum Novarum* was the first modern Pope to suggest these bodies, Pius XI championed them, and Pius XII spoke even more strongly on their behalf. And, to one who understands the tradition of Catholic social thought, there are unmistakable references to them in John Paul II's social encyclicals, including the often misunderstood *Centesimus Annus*.

Two other closely related points must be discussed. One of the points on which the Supreme Pontiffs have laid most stress in their treatment of occupational groups, is that such groups must represent both employers and employees. They are not to be formed along class lines or according to the labor market, employers versus employees. Anyone who works in a trade or industry is a member.

However, in a distributist economy there will be fewer employees than we have in today's capitalist economy. For a major point of distributism is well-distributed productive private property, so that as many men as possible might become owners and producers. As Leo XIII wrote, "The law...should favor ownership, and its policy should be to induce as many people as possible to become owners." The ideal is a society of sole proprietors. In the Middle Ages, all apprentices and journeymen were learning the trade so that they too would become owners some day. There was to be no permanent class of wage earners, the "wage slaves" that the capitalist system has produced.

What about necessarily large enterprises, from railroads to

airlines to oil refineries? Belloc, in his *The Restoration of Property* (1937), the most complete treatment of the establishment and maintenance of a distributist society, avers that necessarily large concerns are best owned by those who work in them. Even today there are successful worker-owned steel mills, publishing houses and other large firms.

Americans tend to be mesmerized by the word *freedom*. But a little reflection will show that the concept of freedom is not a simple one. Is it true freedom to be able to drive any which way one wants on a six lane highway? Do air traffic controllers inhibit our freedom in flying? In a way, yes, but the kind of freedom that they inhibit is not a freedom worth having. It is not a freedom that serves the ultimate purposes of driving or flying, namely, arriving safely at our destinations. Economic freedom must serve the ultimate purposes of human life and of society, otherwise it is not a desirable thing. But free competition in economic matters does not produce the justice and harmony that are needed in order that man's life can be truly served by the production of goods and services. If we think in slogans, then "free love" is just as much a good as "the free market." Ultimately true freedom means the ability to choose the good, and a person is not unjustly constricted by being unable to engage in disordered economic activity, any more than he is unjustly constricted by being unable to drive the wrong way on a one-way street. +++

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