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Distributism:  
A  
Catholic System  
of  
Economics

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Economics

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Donald P. Goodman

  
Goretti Publications

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*Deo meo Iesu Christo  
Domino magno et Pastori bono  
cuius Cor Sacratissimum passum est  
propter me et omnes homines  
in remissionem peccatorum  
pro instituyente regnum sociale eius  
et Matri Suæ, Mariæ semper Virgini  
et Cordi Immaculatæ eius  
et caræ Catharinæ uxori meæ  
et Donaldto Patricio Quarto filio meo  
hoc opus dedicatum*



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# Preface

**B**EFORE ENTERING ON THE SUBSTANCE of this discussion of a Catholic system of economics, it may be helpful to go over the precedents of this discussion, and describe our ends and our intentions before we begin. Otherwise, our end might be misconstrued, and consequently the entirety of this work will be misunderstood.

In the first place, we wish to clarify our intentions when we, in this work, speak about certain Catholics who do not agree with the Church's social teachings. While our words for these are sometimes harsh, we do not in any way mean to imply that they are any less faithful or any less Catholic because of this disagreement.<sup>1</sup> We do hold that they oppose themselves to authentic Catholic economic teaching; we do not, however, hold that there is any corresponding diminution in holiness or devotion to the Church. No matter how harsh our words for such Catholics may be, we always have in mind that they are brother Catholics, and seek the same end as we do.

The debate on Catholicism and economics has so often descended into an irresponsible and unproductive free-for-all of mudslinging and *ad hominem* tactics that we wish to preclude any such nonsense from the discussion we are about to undertake at the very start. We intend no personal insult or injury to anyone, especially Catholics but to all others, as well; we make no implications about anyone's personal devotion to the Faith or strength in the religion of Our Lord. The only comment we wish to make of any sort on that subject is to express our admiration of so many of our Catholic brethren who fight hard in an increasingly secular world against the enemies of the Faith—many of whom are quite devoted capitalists. In particular we wish to

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<sup>1</sup>That is, we claim no moral superiority to them, though naturally we do think that we are being more faithful to the Church's authentic traditions.

mention our admiration for John Clark, an honest businessman and father whose writings receive a fair amount of criticism in this work but whose virtues are none the less admired; Dr. William R. Lucky, head of the Department of Political Science and Economics at Christendom College, who sacrificed much in potential and actual professional reputation to teach at an upstart, radical Catholic school and continues to do much good by that sacrifice; and Dr. Thomas Woods, whose co-authorship of *The Great Façade* is a work for which Catholics are much indebted and which shall doubtless outsurvive most other works of its time, including this one. Beyond these notes of praise, we wish to say nothing else of men themselves; our criticisms are confined entirely to their ideas, where rational criticisms belong.

In the first place, this is not intended to be a scholarly dissertation. We are well aware of our shortcomings in producing definitive works of scholarship, and therefore make no attempt to do so. Our only intent is to produce a popular work which is scholarly enough to be informative and true but which is simple enough to be approachable and understandable by the common man. We have therefore avoided taking full-fledged issue with the many mathematical equations that some economic systems use to describe their own workings. Rather, we have chosen to attack the principles behind those equations, or (much more often) to attack the application of those equations as though no other principles could have overriding relevance. In this way our work is kept comprehensible without sacrificing its potency.

This is also why we have limited our discussion of Church social teaching almost entirely to the three most prominent social encyclicals, namely, *Rerum Novarum*, *Quadragesimo Anno*, and *Centesimus Annus*. These three encyclicals offer the most authoritative Catholic teaching on economic matters, and they are the most easily gathered and read of the social encyclicals. While there are, of course, others (such as *Populorum Progressio*, *Laborem Exercens*, and *Sollicitudo Rei Socialis*), these three are undeniably the most important, in that each one was specifically intended to build upon its precedents and to offer definitive Catholic teaching on economics. Therefore, we have not used these other encyclicals much, if at all, in this work; the interested reader is encouraged to look there for further information.

We have also limited our discussion of the more complex philosophical aspects of Catholic economic thought to those works most readily

accessible to the common man. While naturally, philosophy itself is not completely accessible to all, certain works of philosophy are very well-known, and certain philosophers are universally (among Catholics, at least) respected and revered. The great roots of the medieval Catholic philosophical tradition, namely Plato and Aristotle, are such authors. Further, the summit and perfection of Aristotelian philosophy, which itself is rooted in a very real way in Platonism, is St. Thomas Aquinas, the Angelic Doctor, the only philosopher who has ever been specifically endorsed by the Church.<sup>2</sup> But even among St. Thomas's many works, only a few are well-known; we therefore draw our support only from the *Summa Theologica* and the *De Regno*, two of his most distinguished works. To be sure, the *Summa contra Gentiles*, among others, offers a great deal of support for many of our theses, particularly that on the corporate nature of the state and man's relation to it, but should we delve too deeply into such issues we should be engaging more in scholarship than in our chosen end, and therefore we have avoided too detailed a discussion of any particular issue.

Our end, our *telos*, in producing this work was to put forth to the Catholic world a real explanation of distributism, drawn from the papal encyclicals and, to a limited extent, from the distributists and solidarists of the twentieth century. No such explanation has ever been written. Belloc's *The Restoration of Property* may qualify as such a work, but it is now out of print and very difficult to find, and moreover was intended for a very different time and very different circumstances. The papal encyclicals give us the principles; distributism means to give us the means, the methods by which the principles of the encyclicals can be put into action. Our purpose has been, first and foremost, to explain what distributism can offer to the economic milieu in the early twenty-first century, particularly in America.

Our second end was to dispel certain myths, both about Catholic economic teaching and about the other prominent theories of economic action. Capitalism's claims to being the only viable system, and even its claims to being the best Catholic system, could not go uncontested in light of the clear papal condemnations of its principles. Socialism, too, while not so prominent in America as it once was, cannot be left to its messianic pretensions. Only one thing will ever restore economic life,

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<sup>2</sup>See Leo XIII, *Aeterni Patris*.

and life in general, to its proper sanity: the return to the principles of the Church and the submission of society to the Social Reign of Christ the King. To defend this thesis is this work's second goal.

Finally, our third end was to prove, clearly and distinctly, those principles which the papal encyclicals put forth as the proper guides of economic life. Capitalism in particular, but socialism as well, and more in ages past, have both distorted Catholic teaching in order to favor themselves. This work intends to show the clear teachings of the papal encyclicals in an easier framework, quoting frequently from them and dispelling the fabrications that capitalism and socialism have so often cast around them.

In accord with these three ends, we ordered this work into three chapters: the first fulfills the second end, and the second the third. The first is accomplished in the third chapter. Having devised this scheme, some sort of introduction was deemed to be in order, which we thereupon composed to explain the nature of the discussion and how it would be approached. Finally, this preface was conceived, in order to explain our ends and means in such a way as to make the reading of this text easier and more profitable for those who undertake it. We therefore leave the reader to the work, and beseech the blessings of Almighty God, the Blessed Virgin Mary, and all the angels and saints upon him.

In Sacratissimo Corde Iesu, servi lectoris sumus,

AUCTORES.

# Introduction

FROM THE ADVENT OF THE PHYSIOCRATS to the publication of the works of Marx and Engels, the great economic debate in the world was between capitalism and the older, medieval ways of life. Slowly but surely, capitalism's hold on the world became more and more sure. By Marx's time, the doctrines of Quesnay and Turgot were mainstream and commonplace; the commons and fields of yesteryear were then but a memory. Socialism was an idea, of course, but lacked a strong political movement to champion it. Capitalism had long ago found a political movement to bear it along to victory: liberal democracy. Socialism was about to find its own: communism—and all of a sudden everyone forgot about the medieval ways of life.

The world then became locked in a furious, life-or-death struggle between the two prevalent revolutionary ideologies. Socialism, of course, soon found another political champion in fascism, and nearly triumphed by means of it; but after its great defeat in Germany capitalism and socialism settled down for a long trench war via their old, customary political concomitants. Already the distinction between the two was seen as a dichotomy: it was either capitalism or socialism, democracy or dictatorship. There was no middle ground.

In the middle of all this, however, was “a voice of one crying in the wilderness,” admonishing its hearers to “[p]repare ye the way of the Lord, make straight his paths.”<sup>3</sup> The voice was the Catholic Church; the way of the Lord was the social reign of Christ the King, in a society with its foundations being its submission to Him. In recent years the cry has been all but abandoned, largely replaced with liberal political rhetoric; aside from a few encyclicals and apostolic letters, the See of Peter is now silent on the matter. The Catholic laity have followed

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<sup>3</sup>St. Matthew 3:3.

suit, now either indifferent to the social reign of its Lord or, more often, actually among the ranks of those who attack it. The vast majority attack it from the political left, replacing true Catholic social teaching with a collectivistic economic theory; among the orthodox, however, the attack is more often from the political right, a strange phenomenon which has its roots in the issue of abortion.

On paper, at least, the Republican party is against abortion; orthodox Catholics, therefore, flock to that party to defend life against those who would take it while at its most vulnerable. For this position, of course, the Republicans are to be praised. This association with the Republicans, however, has resulted in many Catholics, in the absence of strong leadership to the contrary from the papacy, to absorb many other Republican ideals, and libertarian economic principles are no exception. So thorough is this saturation among orthodox Catholics that many have come almost to equate faithful Catholicism with the political and economic views of the Republican party. This book intends to show that this equation is a mistake.

There is, in fact, a strong Catholic economic tradition, which bears no relation to Ronald Reagan or the libertarian ideal. This tradition is long and ancient, leading back ultimately to the Gospels of Our Lord and all the way up to our present Pontiff, whose great encyclical *Centesimus Annus*, while not as strong as its predecessors, is definitely within the tradition of Catholic economic thought.<sup>4</sup> And all of them help us answer the fundamental economic question: how should a Catholic approach economic matters? What can right reason and the Church tell him about economic organization and life?

Whenever a Catholic finds himself facing a difficulty, he naturally turns first to the teaching authority of the Church. Our Holy Mother the Church is, after all, the infallible conveyor of moral truth, guaranteed by God Himself never to err on any matter of faith or morals when teaching solemnly in Her role as Mother of all the faithful. When such teaching is moral, of course, it is binding on all the faithful under pain of sin; for as Our Lord Himself said, “if he will not hear the church, let him be to thee as the heathen and publican.”<sup>5</sup> However, many Catholics claim that the Church is not competent in economic

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<sup>4</sup>See *infra*, Appendix C, at 115.

<sup>5</sup>St. Matthew 18:17.

matters, that is, that economics is beyond the reach of her authority. Can the Church be a help to us in economic matters? Are they within her sphere of influence?

## The Scientific Status of Economics

Many, particularly those who hold opinions contrary to those expressed in the papal encyclicals, hold that the Church has no authority in economic matters. Economics, they claim, is “advanced and practiced as a science, on the model of physics and mathematics.”<sup>6</sup> The Church cannot make authoritative pronouncements about science; she cannot, for example, decree that the freezing temperature of water will be anything other than 32°. Similarly, the Church cannot declare that when supply rises demand will also rise. Such things are simply true or not, and it is beyond the Church’s competency to speak on them.

This view, however, must be rejected on careful consideration. In the first place, it is a matter of open debate whether economics is truly a science in the same sense as physics and chemistry. This debate largely centers around the unpredictability of human action and the predictive power of science. Success in the empirical sciences is generally gauged by how well that science can predict the actions of its objects. Physicists, for example, formulate theories to predict the actions of light waves, and the truth of those theories (that is, the degree to which those theories accurately describe light waves) is proportional to the accuracy of those predictions. Economists can do no such thing; it seems unlikely, then, that it is truly a science in the sense described above.

Economists’ definition of their purported science further prove that economics cannot be considered the same way as physics or chemistry. According to Christian economist Ronald Nash,<sup>7</sup> economics is the study of “the choices human beings make with regard to scarce resources.”<sup>8</sup>

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<sup>6</sup>Michael Novak, *Foreword* in GREGORY M. A. GRONBACHER, *ECONOMIC PERSONALISM: A NEW PARADIGM FOR A HUMANE ECONOMY* vii (Acton Institute 1998).

<sup>7</sup>His definition is a fairly standard “scientific” one.

<sup>8</sup>RONALD NASH, *POVERTY AND WEALTH: WHY SOCIALISM DOESN’T WORK* 13 (Word Publishing 1986).

As Aristotle teaches, the definition of a thing is its genus specified by its specific difference; that is, the type of thing that it is specified by whatever of its features makes it different from the other things of its type.<sup>9</sup> In this case, the genus of “economics” is “the choice human beings make” and the specific difference is “with regard to scarce resources.” We know, then, that economics is a study of human choices, like ethics or politics, but that it studies those choices specifically as regards scarce resources, which makes it something other than the other sciences which study human choices. Nash has given us a very compact and specific definition, one which he believes describes a very scientific type of inquiry.

However, this definition does not describe a science because the study of human choices is never an exact science. The human will is, as good philosophy and revealed faith teach us, free, and therefore not subject to the operations of economic laws. The economist, then, cannot make accurate predictions about the choices that human beings will make with regard to scarce resources. He can certainly make generalizations—if you glut the wheat market, the price of wheat will go down—and that is certainly a very useful and valuable ability; it is not, however, truly an empirical science, in the sense of physics or chemistry.

Other, more learned arguments have been made against the status of economics as a science, particularly by MacIntyre<sup>10</sup>; the end result is that economics, if it is to be regarded as a science in the sense of physics and chemistry, must be regarded as a singularly bad one. But within its own sphere, that of predictive generalizations, it is, of course, useful and honorable, and my argument should not be construed as advocating its abandonment.

Even if these cogent arguments against the status of economics as a science are rejected, however, one still cannot claim the immunity of economics from the moral authority of the Church. First, of course, economics is the study of human choices, and human choices are always moral and therefore subject to the decrees of Holy Mother Church. But second, and more significantly, what we call economics, as a study of

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<sup>9</sup>See ARISTOTLE, *ANALYTICA POSTERIORA* II:12 (R. McKeon ed., G. R. G. Mure trans., Random House 1941).

<sup>10</sup>ALASDAIR MACINTYRE, *AFTER VIRTUE* 88–108 (University of Notre Dame 1981).

human action, is simply a branch of political knowledge, and as such is a subset of ethical science, the authority of the Church over which no Catholic can deny.

## The Place of Economics Among the Sciences

As all Catholics know, or ought to know, the first place to go in any inquiry is the classical tradition, from which so much of our non-revealed Catholic tradition is derived. Further, the only philosophical system ever endorsed by the Church is Thomism, and Thomism is thoroughly rooted in the Aristotelian tradition of classical inquiry. Indeed, St. Thomas himself thought so highly of Aristotle that he referred to him as “*Philosophus*,” “the Philosopher,” considering no other preeminent enough for such a title. So we will begin our inquiry into the place of economics among the sciences with St. Thomas’s great predecessor.

Politics, Aristotle teaches, is “the master art,”<sup>11</sup> to which all other arts aim. His reason for this lies in his conception of a good, which bears some explaining here.

Aristotle holds that “the good” is “that at which all things aim.”<sup>12</sup> His reasoning in the *Ethica* is simple: “it is this that ordains which of the sciences should be studied in a state, and which class of citizens should learn and up to what point they should learn them.”<sup>13</sup> All this is rather brief, and of little help to those who are not thoroughly versed in Aristotle’s philosophy. In the *Politica*, however, we find a more detailed explanation of both politics and why it is the highest art.

Politics, Aristotle explains, is the study that leads the state, the highest of communities, to its good. Since the state is the highest community, the good that it leads to is the highest good; therefore, the art which leads the state to that good is the highest art.<sup>14</sup> So the science of politics governs all the other sciences which are used in the governance of a state. Is economics one such science, or is it, like

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<sup>11</sup> ARISTOTLE, *ETHICA NICOMACHEA* in *THE BASIC WORKS OF ARISTOTLE* 936 (W. D. Ross trans., Richard McKeon ed., Random House 1941).

<sup>12</sup> *Id.* at 935.

<sup>13</sup> *Id.* at 936.

<sup>14</sup> ARISTOTLE, *POLITICA*, in *THE BASIC WORKS OF ARISTOTLE* 1127 (Benjamin Jowett trans., Richard McKeon ed., Random House 1941).

chemistry, not within the study of politics?

To ask the question one must be ignoring a very necessary distinction. Is physics, for example, as a science subject to the science of politics? The answer, of course, is no; physics is simply the study of things in physical motion, and as such is entirely separate from politics. Is, however, the *use* to which physics is put subject to political science? Undeniably; political science governs where and when nuclear power stations can be built, for example, and where and when nuclear bombs can be set off. The distinction is between a science and the science's uses. Is, then, the study of economics subject to the art of politics? Clearly not; economics simply makes generalizations about common actions in given circumstances of scarcity. Is the *use* to which economics is put subject to political science? Just as clearly, yes; the policies that a state implements based on the findings of economists are most certainly a matter of political science. In that sense, economics is no more than a subset of politics, and a tool for the leaders of the state to employ in working for the common good. Aristotle himself was of the same opinion; "we see," he says, "even the most highly esteemed of capacities to fall under this, e.g. strategy, economics, rhetoric."<sup>15</sup> So traditional philosophy is clear: economics is subordinate to politics.

But politics "legislates as to what we are to do and what we are to abstain from"<sup>16</sup>; clearly, then, politics is, among other things, the study of what choices states *ought* to make and what things people *ought* to do. That is by definition a moral study; and since politics is a moral study, economics, at least insofar as it is actually used, is clearly a moral study. As such, it falls under the authority of the Church.

In the modern day, the same classification has been maintained. The Catholic Encyclopedia, published in 1910, says that

The best usage of the present time is to make political economy ["the science of *using* wealth"<sup>17</sup>] an ethical science, that is, to make it include a discussion of what *ought* to be in the economic world as well as what *is*. This has all along been the practice of Catholic writers. Some of them even go

<sup>15</sup>Aristotle, *Ethica Nicomachea*, *supra* note 11, at 936.

<sup>16</sup>*Id.* at 936.

<sup>17</sup>John Sharpe, *Liberal Economics vs. Catholic Truth*, in SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 3 November 2002.

so far as to make political economy a branch of ethics and not an independent science.<sup>18</sup>

John Sharpe further specifies the Catholic position by pointing out that “the art of acquiring wealth... is limited by the science of *using* wealth.”<sup>19</sup> In other words, we must put the morality of wealth before the simple acquisition of wealth, and subject the latter to the former. This statement is the perennial teaching of the Church, passed down throughout the ages. Indeed, our current pontiff is of this opinion, as well, declaring that “the Church’s social doctrine, by its concern for man and by its interest in him and in the way he conducts himself in the world, ‘belongs to the field... of theology and particularly of moral theology.’”<sup>20</sup> Economics, therefore, is a moral study, and thus subject to the authority of the Church.

By now we see that the claims of some economists that their science is totally independent of the Church are false. We can also see that economics is not a value-free science. While economists generally mask their political recommendations as statements of purportedly immutable laws (such as “a wage is simply a price paid for a commodity, labor; the minimum wage is artificially raising prices when no scarcity mandates the raise; therefore, demand will decrease, and unemployment will therefore increase; so we must not set a minimum wage”), they are nevertheless using their field of study to advance what they consider to be the best moral choice for the state. Their claims of a value-free science are untenable, since they are always using their findings to justify particular political actions (in the example above, eliminating the minimum wage; others on the left side of the spectrum would find some reasoning to raise it). They will even use their “value-free” science to denigrate opposing political choices. Economics, then, is a fundamentally moral pursuit, and as such cannot be exempted from the authority of the Church by a plea to a “value-free” canard.

But the Church does not always assume authority over that which is hers by right. Sometimes she deems it wiser to allow her children

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<sup>18</sup>Frank O’Hara, *Political Economy*, in THE CATHOLIC ENCYCLOPEDIA, <http://www.newadvent.com/cathen>.

<sup>19</sup>Sharpe, *supra* note 17.

<sup>20</sup>John Paul II, *Centesimus Annus*, no. 55. This is only the first of many examples of *Centesimus Annus*’s conformity to prior economic teaching. *See also infra*, Appendix C, at 115.

to speculate and come to the truth on their own. Has she assumed authority in the case of economics? Does the Church demand obedience to her decrees?

## The Church's Assertion of Authority

In general, of course, the Church asserts her authority as expressed in the encyclicals; Father Fahey points out Pius XII's declaration that

[n]or must it be thought that what is expounded in Encyclical Letters does not of itself demand assent, in that when writing such Letters the Popes do not exercise the supreme power of their teaching authority. For these matters are taught with the ordinary teaching authority, of which it is true to say, "He who heareth you heareth Me."<sup>21</sup>

But has she asserted her authority over economic matters in particular?

Indeed, the Church has assumed this authority, defending it in the age of capitalism and socialism as early as 1891. The papacy has declared that "We approach the subject with confidence and surely by Our right" because "the question under consideration is certainly one for which no satisfactory solution will be found unless religion and the Church have been called upon to aid."<sup>22</sup> Leo speaks for the Church and declares that "without hesitation We affirm that if the Church is disregarded, human striving will be in vain."<sup>23</sup> Despite these declarations, however, many, both within and without the Church, continued to question her authority in social and economic matters. The Church, therefore, spoke even more firmly of her right:

We lay down the principles long since clearly established by Leo XIII, that it is Our Right and Our duty to deal *authoritatively* with social and economic problems. It is not, of course, the office of the Church to lead men to transient

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<sup>21</sup>Pius XII, *Humani Generis*, quoted in REV. DENIS FAHEY, *THE CHURCH AND FARMING* 113 (OMNI/Christian Book Club 2002).

<sup>22</sup>Leo XIII, *Rerum Novarum* (Boston, MA: Pauline Books and Media, 2000), no. 24.

<sup>23</sup>Leo XIII, *Rerum Novarum*, no. 25.

and perishable happiness only, but to that which is eternal. . . But she never can relinquish her God-given task of interposing her authority, not indeed in technical matters, for which she has neither the equipment nor the mission, but in all those that have a bearing on moral conduct. For the deposit of truth entrusted to Us by God, and Our weighty office of propagating, interpreting and urging in season and out of season the entire moral law, *demand that both social and economic questions be brought within Our supreme jurisdiction, in so far as they refer to moral issues.*<sup>24</sup>

There can be no question that the economic milieu, influencing human choices as it does, “refers to moral issues.” Economics insofar as it seeks simply to formulate generalizations about human action is not within the authority of the Church; it is simply a useful field of study. Economics in all its other senses, however, particularly the formation of the economic policy of families, communities, and states, is most decidedly subject to Magisterial teaching.

John Paul II, in the most recent of the great social encyclicals, argues similarly for the Church’s authority in economic matters. He teaches to his flock in the modern day that

[t]he Church, in fact, has something to say about specific human situations, both individual and communal, national and international. She formulates a genuine doctrine for these situations, a *corpus* which enables her to analyze social realities, to make judgements about them and to indicate directions to be taken for the just resolution of the problems involved.<sup>25</sup>

In fact, the Pope speaks even more weightily on the topic of the Church’s authority in social matters, giving it evangelical importance:

In effect, to teach and to spread her social doctrine pertains to the Church’s evangelizing mission and is *an essential part*

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<sup>24</sup>Pius XI, *On Social Reconstruction* (Boston, MA: Daughters of St. Paul), p. 21 (emphasis added). This encyclical is commonly known as *Quadragesimo Anno*, for the year of its publication.

<sup>25</sup>John Paul II, *Centesimus Annus* (Boston, MA: Daughters of St. Paul), no. 5.

*of the Christian message*, since this doctrine points out the direct consequences of that message in the life of society and situates daily work and struggles for justice in the context of bearing witness to Christ the Savior.<sup>26</sup>

The Church, then, always has and continues to assert her authority in the sphere of economic life, and her authority must be heard, being “an essential part of the Christian message” which shows us how to live “that message in the life of society.”

What, however, is the social teaching of the Church? How has the Church applied the truths of the deposit of faith to economic matters? The answer, of course, is that the Church has not mandated any particular social institutions, though on occasion she has strongly recommended them. She has, however, given certain principles which every economic system, in order to be faithful to Catholic teaching, must take into account. We will now examine those principles, especially as found in the great economic papal encyclicals; we will then examine the two prevailing economic systems in light of these principles; and finally we will examine the possibility of a “third way,” in case both of these prevailing systems fail to conform to the dictates of our Holy Mother the Church.

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<sup>26</sup>John Paul II, *Centesimus Annus*, no. 5 (emphasis added).

# Chapter 1

## The Foundations of Economic Thought

SINCE THE ADVENT OF THE REVOLUTION, there have been two main claimants to the throne of economic supremacy. Both of these claimants have taken many forms; however, both of them can also be grouped into the general categories of capitalism and socialism. Do either of these claimants, in any of their manifold forms or combinations, satisfy the teachings of the Church on economic matters? First we will examine the capitalist system, most familiar to us and, in our society, considered almost truistically to be good. Then we will move on to socialism, and finally we will examine the possibility of a third way, and whether or not that way can consist in a combination of the virtues of the first two.

### 1.1 The Capitalist Ideal

Capitalism is the system that is most prevalent in today's world; indeed, the tendency is to see it as the only system, since the great communist countries (except for China, which in these discussions is for some reason generally ignored) collapsed in 1989. But what exactly is capitalism? What is this economic system that we are told has triumphed for all time?

Capitalists themselves define it very differently from non-capitalists. John Clark, who has written against Catholic social teaching as ex-

pressed in the papal encyclicals, describes capitalism as “an economic system in which private property is seen as a morally defensible right.”<sup>1</sup> This definition is, needless to say, impossibly broad, and encompasses nearly every economic system except for hard socialism. Fortunately, he elaborates:

Corollary to this right includes the right to free competition in the marketplace and the right to trade both domestically and internationally. Furthermore, the profit motive is seen by capitalism as morally defensible, and therefore there should be no legal limit as to the amount of money that one can legally earn.<sup>2</sup>

This definition is imprecise, but we can cull from it what he means: capitalism is an economic system (the genus) in which free competition for the greatest possible profit is the norm of human behavior (the specific difference). Nash’s definition is “that economic system in which people are encouraged to make voluntary exchanges within a system of rules that prohibit force, fraud, and theft.”<sup>3</sup> Clearly this is also inadequate, being nearly as broad as the first sentence from Clark’s definition. However, the definition derived from Clark’s list of capitalism’s attributes can, for the purposes of our discussion, be considered complete.

Others, however, including the Catholic Church, have defined capitalism differently. In his historic critique of capitalism, Belloc defined the system as that “society in which private property in land and capital, that is, the ownership and therefore the control of the means of production, is confined to some number of free citizens not large enough to determine the social mass of the state.”<sup>4</sup> This definition, which Clark refers to as “simplistic,”<sup>5</sup> is exactly the same as that of the papal encyclicals, which refer to capitalism in much the same way. Belloc is referring to the phenomenon of the majority of the population applying their labor to the capital owned by the minority; when Pius XI

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<sup>1</sup>John Clark, *Distributism as Economic Theory: Hilaire Belloc vs. Some Surprising Opponents*, THE LATIN MASS: A JOURNAL OF CATHOLIC CULTURE, spring 2002, at 30.

<sup>2</sup>*Id.*

<sup>3</sup>RONALD H. NASH, POVERTY AND WEALTH 69 (Word Publishing 1986).

<sup>4</sup>HILAIRE BELLOC, THE SERVILE STATE 49 (The Liberty Fund 1977).

<sup>5</sup>Clark, *supra* note 1, at 30.

speaks of “that economic régime in which were provided by different people the capital and labor jointly needed for production,”<sup>6</sup> he is referring to the same phenomenon. So we can, perhaps, cease viewing Belloc’s definition as “simplistic,” even if we do not yet agree with it; which definition is more accurate?

The simple fact is that both are accurate. The capitalists’ definition is simply the description of an individual school of capitalism, generally considered the “purest” form, which we now call Austrian economics. Belloc’s definition, on the other hand, is suitable to any capitalist state, whether governed by Austrian principles or any other capitalist school. We will join the popes, as Belloc did, and use the broader definition; it renders our study more applicable to capitalism as a whole (though the only school of capitalism we will address specifically is the Austrian) and therefore more credible.

First, however, we will examine the primary features of the capitalist system as described by the capitalists. In this way we will address the claims of the Austrian school directly. Then we will focus on Belloc’s definition, and see whether or not the state of affairs which he describes is in accord with Catholic social thought.

### 1.1.1 The Capitalists’ Capitalism

#### Private Property

Private property is, of course, central to any coherent notion of capitalism. It is the one characteristic that Clark included in his actual definition, as opposed to his list of attributes. No system of free competition and unfettered entrepreneurship can possibly survive without a right to private property, since without this property no one would have anything with which to compete or on which to exercise his entrepreneurial skill. Furthermore, this right to private property must include an absolute right to its use in any way the owner sees fit (provided, of course, that it does not violate some positive, but not economically interventionist, law of the state). This absolute right to use is necessary because without it the use of the property is not really free, which is considered a *sine qua non* by capitalist theorists. In fact, Clark considers this unfettered right to use so important that he claims

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<sup>6</sup>Pius XI, *Quadragesimo Anno*, p. 49.

that “when this right ceases to exist, I no longer possess private property.”<sup>7</sup> So an absolute right to the use of property is pivotal for the capitalist system.

This absolute right to use, however, is utterly alien to the Catholic tradition. Traditionally, Catholic philosophy has made a distinction between the *ownership* of goods and their *use*. The right to private property is the right to *ownership* of goods; it does not include an absolute right to *use* these goods however one sees fit. This distinction is rooted in the papal encyclicals. “We reassert in the first place the fundamental principle, laid down by Leo XIII, that the right of property must be distinguished from its use.”<sup>8</sup> Leo XIII, to whom Pius is referring, stated that “the just ownership of money is distinct from the just use of money.”<sup>9</sup> John Paul II completes the lineage of papal teaching, refuting the claim that somehow *Centesimus Annus* represents a reversal in Church social policy, as though a reversal of immutable truth were possible:

While the Pope proclaimed the right to private ownership, he affirmed with equal clarity that the “use” of goods, while marked by freedom, is subordinated to their original common destination as created goods, as well as to the will of Jesus Christ as expressed in the Gospel.<sup>10</sup>

So we must distinguish ownership and use; but that much the capitalist can accept. The pivot for a capitalist is the *unrestricted* use of owned property. If the use of property is restricted by the government, then the market does not operate as efficiently as it does when property is unrestrained. This, so say the capitalists, impairs the overall production of wealth in society, which hurts everyone. So we must inquire: does the social teaching of the Church favor an unrestricted right to use of private property? Or does it allow for control by communities and states?

The Church has been unamiguous in its support for a community which can limit the use of private property by individuals. Leo XIII

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<sup>7</sup>Clark, *supra* note 1, at 31.

<sup>8</sup>Pius XI, *Quadragesimo Anno*, p. 24.

<sup>9</sup>Leo XIII, *Rerum Novarum*, no. 35.

<sup>10</sup>John Paul II, *Centesimus Annus* (Boston, MA: Pauline Books and Media, 1991), no. 30.

was unequivocal that the state ought to be involved in the economy in general, regulating it (and therefore the use of private property) in whatever way is necessary to further the common good. Leo, however, phrased it in the reverse; he said that “the individual and the family should be permitted to retain their freedom of action, *so far as this is possible without jeopardizing the common good and without injuring anyone.*”<sup>11</sup> He more explicitly stated this perennial doctrine later on, stating that, while the state cannot forbid private ownership, it can “control its exercise and bring it into conformity with the commonweal.”<sup>12</sup> In other words, the individual can use his private property as he sees fit—unless that use is harmful to the common good.

This in itself can easily be avoided by the Austrian economist, however. He will simply argue that allowing men to do whatever they want with their property, short of very narrowly defined fraud, theft, and coercion,<sup>13</sup> *is* conducive to the common good, because it allows the market to proceed unhampered, inexorably producing more and more wealth for everyone, rich and poor. So the teaching would seem to be compatible with capitalism, provided that we are willing to ignore the spirit of the entire encyclical in order to make it so. But no one seeks to do that, both because of the impossibility of the task (Leo states the teaching of the Church very clearly) and because of the clarifications that the later encyclicals provide. Even capitalists acknowledge that Leo was condemning their theory; however, the popes did not believe that Leo’s condemnation was quite sufficient.

Pius XI is more clear on the restrictions of use of private property. He says that “a man’s superfluous income is not left entirely to his own discretion,”<sup>14</sup> implying that it *is* up to someone else’s. However, here it appears that the Church is speaking of private obligations of charity, which, as Leo XIII insisted, “obviously cannot be enforced by legal action.”<sup>15</sup> Fortunately, Pius lays it on the line, declaring that the

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<sup>11</sup>Leo XIII, *Rerum Novarum*, no. 52 (emphasis added).

<sup>12</sup>Leo XIII, *Rerum Novarum*, no. 67.

<sup>13</sup>I say “narrowly” defined because capitalists seem to consider obvious frauds to be permissible at times. See John Sharpe on Israel Kirzner’s exposition on failure to disclose defects, in John Sharpe, *Liberal Economics vs. Catholic Truth*, SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 3 November 2002.

<sup>14</sup>Pius XI, *Quadragesimo Anno*, p. 26.

<sup>15</sup>Leo XIII, *Rerum Novarum*, no. 36.

common good determines the use of private property. That much is still subject to the capitalist interpretation of *Rerum Novarum*; but Pius explains whose task it is to determine what is for the sake of the common good:

It follows from the twofold character of ownership, which We have termed individual and social, that men must take into account in this matter, not only their own advantage, but also the common good. To define in detail these duties, when the need occurs and when the natural law does not do so, *is the function of the government.*<sup>16</sup>

The state, the Church teaches, determines what uses of property will be conducive to the common good in each specific situation. That is a teaching which is totally antithetical to capitalism, but which is nevertheless a moral teaching of the Church. So in this respect, at least, capitalism fails in light of the Church's great economic encyclicals.

Incidentally, Clark's insistence that "when this right [to unrestricted use] ceases to exist, I no longer possess private property" is dismissed with no more than a sentence by Pius XI, who says that "it is idle to contend that the right of ownership and its proper use are bounded by the same limits; and it is even less true that the very misuse or even the non-use of ownership destroys or forfeits the right itself."<sup>17</sup> Indeed, the holy pontiff goes so far as to say that "when the civil authority adjusts ownership to meet the needs of the public good it acts not as an enemy, but as the friend of private owners."<sup>18</sup> So we do really own property, even though we cannot do whatever we wish with it. One might as well say that we possess no freedom if we cannot kill our fellow man. Freedom is served, not attacked, by legal limits upon its exercise; the same is true for property.

And the last great social encyclical, *Centesimus Annus*, confirms again the perennial teaching. While John Paul II does not specifically repeat Pius's and Leo's teaching, he does state unequivocally that the government has a role in the market<sup>19</sup> and that certain economic activities, including wages (involving what an employer does with his own

<sup>16</sup>Pius XI, *Quadragesimo Anno*, p. 25 (emphasis added).

<sup>17</sup>Pius XI, *Quadragesimo Anno*, p. 24.

<sup>18</sup>Pius XI, *Quadragesimo Anno*, p. 26.

<sup>19</sup>John Paul II, *Centesimus Annus*, no. 48.

money), ought to be regulated.<sup>20</sup> So it is clear that Catholic economic teaching not only permits but sometimes requires as a matter of justice<sup>21</sup> a measure of control on the use of private property by individuals and families.

This distinction is not one of the modern Church, influenced by the doctrines of socialism. Indeed, even the Angelic Doctor, following Aristotle,<sup>22</sup> acknowledges that property is both individual and social and that its ownership must be distinguished from its use. St. Thomas says that “[t]wo things are competent to man in respect of exterior things.”<sup>23</sup> The first is “the power to procure and dispense them, and in this regard it is lawful for man to possess property.” The other is “their use. In this respect man ought to possess external things, not as his own, but as common.” And, since these goods are not his own, their use can be directed by the state, as the Church clearly tells us by her exegesis on St. Thomas’s point in the encyclicals as quoted above. The capitalist, however, will often state that St. Thomas is speaking merely about private charity, rather than about a matter of justice which can be enforced by the state. But is St. Thomas speaking about charity here? Is he referring merely to the Christian obligation to give to the poor, which Leo XIII tells us cannot be enforced by positive law?

The rest of the article makes it quite clear that St. Thomas is referring to something more than the obligation to free charity. In his reply to the third objection, St. Thomas is unequivocal; he does not hesitate to call the failure to submit one’s goods to common use theft. “When Ambrose says: *Let no man call his own that which is common*, he is speaking of ownership as regards use, wherefore he adds: *He who*

<sup>20</sup>John Paul II, *Centesimus Annus*, no. 8. Here the pope is praising Leo’s contribution to Catholic social thought.

<sup>21</sup>John Paul II, *Centesimus Annus*, no. 8.

<sup>22</sup>“Property should be in a certain sense common, but, as a general rule, private. . . yet by reason of goodness, and in respect of use, ‘Friends,’ as the proverb says, ‘will have all things common’ . . . It is clearly better that property should be private, but the use of it common; and the special business of the legislator is to create in men this benevolent disposition.” ARISTOTLE, *POLITICA*, in *THE BASIC WORKS OF ARISTOTLE II:5* (Benjamin Jowett trans., Richard McKeon ed., Random House 1941) (emphasis added).

<sup>23</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 66 Art. 2 (Fathers of the English Dominican Province trans., Christian Classics 1948). All further English quotations from the *Summa* are drawn from this source.

*spends too much is a robber.*” St. Thomas is clearly referring to a man violating his obligations under the social aspect of property, the determination of which Pius XI tells us “is the function of the government.”<sup>24</sup> So St. Thomas teaches, when he is interpreted in light of the magisterial teaching of the Church (and even when one ignores ecclesiastical statements on the matter), that refusal to submit to the state’s determination of the common duties of one’s property is theft, making one “a robber.” Far from being a strike against socialism, such refusal to submit to the common good is really robbery. St. Thomas’s teaching is quite direct and perfectly in line with the social encyclicals from which we have quoted so frequently.

The idea that a man can do whatever he wills with his property, therefore, even provided that he is not violating the moral law, is foreign to Catholic thought. Authentic Catholic teaching proves that “*ius utendi et abutendi*: the right to use and misuse, is false.”<sup>25</sup> This distinction is ancient; St. Thomas tells us that it goes back at least as far as Ambrose and Augustine, whom he quotes in his discussion of it,<sup>26</sup> and it is difficult to find a more distinguished Catholic lineage than that. The capitalist idea of private property is mistaken, then, and cannot be held by the Catholic who wishes to embrace the tradition of his faith.

The failure of capitalism to understand restricted use of property (restricted, that is, by the common good) lies in their faulty notion of freedom, particularly economic freedom. In their view, freedom is simply the ability to do what one wills, the state of being uncontrolled. This is the Enlightenment conception of freedom, and is directly opposed to that of Catholic tradition and has always been opposed by Catholic thinkers throughout history. For the Catholic, freedom is not the ability to do right or wrong without restraint; it is the ability to do the good and seek God.

At this point cries of fascism (or communism) generally result, as though I have asserted that man ought to be restricted from any evil. But I have not; certain distinctions must be made. First, it is clear that

<sup>24</sup>Pius XI, *Quadragesimo Anno*, p. 25.

<sup>25</sup>MSGR. LUIGI CIVARDI, *HOW CHRIST CHANGED THE WORLD: THE SOCIAL PRINCIPLES OF THE CATHOLIC CHURCH* 41 (Sylvester Adriano trans., TAN Books and Publishers 1961).

<sup>26</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 66 Art. 2.

“one should distinguish between *physical* liberty and *moral* liberty.”<sup>27</sup> Physical freedom is “*the power of man to decide for himself, to will or not to will, to will one thing or another.*”<sup>28</sup> This physical freedom can be destroyed by necessity, which can be external or internal. External necessity is a physical restraint, such as when a large man forces a smaller one to move by pushing him out of the way. Internal necessity, on the other hand, is any force within a man which forces him to act. For example, if a man is a lunatic, he cannot prevent himself from acting like a lunatic; he is compelled by internal necessity. So physical freedom is the absence of external and internal necessity.<sup>29</sup>

Indeed, even St. Thomas Aquinas drew this distinction. In his discussion of free will in the *Summa Theologica*, St. Thomas argues his point simply assuming that such a distinction is obvious and good. He makes his reply to the fourth objection by distinguishing that man is not free “in the execution of his choice, wherein he may be impeded, whether he will or not.”<sup>30</sup> St. Thomas still holds that “the choice itself, however, is in us”<sup>31</sup>; but the fact that we are not free in our actual deeds, but only in our internal choices, is clear. While he does not actually use Msgr. Civardi’s terms, this distinction runs perfectly parallel to that between exterior and interior necessity, to the former of which man is most definitely subject in the laws of nature and of the state, and to the latter of which man can never be subjected, at least not by the deeds of another. This distinction is firmly founded, then, in the tradition of the Church and the writings of the Angelic Doctor.

Free will, however, is not physical freedom; free will is “the absence of internal necessity.”<sup>32</sup> Any fool can see that man is not *completely* physically free; he is always subject to external necessity in some way. If he jumps, he must fall; if he walks into a solid surface, he must necessarily stop moving in that direction, at least for a time. So free will *must* be the absence of *internal* necessity; otherwise, we are not free. And it follows that limiting an owner’s use of his property is not depriving him of freedom.

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<sup>27</sup>Msgr. Civardi, *supra* note 25, at 74.

<sup>28</sup>*Id.*

<sup>29</sup>*Id.* at 74-75.

<sup>30</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* Ia Q. 83 Art. 1, rep. to Obj. 4.

<sup>31</sup>*Id.*

<sup>32</sup>Msgr. Civardi, *supra* note 25, at 75.

But what of moral freedom? It “is entirely different from physical freedom” and “consists in the *power of doing everything that is not forbidden by a just law.*”<sup>33</sup> As such, moral freedom supplies no right to do evil; it allows one only to do the good. It follows from this that the only way a man’s moral freedom can be taken from him is if he is forbidden from doing that which is good. So limitations on the use of property is not depriving the owner of moral freedom, any more than it is depriving him of free will; it is simply requiring him to do the good which the common good requires. Similarly, states sometimes employ conscription for their own defense. Does this violate the freedom of the conscripted soldiers? Of course not; it simply requires them to do their duty, to do the moral good which the common good requires.

Can man be required to do good in this way, however? Did not Leo XIII tell us that charity, for example, could not be forced by positive law? It is certainly true that *all* good acts ought not to be prescribed by the law of the state; however, mandating virtuous acts is certainly within the jurisdiction of the state. In truth, mandating good is one of the two purposes of law in the classical and medieval conceptions. The classical tradition affirms this unequivocally, and its medieval successor does not hesitate to defend its forbear.

Plato, the first of the great ancient philosophers, had no doubts about the purposes of law. He states that the ruler “set[s] up all his lawful customs for the sake of what is best.”<sup>34</sup> The law, he says, exists to make people virtuous, and to do so it may mandate virtue. Plato holds that “it is correct to begin from virtue and say that he laid down the laws for the sake of this.”<sup>35</sup> So Plato clearly believed that the very purpose of law was to force virtue, if it would not be accepted willingly.

Plato’s student, Aristotle, St. Thomas’s forbear, had the same view of law and virtue. “And the law,” Aristotle says, “bids us do both the acts of a brave man (e.g. not to desert our post nor take to flight nor throw away our arms), and those of the temperate man (e.g. not to commit adultery nor to gratify one’s lust). . . and similarly with regard to the other virtues and forms of wickedness.”<sup>36</sup> So the law exists,

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<sup>33</sup>*Id.* at 77.

<sup>34</sup>PLATO, *THE LAWS* 7 (Thomas L. Pangle trans., Basic Books 1980).

<sup>35</sup>*Id.* at 10.

<sup>36</sup>ARISTOTLE, *ETHICA NICOMACHEA* in *THE BASIC WORKS OF ARISTOTLE* 1003 (Benjamin Jowett trans., Richard McKeon ed., Random House 1941).

according to Aristotle, both to prevent vice *and* to promote virtue. His student, St. Thomas, follows and improves his opinion.

St. Thomas is even clearer about the purpose of law. In his famous Treatise on Law, St. Thomas declares that “it is difficult to see how man could suffice for himself in the matter of this training [to virtue].”<sup>37</sup> A man therefore

needs to receive this training from another, whereby to arrive at the perfection of virtue. . . But since some are found to be depraved, and prone to vice, and not easily amenable to words, it was necessary for such to be restrained from evil by force and fear, in order that, at least, they might desist from evil-doing, and leave others in peace, *and that they themselves, by being habituated in this way, might be brought to do willingly what hitherto they did from fear, and thus become virtuous.*<sup>38</sup>

But if they are doing willingly (being virtuous) what they once did from fear, then they were being compelled to at least some level of virtue as well as being restrained from vice.

St. Thomas further elaborates on evil men in society, saying that “Men who are well disposed are led willingly to virtue by being admonished better than by coercion: but men who are evilly disposed are not led to virtue *unless they are compelled.*”<sup>39</sup> And further, “it is evident that the proper effect of law is to lead its subjects to their proper virtue.”<sup>40</sup> So men can be compelled to certain virtues, though of course prudence must dictate to the state which ones<sup>41</sup>; and always, these virtues must be compelled for the sake of the common good.<sup>42</sup>

So it follows from these true, Catholic notions of freedom and law that restraining an owner’s use of his property is not violating his freedom. It is, naturally, subjecting him to external necessity; but we have seen that external necessity does not destroy free will. But it does not subject him to internal necessity; he can be virtuous and accept these

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<sup>37</sup>ST. THOMAS AQUINAS, SUMMA THEOLOGICA Ia-IIæ Q. 95 Art. 1.

<sup>38</sup>*Id.* (emphasis added).

<sup>39</sup>*Id.*

<sup>40</sup>*Id.*

<sup>41</sup>*Id.* at Ia-IIæ, Q. 96, Arts. 2 and 3.

<sup>42</sup>*Id.* at Ia-IIæ Q. 90 Art. 2 and Ia-IIæ Q. 96 Art. 1.

limitations on his use, considering his goods as common as St. Thomas says, or he can grumble and be resentful, and thus hinder himself on his path to virtue. In terms of moral freedom, restraining his use is certainly not depriving him of it. In fact, it is actually granting it to him, should he choose to accept it; but it does not allow his selfishness to harm the common good, should he choose not to.

Having addressed the issue of freedom, it seems fitting that the next topic in our discussion of capitalism ought to be the free market. The market is the cornerstone of the capitalist economy; it is where the natural laws which govern economic activity converge and produce the greatest possible wealth for all. But are the capitalist conceptions of competition and the free market compatible with Catholic social teaching?

### **Free Competition**

This freedom of competition is absolutely central to capitalism. Gronbacher notes the centrality of this freedom, saying that free-market economics, or capitalism, has as its characteristic “indefatigable defense of human liberty, and in particular, economic liberty.”<sup>43</sup> This economic liberty means the freedom to compete with others by whatever means are not actively repugnant to the moral law. Why do capitalists find this competition so necessary?

Free competition is one of the hallmarks of capitalism. Capitalists claim that the glory of their system rests in this. It allows the able mind and skilled hand to triumph over less gifted competitors, and thereby to increase their own personal wealth by the sweats of their brows. It allows all to exercise their personal liberties in such a way as to benefit themselves. Their claims are rooted as much in freedom as they are in competition, trusting to private property as justification. Are their claims adequate?

We have seen above that the capitalists’ claims about private property and the freedom to use it are faulty; since their claims to free competition are based on these notions, the capitalistic edifice of free competition must fall along with them. However, the Church has spoken particularly of free competition, addressing the claims of capitalism

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<sup>43</sup>Gregory M. A. Gronbacher, *Economic Personalism: A New Paradigm for a Humane Economy* 13 (The Acton Institute 1998).

individually, even though logically such refutation is unnecessary. We will condense the arguments of the Church condemning free competition both in its principles and its specifics, leaving the capitalist no room for prevarication about the Church's position on his theory.

*Rerum Novarum* was concerned primarily with the condition of the workers, and consequently devoted little time to the theory of capitalism itself and more to the necessity of treating workers like human beings. *Quadragesimo Anno*, however, having been written in a time when the physical condition of workers had improved, devotes itself much more thoroughly to capitalistic theory. The pontiff recognized the role that free competition plays in the capitalist world, saying that many claim that "these possess in free competition and open markets a principle of self-direction better able to control them than any created intellect."<sup>44</sup> However, Pius is adamant that "[j]ust as the unity of human society cannot be built upon class-warfare, so the proper ordering of economic affairs cannot be left to free competition alone."<sup>45</sup> He recognized that "within certain limits [it is] just and productive of good results," but that it "cannot be the ruling principle of the economic world."<sup>46</sup> In fact, Pius commits the ultimate capitalist heresy by saying that "[s]ocial charity should be, as it were, the soul of this [economic] order and the duty of the state will be to protect and defend it effectively."<sup>47</sup> This great pontiff who so energetically condemned socialism is, according to capitalist theories, subject to being called a socialist. Perhaps the vacuity of capitalist theories is exposed by this fact alone.

So the Church teaches that the economy must be ordered not by free competition, but by "social justice and social charity,"<sup>48</sup> which is guarded and forwarded by the state. Pope John Paul II continues this teaching, contrary to common Catholic capitalist claims. As he himself says, while the market does tend to resolve certain difficulties, it leaves others totally untouched. The market, he says,

[seems to be] the most efficient instrument for utilizing re-

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<sup>44</sup>Pius XI, *Quadragesimo Anno*, p. 44.

<sup>45</sup>Pius XI, *Quadragesimo Anno*, p. 44.

<sup>46</sup>Pius XI, *Quadragesimo Anno*, p. 44.

<sup>47</sup>Pius XI, *Quadragesimo Anno*, p. 45.

<sup>48</sup>Pius XI, *Quadragesimo Anno*, p. 45.

sources and effectively responding to needs. But this is true only for those needs which are “solvent,” insofar as they are endowed with purchasing power, and for those resources which are “marketable,” insofar as they are capable of obtaining a satisfactory price.<sup>49</sup>

The Pope thus condemns the idea that the free market is the best distributor of resources and fulfiller of needs. He does not even address the reality that the “most efficient instrument” might not be the paramount concern in the selection of an economic system. Indeed, our final critique of the free market rests in this fact: that economic life aims at something more important than mere efficiency.

One of capitalism’s most vaunted claims to superiority is the supposed efficiency of its distribution of wealth. Indeed, Dr. Thomas Woods quotes Austrian capitalist Ludwig von Mises as asserting that “[h]e who disdains the fall in infant mortality and the gradual disappearance of famines and plagues may cast the first stone upon the materialism of the economists.”<sup>50</sup> He goes further and ascribes to capitalism, and thus to the free market, “the enormous improvement in living standards that everyone in the developed world has enjoyed these past two centuries” and “the enormous growth in population, in life expectancy, health, and living standards”<sup>51</sup> that the recent centuries have witnessed. Could any system which brought about such wonderful things, the capitalists seem to say, possibly be really evil?

Leaving aside the question of whether the medical advances of the last two centuries are really due to capitalism, or whether they are the result of independently advancing science which happened to concomitant with the triumph of capitalism,<sup>52</sup> these claims are still irrelevant to the question of which economic system is most in accord with Catholic principles. While we would be last to deny the benefits of modern medicine, we do deny the thesis that it, or any other kind of material advancement, ought to be the sole, or even the primary, motive of an economic system. As John Sharpe so memorably put it, we cannot

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<sup>49</sup>John Paul II, *Centesimus Annus*, no. 34.

<sup>50</sup>Ludwig von Mises, quoted in Thomas Woods, *Three Catholic Cheers for Capitalism* in <http://www.LewRockwell.com>, 7 October 2002.

<sup>51</sup>Thomas Woods, *Three Catholic Cheers for Capitalism* in <http://www.LewRockwell.com>, 7 October 2002.

<sup>52</sup>For a discussion of this question, see *infra*, Appendix A, at 107.

approve of capitalism based on the fact that it has assured “that both rich and poor classes today have TVs, microwaves, radios, [and] access to air travel”<sup>53</sup>; we must rather look at the common good. For as the Church teaches,

the perfection of all associations [including the state and economic order] is this, namely, to work for and to attain the purpose for which they were formed, so that all social actions should be inspired by the same principle which brought the society itself into being.<sup>54</sup>

By this “same principle” Leo of course refers to the common good, as is evident by the whole spirit of his encyclical as well as explicitly by its successors.<sup>55</sup> So for the perfection of economic life, we must not look first to the efficient distribution of goods, but to the order of society as a whole; that is, to the common good.

But how can goods be common? Is society not an amalgamation of individuals, each participating in society for his own ends? While capitalist theory claims that this is true,<sup>56</sup> traditional Catholic philosophy denies it, teaching rather that society is an organic whole, and that all the parts of society (individuals and organizations) ought to be organized for that end. Pius XI, citing St. Thomas Aquinas, defines “order” as “unity arising from the apt arrangement of a plurality of objects.”<sup>57</sup> The order of society, then, is the proper arrangement of its parts. This arrangement is “apt” because it renders society more fit for the attainment of its final end, which end is the common good. This arrangement is the “*corpus politicum*,” the “body politic.” And economic life, as we have already seen,<sup>58</sup> is subordinate to the political order. The economy, then, is subject to the political order, which is ordered for the common good; it follows that the economy itself is ordered for the common good, not for the efficient distribution of goods.

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<sup>53</sup>Sharpe, *supra* note 13.

<sup>54</sup>Leo XIII, *Rerum Novarum*, no. 41.

<sup>55</sup>See Pius XI, *Quadragesimo Anno*, p. 49.

<sup>56</sup>See, e.g., William R. Lucky, *The Intellectual Origins of Modern Catholic Social Teaching on Economics: An Extension of a Theme of Jesùs Huerta de Soto* (speech given to the Austrian Scholars Conference at Auburn University, 23-25 March 2000).

<sup>57</sup>Pius XI, *Quadragesimo Anno*, p. 42.

<sup>58</sup>See *supra* at xvii.

Many capitalists, however, would simply argue that the most efficient distribution of goods *is* for the common good, so ordering economic life to that distribution serves the common good. It is undeniable that a certain degree of efficiency in distribution of goods is necessary for the common good. However, to hold that it ought to be the *first*, or even a *primary*, consideration can only be justified by a materialistic view of either man or society. Truly serving the common good requires the recognition that man has a higher end to be served than the filling of his belly and the mollification of his mind. Man has a *spiritual* end, and the political order must take this into account. Proving this point is beyond our present scope; it has been done, however, by many already, including the great nineteenth-century popes in their condemnations of liberalism.<sup>59</sup> These documents are binding on Catholic consciences; our discussion of the binding force of economic teaching<sup>60</sup> is sufficient to demonstrate that fact. So there are considerations besides the most efficient distribution of goods that must take precedence in our discussion of economic goals; and that means, capitalism's claims to the contrary notwithstanding, that the great efficiency (if efficiency it indeed is) of capitalism and its concomitant free market is irrelevant in determining its worth as an economic system. The condemnations of the Church being clear and unequivocal, and the consensus of Catholic tradition being in complete conformity with the papal decrees, any theory supporting the free market, except within acknowledged and just state control, must be rejected.

### **The Profit Motive**

It is axiomatic among capitalists that riches are not sinful. This is, of course, true; riches are not *per se* sinful. However, it is indisputable that riches are *proximate causes* of sin. Wealth is a dangerous thing, which Our Lord and His Church have been teaching throughout the ages. But still many of the rich insist that their possession of wealth represents no hindrance to their virtue or the obtaining of eternal happiness.

Our Lord, however, thought otherwise, and not infrequently took the opportunity to say so. For Christ tells us that “[i]t is easier for

<sup>59</sup> See, e.g., Gregory IX, *Mirari Vos*; Pius IX, *Syllabus Errorum*.

<sup>60</sup> See *supra* at xvii.

a camel to pass through the eye of a needle, than for a rich man to enter into the kingdom of heaven.”<sup>61</sup> The wealthy, however, often seem to think that the camel can navigate the eye of the needle without difficulty, thus putting the words of Our Lord to naught. Again, the rich young man approached Our Lord and asked what he must do to gain the kingdom of heaven. As happens so often, Our Lord responded, “Go, sell what thou hast, and give to the poor, and thou shalt have treasure in heaven.”<sup>62</sup> The young man’s wealth was a hindrance to his salvation; Our Lord therefore, in His infinite goodness, instructed him to give it up, for “if thy right eye scandalize thee, pluck it out and cast it from thee. For it is expedient for thee that one of thy members should perish, rather than that thy whole body be cast into hell.”<sup>63</sup> Can we, in the face of Our Lord’s clear words, claim that riches are neutral in our pursuit of eternal salvation?

The Church, indeed, supports the teaching of the Gospel. Even in *Rerum Novarum*, concerned principally with the poor and not the rich, we find a warning about the dangers of wealth.

Therefore, the well-to-do are admonished that wealth does not give surcease of sorrow, and that wealth is of no avail unto the happiness of eternal life but is rather a hindrance; that the threats pronounced by Jesus Christ, so unusual coming from Him, ought to cause the rich to fear; and that on one day the strictest account for the use of wealth must be rendered to God as Judge.<sup>64</sup>

The Church is not condemning the rich to Hell, any more than Christ Himself is; she merely, following her divine Founder, seeks to warn those of her children with wealth of the dangers they are facing. It is maternal care, not socialistic vindictiveness, which motivates her cautions.

This is certainly not to say that riches render virtue impossible. Indeed, riches can be the source of great virtue; witness King St. Louis, for example, or any other of many wealthy saints. But their sanctity was due to their responsible use of their wealth for the benefit of others;

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<sup>61</sup>St. Matthew 19:24.

<sup>62</sup>St. Matthew 19:21.

<sup>63</sup>St. Matthew 5:29.

<sup>64</sup>Leo XIII, *Rerum Novarum*, no. 34.

had they used it for their own benefit, they could never have become the saints they did. As Leo XIII says, “No one, certainly, is obliged to assist others out of what is required for his own necessary use or for that of his family, or even to give to others what he himself needs to maintain his station in life becomingly and decently.”<sup>65</sup> Indeed, the pontiff even quotes St. Thomas Aquinas to this effect. However, he does not hesitate to insist that “when the demands of necessity and propriety have been sufficiently met, it is a duty to give to the poor out of that which remains.”<sup>66</sup> In so saying Leo is echoing the words of Our Lord, Who teaches that with “that which remaineth, give alms; and behold, all things are clean unto you.”<sup>67</sup> The holy pontiff teaches unequivocally that

[t]he substance of all this is the following: whoever has received from the bounty of God a greater share of goods, whether corporeal and external, or of the soul, has received them for this purpose, namely, *that he employ them for his own perfection and, likewise, as a servant of Divine Providence, for the benefit of others.*<sup>68</sup>

So we see that riches are not unalloyed good; they impart grave responsibility on their holders, and we must always recall that great axiom of the moral life: “from those to whom much is given, much is expected.”<sup>69</sup>

All of this, of course, has a bearing on one of the central claims of capitalism: that “profits and losses give people incentives to act in ways that turn out to benefit society.”<sup>70</sup> Such a benign statement scarcely covers the immense role of profit within the capitalist system. John Clark explains it better, with full emphasis on its importance:

For an economy to operate efficiently, the potential for profit and riches is crucial. Remove the potential for profit

<sup>65</sup>Leo XIII, *Rerum Novarum*, no. 36.

<sup>66</sup>Leo XIII, *Rerum Novarum*, no. 36.

<sup>67</sup>St. Luke 11:41.

<sup>68</sup>Leo XIII, *Rerum Novarum*, no. 36 (emphasis added).

<sup>69</sup>I have seen many conflicting attributions of this statement; the fact that it is a morally valid axiom, however, is universally acknowledged.

<sup>70</sup>Nash, *supra* note 3, at 52.

and you destroy the economy. That is not *a* lesson of economic history; that is *the* lesson of economic history.<sup>71</sup>

In his typically strong language, Clark has encapsulated the capitalist theory of profit quintessentially: without profit, there is no capitalism. In a world of complex issues, things are rarely so simple, but profit is truly that simple.

The theory is that profit is, as Nash says, an incentive; if people find that producing some kind of good or service is profitable, they will continue to do it. In turn, that production will only be profitable if people want the thing which is produced. So through the mechanism of profit, man's needs will be fulfilled, and the world will, apparently, be a better place. For the Catholic capitalist, often the term "common good" is thrown in for good measure, deceiving the unwary; the term is not used in the traditional Catholic sense, but rather in a utilitarian, "greatest good for the greatest number" sense. Is this theory of profit amenable to Catholic teaching? Is it even amenable to the elementary teaching on wealth in the Gospels and the rest of Holy Writ?

The answer from any sort of Christian perspective must be no. While it is certainly legitimate to seek material profit,<sup>72</sup> to make material profit the end of our economic actions is just as certainly not legitimate. The reason is quite simple, as Brother Alexis Bugnolo observes: "[o]ne cannot equate economic needs with moral needs or objectively good needs after the Fall of Adam, since there is another principle to be recognized, that of Original Sin: a principle which the science of economics cannot ignore and which it must accept from the science of theology."<sup>73</sup> However, that same Fall of Adam renders our intellects darkened; so it is best for those of us who are not as gifted as Brother Bugnolo to examine this rationale more thoroughly.

If man had not fallen, and therefore desired nothing that was contrary to his good, we could accept the idea that an unrestrained profit motive could be good for society, though we would still dispute the almighty "self-interest" (so called to be distinguished from greed) as a primary guiding principle for human action.<sup>74</sup> In such a case, no one

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<sup>71</sup>Clark, *supra* note 1, at 33.

<sup>72</sup>See Leo XIII, *Rerum Novarum*, no. 15.

<sup>73</sup>Brother Alexis Bugnolo, *What Does it Profit a Man...? in SEATTLE CATHOLIC* at <http://www.seattlecatholic.com>, 11 October 2002.

<sup>74</sup>"[M]en must take into account in this matter [of economics], not only their

would desire anything contrary to his own good; each man would seek only what would bring him closer to God, his final end, and nothing more. Alas, our world is not so. Man *has* fallen, and therefore frequently desires things that are contrary to his good. Because of his corrupted appetites, now all too frequently outside the control of his reason, man seeks things which are harmful both to himself and his neighbor. Frequently these corrupted appetites lead man to seek more than is his due, which is the chief temptation in a society governed by the profit motive. So a capitalist society, which glorifies the hunt for profit, encourages vice in so doing.

Capitalists, of course, immediately deny this, even descending so far into absurdity as to state that seeking the greatest profit for oneself is actually an act of charity towards others! As Brother Bugnolo explains the argument of Catholic capitalist Dr. Thomas Woods, “he who seeks the greatest profit, seeks to meet the greatest needs of his neighbor and thus fulfills the precept of charity.”<sup>75</sup> Woods himself explains it more thoroughly:

either man can pursue his ends *without regard* for the needs and wishes of his fellow man, or he can act *with regard* to those needs. There is no third option. By seeking to “maximize profits,” a motivation that is routinely treated as a terrible scourge on civilization, man ensures that his talents and resources are directed toward areas in which his fellow man has indicated the most urgent needs. In other words, the price system, and the system of profit and loss that follows from it, forces him to plan his activity in conformity with the expressed needs of society and in the interest of a genuine stewardship of the things of the earth. This is how a rational and civilized society ensures that its resources are apportioned not according to some arbitrary blueprint but according to the needs of the people.<sup>76</sup>

Note the numerous unfounded assumptions that this argument entails. First, of course, is that the only alternative to the “expressed needs

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own advantage, *but also the common good.*” Pius XI, *Quadragesimo Anno*, p. 25 (emphasis added).

<sup>75</sup>Brother Bugnolo, *supra* note 73.

<sup>76</sup>Woods, *supra* note 51.

of society” (meaning whatever lots of people are willing to spend lots of money on) is “some arbitrary blueprint,” which apparently takes no account of the needs of men. This assumption in itself is damning to Woods’s argument, for if it is seen to be false, then his rationale about profit expressing the “needs of the people” better than an actual, rational leader comes to naught. But we have already seen that the Church teaches that the state is morally obliged to govern economic life; so we know that Woods’s “arbitrary blueprint” (perhaps not so arbitrary as he thinks) is supported by the Church, and that his system of profits and losses is therefore not.

More to the point, however, are the fallacies which govern his argument after this foundational assumption is made. Woods assumes that men, being encouraged by society to seek maximum profit, will do so honestly and morally; human nature being what it is, this assumption is grossly mistaken. Woods, of course, would argue that he makes no such assumption; he would argue that the producer benefits society whether he is producing out of honest and moral motives or not. We reply that this is even more damning for the capitalist position; if a man has the option to seek profit either for his own good or for his neighbor’s, and he is assured that he is benefitting society either way, then he is almost assuredly going to do so for his own good. He will have been told, and understood, that greed, the constant desire to increase his own wealth, is good not only for himself but for the rest of society. Pulpits and morality textbooks may tell him that greed sends men to Hell no matter how much they benefit society, but the constant encouragement which he receives from his success will only further his descent into vice. Even those who do not succeed will doubtlessly descend further into greed, believing that they failed either because they do not desire profit enough, or because they simply need to continue desiring it. One cannot tell a man that desiring the maximum possible profit is good and not expect him to fall into greed. So this glorification of profit is conducive to vice, and any policy that is conducive to vice cannot be for the common good, no matter how much material benefit it imparts. So the profit motive as understood by capitalists is harmful to the good of society and contrary to the social teachings of the Catholic Church.

But did we not already stipulate that the desire to acquire material goods is morally licit? We did; but we hasten to distinguish between our

statement and the profit theories of the capitalists, which hold that the desire for limitless wealth (Catholics will add “as long as one’s heart is with God and not the wealth”) is not only not sinful but morally good. When we refer to the desire to acquire material goods, we refer to what is required for the proper maintenance of physical and societal existence. The difference is stark and very firmly rooted in the papal encyclicals.

When Leo XIII, lauded even by capitalists as a proponent of private property, refers to man’s legitimate desire to accumulate wealth, he is not speaking of the unrestrained “profit motive” of the capitalists. Leo is speaking rather of the property necessary to sustain life and state. Indeed, whenever he refers to the desire for wealth, he is referring to it in this way—except when he is warning about wealth’s dangers.<sup>77</sup> His major defense of private property is based on this view of acquiring wealth; he states that “the right of ownership, which we have shown to be bestowed on individual persons by nature, must be assigned to man in his capacity as head of a family.”<sup>78</sup> Leo further says that the father’s duty is to “see that his offspring are provided with all the necessities of life.”<sup>79</sup> The rest, Leo holds, ought to be used for charity. But the scope of a thing cannot exceed its first principles; the desire for wealth, then, cannot exceed its principles, which is providing the family “with all the necessities of life,” including that which is necessary to maintain one’s state becomingly. This desire for wealth is clearly different from the capitalists’ profit motive; so we can conclude that Leo XIII did not morally condone the capitalists’ notion of profit.

Pius XI backs up this interpretation, speaking of the wealth that a man has a right to spend for himself and the wealth that he does not. “At the same time,” as we quoted above, “a man’s superfluous income is not left entirely to his own discretion.”<sup>80</sup> Pius holds that a man cannot use for himself that wealth “which he does not need in order to live as becomes his station”<sup>81</sup>; he must employ it in fulfilling “the grave obligations of charity, beneficence, and liberality which rest upon the wealthy” as “constantly insisted upon in telling words by Holy Scripture

<sup>77</sup>See Leo XIII, *Rerum Novarum*, no. 34.

<sup>78</sup>Leo XIII, *Rerum Novarum*, no. 19.

<sup>79</sup>Leo XIII, *Rerum Novarum*, no. 20.

<sup>80</sup>Pius XI, *Quadragesimo Anno*, p. 26.

<sup>81</sup>Pius XI, *Quadragesimo Anno*, p. 26.

and the Fathers of the Church.”<sup>82</sup> But a man cannot legitimately *desire* for himself what he cannot *use* for himself; it is, therefore, immoral to desire wealth in excess of what one requires “to live as becomes his station,” unless one intends to use the surplus in Christian charity.

What, then, is to be the motive of economic life, if not the acquisition of ever more wealth, which the capitalists suggest is the only reason that man in general can respect? The answer, of course, is the same as in the question about what should govern the state’s decisions about the use of property, and what should order economic life: the common good. We ought to desire enough money that we are able to perform our part for the common good. To prove this, we need merely appeal to our arguments about the use of property. If our use of property must be subject to the common good, as explained above, then it follows that it is immoral to *desire* property except insofar as it is subject to the common good. The desire for profit, then, must be tempered by our love for the common good; any desire of profit for its own sake, for the sake of merely increasing our personal wealth, must be rejected as immoral, because it ignores the common good. If the use of wealth is directed by the common good, then the desire for wealth must also be so; and it follows that it is a sin to desire more wealth than would be conducive to the common good.

The capitalist vehemence for the promotion of the profit motive, however, knows literally no boundaries. Even Holy Writ is invoked to justify this desire for money. John Clark argues that the parable of the talents, which has for centuries been regarded as a lesson “that the apostles and all men might learn how they ought to watch, and to prepare for the last day,”<sup>83</sup> was actually intended as a lesson in good and bad investment.<sup>84</sup> While traditional Catholic exegesis has determined that “[i]n the parable of the talents, the master is God, talents, graces, &c,”<sup>85</sup> Clark sees the talents as literal pieces of money, and the lesson about investment and desire for profit. Clark argues from the false first presumption that Our Lord is referring to material wealth, informing us all that Christ

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<sup>82</sup>Pius XI, *Quadragesimo Anno*, p. 26-27.

<sup>83</sup>Rev. Fr. George Leo Haydock in THE DOUAY-RHEIMS NEW TESTAMENT OF OUR LORD AND SAVIOR JESUS CHRIST 1303 (Catholic Treasures, 1991).

<sup>84</sup>Clark, *supra* note 1, at 33-34.

<sup>85</sup>Fr. Haydock, *supra* note 83.

realized that some men were more talented than others and, equally as important, that some men wanted to increase their lot and *some did not*.<sup>86</sup>

Clark's assumption that the talents are literal, material talents is not only unjustified traditionally, but also counter to the whole message of the Gospel. Throughout the Scriptures, Our Lord is telling us that we must beware of worldly wealth, that we must gather treasure in Heaven, not on earth<sup>87</sup>; Clark would have us believe that this was all metaphorical, and that in the literal realm Christ really wants us to accumulate as much wealth as we can. This is blasphemy against the Scriptures, pure and simple, and an abuse of them in favor of an economic point.

Clark's exegesis does violence to one of Christ's most beautiful parables. The traditional interpretation of this passage is, as Christ intended it to be, focused on spiritual goods. Do we, then, like Clark, turn the words of the Christ into a metaphor? We do not, for *Christ Himself did so* when He named it a parable. Clark rather turns Christ's literal words into metaphors, and His parables into tales of monetary management. The lesson of Our Lord, which is so thoroughly abused, deserves to be published as it was meant; we let Father Haydock explain the true meaning of the words according to the Catholic tradition.

In the parable of the talents, the master is God, the talents, graces, &c. . . From this, it appears, we can do no good of ourselves, but only by means of God's grace, though he requires our co-operation; since the servants could only make use of the talents given them to gain others. . . It is also worthy of remark, that both he who received five and he who received only two talents, received an equal reward of entering into the joy of our Lord; which shews, that only an account will be taken according to what we have received, and that however mean and despicable our abilities may be, we still have an equal facility with the most learned of entering heaven. . . The servant to whom this treasure was delivered, is allegorically explained of the faithful adorers

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<sup>86</sup>John Clark, *supra* note 1, at 34.

<sup>87</sup>St. Matthew 19:21; St. Mark 10:21; St. Luke 18:22.

of God, in the Jewish law, who departing from it, became followers of Christ, and therefore deserving of a double recompense. . . The servant to whom the two talents were delivered, is understood of the Gentiles, who were justified in the faith and confession of the Father and the Son, and confessed our Lord Jesus Christ, God and man, composed of body and soul; and as the people of the Jews doubled the five talents they received, so the Gentiles, by the duplication of their two talents, merited a double recompense also. . . But the servant who received only one talent, and hid it in the ground, represented such of the Jews as persisted in the observation of the old law, and thus kept their talent buried in the ground, for fear the Gentiles should be converted.<sup>88</sup>

Clark demeans the words of Holy Writ when he interprets them as a lesson in personal finance. They are far more beautiful than any such utilitarian interpretation allows, even if that interpretation makes capitalism look better. This sort of corruption of God's Word for the sake of a human theory is simply unconscionable. "Holy writ is holy,"<sup>89</sup> and ought not to be twisted to serve political ends.

So we see that the capitalistic notion of profit is entirely out of consonance with the Catholic faith. The common good plays no part in it, except in reference to an absurd theory about the "invisible hand" which guides all our individual greeds unwillingly into its service. The only important thing in the capitalist theory is the freedom of man to a limitless desire for limitless wealth—"as long as his heart is still with God." It is absurd, however, to claim that such a philosophy is not conducive to greed; as Our Lord and the Church have repeatedly warned us, *money is dangerous*, and the desire for it equally so.<sup>90</sup> If it is given to us, we must use it as best we can, but we ought not to desire more money than is necessary. Otherwise, we run the risk of falling into the trap of which Our Lord warned—and even in these days of capitalism triumphant the camel still has trouble getting through the eye of the needle.

<sup>88</sup>Rev. Fr. George Leo Haydock, *supra* note 83, at 1303.

<sup>89</sup>ROBERT BOLT, *A MAN FOR ALL SEASONS* 109 (Vintage Books 1990).

<sup>90</sup>I St. Timothy 6:10 (teaching that "the desire of money is the root of all evils").

## Summary

To sum up the capitalists' version of capitalism, it is little more appealing than the Church's definition, if at all. Capitalism, as it stands defined by the capitalists who most vigorously support it, is infested with greed, mired in bad philosophy, and founded upon liberal principles which have been condemned repeatedly by both the Catholic tradition and the magisterium of the Church. No Catholic, knowing the intellectual roots of this economic system, can support it in good conscience. This is not, of course, to condemn those Catholics who, perceiving ambiguity in the Church's teaching, elect to support capitalism out of a genuine intellectual conviction. However, those who fully admit the incompatibility of capitalism and Catholic teaching, yet continue to support capitalist theories, are deliberately supporting two contradictory philosophies, and in only one can they find truth. As far as the definition itself goes, it is certainly adequate, describing a system philosophically bankrupt and historically discredited; in the end, Belloc's definition is more desirable only insofar as it is more honest, describing the state of affairs that capitalism brings into existence rather than merely the method by which it arrives there. Without further comment, then, we will move on to Belloc's definition of capitalism, and see how he came to it and whether it is supported by Catholic philosophy and the Church.

### 1.1.2 Belloc's Capitalism

We have stated that Belloc's definition of capitalism is more desirable than the capitalists' because it is more honest.<sup>91</sup> The capitalists' definition of their system is, of course, designed to be as particularly favorable to it as possible; this much is to be expected. What one would not expect, however, is for it to so totally ignore the end result of their proposed state of affairs when attempting to condense their ideas into a single definition. We will see shortly that socialism, for example, openly defines itself as that system in which none (though they, of course, say "all" in reference to "the people," "the state," or some similar thing) are owners<sup>92</sup>; we will also see that another system defines

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<sup>91</sup> See *supra* p. 26.

<sup>92</sup> See *infra*, Section 1.2.1, at 32.

itself as that system in which most are owners.<sup>93</sup> This “ideal” toward which economic systems aim, the specific ideal depending upon the specific system, becomes even more important in regard to property, because other systems (socialism being the most prominent example) define themselves based on the ownership of property, on the distribution of which capitalism claims absolutely no position. Why, then, do capitalists, when defining their own system, so totally ignore the end result of the system that they wish to put in place, particularly regarding the distribution of productive property?<sup>94</sup>

There are two possible answers to this question. The first is the more benign and probably at least mostly the correct one: that capitalists avoid describing the end result of their system simply because they never consider what it will be. Capitalism, as the discussion above indicates, is focused almost entirely upon means, rather than ends; it is not so much concerned with attaining a good state of affairs as it is in attaining a good state of attaining. Of course, there are certain ends which their theories presuppose, the acquisition of material wealth being the most obvious. But as for transcendent goods, capitalism is silent. Sometimes they even claim this silence as a virtue, proclaiming triumphantly that capitalism is a “value-free”<sup>95</sup> science and totally unrelated to the moral realm. Economics “does not presume to dictate to us what our ends should be,” but rather its “purpose is to employ human reason to discover how man’s ends can be reached.”<sup>96</sup> However, as noted above, capitalists are generally simply using this “value-free” status as a veil over their policy arguments.<sup>97</sup> Furthermore, capitalism *does* bring about a certain state of affairs, namely the capitalist state, which has many traits and is based on many principles which are antithetical to the Catholic Faith. So why, then, is capitalism so silent

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<sup>93</sup>See *infra*, Section 2.1, at 45.

<sup>94</sup>They do, of course, ignore it, though they do claim very generally that their system will bring about a state of plenty. See *generally supra*, Section 1.1 at 1.

<sup>95</sup>Dr. Thomas Woods, *Economics and Profit: A Final Word in SEATTLE CATHOLIC*, <http://www.seattlecatholic.com>, 17 October 2002.

<sup>96</sup>*Id.* Why, then, capitalists do not accept from philosophy and Catholic teaching the end of widespread distribution of productive property and tell us how better to achieve it, but instead simply continue repeating their thinly-veiled policy cases while pretending them to be immutable economic laws, no capitalist I have ever read has attempted to address.

<sup>97</sup>See *supra*, the introduction.

about the state of affairs that its policies tend to bring about?

Simply put, capitalists *don't want* the ends of their system to be known, because they are so bad for society. Capitalists surely recognize that in any system in which their principles reign, productive property is always concentrated into the hands of a few and immorality in the practice of business runs rampant. They pass this off as simply "human nature," totally unrelated to the system that they have put in place, but they surely recognize it. And for that reason they don't want the ends of their system widely known. In the same way, socialists emphasize only certain aspects of the socialist state; the fact that it infallibly descends into monstrous tyranny, since even at its best it is average tyranny, is glossed over in an attempt to deflect attention. Capitalists don't want people to realize that, in their system, a Darwinian process of survival of the fittest (excluding, of course, any acts of fraud, theft, or coercion) accumulates all the productive property into the hands of a few wealthy owners and stockholders, confining the rest of the population in utter dependence upon being employed by one or another of them.<sup>98</sup> Many of them, perhaps, in their firm belief in capitalism, have failed to come to this obvious conclusion themselves. So they simply don't mention it.

The second explanation is much more sinister, and much less likely to be a positive motivation in the minds of capitalists, particularly Catholic ones: they know the ends of capitalism and they like them. These are the stereotypical robber-barons and those who cheer such characters; they are literally social Darwinists, who find that the unbridled competition and blatant greed that capitalism always tends to foster is second to nothing (except, perhaps, Stalinism) for producing the Nietzschean *übermenschen* that are their ultimate goal. For such men, the concentration of productive property into the hands of a few wealthy individuals is a positive good; it means that the good men, the smartest and quickest and cleverest, are triumphing over the weaker and dumber and less skilled. This is, of course, the logical result of capitalism: a crass form of social Darwinism. Free competition is like

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<sup>98</sup>We recognize that the material situation of most of these people may well be perfectly satisfactory, though we also insist that often it is not. We also recognize, however, that such a situation, in which most are completely dependent upon a few who obtained their power by a slightly more civilized version of natural selection, is far from desirable.

competition in nature; the profit motive is the desire to survive and spread the genes. Capitalism fits into Darwin's natural selection more or less perfectly, even as far as the lot of the losers in the game.

The losers, of course, *deserved* to lose. They simply weren't smart enough, weren't ambitious enough; they didn't have the proper entrepreneurial spirit or business sense to succeed. Therefore, they are where they belong: either out of work entirely, or working in lower-paid jobs without any productive property of their own. Such men are better off in these positions, not only in terms of themselves but in terms of society. Society in this way profits even from failure, for those who are less suited to gather wealth fail and make room for those who are more suited. This is exactly the scheme that capitalists unabashedly advocate; any elementary Austrian-school text will contain it.<sup>99</sup> It is also the scheme that Darwin claimed as the ensurer of the survival of the best and brightest. So this is the other possibility: that capitalists actually *like* the end of their system, in an evolutionist sort of way.

Either way, of course, the result is the same: the poor are continually deprived of more and more of the productive property, until few or none of them have any at all, and the rich acquire more and more of it. In this way the poor become increasingly, even totally, dependent upon the rich, in the same way that a slave is dependent upon his master—for the very necessities of his existence.<sup>100</sup> Even those who are fortunate enough to own their own business, whether by inheritance or by their own toil, are still utterly dependent upon the rich, either for the products with which they deal or for purchasers of the services they perform. Such dependence is, in a very real way, servitude, and no society based upon it can honestly call itself free.

It is true that no one would call this dependence slavery, for clearly it is not. Belloc is careful to point out that “[t]hat society is not servile in which men are intelligently constrained to labor by enthusiasm, by a religious tenet, or indirectly from fear of destitution, or directly from love of gain.”<sup>101</sup> There is a definite distinction between labor forced by positive law and labor forced by fear of starvation or by greed. But the fact that it is *nearly* slavery, that such dependence bears upon it the

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<sup>99</sup> See, e.g., Nash, *supra* note 3, at 51–53; see also *id.* at 173–74, 193–94.

<sup>100</sup> See *infra*, Section 2.1, at 45, for the definition of wealth and for an argument on why this is so.

<sup>101</sup> Belloc, *supra* note 4, at 51.

mark of servitude, is unmistakable, and denied by no one within the authentic Catholic social tradition.

The entire thesis of Belloc's book, of course, which was inspired so clearly and directly by *Rerum Novarum*, is that the capitalist state, by putting into place such conditions as are described above, is "reestablishing the slave."<sup>102</sup> As he explains it,

[d]uring some centuries which the church raised, permeated, and constructed, Europe was gradually released or divorced from this immemorial and fundamental conception of slavery; to that conception, to that institution, our industrial or capitalist society is now upon its return.<sup>103</sup>

The fact that the history of what once was Christendom up to the Protestant revolt was a history of increasingly distributed productive property, and that history since then has been a history of increasingly concentrated productive property, cannot be disputed. Those centuries in which productive property increased in distribution throughout the populace were those in which the Church had the greatest and most salutary influence; those in which it decreased in distribution were those in which the Church was most ridiculed, hated, and reviled. The historical truth is undeniable, and provides an excellent argument concerning the mind of the Church on the matter.

The problem had not become truly urgent, however, until the industrial revolution of the late eighteenth century; and even then, the Church was far too busy condemning liberalism in general<sup>104</sup> to concentrate on economic matters in particular. However, the problem had grown so terrible that the Church decided that "consciousness of Our Apostolic office admonishes Us to treat the entire question thoroughly, in order that the principles may stand out in clear light, and the conflict may thereby be brought to an end as required by truth and equity."<sup>105</sup> For this reason *Rerum Novarum* was issued, to condemn the erroneous economic systems that were then in vogue throughout the lands that had once been Christendom. The Church on this occasion pronounced

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<sup>102</sup>*Id.* at 61.

<sup>103</sup>*Id.*

<sup>104</sup>Particularly in *Mirari Vos* and Pius IX's great work the *Syllabus Errorum*.

<sup>105</sup>Leo XIII, *Rerum Novarum*, no. 3.

her mind with no uncertainty, condemning both socialism and capitalism without any ambiguity and basing it on the end result of capitalism as an accumulation of productive property in the hands of a few.

Leo makes it clear that a major reason for his condemnation is that “the whole process of production as well as trade in every kind of goods has been brought almost entirely under the power of a few.”<sup>106</sup> Indeed, Belloc’s thesis may have been taken directly from Leo’s great encyclical, which in the very same paragraph declares the causes of the economic crisis:

After the old trade guilds had been destroyed in the last century, and no protection was substituted in their place, and when public institutions and legislation had cast off traditional religious teaching, it gradually came about that the present age handed over the workers, each alone and defenseless, to the inhumanity of employers and the unbridled greed of competitors. A devouring usury, although often condemned by the Church, but practiced nevertheless under another form by avaricious and grasping men, has increased the evil; and in addition, the whole process of production as well as trade in every kind of goods has been brought almost entirely under the power of a few, so that very few rich and exceedingly rich men have laid a yoke *almost of slavery* on the unnumbered masses of non-owning workers.<sup>107</sup>

In his historical explanation, Leo, in the same way Belloc does, traces the destruction of the economic order that prevailed while the Church was universally respected, and finds in that destruction (which included the opposite of what he laments, “the whole process of production” being “under the power of a few”) the essence of the current economic system, which was and is capitalism. Furthermore, Leo identifies this concentration of productive property as creating a situation that is “almost of slavery,” clearly affirming Belloc’s thesis (or rather, being affirmed by Belloc’s thesis) that the capitalist system leads by its nature to the reestablishment of that institution.

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<sup>106</sup>Leo XIII, *Rerum Novarum*, no. 6.

<sup>107</sup>Leo XIII, *Rerum Novarum*, no. 6 (emphasis added).

It is for this reason that the Catholic Church teaches against capitalism: because capitalism tends, by its very nature, to the institution of utter dependence and, in the end, slavery, undoing the work which the Church accomplished over centuries of Christianization and moral teaching and bringing to naught all Catholic principles of justice and the common good. But what about the other modern option, socialism? Does it better answer the teaching of the Church on economic matters? Can it be brought into line with the Catholic tradition and the papal encyclicals?

## 1.2 The Socialist Reponse

The casual reader, who has little surveyed the Catholic debate on economics, will immediately note that we spend comparatively little time on the issue of socialism. This was brought about for two primary reasons. Partly it was a pragmatic decision: most of the economic debate in Catholic circles is about capitalism, so it seems silly to argue about socialism, which all true Catholics, capitalist or not, detest. The second reason is a scholarly one: the Church has condemned socialism so unequivocally and so frequently, usually even using the word itself (as opposed to her condemnations of capitalism, which generally condemn its principles rather than “capitalism” as a concept), that it seems foolish to duplicate her efforts.

Nevertheless, there are a number of particular issues about socialism which ought to be addressed, and for that reason this section has been composed. First in importance, of course, though second in address, is the position of the Church on socialism, which is dispositive for all who believe in her moral authority.<sup>108</sup> Second is the definition of socialism, which we believe has often been incorrectly formulated by falsely dichotomizing it with capitalism.

### 1.2.1 The Definition of Socialism

Socialism is that system in which none are owners of productive property. It is, of course, true that it is also that system in which none

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<sup>108</sup>Though many capitalists, while loving her authority when condemning socialism, claim it totally irrelevant to the “value-free” capitalist theories.

are owners of any property, but the productive property aspect is what particularly differentiates it. While this definition is far from mainstream, we think it to be the most accurate definition, and find the usual ones to have been falsely derived.

Essentially, it seems, capitalism, dominant in the West for a very long time, held itself up as the model and declared all that was not capitalism to be socialism. For the capitalists, whatever is not capitalism is socialism. Nash, for example, defines socialism as “an economic system that replaces the market as the means of providing for consumption, production, and distribution with central planning.”<sup>109</sup> Since the free market essentially summarizes all capitalist theories (unrestricted use of property, free competition, the importance of the profit motive within said market), Nash simply negates capitalism to come up with socialism. Not only is this sort of definition misleading, as we shall endeavor to prove; it also gives rise to the false dichotomy of capitalism and socialism, implying that there is no possibility of a third system which is not in some way a combination of the two.<sup>110</sup> Of course, if you define socialism simply in terms of “not capitalism,” then there is no third way; but this definition is clearly unacceptable.

It is simply disingenuous to define socialism in terms of capitalism because it assumes that no other road is possible. However, other ways are certainly possible; no one could claim that the medieval manor system, for example, or the Roman slave economy was either capitalism or socialism without destroying all meaning in the words. If socialism is supposed to refer to everything that is not capitalism, then these two systems, along with everything else, are certainly socialism, and ought to be proud of the name. But if socialism refers to an actual thing, a real and existing state of affairs with an actual identity of its own, then a much more specific definition is required than “one that replaces the market with central planning.”

We would, therefore, seek to examine the chief characteristics of these two systems along with the central fact of economic life: production.<sup>111</sup> On this ground, at least, some meaningful distinction beyond “it’s not what we are” can be made. Also, this enables us to incorporate

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<sup>109</sup>Nash, *supra* note 3, at 81.

<sup>110</sup>See *infra*, Section 1.3, at 39.

<sup>111</sup>For an argument about why this fact is central, see *infra*, Section 2.1.1, at 46.

the Church's definition of capitalism into our scheme, which we consider to be paramount; for, as always, "if he will not hear the church, let him be to thee as the heathen and publican."<sup>112</sup> So our distinction is founded on the distribution of productive property, since the Church considers that distribution to be the defining characteristic of capitalism; we therefore define socialism as that system in which none own productive property.<sup>113</sup> While such systems generally hide that fact by claiming that the means of production are owned by "the people," "the state," or some other generally Rousseauvian catch-phrase, their claims are nothing more than dishonest veils, designed to ensnare the unwary into misunderstanding the nature of socialist theory.

What, then, do we say of a system in a state like France, for example, or even, to a lesser extent, the United States? Most capitalists would call both nations socialist, though the United States much less so than France. In both countries, there is substantial economic regulation, which capitalists consider anathema; any system that incorporates such regulation, therefore, must not be a capitalist system, at least under the standard capitalist/socialist dichotomy which most moderns take as given. How would we classify such states?

We would classify them according to the division given above. If, in these states, the means of production are owned by a few, then it is a capitalist state; if the means of production are owned by none, it is a socialist state. The United States, then, is undeniably capitalist; in France the situation is less clear. We must inquire into whether the governmental regulations are such that the means of production are effectively owned by the state, operated for the sake of the state, or are they such that, while the owners of the means of production are limited, even severely limited, in their freedom of action, they are still truly the owners of those means and operate them for their own benefit? If the former, then France is a socialist state; if the latter, a capitalist.

This way of describing socialism is much more in line with the statements of the Church. Leo XIII holds that "[s]ocialists seek to transfer

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<sup>112</sup>St. Matthew 18:17.

<sup>113</sup>See Belloc, *supra* note 4, at 125 (that socialism is "the management of the means of production by the political officers of the community"). While he does not use our actual words, his idea is certainly the same.

the goods of private persons to the community at large,”<sup>114</sup> making no mention of any replacement of free competition with central planning. The holy pontiff even declares “that the fundamental principle of Socialism” is to “make all possessions public property.”<sup>115</sup> It is clear, then, that Leo XIII considered the distribution of property (or, in the case of socialism, the complete lack thereof) to be the defining characteristic of the socialist system, just as it was the same of the capitalist.

Pius XI likewise regarded socialism as primarily a scheme of distribution of property, rather than as simply the negation of free competition. Pius divides socialism, in his time, into “two opposing, and often bitterly hostile camps,”<sup>116</sup> the first of which is communism. The communists, of course, are to be condemned because of their primary characteristics, which the pontiff identifies as “[m]erciless class warfare and complete abolition of private ownership.”<sup>117</sup> The other camp he does not give a name, but can be identified by the name of “moderates.” These “moderates” are marked by the fact that their camp “mitigates and moderates to some extent class warfare and the abolition of private property, if it does not reject them entirely.”<sup>118</sup> While he insists that “[i]t must not be imagined. . . that all the Socialist sects or factions which are not Communist have in fact or in theory uniformly returned to this reasonable position,”<sup>119</sup> he is adamant that these are the two major divisions in his time.

Notice, however, that he applies the name “reasonable” to those socialists who *have* abandoned the two primary marks of the school, namely, class warfare and the destruction of all private property. In his writing on these socialists, Pius is full of nothing but praise, filling his words with “it is rightly contended” and “[j]ust demands and desires of this kind,” assuring us that their principles “contain nothing opposed to Christian truth, nor are they in any sense peculiar to Socialism.”<sup>120</sup> If socialism consists entirely in such claims, then it has ceased to be socialism and is perfectly acceptable to the Catholic religion. Of course,

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<sup>114</sup>Leo XIII, *Rerum Novarum*, no. 9.

<sup>115</sup>Leo XIII, *Rerum Novarum*, no. 23.

<sup>116</sup>Pius XI, *Quadragesimo Anno*, p. 53.

<sup>117</sup>Pius XI, *Quadragesimo Anno*, p. 53.

<sup>118</sup>Pius XI, *Quadragesimo Anno*, p. 54.

<sup>119</sup>Pius XI, *Quadragesimo Anno*, p. 55.

<sup>120</sup>Pius XI, *Quadragesimo Anno*, p. 55.

the holy pontiff's warnings about socialism when it remains socialism, even in the smallest particular, must not be forgotten; but neither must it be forgotten that socialism, like capitalism, does contain certain elements of the truth, and if it limits itself to those elements, then it is not a heresy, though it would be silly for it to continue to use the same name.

Pius's analysis of the acceptability of socialism of both schools, however, rests entirely upon those two principles: class warfare and the abolition of property. There is no mention of central planning, and certainly no identification of socialism with such planning. Indeed, when Pius reasons about the bases of socialism and its roots in a faulty conception of human nature, he is focusing on obsession with material goods *which brings about their rejection of private property*, which they hold is more efficiently produced by a collectivist state.<sup>121</sup> It is this sense, in which socialists are obsessed with the most efficient production of material goods, in which socialism and communism are, "even in their mitigated forms, far removed from the precepts of the Gospel."<sup>122</sup> Pius, then, identifies socialism with the abolition of property, which is motivated by a disordered desire for material goods. On the other hand, many of the claims with which capitalism identifies it, such as central planning and state ownership of certain industries, Pius actually identifies as positive goods,<sup>123</sup> proving that when the capitalists condemn "socialism" they are not condemning the same thing that Pius condemned. This fact is extremely important to remember when discussing the economic teaching of the Church and which systems she has condemned and which she has not.

So when the Church teaches on socialism, she is teaching on that system in which none own productive property; she is *not* teaching on those systems in which central planning replaces the fluctuations of the market as the director of economic life. This is important to remember when we hear the vehement condemnations of socialism which

<sup>121</sup>Pius XI, *Quadragesimo Anno*, p. 57–58.

<sup>122</sup>Pius XI, *Quadragesimo Anno*, p. 62.

<sup>123</sup>Pius XI, *Quadragesimo Anno*, p. 25 ("[t]o define in detail these duties, when the need occurs and when the natural law does not do so, is the function of the government"), p. 55 ("certain forms of property must be reserved to the State, since they carry with them an opportunity of domination too great to be left to private individuals without injury to the community at large").

are dispersed throughout the social encyclicals. Oftentimes, this condemnation will be used as a condemnation of such systems as Nash identifies with socialism; namely, any system in which the market is not given completely free reign. The Church, however, means to condemn only those systems which deny the legitimacy of property, not those which utilize central planning. In fact, as is evident from some quotations given above,<sup>124</sup> central planning of the economy is positively supported by the Church, though always subject, of course, to the principle of subsidiarity.<sup>125</sup>

### 1.2.2 The Teaching of the Church

The Church's explicit condemnations of socialism are not open to any significant debate. Leo XIII was unequivocal in his disgust at the clearly unnatural theory. After briefly stating the very real evils that capitalism had caused in the once-Christian world, Leo does not hesitate to say that "their [the socialists'] program is so unsuited for terminating the conflict that it actually injures the workers themselves. Moreover, it is highly unjust, because it violates the rights of lawful owners, perverts the function of the State, and throws governments into utter confusion."<sup>126</sup> Of course, Leo makes it clear that the aspect of socialism he is condemning is not central planning, but the fact that "the Socialists seek to transfer the goods of private persons to the community at large," which "make[s] the lot of all wage earners worse, because in abolishing the freedom to dispose of wages they take away from them by this very act the hope and the opportunity of increasing their property and of securing advantages for themselves."<sup>127</sup> Thus do socialists "propose a remedy openly in conflict with justice, inasmuch as nature confers on man the right to possess things privately as his own."<sup>128</sup> Socialism is an immoral theory because it is contrary to private property, not because it is contrary to market mechanisms.

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<sup>124</sup>Pius XI, *Quadragesimo Anno*, p. 25; Leo XIII, *Rerum Novarum*, no. 67; John Paul II, *Centesimus Annus*, no. 48. See also our entire discussion of the purpose of law in the part of Section 1.1.1 concerning private property, *supra* at p. 3.

<sup>125</sup>See *infra*, Section 2.1.3, at 54.

<sup>126</sup>Leo XIII, *Rerum Novarum*, no. 8.

<sup>127</sup>Leo XIII, *Rerum Novarum*, no. 9.

<sup>128</sup>Leo XIII, *Rerum Novarum*, no. 10.

Leo is, of course, one of the great defenders of private property. He declares that “owing to the fact that this animal alone has reason, it is necessary that man have goods not only to be used, which is common to all living things, but also to be possessed by stable and perpetual right.”<sup>129</sup> This argument and its ramifications against socialism are “so evident that it seems amazing that certain revivers of obsolete theories dissent from them.”<sup>130</sup> Leo observes that socialists “grant the individual the use of the soil and the varied fruits of the farm,” but they also “deny him the right to hold as owner either the ground on which he has built or the farm he has cultivated.”<sup>131</sup> By so doing, the socialists “fail to see that a man will be defrauded of the things his labor has produced.”<sup>132</sup> Leo has no patience for socialism at all, mentioning nothing about mitigated forms or good qualities. Socialism is entirely out of the question.

Pius XI is, if possible, even more vehement in his condemnations than Leo. While he does allow for those socialists who have abandoned socialism’s unnatural claims and only seek a more just economic order,<sup>133</sup> he refuses to countenance any form of socialism when it can truly be called so. Pius first agrees that some of the reforms which the more moderate socialists propose “often strikingly approach the just demands of Christian social reformers,”<sup>134</sup> but his approval ends there. He remains, however, adamant that

if it really remain Socialism, it cannot be brought into harmony with the dogmas of the Catholic Church, even after it has yielded to truth and justice in the points We have mentioned; the reason being that it conceives human society in a way utterly alien to Christian truth.<sup>135</sup>

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<sup>129</sup>Leo XIII, *Rerum Novarum*, no. 11.

<sup>130</sup>Leo XIII, *Rerum Novarum*, no. 16.

<sup>131</sup>Leo XIII, *Rerum Novarum*, no. 16.

<sup>132</sup>Leo XIII, *Rerum Novarum*, no. 16.

<sup>133</sup>*See supra*, Section 1.2.1, at 32.

<sup>134</sup>Pius XI, *Quadragesimo Anno*, p. 54.

<sup>135</sup>Pius XI, *Quadragesimo Anno*, p. 57. While Pius here certainly recognizes that there are aspects of socialism even apart from its denial of private property which are evil, it is still clear, from the arguments given above, that its distribution of property is what distinguishes it, even if there are many other reasons for which it deserves to be condemned.

Pius strongly insists that “[n]o one can be at the same time a sincere Catholic and a true Socialist.”<sup>136</sup> So socialism finds no friend in the Catholic economic movement in any particular.

### 1.3 The Third Way

If, then, both capitalism and socialism fail to fulfil the Church’s social teaching, what remains? Is there another option, something currently not in use in any of the developed nations of the world, which better answers the Church’s call for the formation of society around the dictates of Christ the King? Or must we make do with the lesser of two evils, as we are so often told, and bow to the claims of one or the other system?

Many claim that there is no “third way,” that only capitalism or socialism can be chosen. We find this particularly among the most radical of both factions, whose ideology is inextricably entwined in the false principles of these systems. The communists, of course, claim that the inevitable evolution of society will draw men to communism; if one seeks to resist communism, one can only end up with capitalism. The Austrian economists see things likewise; they hold that any system not based on their principles of free-market economics must inevitably become, if it is not by its very nature already, a socialist state. Some of these thinkers have been very open about their opinions on these subject.

Most capitalists will tell us that “[c]apitalism stands alone as the only feasible way to rationally organize a modern economy. At this moment in history, no responsible nation has a choice.”<sup>137</sup> Catholic Austrian economists are no different, claiming the same sort of dichotomy to those who, doubting the claims of capitalism, might be drawn toward it because they have been told that there is no other way short of outright socialism. John Clark, a traditionalist Catholic capitalist, argues that “capitalism is the only efficient economic system possible,”<sup>138</sup> thus joining himself with the secular capitalists who

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<sup>136</sup>Pius XI, *Quadragesimo Anno*, p. 58.

<sup>137</sup>HERNANDO DE SOTO, *THE MYSTERY OF CAPITAL: WHY CAPITALISM TRIUMPHS IN THE WEST AND FAILS EVERYWHERE ELSE 1* (Basic Books 2000).

<sup>138</sup>Clark, *supra* note 1, at 34.

insist that, even if capitalism is faulty, it is the only possible choice. Some Catholic capitalists go even further than this, protesting that not only is no other economic system practical, but that no other is *possible*, that morality *cannot* have a significant effect on economic life, requiring the state to rely entirely on the economic “laws” which such capitalists claim inevitably govern all human economic interaction.

Gronbacher, for example, the champion of the phenomenological “economic personalism” school, which attempts to synthesize Austrian economics with Catholic morality, claims that Catholics would do well to simply give up the search for a system that better fulfils Catholic social teaching than capitalism. Indeed, such a system is impossible, for “we must always work for moral objectives within the context of market realities.”<sup>139</sup> Essentially, Gronbacher holds that the Church should simply surrender the ship, that attempting to devise a moral system that does not subscribe to the economic principles of the Austrian school is hopeless. The market, according to such thinkers, is the market; we either work with it, or we become socialists. There is no third.

The obvious corollary of Gronbacher’s way of thinking, however, which damns the line of reasoning completely, is that our moral principles ought to be subject to our market constructions, rather than the other way around. The Catholic thinkers, at least, would deny this, and this denial is to their credit; however, their denial cannot change the fact that their principles lead directly to this conclusion. For it is undeniable that man creates the market, that the market is man’s own construction. This being so, we must acknowledge that man controls its content. We can argue that the transfer and creation of wealth is more efficient when man exerts as little control as possible—this is, indeed, exactly what the Austrian economists contend—but we cannot deny that man controls it. As a creation of man, the market must be subject to Catholic morals. To claim with Gronbacher that “we must always work for moral objectives within the context of market realities” is to put the cart before the horse. Man creates the market in order to achieve moral objectives; he does not create the market that the market may form his morals. So the capitalists have it backwards; we form the market, the market does not (or should not, at least) form us. And therefore we must form the market (and the entire economic system)

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<sup>139</sup>Gronbacher, *supra* note 43, at 24.

in accordance with the moral principles which we know to be true; *id est*, with what the Church has defined and natural law declares to be true. Since neither capitalism nor socialism do this, there *must* be a third way; otherwise, the building of a truly moral social order would be impossible.<sup>140</sup> But seeking the good, and establishing in the world as much good as we can in a fallen world, is a duty of man, required of us by God, and therefore it cannot be impossible. So man has a moral duty to seek this third way, and to implement it as far as is within his power, for the glory of Christ the King.

As always, let us hear the Church, and the Church has come out emphatically that not only is capitalism not the *only* way, it is not even the best bet. Pius XI specifically condemned the view that capitalism and socialism are a strict dichotomy, saying that Leo XIII, in his survey of economic theories,

sought help neither from Liberalism [capitalism] nor Socialism; the former had already shown its utter impotence to find a right solution of the social question, while the latter would have exposed human society to still graver dangers by offering a remedy much more disastrous than the evil it designed to cure.”<sup>141</sup>

Pius also spoke with overwhelming approval of *Rerum Novarum* and its principles for the construction of a Catholic system of economics which is neither capitalism nor socialism, nor even something in between the two. Pius says clearly that “this immortal document [*Rerum Novarum*] exhibits more than a beautiful, but merely imaginary picture of human society.”<sup>142</sup> While many Catholics “seem to attach little importance to this Encyclical,” Pius declares it “the Magna Charta on which all Christian activities in social matters are ultimately based.”<sup>143</sup> He also

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<sup>140</sup>Of course, a *perfectly* moral social order *is* impossible; man is fallen, and cannot regain Eden in this valley of tears. But the Fall has not rendered the creation of *any* moral system impossible, and it is our duty, as fallen men striving, by the grace of God, to overcome our fall, to build such a system as will most closely approximate perfect justice. Neither capitalism nor socialism, as demonstrated above, can claim to do *that*; consequently, the conclusion that there must be a third way still stands.

<sup>141</sup>Pius XI, *Quadragesimo Anno*, p. 6–7.

<sup>142</sup>Pius XI, *Quadragesimo Anno*, p. 19.

<sup>143</sup>Pius XI, *Quadragesimo Anno*, p. 20.

rebukes those who, “while professing their admiration for this message of light, regarded it as a utopian ideal, desirable rather than attainable in practice.”<sup>144</sup> So those who degrade the great Catholic social project, first embodied in *Rerum Novarum*, as “utopian” or “impractical,” and therefore not a viable alternative to capitalism, are setting themselves up against the interpretation of the Church.

John Paul II also realized that many would claim capitalism to be the only viable system, particularly in the wake of the fall of the Soviet empire in the east. Therefore, he elected to speak to silence the claims of those who would negate previous social teaching by claiming that it is “impractical,” declaring that “it is unacceptable to say that the defeat of so-called ‘Real Socialism’ leaves capitalism as the only model of economic organization.”<sup>145</sup> John Paul has not acknowledged the claims of capitalism to universal right; he has not only refuted them, but declared it “unacceptable” even to *claim* that capitalism now stands as the only player on the field. John Paul has fearlessly upheld the principles of his predecessors, and the Chair of St. Peter remains completely united.

So the teaching of the Church on the matter is clear: since neither capitalism nor socialism is able to satisfy the principles which the Church has laid down for economic life, we must search for another system, and it is impermissible to claim that no third choice is possible. Has anyone answered the call of the Church to formulate such a third way? Have any formed an economic system based upon the principles of the Church?

In the early twentieth century, in England, a group of men did exactly that. While their school of thought was by no means united, and their conclusions not universally correct, they designed an economic system based on the principles laid down by the Church in response to *Rerum Novarum*. For a time, their ideas inspired actual political action; since then, the parties that championed their causes have died down, and now are nearly forgotten. However, in the wake of the fall of the Soviet empire and the persistent claims of capitalism to ubiquitous right of rule, it would be expedient to raise the thoughts of these men again, to examine them, to bring them more into conformity with

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<sup>144</sup>Pius XI, *Quadragesimo Anno*, p. 8.

<sup>145</sup>John Paul II, *Centesimus Annus*, no. 35.

the Church, and to seek their implementation as far as possible in this shattered world. Their ideas have gone by many names: solidarism, corporatism. But we have chosen to use the name which is most recognized and most apt: distributism. Distributism, or the distributive state, is the system which these English thinkers devised. Does it conform to the teachings of the Church? Is this the system which Catholics can in good conscience support?

Assaulted for nearly a century with charges of socialism, even Trotskyism, distributism stands alone as an economic system specifically designed around the papal encyclicals and the traditional social teaching of the Church. It is certainly the most conforming system yet devised. If, then, its principles can be examined, corrected where necessary, and thus brought more in line with the teachings of the Church and the social reign of Christ the King, then a truly Catholic system of economics will have been conceived, and Catholics in the West will have something to work for in their attempts to reform the economic order in the image of God and His Mother. To this cause the next two chapters are dedicated, and we beseech the blessing of Christ the King and the prayers of His Mother as we embark upon this noble task.



## Chapter 2

# The Distributive State

HAVING EXAMINED WHAT IS WRONG with certain systems, the Catholic must now make an inquiry into what is right. This chapter is dedicated to that end. It examines the basic and fundamental principles of the distributive state, applies them to several questions which the popes have asked (and often at least partly answered) in the great social encyclicals, and ends by concluding with a summary of the economic structure of the distributive state. First, however, must come the first principles, which are also the last end; otherwise no progress can be made in any discussion.

### 2.1 Basics of the Distributive State

The first great work on distributism, even though it is really about capitalism and socialism, was Hilaire Belloc's superlative *The Servile State*. In this immortal book, Belloc traces out the Catholic objections to capitalism and socialism, including practical arguments which the papal encyclicals neglected, and argued for the formation of what he called "the distributive state," a state which is in full accord with the nature of man and the teachings of the Church. What is this "distributive state?"

Belloc's vision was for a society in which, in contradistinction to capitalism, in which few are owners, and socialism, in which none are, the normal citizen is the owner of productive property. This concept is so alien to the modern world that it demands further explanation,

especially since Belloc claims that any society in which this is *not* the case is necessarily “servile,” that is, characterized chiefly by servitude rather than freedom.

Belloc begins his book with a lengthy and excellent chapter giving his definitions—something which more authors ought to do. His definitions are more or less intuitive, but extremely important to his thesis, and since his definitions will in large part be our own, many of them ought to be repeated here. He defines the basic terms of economic life, with which we all deal on a daily basis, and makes them so real and so beautiful that it becomes painfully clear that God *has* indeed established an order of things, even in economic life—and that our society is in nearly complete disregard of that order. Throughout this section, therefore, we will be giving definitions from Belloc’s work, backing them up with the papal encyclicals, and expounding on how these definitions are relevant for the formation of a Catholic economic order.

### 2.1.1 Productive Property

The first definition is, of course, of “production of wealth.” Wealth itself comes only later. Distributism views *production*, the “special, conscious, and intelligent transformation of his environment which is peculiar to the peculiar intelligence and creative faculty of man”<sup>1</sup> as paramount; consumption is secondary, since men can only consume what has already been produced by someone. So the “production of wealth” is the application by man of his God-given faculties to nature in order to increase its value. What is wealth itself?

Belloc defines “wealth” as “matter which has been consciously and intelligently transformed from a condition in which it is less to a condition in which it is more serviceable to a human need.”<sup>2</sup> By this definition, “wealth” is anything which man has taken from nature and improved in any way. It includes the basic necessities, like food and homes, and extends all the way through televisions and System V UNIX servers. But even though wealth includes unnecessary goods, “[w]ithout wealth man cannot exist.”<sup>3</sup> When a farmer applies his labor and knowl-

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<sup>1</sup>HILAIRE BELLOC, *THE SERVILE STATE* 45 (The Liberty Fund 1977).

<sup>2</sup>*Id.*

<sup>3</sup>*Id.*

edge to the field and thus produces corn, or when a shoemaker uses his tools and training on leather to produce a pair of shoes, the labor is productive, and the product is wealth. So it is true to say that wealth is an absolute requirement for human survival.

A corollary of this is that “to control the production of wealth is to control human life itself.”<sup>4</sup> This conclusion follows directly from his definition of wealth. Whoever controls the production of what is necessary for human survival necessarily controls human survival itself. An easy, if extreme, comparison is the chicken-raiser. He is in complete control of the production of the chickens’ “wealth,” that is, what they require for survival, mainly food and, in the winter and rain, a coop. He is, therefore, in complete control of the survival of those chickens. If he wants them to live, they will live; if he wants them to die, they will die. While such an arrangement of men over chickens is certainly just, any such arrangement of men over men is clearly a different thing, amounting to practical slavery. Many would call this verdict harsh, but it is a necessary consequence of the nature of wealth and its production. We have already cited to Leo XIII’s statements in reference to the ownership of the means of production by the few; he himself declared that this situation “laid a yoke almost of slavery on the unnumbered masses of non-owning workers.”<sup>5</sup> When a man is subject to another for that which is necessary for his existence, he is surely subject to some form of servitude, even if this subjection does not have the formalities of chains and shackles. To a certain degree, of course, such subjection is part of nature; every man requires society, for example, which he cannot provide for himself, and every man requires other for the Sacraments which are necessary for salvation.<sup>6</sup> When this subjection is taken to extremes, however, it ceases being natural and begins being slavery, and when enough of society is subject in this way the state begins to deserve the same of “servile.”<sup>7</sup>

Next, of course, is that effort of man upon nature which produces

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<sup>4</sup>*Id.* at 46.

<sup>5</sup>Leo XIII, *Rerum Novarum*, no. 6.

<sup>6</sup>Even priests, of course, cannot confess to themselves, nor can they be ordained unless someone else ordain them.

<sup>7</sup>Belloc, *supra* note 1, at 50. While Belloc would not call such a state *already* servile, he would certainly say that it is *on the road* to servility, since it is, by definition, a capitalist state.

wealth, which we call “labor.” Labor is “[t]his human energy so applicable to the material world and its forces”<sup>8</sup> by which alone wealth can be produced. His definition, produced in 1913, is fully in accord with the only economic encyclical then released, the great *Rerum Novarum*, which stated that “it is incontestable that the wealth of nations originates from no other source than from the labor of workers.”<sup>9</sup> This labor can be either intellectual or physical; while the primacy of physical labor will never vanish, it being manifestly necessary in the production of the most necessary items (as in farming or mining), in the technological era intellectual labor has become more and more important. John Paul II observed that “in our time, in particular, there exists another form of ownership which is becoming no less important than land: *the possession of know-how, technology and skill.*”<sup>10</sup> This labor is clearly necessary for the production of wealth, and therefore it is also necessary for human existence. Indeed, “man even before the Fall was not destined to be wholly idle; but certainly what his will at that time would have freely embraced to his soul’s delight, necessity afterwards forced him to accept.”<sup>11</sup> Labor, then, is an unalloyed good, something that man does before and after the Fall, and as such must be respected, both for its necessity and for its goodness.

Finally, Belloc defines “capital” as that “wealth reserved and set aside for the purposes of future production, and not for immediate consumption, whether it be in the form of instruments and tools, or in the form of stores for the maintenance of labor during the process of production.”<sup>12</sup> The necessity for such wealth is also clear; workers must, after all, eat while they are producing further wealth. Along with capital goes “land,” which is the “material and natural forces” upon which labor, using capital, acts to produce wealth.<sup>13</sup> So land, too, is necessary for human existence, along with wealth, labor, and capital.

There are a few more terms which must be defined. From the above it is clear that “[t]here are thus three factors in the production of all

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<sup>8</sup>*Id.* at 46.

<sup>9</sup>Leo XIII, *Rerum Novarum*, no. 51.

<sup>10</sup>John Paul II, *Centesimus Annus*, no. 32.

<sup>11</sup>Leo XIII, *Rerum Novarum*, no. 27.

<sup>12</sup>Belloc, *supra* note 1, at 47.

<sup>13</sup>*Id.* at 46.

human wealth, which we may conventionally term land, labor, and capital.”<sup>14</sup> Belloc further defines that “[w]hen we talk of the means of production we signify land and capital combined.”<sup>15</sup> Those who are in possession only of their labor, and therefore do not own the means of production, are called “proletarian,” and a class of them are called a “proletariat.”<sup>16</sup>

As examined in section 1.1.1 under the profit motive, it is clear that “[t]hose who are engaged in production are not forbidden to increase their fortunes in a lawful and just manner.”<sup>17</sup> Distributism has no intention of forbidding such enterprise. This, however, will be examined more thoroughly in section 2.2.5, when we discuss the relevance of these concepts of production, wealth, labor, and capital in forming a Catholic economic system. For now, however, we must turn to the definition most relevant to any discussion of distributism. We have already examined Belloc’s definition of the “servile state”<sup>18</sup>; all that remains is his definition of a rightly ordered state, what he calls the “distributive” state.

### 2.1.2 Distributive Justice

Distributive justice is a concept nearly as old as western civilization itself; it is from this form of justice that Belloc drew his name. Aristotle formulated the first consistent definition of it, making it the most perfect of all virtues. Justice, he said, “is often thought to be the greatest of virtues, and ‘neither evening nor morning star’ is so wonderful.”<sup>19</sup> Indeed, justice is “virtue in its fullest sense,” because “he who possesses it can exercise his virtue not only in himself but towards his neighbor also.”<sup>20</sup> Indeed, justice “is not part of virtue but entire virtue, nor is the contrary injustice a part of vice but vice entire.”<sup>21</sup> So it is exceedingly important that, when we try to understand any kind of justice, that we

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<sup>14</sup>*Id.* at 47.

<sup>15</sup>*Id.*

<sup>16</sup>*Id.* at 48.

<sup>17</sup>Pius XI, *Quadragesimo Anno*, p. 67.

<sup>18</sup>*See supra*, Section 1.1.2, at 26.

<sup>19</sup>ARISTOTLE, *ETHICA NICOMACHEA* in *THE BASIC WORKS OF ARISTOTLE* 1003 (Benjamin Jowett trans., Richard McKeon ed., Random House 1941).

<sup>20</sup>*Id.* at 1003–04.

<sup>21</sup>*Id.* at 1004.

do so properly, according to the wisdom of the ancients. This having been said, what is distributive justice?

Distributive justice is “that which is manifested in distributions of honour or money or the other things that fall to be divided among those who have a share in the constitution.”<sup>22</sup> In other words, “[t]he just, then, is a species of the proportionate.”<sup>23</sup> The details of Aristotle’s argument establishing this definition is outside the scope of our discussion; since it comes to us from the ancients, and is supported by the Christian tradition,<sup>24</sup> we will accept it as a given, and leave it to wiser heads to study the justification itself.

How does this form of justice give Belloc the name “distributive?” Simply put, because Belloc’s state better embodies the principle of distributive justice than the two economic systems refuted in the preceding chapter. Capitalism is the system in which few are the owners of the means of production<sup>25</sup>; socialism is the system in which none are the owners of the means of production. Belloc proposed a system in which most of the people would be owners of the means of production, in which the normal citizen owned either land or capital to which he could apply his labor and produce wealth.<sup>26</sup> Productive property in such a system is more distributed than it is in either the capitalist or the socialist states; distributism is the only system in which such property is widely distributed. Belloc thought that this distribution was more just, hence more in accord with distributive justice; thus, he applied to it the name of “distributive state,” or, in common parlance, “distributism.”

Is, in fact, this distribution of wealth more just? Both capitalists and socialists would say no. Socialists, of course, reject it because they hold all private ownership to be theft; this opinion, of course, has been explicitly rejected by the Church more than once and needs no

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<sup>22</sup>*Id.* at 1005–06.

<sup>23</sup>*Id.* at 1006.

<sup>24</sup>“The other [kind of justice] consists in distribution, and is called distributive justice; whereby a ruler or a steward gives to each what his rank deserves.” ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* Ia Q. 21 Art. 1.

<sup>25</sup>*See supra*, Section 1.1.2, at 26.

<sup>26</sup>“The state, as the minds of men envisaged it at the close of this process, was an agglomeration of families of varying wealth, but by far the greater number owners of the means of production.” Belloc, *supra* note 1, at 80.

further elaboration.<sup>27</sup> Capitalists, on the other hand, argue that it is unjust because productive property ought to be in the hands of him who can best put it to use, and that the few owners of such property in the capitalist system have proven, by their very acquisition of productive property, that they are best fit to employ it. We have addressed capitalism's claims above,<sup>28</sup> and need not repeat our refutations now, save to note that their arguments all depend upon the acceptance of their system of free competition and efficiency in production, which we specifically refuted above.

Does the Church hold that such a distribution is substantially more just than that in the two other systems? The papal encyclicals indicate that the Church does indeed so hold. Indeed, Belloc appears to have derived the name "distributive" from *Rerum Novarum*, the document that distributists consider, along with Pius XI, as their "Magna Charta."<sup>29</sup> In that immortal encyclical, Leo XIII declares that "among the numerous and weighty duties of rulers who would serve their people well," distributive justice is primary:

this is first and foremost, namely, that they protect equitably each and every class of citizens, *maintaining inviolate that justice especially which is called distributive.*<sup>30</sup>

Leo further states that "the law ought to favor this right [to ownership] and, so far as it can, see that the largest possible number among the masses of the population prefer to own property,"<sup>31</sup> saying that "[i]f this is done, excellent benefits will follow, foremost among which will surely be a more equitable division of goods."<sup>32</sup> While these statements are not themselves dispositive, they do indicate that Leo considered a lack of distributive justice to be a serious problem in the prevailing economic systems of the time, the dominant of which was a capitalism even more unfettered than that which we have today.

Leo is more specific in other parts of the encyclical, however. While he died long before Belloc or anyone else devised any economic system

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<sup>27</sup>See *supra*, Section 1.2.1, at 32.

<sup>28</sup>See *supra*, Section 1.1, at 1.

<sup>29</sup>Pius XI, *Quadragesimo Anno*, p. 20.

<sup>30</sup>Leo XIII, *Rerum Novarum*, no. 49 (emphasis added).

<sup>31</sup>Leo XIII, *Rerum Novarum*, no. 65.

<sup>32</sup>Leo XIII, *Rerum Novarum*, no. 66.

that adopted *Rerum Novarum*'s principles, it is clear that he supported a much wider distribution of productive property than was or is currently normal in the developed world. Leo refers to "the non-owning workers specifically," expressing his desire "that they rise from their most wretched state and enjoy better conditions."<sup>33</sup> That which makes their state so wretched, of course, is their lack of ownership; to rise from it, they must acquire ownership. That Leo is referring to productive property specifically, and not to property in general, is clear from his other references to property in the encyclical, which establish beyond a doubt that the will of the Church is that productive property be more widely distributed throughout the populace of states.

Leo laments that in capitalist systems there is "a faction exceedingly powerful because exceedingly rich. Since it alone has under its control every kind of work and business, it diverts to its own advantage and interest *all production sources of wealth.*"<sup>34</sup> He further objects that "the whole process of production as well as trade in every kind of goods has been brought almost entirely under the power of a few,"<sup>35</sup> and he insists that the common man ought to "own fruitful goods [i.e., productive goods] to transmit by inheritance to his children."<sup>36</sup> The emphasis on production is clear. Leo recognizes that some will have more wealth than others; indeed, he explicitly declares that "the lowest cannot be made equal with the highest."<sup>37</sup> And it is perfectly permissible within *all* distributist proposals that some men have more wealth than others. What Leo, and the distributists who follow him, lament is that *productive* property, the means of production, is not more widely distributed. And that is what distinguishes distributism from capitalism and socialism.<sup>38</sup>

The later pontiffs, of course, continued this emphasis on productive property. In the case of Pius XI, the reader is forced to conclude that, at certain points, Pius was referring to distributism specifically. He addresses the question of distributive justice in society in particular,

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<sup>33</sup>Leo XIII, *Rerum Novarum*, no. 42.

<sup>34</sup>Leo XIII, *Rerum Novarum*, no. 66 (emphasis added).

<sup>35</sup>Leo XIII, *Rerum Novarum*, no. 6.

<sup>36</sup>Leo XIII, *Rerum Novarum*, no. 20.

<sup>37</sup>Leo XIII, *Rerum Novarum*, no. 26.

<sup>38</sup>From the purely empirical standpoint; the fact that distributists take Catholic principles as their starting point is the true and paramount difference.

pointing out that not all

kind[s] of distribution of wealth and property amongst men is such that it can at all, and still less can adequately, attain the end intended by God. Wealth, therefore, which is constantly being augmented by social and economic progress, must be so distributed among the various individuals and classes of society, that the common good of all, of which Leo XIII spoke, be thereby promoted.<sup>39</sup>

His emphasis on the proper distribution of wealth is so reminiscent of Belloc that one wonders if the good pontiff could read English and partake of distributist literature. He further declares that “the distribution of created goods must be brought into conformity with the demands of the common good and social justice,”<sup>40</sup> emphasizing his firm belief that the prevailing system, capitalism, does not adequately distribute goods.

That his emphasis is on the distribution of productive property is equally clear from his language. Like Leo, he objects to the fact that most men “have no hope of ever obtaining a share in the land,”<sup>41</sup> which is the first and foremost of all the means of production.<sup>42</sup> He also expresses a desire that wealth be distributed such that “by thrift they [the workers] may increase their possessions and by prudent management of the same may be enabled to bear the family burden with greater ease and security.”<sup>43</sup> The only way a man can have greater security, however, is if he cannot be fired and thereby deprived of his livelihood, and the only way he cannot be fired is if he owns and operates some means of production on his own.

So the better distribution of productive property is essential according to the Catholic vision of economic order. There remain, however, other foundational principles of distributism, some of which are not discussed specifically in most distributist literature but which are nevertheless essential to any proposed distributive state. The next which we shall examine is the principle of subsidiarity, as expounded in the

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<sup>39</sup>Pius XI, *Quadragesimo Anno*, p. 30.

<sup>40</sup>Pius XI, *Quadragesimo Anno*, p. 31.

<sup>41</sup>Pius XI, *Quadragesimo Anno*, p. 32.

<sup>42</sup>See *infra*, Section 2.2.2, at 72.

<sup>43</sup>Pius XI, *Quadragesimo Anno*, p. 33.

papal encyclicals and universally relevant to the ordered societies of men.

### **2.1.3 The Principle of Subsidiarity**

The principle of subsidiarity is a basic one, but one which is indispensable for the managing of all human societies, economically as well as politically. While Leo XIII undeniably implied its existence in his discussion of the workers' associations,<sup>44</sup> its first explicit formulation in authoritative Catholic teaching was by Pius XI. The principle is essentially "small is beautiful," or rather "as small as possible is beautiful":

just as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and industry can accomplish, so, too, it is an injustice, a grave evil and a disturbance of right order for a larger and higher organization to arrogate to itself functions which can be performed efficiently by smaller and lower bodies.<sup>45</sup>

Essentially, we should never entrust to a higher body what can be done equally well by a lower. This applies to the economic as well as the political realm.

Subsidiarity is best fulfilled in economic society by, of course, the wide distribution of productive property. Production ought to be done by the smallest possible unit; often, the smallest such unit is the individual, owning his own productive equipment and operating his own productive entity. Indeed, economic subsidiarity is distributive justice as applied to human society in regard to productive property; no other definition does it justice. Distributive justice governs the distribution of wealth in society; economic subsidiarity governs the distribution of productive property in society. Subsidiarity is simply a species of distributive justice, and is therefore a vital principle for any distributist system.

It is an undeniable fact that functions which were routinely performed by individuals owning their own tools only a generation ago are now performed by massive conglomerates, which are generally performing many such functions and employing many workers who would

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<sup>44</sup>See *infra*, Section 2.2.3, at 78.

<sup>45</sup>Pius XI, *Quadragesimo Anno*, p. 40.

otherwise be running their own operations and owning their own tools. The most obvious example is the modern supermarket. The functions of a supermarket would have been performed by numerous smaller entities. A grocer, of course, sold groceries; a butcher butchered and sold meat; a fishmonger cleaned and sold fish. In the supermarket all of these functions, and sometimes many more, are accumulated into a single, monolithic entity. Because of its size, it is able to prevent any single tradesman, such as a butcher or baker, from setting up a competitive business, and such tradesmen are thus forced to be employed by these supermarkets, never owning their own tools and remaining dependent upon these higher bodies for their very livelihoods. This situation is clearly not in accord with distributive justice, as we have already seen<sup>46</sup>; is it really in accord with subsidiarity?

Many would say that it is. The fact that the individual tradesmen are unable to compete with the supermarket establishes that the supermarket performs its functions more efficiently than the individual tradesmen; therefore, the task is being done by the body which is most suitable for its performance. However, this is true only insofar as we consider the most efficient performance of tasks as our proper end. If we consider our proper end to be the common good, as the papal encyclicals do,<sup>47</sup> then our conclusion must be different. It is true that the definition of subsidiarity in *Quadragesimo Anno* includes the word “efficiently,” but it is included as a factor to be considered, not as a guiding principle. Pius XI made that fact perfectly clear himself; he was not an advocate of efficiency, but of the common good.

Pius discusses subsidiarity only briefly, but his discussion is clearly focused on the nature of justice, not on the nature of efficiency. He states explicitly that his concern is a “right [just] distribution of property and a just scale of wages.”<sup>48</sup> Even in his actual definition of subsidiarity, he declares that the inadequate distribution of property (which is exactly what higher bodies usurping the proper functions of lower authorities is) is an “injustice,” not a violation of the all-sacred doctrine of economic efficiency. His guiding principle is clearly justice, not efficiency. It is justice which demands the distribution of prop-

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<sup>46</sup>See *supra*, Section 2.1.2, at 49.

<sup>47</sup>Leo XIII, *Rerum Novarum*, no. 52, 67.

<sup>48</sup>Pius XI, *Quadragesimo Anno*, p. 39.

erty, and the just distribution of property is economic subsidiarity; the end of subsidiarity, therefore, is justice, not efficiency, and its limiting principle can therefore only be justice. When the Pontiff speaks of efficiency, he is speaking of those situations in which it is *necessary* for a higher body to perform certain functions; otherwise he would be advocating the primacy of efficiency over justice, over the common good. No other explanation is consistent with his principles or his words.

It is plain, then, that the common good requires the greatest possible distribution of productive property,<sup>49</sup> even if efficiency is thereby somewhat reduced. The principle is not that that body which can perform the task most efficiently ought to perform it; the principle is that the smallest body which can perform the task ought to perform it. The supermarket, despite its evident cost-reduction potential, is not the smallest body which can perform the tasks that its expansive penumbra manages to aggregate into itself. While prices may be reduced by the accumulation of myriad tasks into single, massive entities, we must remember that price reduction is not our guiding principle. The common good can never be sacrificed on the altar of efficiency. Subsidiarity is nothing but an expression of distributive justice, and therefore demands that those tasks which can be done by individuals be done by individuals, even at the cost of higher bread prices.

Subsidiarity can, however, be limited by possibility. It is plainly obvious that “owing to the change in social conditions, much that was formerly done by small bodies can nowadays be accomplished only by large corporations.”<sup>50</sup> In fact, the distributist argues that sometimes a task is so large that only the state can properly perform it,<sup>51</sup> something which capitalism, distributism’s currently most vehement opponent, denies completely. Certain things, such as train systems and power plants, are obviously too large to be operated by an individual. Distributism does still demand, however, that subsidiarity be taken seriously, and that some way of granting ownership in the productive property in such industries be assured to the workers who operate it. Certain forms of collective ownership (collective among the industry’s workers, that is), similar to what we call “stock,” would fulfil this pur-

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<sup>49</sup> See *supra* Section 2.1.2, at 49.

<sup>50</sup> Pius XI, *Quadragesimo Anno*, p. 40.

<sup>51</sup> See *infra*, Section 2.2.4, at 82.

pose nicely. But subsidiarity cannot be abandoned simply because an industry is large; men must simply fulfil it in different ways.

Subsidiarity is a basic concept, but one that is essential to the execution of any economic system based upon the papal encyclicals' concept of distributive justice. The distributist argues that this principle must be taken seriously, and that price is not the best determiner of what is better performed by a higher body. Distributism seeks rational assessment of what ought to be done by the lower and what ought to be done by the higher body, and a conscious preference for the lower.

#### **2.1.4 The Preferential Option for the Poor**

The Church has always held that the poor are especially worthy of our efforts and consideration, both privately and socially. While some would delegate the care of the poor entirely to private associations of charitable individuals, the Church continually teaches that the care of the poor is both a duty and an honor for society as well as for individuals. The policies of the state ought to *prefer* the poor, and this general preference is referred to as the preferential option for the poor.

This preferential option is explicitly rooted in the teaching of the Church, who in turn roots it in the Words of God Himself. Leo XIII does not hesitate to say that “the favor of God Himself seems to incline more toward the unfortunate as a class,” noting that Our Lord is always “embracing with special love the lowly and those harassed by injustice.”<sup>52</sup> He even commits Austrian-school heresy by declaring that “[i]n protecting the rights of private individuals, however, special consideration must be given to the weak and the poor.”<sup>53</sup> The poor are entitled to special consideration over and against the rich; this is the constant teaching of the Church, and Peter has spoken through Leo.

Pius XI confirmed this teaching of his predecessor, stating that “[t]he duty of rulers is to protect the community and its various elements; and in protecting the rights of individuals, they must have a special regard for the infirm and needy.”<sup>54</sup> The rich, Pius notes, have the means to help themselves, but “the mass of the poor have no re-

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<sup>52</sup>Leo XIII, *Rerum Novarum*, no. 37.

<sup>53</sup>Leo XIII, *Rerum Novarum*, no. 54.

<sup>54</sup>Pius XI, *Quadragesimo Anno*, p. 13.

sources of their own to fall back upon.”<sup>55</sup> John Paul II also continued this constant insistence of the Church, declaring that “[t]he contents of the text [of *Rerum Novarum*] is an excellent testimony to the continuity within the Church of the so-called ‘preferential option for the poor,’ an option which I defined as a ‘special form of primacy in the exercise of Christian charity.’”<sup>56</sup> He goes further:

It is not merely a matter of ‘giving from one’s surplus,’ but of helping entire peoples which are presently excluded or marginalized to enter into the sphere of economic and human development.<sup>57</sup>

So we see that this preferential option for the poor is thoroughly rooted in authentic Catholic teaching.

The Pontiff’s definition is succinct and descriptive: “a ‘special form of primacy in the exercise of Christian charity.’”<sup>58</sup> More descriptively, the preferential option for the poor is the *public* exercise of Christian charity. It means that the laws of the state take special account of the situation of the poor and form themselves such that they enable the poor to be lifted from their situation as much as possible into a better one. This is not simply an option for the state; it is a duty for any Christian polity.

How does the state exercise this preferential option for the poor, which the Church clearly finds so important? It forms its economic life around the social teaching of the Church, specifically with regard to the restoration of property. If the poor are ever to be raised from their poverty,<sup>59</sup> it is necessary that property be restored to the masses. Without that restoration, there can be no truly Catholic social order, no truly propertied society, and no real and lasting help for the poor. Only a full and proper restoration of property can ever provide lasting

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<sup>55</sup>Pius XI, *Quadragesimo Anno*, p. 13–14.

<sup>56</sup>John Paul II, *Centesimus Annus*, no. 11.

<sup>57</sup>John Paul II, *Centesimus Annus*, no. 58.

<sup>58</sup>John Paul II, *Centesimus Annus*, no. 11.

<sup>59</sup>Of course, distributists are as aware as anyone that “the poor you have always with you,” St. Matthew 26:11; they simply insist, along with the Church of Christ, that it is a public as well as a private duty to assist them as much as possible. They have no illusions about eliminating poverty, but neither have they illusions about the duty to help alleviate it.

relief to the poor, and so only by the restoration of property can the moral duty of the preferential option for the poor be truly fulfilled.

### 2.1.5 Solidarity

Most important, however, in any discussion of economic society is the end of economic activity. The end of a thing is also its first principle, so unless we can find the end of economic society, we can never know its principles. That end has already been stated above, but it deserves a more thorough treatment, which it shall receive here.

According to the papal encyclicals, the end of economic society is, like the end of all societies, the common good. To that end ought all economic activity be directed. While this principle is certainly reflected in *Rerum Novarum*,<sup>60</sup> it was Pius XI's great point in *Quadragesimo Anno*, and treated most thoroughly there.

Pius states that a just society can only be obtained by “the reform of the social order.”<sup>61</sup> Note well that he uses the word “order.” This word implies more than simply a peaceful cooperation of disparate parts for their own ends. Pius himself, quoting St. Thomas Aquinas, observes that order “is unity arising from the apt arrangement of a plurality of objects”<sup>62</sup>; for this reason, “true and genuine social order demands various members of society, joined together by a common bond.”<sup>63</sup> This “common bond” consists, in part, of “the common good which all groups should unite to promote, each in its own sphere, with friendly harmony.”<sup>64</sup> Pius gets even more specific, telling Catholics that

man's various economic activities [ought to] combine and unite into one single organism and become members of a common body, lending each other mutual help and service. For then only will the economic and social organism be soundly established and attain its end.<sup>65</sup>

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<sup>60</sup>See Leo XIII, *Rerum Novarum*, no. 41.

<sup>61</sup>Pius XI, *Quadragesimo Anno*, p. 39.

<sup>62</sup>Pius XI, *Quadragesimo Anno*, p. 42.

<sup>63</sup>Pius XI, *Quadragesimo Anno*, p. 42.

<sup>64</sup>Pius XI, *Quadragesimo Anno*, p. 42.

<sup>65</sup>Pius XI, *Quadragesimo Anno*, p. 38–39.

So we see that papal social teaching implicitly assumes that society is an organic whole possessing a common end.<sup>66</sup>

But why does it matter what Pius XI declared about an organic state? Why is the question of the organic unity of the state relevant to the Catholic system of economics? For the simple reason that if the state is an organic whole, then it has one end, and all subsidiary corporations and activities (like economics) exist for the sake of that end. If, on the other hand, the state is not an organic whole, and is merely, as Lucky approvingly quotes Waterman as saying, a “habitat,”<sup>67</sup> then the ends of the state could easily be as many as there are individuals in that state, and the end of economic activity need not be subordinated to the end of the state but could be its own end, in itself. So whether or not the state is organic is a vital question for any theory of economics. The Church, as Pius unambiguously declares, has adopted the organic vision of the state, and therefore according to the social teaching of the Church all economic activity must be subordinated to the end of the state, which is the common good.

This corporate economic theory adopted by the Church is not, as some Catholic liberals claim, a production of some nineteenth- or twentieth-century economic theory which was uncritically adopted by an unsuspecting and economically ignorant Leo XIII.<sup>68</sup> While this corporatism does bear some resemblance to certain modern theories of economics, it was actually originally formulated in ancient Greece, rooting itself in Aristotelian philosophy, and was perfected in medieval Europe by the Angelic Doctor himself. It was from this source that Leo and Pius derived the social teaching of the Church, as all teaching of the

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<sup>66</sup>Even capitalists have recognized this, and condemned it as contrary to liberal economics. See William R. Lucky, *The Intellectual Origins of Modern Catholic Social Teaching on Economics: An Extension of a Theme of Jesús Huerta de Soto* (speech given to the Austrian Scholars Conference at Auburn University, 23–25 March 2000).

<sup>67</sup>A. M. C. Waterman, *Market Social Order and Christian Organicism in Centesimus Annus*, JOURNAL OF MARKETS AND MORALITY 221, Vol. II, Iss. 2 (Fall, 1999) (quoted in Lucky, *supra* note 66, at 5).

<sup>68</sup>Incredible as it may sound, this very claim was made in regard to papal economic teaching by a *Catholic* before a scholarly conference. Such claims are made doubly incomprehensible to the author, since he is personally, though slightly, acquainted with the maker of this claim and knows him to be otherwise of exemplary loyalty to papal teaching. See generally Lucky, *supra* note 66.

Church is derived; the passing theories of the mortal ages do not affect her Magisterium.

In fact, the idea that the state (and economic activity, being, as discussed in the introduction, subordinated to politics, which governs the state) is an organic whole goes even farther into Aristotelian philosophy than does Aristotle himself. Aristotle's forerunner, Plato, accepts the validity of an organic state, taking it as a premise for his discussion of the nature of justice.<sup>69</sup> Aristotle accepts this theory without question, going on to discuss the end of the state as one, rather than as many.<sup>70</sup> Aristotle teaches that "there must be a union of those who cannot exist without each other," naming the union "of natural ruler and subject" as an example.<sup>71</sup> That Aristotle uses the word "union" here, and not "amalgamation" or some similar word, states explicitly what his argument assumes: that the state is an organic whole, which aims at a single end, and all other activities within the state must be subordinated to that end.

Indeed, Aristotle explicitly states that all activities within the state are subordinated to the end of the state. He states that the state "embraces all the rest" of the types of communities, and "is the highest of all" communities.<sup>72</sup> It is necessary, then, that all other activities be subordinated to the end of the state. Aristotle even names economic pursuits specifically, as seen in the introduction, saying that "we see even the most highly esteemed of capacities to fall under this [politics, which governs the state], e. g. strategy, economics, rhetoric."<sup>73</sup> So the Church's teaching is certainly rooted a good deal farther in the past than nineteenth-century German economists.

St. Thomas confirmed this teaching of Aristotle, taking it as a given in some of his arguments. In his great treatise on law, St. Thomas argues at length with the assumption that the state is an organic whole and individuals are parts of that whole. He states that

[s]ince then *every man is a part of the state*, it is impossible

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<sup>69</sup>PLATO, THE REPUBLIC 43–44 (G. M. A. Grube trans., Hackett Publishing Company 1992).

<sup>70</sup>ARISTOTLE, POLITICA in THE BASIC WORKS OF ARISTOTLE 1127 (Benjamin Jowett trans., Richard McKeon ed., Random House 1941).

<sup>71</sup>*Id.* at 1127–28.

<sup>72</sup>*Id.* at 1127.

<sup>73</sup>Aristotle, *Ethica Nicomachea*, *supra* note 19, at 936.

that a man be good, *unless he be well proportionate to the common good*: nor can the whole be well consistent unless its parts be proportionate to it.<sup>74</sup>

We see here a clear assertion that the state is an organic whole and the individual and subsidiary corporations are parts of that whole. St. Thomas even goes further, saying that unless a man conform himself to the common good, it is *impossible* that he himself be good. He further asserts the existence of a common good which is the good of the whole state, and the good of individuals as parts of the state. So the common good is the end of the state, and economic activity must be subordinated to that common good.

But what is the common good? To what must all activity within a state be subordinated? To answer this question, we must examine the end of law, which is what governs the state and leads it toward its end. The end of law is clearly to make men virtuous. This question has already been addressed in the introduction. St. Thomas states unequivocally that “the proper effect of law is to lead its subjects to their proper virtue: and since virtue is *that which makes its subjects good*, it follows that the proper effect of law is to make those to whom it is given, good, either simply or in some particular respect.”<sup>75</sup> So the end of law is to make men good. More specifically, the end of law is to make men happy, since one is only happy by being good:

Now the first principle in practical matters, which are the object of the practical reason, is the last end: and the last end of human life is bliss or happiness, as stated above (Q. 2, A. 7; Q. 3, A. 1). Consequently the law must needs regard principally the relationship to happiness. Moreover, since every part is ordained to the whole, as imperfect to perfect; and since one man is a part of the perfect community, the law must needs regard properly the relationship to universal happiness. Wherefore... we call those legal matters *just, which are adapted to produce and preserve happiness and its parts for the body politic*... Therefore every law is ordained

<sup>74</sup>ST. THOMAS AQUINAS, SUMMA THEOLOGICA Ia-IIæ Q. 92 Art. 1, rep. to Obj. 3 (emphasis added).

<sup>75</sup>ST. THOMAS AQUINAS, SUMMA THEOLOGICA Ia-IIæ Q. 92 Art. 1.

to the common good.<sup>76</sup>

St. Thomas tells us that law aims at the human good, and that the human good is happiness; he also tells us that law aims at the common good. The common good, then, is happiness, or more specifically, what St. Thomas calls “universal happiness.” Happiness, however, can only be acquired through virtue and living well; so the end of the state, the common good, is that its citizens live well, and by so doing become happy. Aristotle came to the same conclusion centuries before, arguing that the state, which came into being for the sake of the necessities of life, was always “continuing in existence for the sake of a good life.”<sup>77</sup> St. Thomas observes the same thing again in the *De Regno*, noting that the duties of the king are “first of all, to establish a virtuous life in the multitude subject to him; second, to preserve it once established; and third, having preserved it, to promote its greater perfection.”<sup>78</sup> So the common good at which the state aims is the universal happiness of its citizens through encouraging the practice of virtue and the living of a good, moral life.

It follows, then, that economic activity must be subordinated to the encouragement of morals and virtue. The common good must always take precedence over the needs of any individual or subsidiary corporation. The good of the whole is necessarily paramount, for “all parts are for the perfection of the whole.”<sup>79</sup> That is the guiding principle of economic life: that all economic activity within the state be subordinated to the state’s end of encouraging virtuous and moral living among its citizens. Any objection to the proposals of economic reformers, therefore, must meet this test: does their objection better serve the common good than the reforms? If it does, then the efforts of the reformer are in vain; if it does not, then the reformer is right, and his proposals ought to prevail.

Note, however, that the common good is not a material one. Happiness is first and foremost an immaterial thing, which comes to a man from good living and virtue. A certain amount of material possessions

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<sup>76</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* Ia-IIæ Q. 90 Art. 2.

<sup>77</sup>Aristotle, *Politica*, *supra* note 70, at 1129.

<sup>78</sup>ST. THOMAS AQUINAS, *ON KINGSHIP* 65 (Gerald B. Phelan trans., Pontifical Institute of Medieval Studies 1982).

<sup>79</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* Ia Q. 65 Art. 2.

is, in the ordinary case, necessary for true and proper happiness; it is for this reason that distributists so vehemently insist on the restoration of property to the masses. However, any argument which rests entirely on its provision of great amounts of material prosperity must be rejected by anyone committed to achieving the common good. First and foremost, an argument must be made that it encourages virtue; if it does not, then it cannot be adopted, no matter how effectively it produces material wealth. Primarily for this reason distributists reject the arguments of capitalists and socialists. Both capitalism and socialism argue that they will produce real material prosperity for everyone; neither, however, ever even pretend that they will encourage the practice of virtue.<sup>80</sup> Distributism, on the other hand, was designed with the first principle that the common good is to be sought first, and that all other considerations, no matter how weighty, must be subordinated to it. So distributism is not “first and foremost, a reaction to capitalism,”<sup>81</sup> nor is it a less socialistic alternative to socialism. It is different in its first principles, and therefore different to its very roots.

It follows from this universal subordination to the common good that all classes serve first the common good, and only then the good of their class. This applies even to the workers’ associations that feature so prominently in papal economic teaching. The mechanics’ guild works for the good of mechanics, but only secondarily; primarily, first and foremost, it works for the common good. Each individual worker works for the good of his family, but only secondarily; primarily, first and foremost, he works for the common good. This universal commitment to the common good is a feature distinctive to distributism, which no other proposed or existing system shares; it is a dedication to the good of the whole community, rather than to that of individuals or even private groups. This commitment has been called by many different names; in the modern day, however, it is most often called by the name

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<sup>80</sup>Except for the limited exception that capitalists claim that their system discourages sloth (which distributists hold that it does only by encouraging greed) and that socialists claim that their system discourages greed (which distributists claim that it does only by encouraging sloth). Neither ever claims that it is founded upon the pursuit of the common good; only distributism can make this assertion with any honesty.

<sup>81</sup>John Clark, *Distributism as Economic Theory*, THE LATIN MASS: A JOURNAL OF CATHOLIC CULTURE, spring 2002, at 30.

of solidarity.

Another necessary consequence of solidarity is that the primary relationship between different factors of economic life is not competitive, as in capitalism. It is one of cooperation, with the acknowledgement that, even though there are some disparate interests, in the end both sides seek the same common end. Belloc put it well when he said that a distributive state exists “with relations domestic rather than competitive between the various human factors to production.”<sup>82</sup> This relationship is much approved by the popes, who, while acknowledging that competition “within certain limits [is] just and productive of good results,”<sup>83</sup> have always insisted that it “cannot be the ruling principle of the economic world.”<sup>84</sup> It is true that various parts of society must be permitted to pursue their own advantage within the proper limits; they must also, however, be willing to cease that pursuit if the common good requires it. As Leo XIII put it, “just as in the human body the different members harmonize with one another, whence arises that disposition of parts and proportion in the human figure rightly called symmetry, so likewise nature has commanded in the case of the State that the two classes mentioned should agree harmoniously and should properly form equally balanced counterparts to each other.”<sup>85</sup> In this way, the relationship between various producers will no longer be primarily competitive, but rather “domestic,” acknowledging a common background and a common end, and only secondarily competitive, and that within just limits.

This doctrine is clear and simple, unquestionably part of the social tradition of the Church and even traced directly from the words of Our Lord.<sup>86</sup> If the parts of a society are fighting against other parts, that society will be no more rightly ordered than a body in which the heart competes against the lungs. Both are necessary, just as (for example) two shoemakers are necessary, and their reasonable competition with each other must be kept properly subject to their mutual commitment to the common good. As Pius XI put it, “all groups should unite to

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<sup>82</sup>Belloc, *supra* note 1, at 112.

<sup>83</sup>Pius XI, *Quadragesimo Anno*, p. 44.

<sup>84</sup>Pius XI, *Quadragesimo Anno*, p. 44. See also John Paul II, *Centesimus Annus*, no. 34.

<sup>85</sup>Leo XIII, *Rerum Novarum*, no. 28.

<sup>86</sup>See, e.g., St. Matthew 12:25.

promote, each in its own sphere, with friendly harmony”<sup>87</sup> the common good. In this way, all the parts of the whole are united together, competing only insofar as is necessary, for “every city or house divided against itself shall not stand.”<sup>88</sup>

## 2.2 The Restoration of Property

Any economic system purporting to advance the economic vision of the papal encyclicals must employ these five principles (productive property, distributive justice, subsidiarity, the preferential option for the poor, and solidarity) toward the restoration of property. This restoration is the single most important task for the economic reformer; if he cannot accomplish that, he can accomplish nothing. What do we mean by the restoration of property? We mean the just distribution of productive property according to the principles of distributive justice, as expressed in the principle of subsidiarity, with attention taken for the common good (as dictated by solidarity) and the needs of the poor.

We will assume, then, that a state has decided to reform its economy according to Catholic principles. How should that state go about its reformation? Have the papal encyclicals recommended or commanded any procedures or institutions? The Church has given us guidance on these issues, and most practical formulations of distributists integrate them into their programs; we will examine some of the most important, and discuss their necessity and their basis in Catholic thought.

### 2.2.1 When Wages are Needed

Inevitably, of course, the distributist is accused of Marxism, largely on the basis of his dislike of the wage contract. It is true that, since distributists are committed to a wide distribution of productive property, the wage contract has a much smaller role in their system than it does in current ones. That, however, is because those who own their own means of production have no need to work for a wage, not because distributists believe that the wage contract is evil in itself. This point bears greater discussion, since the Catholic position on wages is

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<sup>87</sup>Pius XI, *Quadragesimo Anno*, p. 42.

<sup>88</sup>St. Matthew 12:25.

flatly contradictory to the capitalist one, and it is of vital importance in helping the poor and restoring the people to property.

To begin with, the wage contract is eminently just. No distributist denies this. While capitalists generally enjoy accusing distributists of holding the wage contract to be intrinsically evil, no distributist has ever made this statement. Even if they had, this distributist does not. The wage contract is certainly just, on its face. John Sharpe notes this by saying that “Leo along with all the other popes, theologians, and *Belloc* (as we have noted) didn’t impugn the legitimacy of a contract between a wage earner and an owner of capital,”<sup>89</sup> further noting that Belloc, the first non-papal distributist, “concedes the justice of a wage contract quite clearly (as would be expected of a man who [is] a faithful Catholic and not an idiot).”<sup>90</sup> Capitalists, of course, do not deny the validity of such contracts, either, so there is little purpose in dwelling on the issue any further. However, simply to put the issue to rest, the distributist position on the table, I will say once again: the wage contract is just.

Capitalists and distributists begin to disagree, however, when it comes to the proper *nature* of the wage contract. Capitalists are of the opinion that “just wages were established in the same way as just prices, namely by the common estimation of the market and the free consent of individuals.”<sup>91</sup> Catholic teaching, however, is very different. The Church teaches that wages cannot be treated as any other price might be treated, for the simple reason that a wage is what keeps a man alive. But capitalists insist that this doesn’t matter, and that wages will reach their optimal value by the same magical self-regulatory process that governs the rest of economic life.

What, then, is to become of those whose wages are too low for them to support their families? Capitalists are, quite simply, completely unconcerned with their fate. Perhaps, some say, private charity can make up the gap until they find employment at a subsistence wage. Perhaps they can take on two jobs and earn two wages, which together will

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<sup>89</sup>John Sharpe, *Liberal Economics vs. Catholic Truth*, SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 3 November 2002.

<sup>90</sup>*Id.*

<sup>91</sup>Thomas Woods, *Catholic Social Teaching and Economic Law: An Unresolved Tension* (speech delivered at the Austrian Scholars Conference 8, Auburn, Alabama), March 15–16, 2002.

make up a living wage. Perhaps their wives or children will have to go to work, as a necessary measure, to make up the difference. No matter what solution they propose, however, they are united in that the employer should *never* have to take responsibility for his own employees' wages. He is simply setting the wage according to the market, and it would be foolish (read: contrary to his self-interest) to do anything else.

The popes, however, severely condemn this view. A wage is fundamentally different from prices for goods; it is what supports a man and his family, and cannot be left to the vagaries of market forces. Leo XIII, in fact, specifically attacks the capitalist standpoint on wages, saying unequivocally that “[a]n impartial judge would not assent readily or without reservation to this reasoning, because it is not complete in all respects.”<sup>92</sup> Which factor is missing? A recognition that work is not only *personal*, that is, done by the person, but also *necessary* for man's survival. Leo states that

this matter must be judged far differently, if with the factor of *personality* we combine the factor of *necessity*, from which indeed the former is separable in thought but not in reality. In fact, to preserve one's life is a duty common to all individuals, and to neglect this duty [by accepting a wage too small to support one's family] is a crime.<sup>93</sup>

Leo clarifies that he does not, like the Marxists, deny the justice of the wage contract *per se*, saying that it is “granted then that worker and employer may enter freely into agreements and, in particular, concerning the amount of the wage.”<sup>94</sup> However, Leo also stresses that “there is always underlying such agreements an element of natural justice, and one greater and more ancient than the free consent of contracting parties, namely, *that the wage shall not be less than enough to support a worker who is thrifty and upright.*”<sup>95</sup> Anything less is injustice, for “if a worker accepts a harder condition, which although against his will he must accept because the employer or contractor imposes it, he cer-

<sup>92</sup>Leo XIII, *Rerum Novarum*, no. 62.

<sup>93</sup>Leo XIII, *Rerum Novarum*, no. 62.

<sup>94</sup>Leo XIII, *Rerum Novarum*, no. 63.

<sup>95</sup>Leo XIII, *Rerum Novarum*, no. 63 (emphasis added).

tainly submits to force, against which justice cries out in protest.”<sup>96</sup> Leo also points out that certain wage contracts ought to be forbidden altogether, noting that

[n]ay as regards children, special care ought to be taken that the factory does not get hold of them before age has sufficiently matured their physical, intellectual, and moral powers. . . . Certain occupations likewise are less fitted for women, who are intended by nature for work of the home.<sup>97</sup>

So clearly, the teaching of the Church is that wages are not nearly so simple as most modern economic theories maintain.

Pius XI draws another distinction in the purpose of work to complement Leo’s between personality and necessity, saying that “[t]he obvious truth is that in labor, especially hired labor, as in ownership, there is a social as well as a personal or individual aspect to be considered.”<sup>98</sup> As a result of this social aspect of work, there are three considerations that must be taken into account in setting a wage. First, “the wage paid to the workingman must be sufficient for the support of himself and of his family.”<sup>99</sup> In order to achieve this, “social justice demands that reforms be introduced without delay which will guarantee every adult workingman just such a wage.”<sup>100</sup> Second, lest the employer think that the Church neglects his legitimate concerns, Pius stipulates that “[t]he condition of any particular business and of its owner must also come into question in settling the scale of wages; for it is unjust to demand wages so high that an employer cannot pay them without ruin, and without consequent distress amongst the working peoples themselves.”<sup>101</sup> Finally, Pius reminds us of the end of all economic activity, wages included, saying that “the wage-scale must be regulated with a view to the economic welfare of the whole people.”<sup>102</sup> They must be set carefully so that the workers are able to support themselves and their families, if possible so that those workers can, through saving and

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<sup>96</sup>Leo XIII, *Rerum Novarum*, no. 63.

<sup>97</sup>Leo XIII, *Rerum Novarum*, no. 60.

<sup>98</sup>Pius XI, *Quadragesimo Anno*, p. 35.

<sup>99</sup>Pius XI, *Quadragesimo Anno*, p. 36.

<sup>100</sup>Pius XI, *Quadragesimo Anno*, p. 36.

<sup>101</sup>Pius XI, *Quadragesimo Anno*, p. 37.

<sup>102</sup>Pius XI, *Quadragesimo Anno*, p. 37.

thrift, purchase their own means of production and cease being employed by another, thus making room for another worker who requires a job to start out with. Further, it must be set low enough so that businesses will not be forced to fire all their workers in order to stay afloat, so ‘that opportunities for work be provided for those who are willing and able to work.’<sup>103</sup> Wages cannot be left to the market; they must be controlled by a rational principle. Wages are a creation of man; man cannot absolve himself of responsibility for them by pointing at the almighty market.

At the risk of redundancy, we will point out that John Paul II has further extended and strengthened this theory of wages, stating that “society and the State must ensure wage levels adequate for the maintenance of the worker and his family, including a certain amount for savings.”<sup>104</sup> He even stresses another point which the previous pontiffs mentioned in their encyclicals,<sup>105</sup> the necessity for “‘humane’ working hours and adequate free-time,” teaching that they “need to be guaranteed.”<sup>106</sup> The Church clearly teaches that wages are only partly a free contract between individuals; they are also a vitally necessary compensation for socially necessary work, and consequently concern not solely those directly involved in the contract, but also the whole society.

Concurrent with this theory of wages is the idea that it is the state’s responsibility to ensure that no one in society is without life’s most basic necessities. While most capitalists vehemently oppose this statement, saying that such a system institutionalizes what ought to be private charity and provides an incentive for sloth, the Church teaches it as the state’s moral duty in no uncertain terms. Leo XIII declares that “[i]f a family perchance is in such extreme difficulty and is so completely without plans that it is entirely unable to help itself, it is right that the distress be remedied by public aid, for each individual family is a part of the community.”<sup>107</sup> John Paul II even specifically admitted the merits of certain aspects of the “welfare state,” saying that “[m]alfunctions and defects in the Social Assistance State are the result of an inade-

<sup>103</sup>Pius XI, *Quadragesimo Anno*, p. 38.

<sup>104</sup>John Paul II, *Centesimus Annus*, no. 15.

<sup>105</sup>“Hence follows necessary cessation from toil and work on Sundays and Holy Days of Obligation.” Leo XIII, *Rerum Novarum*, no. 58.

<sup>106</sup>John Paul II, *Centesimus Annus*, no. 15.

<sup>107</sup>Leo XIII, *Rerum Novarum*, no. 21.

quate understanding of the tasks proper to the State. Here again *the principle of subsidiarity* must be respected.”<sup>108</sup> Clearly, the Pontiff intends only to condemn the overcentralization of the welfare state, not the policies of the welfare state themselves. John Paul elaborates on this theme, teaching that

it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbors to those in need. . . It can happen, however, that when a family does decide to live up fully to its vocation, it finds itself without the necessary support from the State and without sufficient resources. It is urgent therefore to promote not only family [private] policies, *but also those social policies which have the family as their principal object, policies which assist the family by providing adequate resources and efficient means of support.*<sup>109</sup>

The Church does not condemn the welfare state; she approves of it, provided that it keeps its proper goals in mind and that it respects the principle of subsidiarity, allowing private individuals to do as much as possible before local (very local) government steps in to fill the gaps that private charity left.

We can see from all this that the common objection to the minimum wage, that such things ought to be left to private Christian charity, is empty and alien to Catholic teaching. While private charity is certainly a moral duty, binding on pain of sin, employers are still bound to pay their workers a living wage as a matter of justice, not charity. Furthermore, when wages or employment are, through situations beyond immediate rectification, insufficient for the support of families, it is not simply the job of private charity to help remedy the problem. Owing to the corporate nature of society, these situations are not simply individual problems; they are problems of the whole society, and refusing to allow society to help rectify them is as nonsensical as forbidding the hands to help heal the leg. Protecting the workers, through the minimum wage, maximum hours, and social protection programs (which must, of course, be as local as possible), is a social duty, enforced by

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<sup>108</sup>John Paul II, *Centesimus Annus*, no. 48.

<sup>109</sup>John Paul II, *Centesimus Annus*, nos. 48-49.

the laws of the state, not only a private duty which the state can safely ignore. “[T]o accomplish this purpose,” Leo XIII teaches on protecting the workers, “she [the Church] holds that the laws and the authority of the State, within reasonable limits, ought to be employed.”<sup>110</sup> This duty is moral, and those responsible for the state’s neglecting it are held responsible for that neglect before God.

The Church has been lamenting the neglect of society toward the poor and the workers since her foundation, particularly in the last century and a half. Pius XI laments that so many in modern society are “content to abandon to charity alone the full care of relieving the unfortunate; as though it were the task of charity to make amends for the open violation of justice, a violation not merely tolerated, but sanctioned at times by legislators.”<sup>111</sup> He teaches that “[c]learly charity cannot take the place of justice unfairly withheld.”<sup>112</sup> The Church teaches that, when wages are needed, they must not be simply the result of the tos and fros of market forces; they must be humane, living, and sufficient to help the workmen attain their last ends, and thus do their part to further the common good.

### **2.2.2 Agriculture and Technology in the Distributive State**

In his brilliant discussion of government, the *De Regno*, St. Thomas Aquinas states in no uncertain terms that there is one type of production which vastly supercedes the importance of all the rest: agriculture. In his discussion of founding a city, in fact, it is the only type of production that he bothers to mention. Clearly, he says, “[i]t is not enough, however, that the place chosen for the site of a city be such as to preserve the health of the inhabitants; it must also be sufficiently fertile to provide food.”<sup>113</sup> The production of food, whether by farming, herding, fishing, or some combination of all, must take primacy over every other type of production.

The argument for this is, of course, obvious, and could hardly be

<sup>110</sup>Leo XIII, *Rerum Novarum*, no. 25.

<sup>111</sup>Pius XI, *Quadragesimo Anno*, p. 4–5.

<sup>112</sup>Pius XI, *Quadragesimo Anno*, p. 68.

<sup>113</sup>St. Thomas Aquinas, *supra* note 78, at 75.

contested by anyone. Before anything can be produced, food must be produced. If the workers cannot eat, neither can they work, and without sufficient food, the state is helpless and will shortly die. So those who bring food to the state are, in a very real though purely material sense, the most important men in the state. Soldiers defend society from extrinsic harms, doctors heal damaged bodies, and lawyers form laws such that they are conducive to the common good, but none of these can do any of their works if they are not provided with sufficient food. So clearly agriculture, the production of food, must be given an appropriately important place in a Catholic system of economics.

Perhaps, however, food is supplied to a state mostly, or even entirely, by trade. St. Thomas acknowledges this possibility, saying that “there are two ways in which an abundance of foodstuffs can be supplied to a city.”<sup>114</sup> The first, he says, is when “the soil is so fertile that it amply provides for all the necessities of human life.”<sup>115</sup> “The second,” St. Thomas continues, “is by trade, through which the necessities of life are brought to the town in sufficient quantity from different places.”<sup>116</sup> So St. Thomas saw the possibility that a state might be supplied with food from sources other than itself.

St. Thomas also saw, however, that “[i]t is quite clear that the first means is better.”<sup>117</sup> St. Thomas’s reason for this is deeply rooted in Aristotelian (and traditional Catholic) philosophy. Aristotle wrote, in his proof that the state is the highest and best community, that “to be self-sufficing is the end and the best.”<sup>118</sup> Self-sufficiency is better than dependence because dependence in its essence implies a certain defect. Yves Simon uses the example of a child versus an adult. A “child is *unable* to take care of himself.”<sup>119</sup> Simon claims that “[d]eficiency always signifies the lack of a perfection that a subject should possess in order to satisfy fully the demands of its nature.”<sup>120</sup> There is nothing wrong with a child having such deficiencies, because a child has not yet

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<sup>114</sup>*Id.*

<sup>115</sup>*Id.*

<sup>116</sup>*Id.*

<sup>117</sup>*Id.*

<sup>118</sup>Aristotle, *Politica*, *supra* note 70, at 1129.

<sup>119</sup>YVES SIMON, *PHILOSOPHY OF DEMOCRATIC GOVERNMENT* 8 (University of Notre Dame Press 1993).

<sup>120</sup>*Id.*

grown into a full man; but “there is something wrong about an adult person whose mental age is seven.”<sup>121</sup> The wrongness is that the man who should otherwise rely on his own nature must rely on another; this implies the absence of a perfection that ought to be there, a *privatio* of some degree of maturity. So deficiency in a fully developed thing implies an imperfection, and is therefore bad.

Men, of course, are never entirely self-sufficient; even those rare men who are able to supply for themselves all their material needs still require others for their growth in virtue and the good life. The state, however, is different. The state contains, or ought to contain, all that is necessary for human flourishing. According to Aristotle, the state does not even exist until the community is “nearly or quite self-sufficing.”<sup>122</sup> In fact, for Aristotle the specific difference of “state,” that which makes it different from the other types of community, is the very fact that it is self-sufficient. Aristotle argues that “the state is a creation of nature and prior to the individual” because “the individual, when isolated, is not self-sufficing.”<sup>123</sup> The family is a community ordered toward procreation; the village is a community ordered toward fulfilling the need for society; the state is a community ordered toward the living of the good life.<sup>124</sup> But once the community is ordered to the good life, it is in need of nothing because the good life is the end of man. So the state is self-containing; it encompasses everything that is necessary for the accomplishment of man’s end.

But the part cannot be greater than the whole, and the whole cannot lack what belongs to the part. The family and the village exist, in part, for the supplying of man’s daily needs; the family and the village are parts of the state. Therefore, the state ought to contain within itself what is physically necessary for those under it, and food is one such necessity. This is a basic concept in Aristotelian political philosophy, and St. Thomas does not abandon it. He says that “[t]he more dignified a thing is, the more self-sufficient it is, since whatever needs another’s help is by that fact proven to be deficient.”<sup>125</sup> Production exists to fulfil man’s material needs; man’s most pressing material

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<sup>121</sup>*Id.*

<sup>122</sup>Aristotle, *Politica*, *supra* note 70, at 1129.

<sup>123</sup>*Id.* at 1130.

<sup>124</sup>*Id.* at 1127–30.

<sup>125</sup>St. Thomas Aquinas, *supra* note 78, at 75.

need is for food,<sup>126</sup> since without food no other material need can be fulfilled. Therefore, in terms of fulfilling its subjects' material needs, the state ought to put the greatest possible self-sufficiency in terms of food before any other consideration.

Leo XIII recognized the absolute necessity of the fruit of the earth to any state. He states that "nature necessarily gave man something stable and perpetually lasting on which he can count for continuous support. But nothing can give continuous support of this kind save the earth with its great abundance."<sup>127</sup> The fact that food is vitally important, of first importance for the material well-being of the state, is so obvious that it seems that no one could deny it without indicting himself for foolishness. So agriculture has the just place of primacy among all other types of production, and we have just seen that self-sufficiency in terms of food ought to be the state's most important productive goal. We can see that agriculture is important; what relevance does this obvious fact have, however, for a Catholic system of economics?

It means a number of things. First, it means that the farmer ought to be accorded a special place in society. He is, after all, the producer of society's most necessary material good, and ought to be given the respect that such an important position deserves. Second, it means that, in an ideal world, the farmer ought to be the ordinary type of citizen.

This second consequence of the primacy of agriculture often gives us cause to pause. In modern society, of course, farming is the occupation of only a very small portion of the population—oftentimes less than two percent—and it makes us nervous to assert that it ought to be any other way. How could we possibly restore agriculture to the primacy among occupations that it once held, being engaged in by some 98% of the population, without foregoing all the modern advancements that science and technology had achieved? Does distributism require a return to a pre-industrial age?

The answer, of course, is no; distributism does not require us to act as though the technological advances of the last two hundred years had never occurred. Man has made great strides in his understanding

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<sup>126</sup>While I know that this is not true in survival situations, in which some form of shelter is the most urgent need, in terms of being prior in being food is the more important, since without food no shelter, nor anything else, can ever be constructed.

<sup>127</sup>Leo XIII, *Rerum Novarum*, no. 12.

of the physical world and in his manipulation of it, and that is to be applauded; at his creation he was commanded to “fill the earth, and subdue it,”<sup>128</sup> and technology has greatly enabled him to fulfil this command. We must be careful, however, not to allow these great advances to obscure our ultimate dependence upon God and the fruits of the earth which He created; the papal encyclicals caution us against such a faulty forgetfulness, and our nature as creatures of the same God as the earth commands us to keep it always before our mind.

It follows, then, that we cannot allow ourselves to become so dependent upon our technology that, should it fail, we will become totally helpless and unable to provide for ourselves. Leo XIII pointed out that “nothing can give continuous support” of mankind “save the earth with its great abundance.”<sup>129</sup> If for reasons of war, natural catastrophe, or other cause our great mechanical looms and industrial machines should fail, mankind could survive—provided that his agricultural infrastructure remained intact. Otherwise, the suffering attendant upon such an occurrence—may God forbid it—would be astronomically greater than necessary. So distributism, in obedience to this principle, postulates that farming ought to take precedence over all other forms of technology within the state.

In what way must it take precedence? The farmer ought to be the normal, ordinary type of citizen, and the non-farmer the exception. Naturally, the actual attainment of this aim requires a great deal of time and extraordinary practical insight, but the desirability of the goal is not in question. Only if the farmer is the normal type of citizen can the agricultural infrastructure of the state be guaranteed against most catastrophes, thus providing the state with the means of ensuring the safety of its citizens no matter what circumstances stand in its way. The state which fails to provide such assurance is failing, in a very important way, its duty to protect its citizens. So restoring the farmer to his former primacy is an essential, though necessarily long-term, goal of the distributive state.

But given our modern agricultural techniques, how could the average citizen become a farmer? The answer, of course, is that he cannot; modern farming techniques prohibit common farming. They are

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<sup>128</sup>Genesis 6:28.

<sup>129</sup>Leo XIII, *Rerum Novarum*, no. 12.

based upon a large industrial base, require large quantities of industrial products such as fertilizer, pesticide, and oil, and demand the use of so many varieties of machinery that space does not permit us to elaborate. Furthermore, it violates the principle of subsidiarity in that the land is concentrated into a few hands rather than into those which work it:

The land, surely, that has been worked by the hand and the art of the tiller greatly changes in aspect. The wilderness is made fruitful; the barren field, fertile. But those things through which the soil has been improved so inhere in the soil and are so thoroughly intermingled with it, that they are for the most part quite inseparable from it. And, after all, would justice permit anyone to own and enjoy that upon which another has toiled?<sup>130</sup>

It is for this reason that family farming is rapidly going extinct: modern farming is inimical to the family farm.

Because of this link between the destruction of the family farm and the growth of farming technology, we grouped our treatment of technology with our treatment of agriculture. Technology, while a good and useful thing in itself, must be used in accord with the common good, just like everything else, and its widespread use in agriculture does not seem to be conducive to that common good. Its use in agriculture results in the elimination of small, family farming, which not only violates the principle that the farmer ought to be the normal type of citizen but also the principle of subsidiarity. Consequently, farming should be kept as low-tech as possible.

This would not result in the immediate famines that so many fear when considering the idea. Of course, such famines would occur if the same percentage of the population were farmers. Two percent or so simply is not sufficient for the populations which much of the world boasts. However, if the farmer were again the normal type of citizen, then shortages would not be a problem. While each individual farm would produce less, there would be more farms such that enough would be harvested to provide for the entire populace. The real adjustment

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<sup>130</sup>Leo XIII, *Rerum Novarum*, no. 16.

that would be required is one of infrastructure and psychology; the level of production would not be a difficulty.

The same principles must be applied to all technology. Whenever a new type of technology arises, it must be asked whether it contributes to or derogates from the common good. Oftentimes its effects will be much more far-reaching than is initially thought; the automobile<sup>131</sup> and the computer are excellent examples. Usually there will be both benefits and detriments; provided, of course, that no positive evil is done by it, the aggregate of the benefits and the drawbacks must be taken to determine whether adopting the use of that technology will further the common good. Great care must be taken by a country's leaders in making such decisions; the happiness of their people depends on choosing wisely.

### **2.2.3 The Tradesmen's Guilds**

One of the primary concerns of distributism is also the reestablishment of what the medievals called guilds. While moderns tend to call workingmen's associations "unions" rather than "guilds," the differences between the two are significant enough that distributists prefer to use the latter term. Essentially, a guild is an association of workers, assembled for the benefit of those workers and to control that particular type of work within a given jurisdiction.

The popes have unequivocally supported the establishment of such associations, especially recommending the medieval guilds as a model. Leo XIII, in the first great social encyclical, states that "employers and workers themselves can accomplish much in this matter" by the use of "various agencies established by the foresight of private persons to care for the worker and likewise for his dependent wife and children in the event that an accident, sickness, or death befalls him."<sup>132</sup> Among all such associations, however, "associations of workers occupy first place, and they include within their circle nearly all the rest."<sup>133</sup> They are necessary because the "[i]nadequacy of his own strength, learned from

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<sup>131</sup>For an excellent summary of the enormous and completely unexpected effects of the introduction of the automobile in America, see THOMAS STORCK, *THE CATHOLIC MILIEU* (Christendom Press 2004).

<sup>132</sup>Leo XIII, *Rerum Novarum*, no. 68.

<sup>133</sup>Leo III, *Rerum Novarum*, no. 69.

experience, impels and urges a man to enlist the help of others.”<sup>134</sup> States do not have the power to forbid such associations.<sup>135</sup> Their purpose is plain and simple:

Workers’ associations ought to be so constituted and so governed as to furnish the most suitable and most convenient means to attain the object proposed, which consists in this, that the individual members of the association secure, so far as possible, an increase in the goods of body, of soul, and of prosperity. It is clear, however, that moral and religious perfection ought to be regarded as their principle goal.<sup>136</sup>

These associations will not only encourage moral and religious action, but they will help the wives and families of injured or sick workers and will assist their members “during sudden and unforeseen changes in industry,”<sup>137</sup> in other words, when technology changes such that it puts many or all of them out of work, whereas capitalism simply states that they ought to have chosen a different career.<sup>138</sup> Leo clearly regards these guilds as a very large part of the solution to society’s ills.

Nor is he the only one who so considers them. Pius XI considered these “directions authoritatively promulgated by Leo XIII” to be “[w]orthy of all praise.”<sup>139</sup> He stated that it was important for “Christian workingmen to form unions according to their several trades.”<sup>140</sup> John Paul II also speaks approvingly of such associations.<sup>141</sup> These guilds not only encourage the development of the moral and Christian life among members; they also serve to protect wives and families (making state welfare programs often redundant, a result which one would think that capitalists would truly relish) and could help retrain

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<sup>134</sup>Leo XIII, *Rerum Novarum*, no. 70.

<sup>135</sup>Leo XIII, *Rerum Novarum*, no. 72.

<sup>136</sup>Leo XIII, *Rerum Novarum*, nos. 76–77.

<sup>137</sup>Leo XIII, *Rerum Novarum*, no. 79.

<sup>138</sup>Or train for a new one. Such training is nearly impossible, however, for a man who has a wife and children to feed, since it always costs money, directly by having to pay for the training and indirectly by having to lose time from possible money-making jobs to receive that training.

<sup>139</sup>Pius XI, *Quadragesimo Anno*, p. 16.

<sup>140</sup>Pius XI, *Quadragesimo Anno*, p. 16.

<sup>141</sup>John Paul II, *Centesimus Annus*, no. 7.

workers when their industries, or at least their specific tasks, become obsolete.

Furthermore, Leo XIII specifically recommends a modern adaptation of the medieval guilds which are so vilified by modern economists. He argues that “Christian workers will readily resolve” social problems “if, united in associations and under wise leaders, they enter upon the path which their fathers and their ancestors followed to their own best welfare as well as to that of the State.”<sup>142</sup> Nothing less than the “guilds of artisans among our ancestors” will suffice to meet his approval, though “it is most clearly necessary that workers’ associations be adapted to meet the present need.”<sup>143</sup> These modern guilds cannot, of course, be exactly the same as the medieval; however, they should be modeled on them, and vary from them only insofar as modern necessities require.

Many people, however, even Catholics, have no true idea of what a guild really is. Belloc gives an excellent basic explanation, observing that they serve both their own members as well as society at large. He argues that

[i]t was an agglomeration in which the stability of this *distributive system* (as I have called it) was guaranteed by the existence of cooperative bodies, binding men of the same craft or of the same village together; guaranteeing the small proprietor against loss of his economic independence, while at the same time it guaranteed society against the growth of a proletariat.<sup>144</sup>

These guilds are tremendously useful for both society at large and workers in general. They are an important part of the distributist society, and should not be neglected by economic thinkers.

How, though, can guilds improve the moral and religious life of their members? How can they perform all these functions, such that they almost seem like a distributist *deus ex machina* to explain the regulation of economics without an overextended state? The answer, of course, is in its foundation. In the first place, the guild’s primary

<sup>142</sup>Leo XIII, *Rerum Novarum*, no. 81.

<sup>143</sup>Leo XIII, *Rerum Novarum*, no. 69.

<sup>144</sup>Belloc, *supra* note 1, at 80.

purpose is to encourage Christian virtue in the members of a given profession. It does so by sponsoring Masses and prayers for its members; encouraging devotion to the profession's patron saints; sponsoring talks and explanations of the virtues of the profession and how those virtues can be particularly acquired; and otherwise supporting the Christian life among its members. It is, of course, centrally focused on the profession. The mechanics' guild would concentrate on, for example, the careful attention to detail necessary for good diagnostics, while the attorney's guild (already partially realized in the local and national bar associations) would emphasize the devotion necessary for the zealous representation of clients. The bookbinder's guild sponsors Masses and feasts on St. Wulfric's day, while the attorney's guild does so on St. Thomas More's day. But both do so keeping in mind the necessity that their members be strongly devoted to Christ, and only draw their professional virtues from that devotion.

They also regulate the training and standards in use within their professions. An excellent example on this score are, again, the state and national bar associations. They regulate the training which prospective lawyers must receive (three years of law school, passing the bar exam), set standards for the ethical practice of the profession (forbidding attorneys from representing conflicting clients), and sit in judgement upon violations of that professional code (suspending or disbaring offending attorneys). They also regulate the quality of the product, in this case representation, insisting that members of the guild represent their clients with at least a minimum of zeal and competence. Other professions would have similar regulations. The mechanics' guild, for example, would require a certain number of years of apprenticeship and study for entry; standards of competence for work; discipline for violation of those standards; rules for just pricing for work performed; and other rules to help ensure both that mechanics are well provided for (for example, by ensuring that the price for their services remains at a given minimum) and that the public is well served by mechanics (by maintaining certain standards of education and quality and enforcing those standards). The organization is extremely beneficial, both for the professions and for society in general.

Finally, the guilds would provide for the families of their members when their members are for some reason unable to do so themselves. Guild members would naturally owe dues to the guild, just as lawyers

owe them to the American Bar Association and union members owe them to their unions. Those dues would be used to pay guild expenses (for example, to run the courts which enforce the rules and to sponsor the Masses for deceased guildsmen) and to provide for the families of deceased guildsmen's wives and minor children. Conceivably these funds could even be used to pay the guild entrance fee or dues for the children of injured and deceased guildmen who cannot do so themselves. This greatly relieves the necessity for state welfare assistance, which further serves the goals of subsidiarity.<sup>145</sup> In short, these guilds are essential for the proper functioning of a distributist society.

#### 2.2.4 The Possibility of State Ownership

The possibility of state ownership of any industry is considered anathema by capitalist thinkers. The state, they argue, has no incentive because it has no personal stake in the industry; therefore its products will be of low quality and its prices high, the bugaboo which settles every question in capitalist thinking. However, the Church does not hold such a simplistic view of state ownership, and recognizes that some factors might make the slight reduction in efficiency which state ownership may induce more than worthwhile.

When discussing socialism, Pius XI unequivocally condemns the idea that all forms of property should be reserved to the state. However, he *never* condemns the idea that *no* form of property should be reserved to the state. The principle of subsidiarity<sup>146</sup> governs here as in all cases: when the task is so large that no private individual can fittingly perform it, a higher level of society must do so. Sometimes, however, a given task is too large to be entrusted to *any* private entity. Therefore, Pius argues, it can only be done by the state:

it is rightly contended that certain forms of property must be reserved to the State, since they carry with them an opportunity of domination too great to be left to private individuals without injury to the community at large.<sup>147</sup>

<sup>145</sup> See *supra*, Section 2.1.3, at 54.

<sup>146</sup> See *supra*, Section 2.1.3, at 54.

<sup>147</sup> Pius XI, *Quadragesimo Anno*, p. 55.

The state must own certain industries, then, or else the domination of the performer of that task will be too great. The state, however, already dominates its subject and directs all activities to the common good; the danger is lesser than that of a private individual gaining too much power over his fellows.

The industries in which this is true, of course, must necessarily be very limited. Even industries such as automobiles, steel, and other large-scale heavy industries can be effectively operated by means of cooperatives of workers rather than by a myriad of workers laboring on the property of another.<sup>148</sup> However, a few are so obvious and so important that they deserve to be mentioned specifically.

First, of course, is medicine, an industry so large and so vital in our world that it should certainly not be left to the caprice of private individuals. Arguably, of course, medicine, like education, ought to be run by the institution which historically always has run it, the Church. However, until these dark days of the Church have ended and the hierarchy is capable of making the massive effort to take over the provision of medical services, the state would do well to aggregate to itself this large and important industry. Remember always, however, the principle of subsidiarity; in America, for example, it would be better if the states, rather than the federal government, operated the medical system. Even better, for those that are able, would be counties and cities. It is clear, however, that the good which the medical system serves is common to all, and that the domination which is entailed by private control of that system is so great, that it ought to be controlled by some publicly responsible entity.

Also worthy of mention could be mass transit, at least that between different areas,<sup>149</sup> and electrical power systems. Both are enormous industries; both are impossible to run with even large-scale local enter-

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<sup>148</sup>The former situation would, by the principle of subsidiarity, be preferable to the latter. Experiments in this mode of running an industry which have failed should not be taken too seriously, since they failed in an environment in which all competing industries were operating on a more exploitative model, which admittedly yields greater profit margins and which does not keep competition within an industry to reasonable limits. If all factories of a given industry were so operated, this problem would not arise, and cooperatives would have no difficulty producing the needed items. While capitalists may scoff at such a notion, there is no evidence to suggest that it is not entirely true.

<sup>149</sup>Intra-city or intra-region transit could easily and well be handled by local guilds.

prises. It would be much better, then, for the state to run them until and unless some smaller organization becomes equipped to do so. The rapid miniturization of technology may well lead to reactors and power sources which can be operated on a smaller scale; until such time, however, nuclear power stations and similar devices contain such a massive public benefit as well as massive public risk that entrusting them to private entities is simply irresponsible. More may be mentioned; perhaps even fewer need actually be run by the state. Fewer, of course, would be better. But it is contrary to Catholic teaching and right philosophy to dismiss the possibility altogether. Catholic distrust of the modern state is well warranted and should be maintained; however, it should not prevent Catholics from making reasonable and informed decisions about the necessity, or lack thereof, of state ownership.

### **2.2.5 Restoring Productive Property to the Poor**

All of the measures discussed in this section—wages, agriculture and technology, guilds, and state ownership—are well and good, and no society can really be in accord with Catholic teaching without conforming themselves to the principles which those topics discuss.<sup>150</sup> However, distributism insists that all of these measures be taken with one main material goal in mind: the restoration of property to the poor.

By “property” is meant, of course, productive property,<sup>151</sup> and “the restoration of property” is the return of productive property to most of the members of the state. This, indeed, is distributism’s primary emphasis in economic doctrine: that the normal member of the state ought to be an owner, as opposed to capitalism, in which only a few are owners, and socialism, in which the state is the only owner. Productive property must be restored to the poor, or distributism, no matter how much good it might do with the above measures and others, has not really fulfilled its true mission.

Naturally, systems of production have changed drastically in recent centuries, and the cottage industries which once so defined the world have all but disappeared. Large-scale production is now the norm, and

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<sup>150</sup>Of course, our concrete conclusions are matters for debate, but the principles which formed those conclusions are not, and we believe that the principles necessitate most of the conclusions which we gave in those sections.

<sup>151</sup>See *supra* Section 2.1.1, at 46.

if profit is not in the millions then the business is considered small and insignificant. However, distributism would argue that this situation is neither permanent nor ideal, and that every possible effort must be taken to encourage changes in the modes of production which will better enable that production to be taken into the hands of smaller and smaller entities.

Such efforts can be directed in two primary ways: by changes in modes of production themselves, or by government action regarding those modes. The principle of subsidiarity, of course, dictates that the former is preferable over the latter; however, it would be foolish to declare that the latter is unjust in all cases. Regarding changes in the modes of production, there are several developments which would advance the distributist cause:

**The miniaturization of production technology.** Technology has become smaller and smaller, very rapidly, over the last fifty years, while previously success in development had always been measured by how much bulk material that technology could handle. The development of the transistor, however, and shortly thereafter the microchip has enabled technology to shrink quite impressively; this little book, for example, was composed on a computer considerably more powerful than the great “thinking machines” that drove the code-breaking efforts of both sides during the last world war, yet that computer is so small that the author was able to carry it about with him without trouble. This miniaturization promises great aids to the distributist cause in the future. An excellent example is printing. While printing had, since the nineteenth century, required large industry producing giant quantities of a product, these small computers have enabled small printers to take up the trade again, producing quality typesetting and even large volumes for an increased readership without requiring massive amounts of industrial printing equipment. The sewing machine, though an old invention, if used properly could also enable a real return of cottage industry in clothing. While no amount of technology will itself be sufficient, the bravery of beginning still being required, such miniaturization will be a great help in achieving distributist goals.

**Co-opting in unscalable industries.** Some industries, of course,

cannot be miniaturized. No matter how much technology is developed, a car still requires a large factory to be produced. However, distributism is not rendered inapplicable by this fact. Industries can be simply co-opted, that is, owned by their workers, though of course they still must be directed by another chosen from their number. By this means, the workers will be real owners of productive property, even though they are not sole owners; not only will this provide them with a financial security that the normal wage-earning worker, even if the member of a trade association, simply cannot have, but it will also provide an incentive for that worker to make the best possible products, since he will then have a much more personal stake in the success or failure of the industry as a whole. As noted elsewhere, the feasibility of such co-opting schemes cannot be gauged by any possible failures *within the capitalist milieu*; no one questions the fact that employing wage-earners is at least sometimes more efficient than making workers real owners of property, and consequently the competition between the few co-opting factories and the many employee factories was unfair, and the effectiveness of such enterprises is not accurately seen. Some government incentive, perhaps, or other means may be necessary in the beginning in order to make such enterprises competitive, until this organization is the norm rather than the exception, at which point no further state incentive should be necessary.

**Removal of unnecessary scale.** Some industries could be helped toward the distributist goal by the removal of unnecessary scale; that is, by removing large-scale industries which are simply not needed. If it were determined, for example, that sufficient quantities of clothing could be produced in the old way, by guildsmen producing individually for sale and by some families producing for themselves, the textile industry's vast scale could be significantly reduced, if not eliminated. In this way, local producers would be able to come to the possession of their own productive property, thus furthering distributist goals. Many industries, which may or may not include textiles, may be open to such reduction to local and small-scale ownership.

Furthermore, progressive taxation should not be ruled out as an

appropriate means of restoring productive property to the poor. Capitalists generally begin to make cries of “confiscatory taxation” at this point, and the distributist must be clear as to what he means. The objective of such taxation is *not* to render all citizens equal in amount of property. Rather, it is to promote greater possession of productive property by ordinary members of society. Any distributist scheme of taxation must specifically and strongly forbid the possibility of taxation meant to equalize the property of all citizens. Distributists are not socialists, and they recognize even more than capitalists that hierarchy and variations in amount of wealth are natural, and consequently must fore swear all such schemes.

However, while it is clear that distributism’s “advantages can be attained only if private wealth is not drained away by crushing taxes of every kind,”<sup>152</sup> it is also clear that the government can control the use of private property “and bring it into conformity with the commonweal.”<sup>153</sup> In other words, though “[p]ublic authority . . . would act unjustly and inhumanly, if in the name of taxes it should appropriate from the property of private individuals more than is equitable,”<sup>154</sup> it is still permitted to appropriate from that property what *is* equitable. While, therefore, the prudence of a scheme of taxation designed to more widely distribute productive property can certainly be debated, it cannot be claimed to be immoral or contrary to Catholic teaching.

The key factor of any such scheme of taxation is that it must be levied only on *productive* property. Even in an ideal distributist state there would be many differences in the amount of property that each individual possessed; however, the differences in the amount of *productive* property would be much less significant, though naturally it cannot (and should not) be eliminated altogether. Many distributists (though not all), therefore, support governmental imposition of tax penalties for the inordinate possession of productive property as an incentive for a greater distribution of that property.

Essentially, this means that for every piece of productive property over a certain value (appraising the value of productive property is, of course, a difficult but not impossible process, performed all the time

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<sup>152</sup>Leo XIII, *Rerum Novarum*, no. 67.

<sup>153</sup>*Id.*

<sup>154</sup>*Id.*

in the valuation and sale of businesses and never found prohibitive), a certain higher tax would be imposed, either by moving the taxpayer into a higher bracket or by simply taxing a fixed amount. This would provide an incentive for the taxpayer to divest himself of some of his productive property in order to lower his own tax burden; it would not, however, effect those taxpayers who own a moderate amount of productive property, that is, an amount of productive property sufficient to produce a living for themselves and their families. *Personal property need not be touched*; it is important to emphasize this fact repeatedly lest it be misunderstood. The filthy rich would remain filthy rich; distributism does not demand divesting their wealth. The only deprivation is of the means of producing further wealth, and even that need not be done except at the discretion of the taxpayer.<sup>155</sup> This is perfectly within the power of the state to legislate the use of private property for the sake of the common good,<sup>156</sup> and cannot be considered contrary to Catholic teaching.

Many other means could be recited which might contribute to the foundation of a distributive state, and there is not room in many books this size to discuss them. We have here named only the most important and most commonly supported; distributist thinking should by no means be limited to them. Any methods which keep in mind the basic principles of the distributive state<sup>157</sup> are worthy of consideration. It is left to the distributist community to more firmly determine the best means of achieving this noble and Catholic end.

This lack of a definite plan is often the means of condemnation for those who are opposed to the distributive state. However, distributists cannot fairly be expected to have full plans of practical action. In the first place, distributists have never been in a position to put their ideas into practice, and consequently have never been forced to devise comprehensive plans to put their principles into place. Secondly, to solidify practical plans at this stage, in which actual practical action is

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<sup>155</sup>An incentive is not coercion; if the capitalist can claim that raising a price because of a buyer's increased need is just and not coercion, then surely government incentives are not coercion, either. Of course, government action is directed toward the common good rather than particular goods, and for this and various other reasons the situations are not analogous anyway.

<sup>156</sup>See *supra*, Section 1.1, notes 7-42 and accompanying text.

<sup>157</sup>See *supra* Section 2.1, at 45.

impossible, would be inexcusably myopic. It would exclude the valid and worthy input which distributists present and future can and will still add to the discussion. Opponents of distributism should attack distributism; they should not attack a practical plan which distributists have never had cause to create. Economic policies can be put into place; the means are debatable, but never impossible. The focus on plans of action indicates that anti-distributists have little arguments against the principles of distributism, and consequently seek to attack plans which distributists do not even propose.

## 2.3 Conclusion

The distributive state is that in which productive property is the norm rather than the exception; that is, that in which the normal citizen is an owner of productive property. For reasons of clarity these were addressed in five sections above<sup>158</sup>; however, the principles to which a state wishing to be considered distributive must conform are essentially threefold<sup>159</sup>:

**Property and distributive justice.** The state must respect private property. However, it should not be misled by modern claims that private property is an absolute right which triumphs over the necessities of the common good. In particular, the *use* of private property should be directed by the state to the common good. Property will be distributed unevenly in society, and that unequal distribution is both necessary and good; however, *productive* property should be distributed widely throughout society, not necessarily equally, but such that society as a whole takes on the characteristics of a society of owners rather than a society of nonowning workers. This distribution is in accord with distributive justice. In all distributive concerns, a special concern must be taken for the poor, for Christ and the Church have always held that the state must look out especially for them.

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<sup>158</sup>See *supra*, Section 2.1, at 45.

<sup>159</sup>Naturally the situation is more complicated, but this is a practical book and neglects more theoretical matters, which the author hopes to address in a later work.

**Subsidiarity.** No function should be performed by a higher level of society that could be performed by a lower level. The state must always respect the prerogatives of the subsidiary corporations which make it up; failure to do so is like the brain failing to respect the prerogatives of the heart or the liver, and will inevitably result in disorder and eventual death. However, this principle should not lead the state into abandoning those tasks which necessarily fall upon it; it should not fear to take up those roles and functions which only it can properly perform.

**Solidarity.** The state must order all its actions in the economic realm such that each part of society is acting in concert for the common good.<sup>160</sup>

The state which remains true to these three principles cannot run afoul of Catholic doctrine. Truly, these principles indicate a very different economic order from that dominant in the West and throughout the world. They are, however, the only principles upon which a Catholic state can rely to build an economic order truly in accord with Catholic teaching.

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<sup>160</sup>Again, the many deep disputes concerning the common good are beyond the scope of this work, but we hope that such concerns may be fully addressed in a later treatise.

## Chapter 3

# The Building of a Catholic Economic Order

IT IS APPARENT, HOWEVER, THAT NO STATE in the world is anywhere near being willing or able to establish a distributive state. This does not, however, excuse the Catholic from attempting to further that establishment in his homeland. While the official recognition and implementation of Catholic principles of social and economic order is not currently feasible, the local, familial, and individual application of those principles is both possible and obligatory for the Catholic. This chapter examines several ways of pursuing the distributist ideal in a capitalist world, ending with the most important and most indispensable means to that end of all.

### 3.1 The Culture of Waste

Fighting the culture of waste is an excellent example of doing our part to make distributism a reality in a hostile world. Our culture has become completely overrun with waste; that much can hardly be doubted. Landfills are so full that states are trucking their garbage elsewhere to dump it; everything, from toys to groceries, comes wrapped in at least one layer of packaging; we now actively *choose* wasteful methods rather than those which conserve and reuse. This culture of waste is fundamentally antithetical to distributism, which emphasizes cultivation over exploitation, and is an aspect of modernity which everyone can fight.

Item	Price per month (\$)	Price per year (\$)
Paper Plates	2.00	24.00
Paper Napkins	4.00	48.00
Disposable Razors	18.00	216.00
Tissues	5.00	60.00
Total	29.00	348.00

**Table 3.1:** A Sampling of Common Wasteful Products and Expenditures

More than that, it is an aspect of modernity which everyone can benefit from fighting. The expense of our wasteful habits is more enormous than most of us realize. Let us take a relatively benign example: paper plates. While real dishes are not only of greater utility and durability than paper ones, most in our society choose to employ paper plates because they are much less of a bother. They need not be washed or put away; they can be simply used and discarded. Let us examine the expense of such habits for a reasonably healthy (by “reasonably healthy” I mean “eating together at home more than once a week”) family of only four. In this way we can determine roughly how insignificant such wasteful expenditures might be for a family; remember that for many Catholic families, much larger than only four persons, they will be considerably greater.<sup>1</sup>

We will assume that paper plates come in packages of one hundred, and each of these packages costs \$2.00. At each meal, this family uses one plate per person (an unwarranted assumption, since many people use two such plates per person because their flimsiness makes one next to useless). We will also assume that this family eats only one meal per day together at home, making a total of twenty-eight plates per week. We will round it off and say that it is a package of one hundred per month. This makes an expense of \$24.00 every year, spent solely on paper plates to facilitate sloth. Table 3.1 shows similar expenditures on a number of different items, giving a total which ought to give any

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<sup>1</sup>Although predicting how greater is much too difficult. Razor expenses, for example, will vary depending on the ratio of males to females. The fact that they will be greater, however, is indubitable.

prudent head of household cause to think.

Many, particularly those blessed with ample resources, will look upon these numbers and scoff, claiming that they are too small to bother with. It is also popular to claim that one's time is worth too much to spend it rectifying such minor expenses. However, in the modern world popular ideas and wrong ideas are often coextensive; this case is an excellent example. Neither claim can stand up to rational inquiry, and both neglect very important aspects of resource stewardship, a duty that man was given long ago, when both he and the world were young.<sup>2</sup>

In the first place, while these numbers may be a tiny amount to one with a great deal of money, to one with little money it is a great deal. While it is certainly true that those with little money ought not to indulge in such disposable nonsense, it is also true that we are all living in a culture which encourages the use of disposable items as much as possible. We live in an age in which *containers* are disposable; washing Tupperware has become such a chore for us that manufacturers have graciously provided us with cheap containers that we can simply throw away. We live in a disposable culture, and the gods of that culture, particularly for those who are poor or uneducated, are not so easy to resist.<sup>3</sup>

Furthermore, while the amount of money might be small in the singular, it is a great deal of money in the aggregate. There are at present over two hundred and fifty million people living in America.<sup>4</sup> Multiply that small amount spent by each family per year on cheap, disposable products and it comes to a ridiculously high sum<sup>5</sup> which even the wealthiest should be unable to scorn. This money could be given to the Church, to the poor, for musical instruments and better educations for our children; instead it is being plunged into wasteful

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<sup>2</sup>See Genesis 1–3.

<sup>3</sup>Not to mention the hordes of advertising, supported by capitalists as a wonderful tool of economic growth, persuading them that they *want* and *need* such waste. It is foolish to tell them that they should not buy these products while constantly trying to convince them that they should.

<sup>4</sup>I have not looked at the most recent census; the true figure is probably higher than that.

<sup>5</sup>A whopping \$1,500,000,000 (a billion and a half dollars) in our paper plate example, assuming that 250,000,000 people are equally divided into families of four, which seems a decent approximation.

expenditures so that we can avoid the split-second chore of tossing our handkerchiefs into the laundry along with our clothes and towels. It is nothing less than wasteful sloth, and we ought to do our best to put a stop to it, at least in our own daily lives. The expense of purchasing durable, reusable products is one-time and is usually made up in a year, or a few years at most; our surplus can then be spent on more useful things, and we are no longer wasting both money and materials in the constant cycle of consumption that our society so glorifies. This is not nitpicking eco-lunacy; it is simply common sense and Christian morality.

The idea that it is not worth our time to reuse durable products is equally fallacious. Too often we in the modern day measure everything we do by the wage we are able to command every hour. A lawyer, for example, will point out that he is able to bill two hundred dollars per hour in the office; therefore, unless every hour spent rinsing his electric razor, rather than throwing away his disposable ones, brings in two hundred dollars, he has wasted those hours. However, the worth of our labor is not truly measured by our hourly wage; our wage is merely what someone is willing to pay for our services. The true value of our labor is the work which we do. If our work is saving money that might be devoted to more noble causes than saving the back-breaking effort required to rinse out a handkerchief rather than throw away a tissue, then it was certainly well worth our effort, even if we are not able to bill two hundred dollars for it.

Any householder is bound by his duty both to his family and to God to minimize such useless expenditures. The money that is going into landfills in these expenses could easily be put to much better use if saved by the use of more durable products. The missions could be better funded; our churches could be more beautiful; the poor might be full and raised up from their lowly state. But instead we choose to use our money on paper plates because we are too lazy to wash our real ones. It is scandal to the world and a sin in ourselves; let us root it up before it becomes more ingrained.

How can we do this? Very simply, we can use real plates, and go through the effort (very slight, as it turns out) of washing them. We can buy a straight-edge razor and use it, rather than disposable ones (or an electric, if straight-edges make us nervous). We can use handkerchiefs, and wash them, rather than tissues, and throw them away. We can

try to buy fresher foods which are not wrapped in several layers of packaging. When we buy something, we can save a little longer and buy the more durable item rather than granting our senses instant gratification by buying the cheaper one immediately. Waste is, we must all remember, a sin, and distributism is in large part an attempt to eliminate societal structures that are based on sin. Let us minimize our waste, therefore, and do our part for the building of the culture of life.

### 3.2 Supporting the Little Man

We do not, however, mean to imply that saving money is the summit of the distributist existence in a capitalist world. Far from it: sometimes, adherence to distributism demands *expending* money which we would otherwise save. The difference, of course, is in the end; the wastrel spends his money to save himself effort, whereas the distributist spends his money for better causes.

Distributism naturally supports local and family-owned business. This is simply required by its principles. The wider distribution of productive property requires, of course, the wider distribution of businesses which deal in the products of that property. Ideally, of course, the business will sell the same items that it produces; often, however, businesses will sell the produce of others, particularly farmers, who for one reason or another decide to sell through a businessman rather than directly. However, in either case ownership by a single family of a single store, rather than by a multinational corporation of many stores, is preferable because of the greater distribution of productive property (property, that is, which is productive of wealth) which it requires. The distributist, then, should support such businesses as often and as greatly as possible.

However, capitalist society distinctively favors the concentration of wealth into fewer hands, and as a result small, family-owned businesses are subjected to considerable burdens. These businesses, despite being the least able to bear such burdens, are often put in a weaker bargaining position than larger businesses simply because they are smaller. Anyone who doubts capitalism's tendency to concentrate wealth into a few hands should think long and hard on this fact.

For example, larger businesses are able to negotiate with larger manufacturers for bulk purchases at lower prices, enabling them to pass those savings to consumers. Sometimes the discrimination is even more overt; many book publishers, for example, give large stores like Barnes & Noble and Amazon.com earlier access to popular titles than smaller stores, effectively cutting small business completely out of the competition. Small businesses, on the other hand, do not buy such large quantities of products, and therefore cannot negotiate for such deals; their prices are consequently higher, and they must pass those costs to consumers. Since their prices are higher, fewer people pay them, and eventually they lose their customers and their owners enter into the same mill of menial employment which currently occupies most of our population.

The distributist society would not, of course, allow such things to occur. Laws would need to be established which would prevent manufacturers from providing bulk discounts only to those who buy such ridiculously huge quantities that family-owned businesses are unable to command them. The blatant discrimination practiced by some manufacturers in favor of large distributors would have to be ended and equal opportunity for all businesses, small or large, be enforced. In the end, of course, more people will prefer to go to businesses owned by people they know, rather than ones owned by faceless multinational corporations, and consequently the distributist goal of increased numbers of small businesses will be achieved once equality of bargaining is enforced. Other means for eliminating capitalism's bias in favor of the large and broad-based could doubtlessly be conceived.

In our capitalist society, however, distributists can only seek to support such businesses as far as they can. This often means that they must expend money that they might otherwise have saved. It also often means buying extra gasoline to travel to several stores rather than doing all the shopping at one. Capitalists often, however, claim that this violates the principle of lesser waste given above. However, there is an essential difference which capitalists almost uniformly ignore, in this and other matters. The difference, of course, is in the end: the wastrel expends resources because he is too lazy to conserve them, while the distributist expends his resources in support of good causes. These small businesses and family farms require support; the distributist should provide it as far as he is able.

### 3.3 Fraternal Association

Another obvious way to forward the ideals of distributism is to set up fraternal associations which are designed to promote them. Primarily, of course, these will consist in simple fraternal associations designed to discuss and promote the ideals of distributism as such. Wherever possible, however, actual vocational associations, or guilds, ought to be formed and supported. Association will do a great deal to spread and popularize the ideals of distributism, and thus the principles of Catholicism on which they are based.

The vocational association will generally not be possible, since most trades are not currently “unionized” and those which are will not be receptive to another and different organization, particularly one organized on religious principles. Occasionally, however, such an organization may be possible; perhaps the professors of Catholic colleges or teachers at Catholic schools would be able to form them, and certain situations may make more common trades more open to such an organization than the author at present is able to predict. Wherever these organizations are possible, however, they will prove to be an enormous help for furthering the distributist cause. Workers in these trades and professions will by these associations be enabled to pursue their common interests, share their skills and experiences, and become more thoroughly united as a trade than has generally been possible in this age. This in itself is a substantial part of distributism’s goals, and consequently is a great triumph for the movement.

More generally, however, specifically vocational associations will not be possible. Instead, therefore, distributists may associate with one another. These associations would probably focus on discussion of distributism and how it can be promoted in the local community. Small businesses may be shared with other members, so that the entire group can help patronize him; gardening techniques can be shared; local legislation can be discussed, so that legislation favorable to distributist principles can be promoted and that unfavorable to them can be opposed. Distributist principles can also be discussed, to promote a deeper understanding of Catholic social teaching among the association’s members. These organizations, too, provide distributists with great motivation and assistance in the often difficult task of remaining true to the Church’s social teachings in the modern world.

It is vitally important, however, to remember that Christ must be kept at the center of all these associations. No venture can possibly be successful unless it maintains the centrality of Our Lord in all its efforts. Meetings ought to be begun and ended with prayer; perhaps the Scriptures might be read; if at all possible a chaplain should be located and Masses should be offered for the association's fidelity and success. Without such efforts the group will have neither; it must always remember to keep Christ as the source and the end of all its acts.

### 3.4 The Family Farm

The agricultural focus and importance of the land in distributism has already been mentioned.<sup>6</sup> It follows that reestablishing the family farm is a necessary and fundamental part of building a distributist state. The most thorough way to do this is to establish a family farm; however, there are also many, smaller-scale ways to do this for those families who already practice a trade or who are otherwise unable to begin a full-scale farming operation.

There are many Catholics who have found it useful and possible to establish actual, operational family farms. While there can be no question that the financial burden of such an undertaking can be considerable, these Catholics have found it rewarding and financially feasible. They have purchased land, begun production of various foodstuffs, and eventually abandoned their old, non-farming jobs in order to devote their full time to this truly holy pursuit. While most of these efforts, at least the explicitly Catholic ones, seem to be centered in the Northeast,<sup>7</sup> undoubtedly it would be possible to pursue such a course in other parts of the country and the world.

Most Catholics, however, will probably find themselves forced by circumstances to abandon this course, whether or not they wish to pursue it. However, the distributist focus on the land need not be neglected even in such cases. Small-scale agriculture and horticulture are available to almost everyone, in houses or apartments. Those blessed with houses can almost always begin a garden, often a substantial one,

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<sup>6</sup> See *supra* Section 2.2.2, at 72.

<sup>7</sup> See the Christian Homesteading Movement, Oxford, NY.

which will provide them with a good deal of food and reduce their dependence upon impersonal and capitalistic grocery conglomerates. Those with houses in the country can do even better, producing not only decent quantities of garden products but also certain animals, as well. Rabbits are fairly small-scale, simple, and nutritious, and provide valuable skins which are useful for a number of purposes. Chickens produce both meat and eggs. Swine are a larger-scale operation, but often not impossible even for part-time farmers. Cattle, horses, and other animals can be acquired and raised as experience, time, space, and cash flow permit. No one is prevented from at least some agriculture, given the simple and common ownership of a house.

In an apartment agriculture is not so easy. However, it is still not impossible. "Pot-farming" is an easy and effective way to raise herbs (basil, for example), which can save a great deal of money for other purposes. Certain vegetables, such as tomatoes and beans, can also often be raised in pots. Strawberries can be cultivated in window-boxes; other berries can be produced similarly. Flowerbeds can be utilized for food production as well as flowers which will beautify the apartment and the neighborhood. Vermiculture (the raising of worms for their castings, which provide excellent fertilizer) can often be done on a small scale in an apartment; even homeowners should consider it as a natural and effective way of replenishing their soil without resorting to harsh fertilizers and pesticides.

Finally, harvesting is an agricultural option open to anyone with any kind of natural area nearby. Acorns can be gathered from oak trees, particularly white oaks but others as well, to be prepared into flour for bread, pancakes, and simple additives to broths and other preparations. This extremely common foodstuff, a vital part of the American diet before the arrival of the Europeans, is almost entirely neglected today, despite the fact that it is extraordinarily nutritious. Sap can be gathered from maples and boiled into syrup and sugar. Raspberries and blueberries can often be located and gathered in the late summer and early fall. It is vital, of course, to have certain identification of the food to be harvested; this, however, can easily be learned from books, and thereafter harvesting that food will provide an easy and excellent way to reduce dependence, increase subsidiarity, and become closer to the natural world which God created for His servants.

When a Catholic considers the strong focus which distributism,

following the popes, has always placed on agriculture and the land, he must conclude that pursuing these activities is an activity second to none for furthering the establishment of a truly Catholic society. These options are open to almost everyone, and should be followed whenever possible.

### 3.5 For Christ the King

From both capitalists and socialists, the distributist can expect a certain amount of scoffing, even ridicule. Theorists of the world have very little respect for the teachings of the Church, even for those social teachings which we have outlined in this little book. However, this should not be a surprise to any Catholic. St. John warned us to “[w]onder not, brethren, if the world hate you.”<sup>8</sup> St. John elsewhere again warns us at length that the world will hate us,<sup>9</sup> and Christ Himself told us that we should expect to be hated at least as much as He was hated.<sup>10</sup> The social teachings of the Church are no different; our fidelity to the teachings of our divine master cannot but earn us the ridicule and hatred of the world.

However, this does not mean that we are wrong, nor does it mean that we cannot succeed. The Christian always maintains faith, that the teachings passed down to him are true, and hope, that he can put them into practice as far as he is able, and by so doing gain merit for his salvation. The Catholic in the modern world must apply these principles to the Church’s social teachings just as he must apply them to any other. He must be faithful that the Church has maintained her fidelity to the principles which inform a rightly ordered social life and hopeful that, through Christian efforts, that rightly ordered social life might be established in the world.

The first and most essential work that the Christian can do to further this goal is prayer, and then fasting. That Our Lord emphasized prayer and sacrifice above all things cannot be doubted by any who call themselves Christians. He repeatedly retires by Himself to pray,<sup>11</sup>

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<sup>8</sup>I St. John 3:13.

<sup>9</sup>See I St. John 2:15–17.

<sup>10</sup>See St. John 15:18–20.

<sup>11</sup>See St. Matthew 26:36 et alii.

and His Apostles do not hesitate to tell us to “pray without ceasing.”<sup>12</sup> Indeed, most obviously, Christ offered the Sacrifice of Himself on Calvary, the greatest of all Sacrifices for the greatest of all ends. Without such prayer and sacrifice, we cannot hope to restore His reign in the world, and can only wait until He comes again on the last day.

But what is this “reign” of Christ which distributists claim to seek to establish? Did not Christ Himself state that His “kingdom is not of this world?”<sup>13</sup> The reign of Christ which distributists seek to establish is that spoken of by the Church throughout the ages and celebrated by the Church on the feast of Christ the King. It is the natural extension of His spiritual dominion, a necessary consequence of His Godhood.

Our Lord told us, long ago, that “all power in heaven and on earth has been given to me.”<sup>14</sup> By this saying, He first, of course, wished to signify His divinity to us, that we might know that He is God and God is He. However, He also wished to declare to us that His power was not limited to spiritual matters alone, but that all power even on earth belonged to Him. In other words, He wished to show us that He is not only God of the universe, but also king of all the earth, the King of kings and the Lord of lords.

What little power man has in this vale of tears is given to him by God,<sup>15</sup> and to God account must be made. That fact means that no earthly sovereign is truly and completely sovereign. While earthly rulers are sovereign in regard to their own power, there is a Sovereignty above theirs, to which they must make account *and according to the laws of Which they must legislate*. If they must make account to that Sovereign, they must submit themselves to His laws, and they must be held accountable by their failure to do so.

If earthly sovereigns, however, truly submit themselves to the heavenly Sovereign (that is, Christ the King), their laws will similarly be submitted. No one can claim to accept someone’s sovereignty if his own sovereignty is exercised in a matter incompatible to that of his superiors. If, for example, Erie County made a law contradictory to that of New York State, the thoughtful observer would have to draw one of two conclusions: that Erie County is not subject to the sovereignty of

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<sup>12</sup>I Thessalonians 5:17.

<sup>13</sup>St. John 18:36.

<sup>14</sup>St. Matthew 28:18.

<sup>15</sup>See, e.g., St. John 19:11.

New York State, or that Erie County was flaunting the sovereignty to which it ought to be subject. How can we hold Christian rulers to a different standard?

If, for example, an earthly king made laws which were directly contrary to the laws of God, the thoughtful observer would again have to draw one of two conclusions: either that the king was not subject to God's sovereignty, or that the king was flaunting that sovereignty to which he ought to be subject. Naturally, the first conclusion is not possible; we know that "all power in heaven and on earth has been given to"<sup>16</sup> Christ, so we know that all kings must submit themselves to the sovereignty of the King of kings. The only remaining conclusion is that this king is flaunting the sovereignty of God; he is mocking the God to Whom he is subject and to Whom he must one day make account. In any political matter this fact is perfectly clear to all true Christians, as it is in the legalization of infanticide under the name of abortion.

Why, then, do even Catholic thinkers routinely treat economics otherwise? Why do Catholic scholars think and write as though economics need not be subject to the laws of Christ the King, as shown and clarified to us by the Church? This sort of spirit is contrary to the true Catholic Faith, and must be condemned by all believing Catholics.

The Catholic Church has always sought to establish this Kingship of Christ on earth, and even instituted a feast of Christ the King in order to pray and offer the Holy Sacrifice for that end. Distributism is merely a part of that reign, the part which pertains to economic actions in the world. Denying the necessity of distributism, then, or at least some system similarly designed to be in conformity with Catholic principles, is to deny the Kingship of Christ itself, which in turn is to deny the divinity of Christ himself. Denial of the necessity of conforming the social order, including economic life, to Catholic principles leads directly to a new and less noble paganism, devoid of religious thought and feeling.

So distributism is merely an attempt to bring Christ's reign to the economic realm, in accordance with the teachings of the Church. Failure to do so is nothing less than paganism, an overt denial of Christ's power and right in the economic sphere. Everything the distributist does, then, must be done in a prayerful and sacrificial spirit for the

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<sup>16</sup>St. Matthew 28:18.

institution of the Social Reign of Christ the King. Otherwise, even the wisdom of distributism will avail us nothing. So we must “pray without ceasing,”<sup>17</sup> seeking ever to establish the reign of our King in the world. Thus not only distributism, but Catholicism itself, is loved and served.

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<sup>17</sup>I Thessalonians 5:17.



# Appendices



# Appendix A

## Capitalism and Medical Science

CAPITALISM CLAIMS AS ONE of its greatest triumphs the incredible advances in medical science that we have witnessed over the past two centuries. If these advances were truly due to capitalism, then it would be a powerful claim, indeed<sup>1</sup>; can we truly claim, however, that these advances are the work of capitalism?

Medical science had its start, of course, with Hippocrates in ancient Greece, which no one would begin to claim is even remotely capitalist. The actual science of Hippocrates's time, however, has little bearing on current medical science, except that every doctor continues to take the oath which bears his name—though of course, increasingly they abandon that oath in favor of destroying their patients in the forms of abortion and euthanasia. Modern medicine has performed amazing feats, some of which would fill our ancestors with wonder. Doctors today can even pull out a defective heart and replace it with that of an animal; they can reattach severed limbs and stitch together wounds which would easily have killed only a century ago. Can capitalism truly claim these feats for its own credit?

In the first place, even if capitalism could claim medical science as its own honor, it would not change the criticisms levied against it above. The Church condemns capitalism because it is contrary to

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<sup>1</sup>Though not, of course, dispositive, since any competent moralist realizes that the ends, no matter how superlatively worthy, never, ever justify the means.

Christian principles of order and the common good, not because it is materially harmful to society (though the Church does insist that it has many materially harmful effects, as well). No matter how worthy the ends (and the advances of medical science are truly worthy), the means cannot be justified solely because of it. Doing a disorder in the state, which jeopardizes the spiritual ends of those within it, cannot justify bringing about merely material order in individuals.

Furthermore, capitalism cannot demonstrate that medical science is its own achievement. While the rise of modern medicine did certainly largely coincide in time with capitalism, this fact is not a statement of causality. It only expresses coincidence in time. One could just as reasonably credit feudalism with the invention of eyeglasses, since they were invented in the thirteenth century. There is no reason to suspect that, had capitalism never arisen, medical science would not have advanced, since so many other physical sciences, such as architecture and steel-making, had advanced in non-capitalistic regimes. It is certain, then, that capitalism's claims of credit for medical advances are baseless, and avoid the real issues of the discussion.

## Appendix B

# Capitalism and the Spanish Scholastics

IN THE DEBATE ON ECONOMICS, capitalists naturally have a hard time finding allies within the Catholic tradition. They are easily able to quote from many non-Catholic writers, men who have no connection to or understanding of the Catholic social tradition, such as Ludwig von Mises, Israel Kirzner, and Murray Rothbard, but when it comes to finding support for their theories from *within* the Catholic tradition, they find themselves at a loss. There is, of course, a reason for this: capitalism is not a Catholic theory and finds no basis in Catholic thought. But in their search for justifications of their economic system, Catholic capitalists often seize upon one small group of scholastics from the University of Salamanca, claiming their support for their supposedly thoroughly Catholic theory.

It is a fact that these scholastics existed; that much is certain. Little more is available. Most of their work has never been translated into English from its original late medieval Latin, and consequently most of the capitalists who quote from them are forced to do so second or third hand. John Sharpe notes that most capitalists quoting from the Spanish scholastics do so “from Alejandro Chafuen’s book *Christians for Freedom*,”<sup>1</sup> which he holds is a less than accurate portrayal of the true opinions of those Scholastics. Sharpe alleges that Chafuen “at least

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<sup>1</sup>John Sharpe, *Liberal Economics vs. Catholic Truth*, in SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 3 November 2002.

in some instances” “omits the context surrounding his citations from the allegedly pro-capitalist theologians.”<sup>2</sup> And still furthermore, Sharpe is able to isolate several quotations from these scholastics demonstrating their stark disagreement with capitalist theory, a few of which we will examine now.

First, it is central to capitalist theory that price ought to be completely uncontrolled, and that undercutting other merchants by slashing prices is perfectly just. St. Bernardine, however, whom capitalists sometimes cite as a proto-capitalist medieval,<sup>3</sup> held that it was unjust toward other participants in the market to sell at a lower price than is established. St. Antoninus, another favorite proto-capitalist,<sup>4</sup> had the anti-capitalist audacity to declare that “the just price of major commodities [ought] to be *fixed* by the state as an inducement to honest trade.”<sup>5</sup> Sharpe is able to produce “[c]hapter and verse” for these opinions of these eminent medieval thinkers; those interested in this data are encouraged to read Sharpe’s excellent article. So perhaps the quotations that Catholic capitalists like to throw out are not the entire story.

While neither of these men were Spaniards, they were both part of the medieval school of so-called capitalists that Catholic capitalists claim laid the foundations of current libertarian economic theory. They are eminent medieval philosophers and theologians who are often quoted in defense of capitalism yet were clearly against, simply from these simple and brief facts, certain pivotal aspects of the capitalist milieu. While these brief quotations are not dispositive on the opinions of the medieval thinkers on capitalism, they certainly tell us something about the selective quoting of capitalists on this subject, and that perhaps the thinkers whom they claim as support would not

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<sup>2</sup>*Id.*

<sup>3</sup>See, e.g., John Clark, *The Capitalist Response*, in SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 27 September 2002.

<sup>4</sup>See, e.g., *id.*

<sup>5</sup>Sharpe, *supra* note 1. Distributists, of course, would argue that any necessary price-fixing should be done by the guilds. Perhaps, however, St. Antoninus meant merely that the state would enforce the authority of the guilds. In this way he could argue that prices ought to be fixed by the state at a just level, while still maintaining an appropriately Catholic commitment to subsidiarity. This is an admirable solution with which distributism would fully concur, and which we have tried to explicate in the section on guilds. See *infra*, Section 2.2.3, at 78.

be so unilaterally in favor of capitalism as capitalists would have us believe. Searching for support in Catholic philosophy is admirable; but if support is not there, it is better to admit it than to twist the words of saints into one's own favor.

Furthermore, the summit of all scholastic theology, St. Thomas Aquinas, could himself never be called a capitalist. While he certainly supported the institution of private property (which distributists also, and in a much truer way than capitalists, defend<sup>6</sup>), he would have vehemently opposed the sort of free-for-all Darwinian marketplace that capitalists advocate. In the first place, St. Thomas's theories on exchange presuppose a theory of the just price, which contradicts the capitalist notion that a thing has no worth aside from what someone is willing to pay for it. St. Thomas teaches that "to sell a thing for more than its worth, or to buy it for less than its worth, is in itself unjust and unlawful."<sup>7</sup> St. Thomas certainly admits that the just price may be affected by the circumstance of the buyer or the seller, but he still holds that selling for more than that just price is immoral.<sup>8</sup> Catholics cannot derive some theory that the just price of a given thing is entirely dependent upon relative circumstances from the teachings of St. Thomas Aquinas, which means that capitalism cannot claim him as a progenitor.

Furthermore, St. Thomas argues that the exchange of money for money, which capitalists claim is a perfectly legitimate exercise, is actually "justly deserving of blame."<sup>9</sup> While such trading "is not in itself unlawful,"<sup>10</sup> to avoid the charge of injustice it must be "directed to some necessary or even virtuous end."<sup>11</sup> For example, a tradesman "may intend the moderate gain which he seeks to acquire by trading for the upkeep of his household, or for the assistance of the needy: or again, a man may take to trade for some public advantage. . . and seek gain, not as an end, but as payment for his labor."<sup>12</sup> Otherwise, this type of exchange, of money for money, is not only not virtuous, but

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<sup>6</sup>Pius XI, *Quadragesimo Anno*, p. 26.

<sup>7</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 1.

<sup>8</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 1.

<sup>9</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 4.

<sup>10</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 4.

<sup>11</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 4.

<sup>12</sup>ST. THOMAS AQUINAS, *SUMMA THEOLOGICA* IIa-IIæ Q. 77 Art. 4.

positively sinful.<sup>13</sup> Who can honestly claim that this is the capitalist vision of monetary exchange? While there may indeed be some isolated medieval thinkers who supported certain aspects of capitalist thought, it was both far from general and far from capitalist.

Even aside, however, from the very significant doubts about the proto-capitalism of these eminent Catholic men, when capitalists invoke them against the economic teaching of the Church the only Catholic response must be a resounding “*so what?*” The Church is not bound by the thought of a few of her thinkers, even if they did happen to do their thinking in the most Catholic country in the world during its golden age. The Church is bound by the teaching of Christ, which is passed down from the Apostles and enunciated by the authoritative teachings of councils and popes, *not* by a few scholastic thinkers in sixteenth-century Salamanca. No one argues that these men were brilliant and holy; but their teaching is *not* the teaching of the Church, no matter how brilliant or holy they might have been. Our Lord entrusted the deposit of faith to the Church, not to philosophers and theologians; when the two are in conflict, we must always hear the Church, or we will be as the heathen and the publican.<sup>14</sup>

Why did the Church allow this debate to fester, then? Why did she not condemn the teachings of these scholastics so long ago, if capitalism was truly as harmful a theory as distributists seem to think it to be? For the very good reason that *capitalism as a system did not yet exist*. While there were systems in existence that were beginning to take on certain characteristics of capitalism, there was nowhere any system which could truly be called capitalist, and condemning capitalism was therefore entirely unnecessary. Why did the Church not condemn liberalism in the sixteenth century, when its very first proponents were appearing? Because no liberal society existed in the sixteenth century; in fact, no really liberal society existed until the eighteenth and nineteenth centuries, which was exactly when the Church did begin to condemn it. The holy Roman pontiffs are divinely protected from error, but they are not granted prescience; they cannot pre-emptively condemn things before they become a real danger.

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<sup>13</sup>Because “it satisfies the greed for gain, which knows no limit and tends to infinity.” ST. THOMAS AQUINAS, SUMMA THEOLOGICA IIa-IIæ Q. 77 Art. 4.

<sup>14</sup>St. Matthew 18:17.

Furthermore, in the sixteenth century there were bigger fish to fry. In 1517, Martin Luther nailed his ridiculous and slanderous *Ninety-Five Theses* to the door of the Wittenburg cathedral; for the next two hundred years, the biggest threat to the Catholic faith was Protestantism, not an obscure economic theory that may or may not have been held by some scholastics in Spain and that the rulers of Spain steadfastly refused to implement. In 1492, Christopher Columbus discovered a widely expansive new world, stretching from the north pole to the south, full of unconverted pagans, and claimed it for the most powerful Catholic country in the world. Millions of Indians had never heard the Name of Christ, and “there is no other name under heaven given to men, whereby we must be saved.”<sup>15</sup> So the Church devoted herself wholeheartedly to their conversion, most spectacularly with the Aztecs of central Mexico.<sup>16</sup> With the faith in Europe being mortally threatened by one of the most virulent heresies the world had ever seen, and with two entire continents of people who had never even heard the Name of Christ, the Church is expected to condemn an economic theory that almost nobody had ever heard of and which it is not even certain that anybody held? Of course she did not; she focused herself on what was most important, and withheld her condemnation until it became necessary—and did not fail to deliver that condemnation as soon as those ideas became prominent.

The Church has historically always condemned heresies reactively, not preemptively. We find in the Gospels no condemnation of Arianism; that waited until Arianism had actually arisen, in the fourth century. We find no proclamation of Our Lady as the Mother of God in the Gospels; that waited until this doctrine was denied, in the fifth century. The entire deposit of faith is contained in the Church by the death of the last Apostle; that does not, however, mean that every doctrine in that deposit must be immediately proclaimed and the contrary positions anathematized. The Church *never* does this except when one such doctrine is brought into question. St. John tells us that “there are also many other things which Jesus did; which, if they were written every one, the world itself, I think, would not be able to contain

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<sup>15</sup>Acts 4:12.

<sup>16</sup>For an excellent brief history of the conversion of the Aztecs, see WARREN H. CARROLL, *OUR LADY OF GUADALUPE AND THE CONQUEST OF DARKNESS* (Christendom Press 1983).

the books that should be written.”<sup>17</sup> If the Church set herself about proclaiming all of these doctrines and condemning the contraries, she would certainly have no time for her primary function, the shepherding of the souls of the flock of Christ. So she does what is necessary, and the rest of her time she prays, and fasts, and teaches the faithful what Christ has passed down through the Apostles. Her condemnations are no less forceful for being issued when needed; and her anathemas apply to all no matter when they were pronounced.

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<sup>17</sup>St. John 21:25.

## Appendix C

# Capitalism and *Centesimus Annus*

MANY CATHOLIC CAPITALISTS PREFER to think of John Paul II as being at least sympathetic to, and at most actually supportive of, their theories. Since most of them have convinced themselves that the social teaching of the Church is mutable and therefore fallible,<sup>1</sup> they have also convinced themselves of the possibility of some pope after Leo or Pius contradicting his predecessors and enshrining capitalism as the doctrine of the Church. Many of them have decided that John Paul II is this very pontiff, who finally cast off the shackles of medieval, illiberal thinking and accepted the virtues of capitalism once and for all.

John Clark, for example, in his rebuttal of John Sharpe's rebuttal to his critique of distributism, says that "Pope John Paul II is really the first modern Pontiff to delve into capitalism proper, and analyze it on its own merits."<sup>2</sup> This is along the vein of many Catholic capitalists. Others see in John Paul II's writings not a complete surrender, but an attempt to construct what is generally called a "synthesis" of capitalism and Catholic social teaching. Novak claims that "[a] model for this

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<sup>1</sup> See, e.g., William R. Lucky, *The Intellectual Origins of Modern Catholic Social Teaching on Economics: An Extension of a Theme of Jesús Huerta de Soto* 1 (speech given to the Austrian Scholars Conference at Auburn University, 23–25 March 2000). For a refutation of this view, see *supra*, Introduction, at xiii.

<sup>2</sup> John Clark, *The Capitalist Response* in SEATTLE CATHOLIC, <http://www-seattlecatholic.com>, 27 September 2002.

synthesis [between capitalism and Catholic social teaching] has been laid out in the remarkable encyclical of Pope John Paul II, *Centesimus Annus*.<sup>3</sup> Gronbacher makes a similar claim, holding out his theory of “economic personalism” as a “synthesis” of which he claims John Paul II as “intellectual progenitor.”<sup>4</sup> In fact, Gronbacher cites to Novak, claiming that Novak “began the difficult work of reconciling the bulk of Catholic social thought with the best of free-market economic science,”<sup>5</sup> and Novak himself credits John Paul II with forming such a “synthesis” in *Centesimus Annus*, as we have just seen above. The fact that this synthesis *is* so difficult apparently gives such Catholic capitalists no doubts about the feasibility of their project; did John Paul II have any such doubts in his supposed creation of a “synthesis?”

As we have seen, these capitalists frequently refer to (very rarely cite) John Paul II, generally calling him, as Clark does, the first pontiff to really grapple with capitalism as an economic theory. As John Sharpe perhaps cynically but not unjustly remarked regarding this claim, “[m]y interpretation of his meaning is that he is the first Pope worth quoting since he admitted the merits of capitalism.”<sup>6</sup> He observes that John Paul II’s “predecessors analyzed it [capitalism] in detail. . . and found it wanting.”<sup>7</sup> The truth of this statement, I am sure, is adequately demonstrated above<sup>8</sup>; but the issue of John Paul II’s alleged support for capitalism is not so clear. While it is certainly true that the moral judgements in the papal encyclicals are infallible and therefore not subject to change, it is true that an encyclical could be published which contains no infallible statement, and which therefore can contradict previous statements which are infallible and not open to question. Are John Paul II’s social encyclicals of this type? Do they contradict the moral condemnations of capitalism which are so clearly seen in the economic documents of his predecessors?

<sup>3</sup>Michael Novak, *Foreword* in GREGORY M. A. GRONBACHER, *ECONOMIC PERSONALISM: A NEW PARADIGM FOR A HUMANE ECONOMY* ix (Acton Institute 1998).

<sup>4</sup>GREGORY M. A. GRONBACHER, *ECONOMIC PERSONALISM: A NEW PARADIGM FOR A HUMANE ECONOMY* 33 (Acton Institute 1998).

<sup>5</sup>*Id.* at 34.

<sup>6</sup>John Sharpe, *Liberal Economics vs. Catholic Truth*, in SEATTLE CATHOLIC, <http://www.seattlecatholic.com>, 3 November 2002.

<sup>7</sup>*Id.*

<sup>8</sup>*See supra*, Section 1.1, at 1.

The reader will forgive us for an answer of slightly less brevity than “no, they don’t.” John Paul II’s *Centesimus Annus* is so far from being a “reversal” (if such a thing were possible) of Catholic social teaching that the very claim must be considered ridiculous. John Paul endorses, in the course of his encyclical, several propositions which are anathema to capitalism in general and to Austrian economics in particular, including the minimum wage,<sup>9</sup> minimum work hours,<sup>10</sup> and the necessity of governmental protection of the environment.<sup>11</sup> He also argues “the State has a duty to sustain business activities by creating conditions which will ensure job opportunities, by stimulating those activities where they are lacking or by supporting them in moments of crisis.”<sup>12</sup> He even commits capitalist heresy when he approves of the much-hated “welfare state” when it is not overly centralized, saying that “[m]alfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the state. Here again *the principle of subsidiarity* must be respected.”<sup>13</sup> John Paul further makes it evident that rendering the current economic systems just “requires above all a change of lifestyles, of models of production and consumption, and of the established structures of power which today govern societies,”<sup>14</sup> thereby explicitly stating that the current system is *not* just and that significant changes are necessary to make it so. John Paul is most evidently opposed to any form of capitalism that would exclude the important ideas discussed above, and must be considered, if not a distributist, then certainly more of a distributist than a capitalist.

Not only does he repeatedly support the conclusions of his predecessors on many important matters with which capitalists vehemently disagree, but he actually *explicitly declares* that he is so supporting them. It is as though he foresaw that capitalists would turn his encyclical into propaganda for their theories and chose to head them off

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<sup>9</sup>John Paul II, *Centesimus Annus*, no. 8.

<sup>10</sup>John Paul II, *Centesimus Annus*, no. 7.

<sup>11</sup>John Paul II, *Centesimus Annus*, no. 40.

<sup>12</sup>John Paul II, *Centesimus Annus*, no. 48.

<sup>13</sup>John Paul II, *Centesimus Annus*, no. 48. Here the Pope clearly indicates that the only problem with the programs of the welfare state is that subsidiarity is not adequately followed, and consequently they are grossly ineffective.

<sup>14</sup>John Paul II, *Centesimus Annus*, no. 58.

at the pass. John Paul II waits no more than two full pages after beginning to declare his allegiance to the teachings of Leo and Pius. He announces that “those encyclicals and other documents of my predecessors which have helped to make Pope Leo’s encyclical present and alive in history” make up the body of “the Church’s ‘social doctrine,’ ‘social teaching’ or even ‘social magisterium.’”<sup>15</sup> He even singles out *Rerum Novarum* for explicit affirmation, insisting that “[while] [t]he encyclical *Rerum Novarum* can be read as a valid contribution to socio-economic analysis at the end of the nineteenth century. . . its specific value derives from the fact that it *is a document of the Magisterium and is fully a part of the Church’s evangelizing mission, together with many other documents of this nature.*”<sup>16</sup> Not only does he reaffirm the social teaching of previous pontiffs, but he *actually declares that he is doing so*, as though anticipating the objections that capitalists still, with a straight face, despite all the evidence continue to make, saying that

[t]he validity of this teaching has already been pointed out in two encyclicals published during my pontificate: *Laborem Exercens* on human work, and *Sollicitudo Rei Socialis* on current problems regarding the development of individuals and peoples.<sup>17</sup>

So it is impossible to contend that John Paul II has “reversed” or “altered” previous social teaching without arguing with John Paul II himself. And while this is certainly permissible in regards to anything not within the spheres of faith or morals, it is not in regard to the moral condemnations of both capitalism and socialism which the popes have pronounced and John Paul II has affirmed.

This clear declaration from John Paul II himself, as well as all the evidence given above of his support for his predecessors’ declarations, ought to put to rest any hopes that the capitalists have for support from the current pontiff. But how can Catholic capitalists, however, continually make the claim that John Paul supports them even in the face of John Paul’s own denial? The simple fact is that they are unconcerned about the Church’s teaching in economic matters; they simply seek

<sup>15</sup>John Paul II, *Centesimus Annus*, no. 2.

<sup>16</sup>John Paul II, *Centesimus Annus*, no. 54.

<sup>17</sup>John Paul II, *Centesimus Annus*, no. 2.

support in John Paul's writings as an argumentative tool. Catholic capitalists seek no guidance from the Church in the pursuit of their "science"; if they did, they would be forced, in the face of repeated condemnations, to change their theories. They only seek support for conclusions which they have already reached, and which no amount of clear condemnation from the Church will change.

Gronbacher makes the case as clearly as possible in his introductory work to economic personalism. After having perused the social encyclicals of Leo and Pius as though critiquing the development of some field of scholarship, not dealing with the solemn pronouncements of the Church,<sup>18</sup> Gronbacher sums up with a criticism of some recent critics of the free market with a statement which, while admittedly not directly pointed at the social encyclicals, perfectly sums up the concern which Catholic capitalists have for the social encyclicals. Gronbacher claims that "the inability of these practitioners [critics of the free market] to persuade mainstream economists and theologians shows the bankruptcy of these approaches."<sup>19</sup> In other words, because the popes have not converted "mainstream economists" to their views, and because many theologians remain in dissent from these teachings, Catholic social teaching is therefore bankrupt.

This disdain for anyone whose theories have not been integrated into those of "mainstream economists and theologians" reveals the true reason behind capitalist disregard for the clear principles of Catholic social thought: anyone who has not been thoroughly indoctrinated with the principles of free-market economics is not really worth listening to, whether he be a Marxist revolutionary or the holy Roman pontiff himself. Surely, these Catholics maintain a respect for the Church in all other matters; but they refuse to heed her clear and obvious teachings in the realm of economics and politics, which, as we have seen above, John Paul II (their favorite alleged papal ally) calls "an essential part of the Christian message."<sup>20</sup> These capitalists, then, in their disregard for Catholic social teaching, are also disregarding an indispensable part of Catholicity, and no amount of baseless pleading to *Centesimus Annus* can ever remove this gaping hole in their understanding of the economic

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<sup>18</sup>Gronbacher, *supra* note 3, at 19–26.

<sup>19</sup>*Id.* at 26.

<sup>20</sup>John Paul II, *Centesimus Annus*, no. 5.

order. Only a submission to the teaching of the Church, as expressed throughout history and most recently by John Paul II, can render their social thought compatible with Christian morality and the Catholic faith.

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## Colophon

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