

Distributism and the Modern Economy*

Donald P. Goodman III

June 1, 2009

1 The Basics of Economics

Man is a creature incapable of survival without the use of his intellect to form his environment. Other animals on this earth were gifted with substantial natural powers; they have thick fur or blubber to protect them from exposure, sharp claws or teeth to enable them to feed, swift feet to enable them to escape their predators, and superb senses to enable them to detect and explore the world around them. Man, the highest of animals, has none of these things. His skin is thin, his hair scarce, his teeth small, his claws flimsy, his feet slow, and his senses mediocre at best. God does not intend man to survive solely by use of his physical prowess; He intends him to survive wittily, by the use of his reason to aid his strength.

But man does not survive wittily in this way merely by using his intellect to take advantage of his existing environment, like a wolf with an abnormally high IQ. No; man survives wittily by *changing* his environment, by molding it to his will. He ought not to *violate* his environment, forcing it to be contrary to its nature; rather, he ought to *perfect* it, making it what it needs to be so as to be most useful to him.

God Himself has instructed man thus, and in no uncertain terms:

And he [God] said: Let us make man to our image and likeness:
and let him have dominion over the fishes of the sea, and the fowls
of the air, and the beasts, and the whole earth, and every creeping

*This document is published under the Creative Commons Attribution-Share Alike 3.0 United States License.

creature that moveth upon the earth. And God created man to his own image: to the image of God he created him: male and female he created them. And God blessed them, saying: Increase and multiply, and fill the earth, and subdue it, and rule over the fishes of the sea, and the fowls of the air, and all living creatures that move upon the earth. And God said: Behold I have given you every herb bearing seed upon the earth, and all trees that have in themselves seed of their own kind, to be your meat.¹

Man is to rule and to fill creation; more, he is to *subdue* it, not violating its nature, but making it better serve man, its lord.

This necessity of forming nature to a condition more useful to ourselves is not merely a product of sin. After creating man and the Garden of Eden, “the Lord God took man, and put him into the paradise for pleasure, to dress it, and keep it.”² Thus, even in his primordial and innocent state, man could not live merely by plucking the fruits of the earth, like a beast or an insect. Even in his innocence, man was set to *work*, to improve the nature he was given (“to dress it”) and to preserve it in its improved state (“to keep it”). Making nature more useful to himself is in the nature of man and of nature itself; nature exists to serve us, and we exist to rule it.

This is all, of course, very general; however, traditional Catholic philosophy has become very specific about much of this thinking, and has even attached names to some of these concepts. That which has been made more useful to us, when once it was less useful, we call *wealth*. When one picks up a board, one is holding wealth; if a tree has been made more useful to man by means of man’s wits and abilities. When one eats an apple, one is making use of wealth; the nutrients of the soil have been transformed, through the deliberate cultivation of an apple tree, to a condition more useful to man than their original form. The process itself, by which nature is made more useful and valuable to man, is called *the production of wealth*, or sometimes the shorthand *production*. The farmer, in growing his apple crop, is producing wealth, as is the lumberjack and the miller who turn trees into boards.

Man achieves the process of making nature more useful to him—that is, of producing wealth—by means of his *labor*. Labor is simply man doing things with nature, like the rancher who herds his cattle to better pastures, or the blacksmith who renders wrought iron into a useful tool. The great

¹Genesis 1:26–29.

²Genesis 2:15.

Catholic economic thinker Hilaire Belloc described labor as “human energy. . . applicable to the material world and its forces.”³ Labor is the means by which man fulfils his God-given task of subduing and ruling nature; as such, labor is clearly sacred, among man’s highest acts. Furthermore, it is the means by which man becomes prosperous; “it is incontestable that the wealth of nations originates from no other source than from the labor of workers.”⁴

Sometimes, however, labor exercised upon some object is not immediately expended. For example, rather than eat all the food that he produces, a farmer may choose to store some quantity of it for the next year, as a guard against poor crops. A blacksmith who produces a good, strong draw-hoe has certainly exercised his labor upon iron, but that labor will continue to assist the production of wealth for many years. In other words, the labor is *stored* for a time, held aside for future production, either because the labor has great longevity (as in the case of a good tool, like the draw-hoe) or because its consumption has been deferred to assist in future production (as in stores of food). This type of labor, which has been stored in some way for future use in producing wealth, we call *capital*.

Finally, before one can produce wealth with labor and capital, one must have something to which the labor, with the assistance of the capital, can be applied. A farmer may work all he likes, but without land he will grow no food. A lumberjack can swing his axe until his arms wear out, but without trees he’ll produce no timber. Throughout the course of this essay we have referred to this simply as *nature*; as in, man makes nature more useful to him (that is, produces wealth) by the application of labor. Traditionally, however, nature in this equation has been termed *land*. Land is the ultimate source of all wealth, as all things upon which man exercises his dominion proceed, either directly or indirectly, from it. Therefore, nature is fittingly referred to as “land” when discussing the production of wealth.

Therefore, there are three main factors in man’s dominion as given by God: land, labor, and capital. The land is the clay which man has been designed to mold; labor is the means by which man molds it; and capital is past labor which sustains and assists man while he exercises his current labor. These two, land and capital, have a great deal in common which they do not share with labor. For example, often man exercises his labor upon the results of other labor; that is, upon capital, as when a miller turns timber

³HILAIRE BELLOC, *THE SERVILE STATE* 46 (The Liberty Fund 1977).

⁴Leo XIII, *Rerum Novarum*, no. 51.

into boards. Therefore, we can see that land and capital are, in a certain sense, types of the same thing; that is, they are both objects to which man applies his labor, the means by which labor makes things more useful to man. Thus, when we speak of the *means of production*, we are speaking of land and capital combined, the two things which man, by his labor, can make more useful to himself. Labor, on the other hand, is different; it is the action of man itself, and thus is sacred in a way that even land and capital cannot be.

To sum up: man's dominion over nature is given by God, a dominion which requires him to perfect nature by making it more useful to man, thus *producing wealth*. Man does this by applying his *labor* to *land*, which includes the fruits of the land. Often man stores his labor for future use, either in the form of tools, which are not quickly consumed, or in the form of stores to sustain future production. This stored-up labor is called *capital*. Man can apply his labor to capital as well as to land; thus, land and capital together are called the *means of production*.

Thus, we have a basic outline of the economy of man; that is, of how man uses the resources God gave him to produce the wealth that he requires for his flourishing. It does not, however, take an astute reader to notice that our current system seems quite far removed from this description. This situation is not merely the inevitable consequence of our complex society; it is rather a positive rejection of the true nature of man's dominion over creation, and a deliberate distancing of man from the creation which he rules. This rejection and distancing prevents man from truly flourishing. We will now proceed to an examination of our current system and how it is built upon a rejection of the principles we've just reviewed, and see what negative results that has had for our society.

2 Our Current System

We have just examined an economic system which is based on the application of labor upon land and capital in order to produce wealth. Implicit in that discussion was the fact of *consumption* of wealth; that is, that the wealth which is produced in this way is produced for the use of man, and that that use often results in the wealth being consumed. (Sometimes, of course, it does not, as in the use of tools.) However, this consumption of wealth clearly cannot occur without that wealth first being produced; therefore, it is clear

that the human economy is based fundamentally upon *production* rather than upon *consumption*; that is, that it is based primarily upon the fields, the forests, the factories, and the mines rather than upon the supermarkets, the home improvement superstores, the retail malls, and the jewelers' shops within them.

In other words, the whole purpose of this is to produce *wealth*; that is, to take nature and make it more, rather than less, useful for man.

Our current system, however, turns this framework on its head. Rather than attempting to produce more wealth, our system attempts to produce more capital; hence, it is referred to as *capitalism*. This emphasis on capital and not upon wealth makes it focus on consumption rather than production, also earning it the name of *consumerism*. Our system arrived at these strange conclusions primarily through confusing wealth and capital, which (as we have seen) are two very different concepts. The main culprit of this confusion is money, a topic which we shall now examine.

2.1 The Nature of Money

As we have seen, an economic system produces wealth. In producing wealth, we often create stores of labor, known as capital. Different individuals also produce different types of wealth; the farmer produces food, the shoemaker shoes, and so on. However, individuals need types of wealth which they personally are not able to produce. Thus, they will exchange one type of wealth, which they can produce, for another, which they cannot. This simple form of trade is known as *barter*, exchanging one thing for another.

Though this trade is effective, it is also crude. Often, goods will be incommensurable, or at least difficult to compare. How many shoes, for example, will buy a bushel of wheat? Furthermore, producers of one form of wealth may not be in need of the form of wealth offered in exchange; once a farmer has shoes, for example, he will be loath to trade his wheat for more shoes. Yet the shoemaker still needs to eat. Thus, barter is insufficient for any society of significant complexity, and consequently *money* is created.

Money is nothing more nor less than a measure of value. Traditionally, for example, precious metals were used for money, most especially gold and silver. A farmer agrees that his bushel of wheat is worth one silver coin; a shoemaker agrees that five pairs of shoes is also worth one silver coin. However, the farmer already has all the shoes he needs. The shoemaker can instead sell five pairs of shoes to those who need them and thus earn one

silver coin, then give that silver coin to the farmer in exchange for the wheat which he needs, and the farmer can use that silver coin to buy whatever else he might need that the shoemaker cannot provide. The silver is, considered simply as metal, useless to both the farmer and the shoemaker; however, because it has an agreed-upon value, it becomes something that they both want and are willing to accept as payment for the wealth they've created.

It's important to remember, however, that money is simply a *measure of value*; it is not value itself. In other words, money is not wealth; it is a way of measuring wealth. Such a measure of wealth is useful, even necessary, for a sensible system of exchange of wealth. However, no matter how useful it becomes, money never becomes wealth itself. The proof of this is in the pudding. Wealth, things like food and clothing, is necessary to man for his survival; but no amount of money will keep the stomach full or the body warm if there is not real wealth to exchange it for.

In other words, money is a form of capital; that is, stored-up labor. The community as a whole agrees that this otherwise worthless thing (or which otherwise has a very limited usefulness) will serve as a measure of value; the money then *represents* the value that its holder can obtain for it. Just as the farmer stores up some of his crop to guard against a weak crop the next year, so he also stores up money to purchase what he needs in the event that he cannot sell enough wheat to provide for himself. The money, like the stored food, is labor stored up for future use. The difference is that it is valueless in itself; unlike real wealth, such as stored food, the money will not fill his stomach. But it *can* be used to *buy* something to fill his stomach, and that is its only usefulness.

Money, as long as it is treated as merely *representing* real wealth and not as wealth itself, is a reasonable and necessary part of a functional economy. However, our society has taken it far beyond this sensible role.

2.2 Money and the Capitalist System

As mentioned before, our own system lets money go far beyond this reasonable role that we've identified for it. In our society, money *is* wealth; he who has the most money is considered the wealthiest, even though he may have no actual wealth to his name at all. Men who have never produced a lick of real wealth in their entire lives—that is, they have never taken land or capital and made it more useful to man—are yet often the wealthiest men in the world.

Take as an example the way that our economy has been bifurcated into the “real” economy and the “financial” economy. The *real* economy deals with real things; it can only function by the production of real wealth. This includes things like Ford plants and cornfields. The *financial* economy, on the other hand, deals not with real wealth, but merely with the representation of wealth known as money. The financial economy, in other words, deals entirely with trading, insuring, lending, and otherwise manipulating mere symbols of wealth, adding absolutely no actual wealth to the economy at all. And yet, despite this fact, the financial economy is increasingly the focus of all our economic efforts; indeed, in the recent bailouts we have dedicated untold trillions of dollars to the financial sector, while we gag uncontrollably at the thought of mere tens of billions to the auto industry, a portion of the real economy.

Indeed, the financial economy is more and more seen as *the* economy, and this is a direct consequence of modern capitalism’s conflation of money with wealth. The result of this is that production of wealth is derogated, seen as the domain of the poor, the shiftless, the stupid, and the foreign, while the really important tasks—increasing the quantity of money that one holds—is the job for an educated and enlightened person. That money, the assumption goes, is really wealth; every extra dollar one makes is another dollar of real wealth that one has. The fact that one hasn’t actually produced any wealth, but merely managed to grab onto another representation of wealth, never enters the mind.

The difficulties this sort of system and thinking can lead to are apparent. Take, as an example, the recent stock market crash. The money-is-wealth types had been ensuring that their stocks were worth more and more money for some time. They were enormously assisted in this task by the federal government. They crowed that the value of their holdings was increasing and boasted of how wealthy they were because of how much money they could get for their stocks. Eventually, however, people began to realize that there really wasn’t anything behind this enormous increase in “value,” but rather that it was merely the fruit of financial trickery and speculation. As a result, people dumped the stocks, prices tanked, stockholders lost their money, and then they proceeded to complain that their wealth had disappeared.

However, no *wealth* had disappeared because there was no wealth there to begin with. What *had* changed was that people were starting to reevaluate paying higher and higher prices for the same amount of wealth. The recent real estate bubble is a case in point. A house which was once priced at

\$100,000 is made more “valuable” (by which they mean not that it contains or produces more wealth, but merely that it will fetch more money at sale) by the use of financial shenanigans too complex to describe here. Now, the house can sell for \$300,000. Our financial system considers this an increase in wealth; however, our review of basic concepts above makes it clear that this is merely an increase in money. The house itself still represents the same quantity of real wealth, and it is not producing more wealth than before; they’ve merely jiggered things so that people are willing to pay more money for it. However, potential buyers realize this suddenly, and the house again sells for \$100,000. The financial system claims that its wealth, represented in this particular house, has decreased to a third of its former value. Clearly, however, their actual *wealth* is precisely the same; it is only the quantity of money which is different. No wealth has disappeared at all.

The financial system might well reply that we’ve just decided that money represents wealth, and has value insofar as it may be exchanged for real wealth. Cannot \$300,000 fetch more real wealth than a mere \$100,000? Has not, then, the owner of this house lost two-thirds of his wealth, since he has lost two-thirds of his money?

No, he has not. If the increase in his house’s price reflected a real increase in his house’s wealth—either through improvements to the property, or an increase in the property’s productivity, or some other cause—then he has indeed lost two-thirds of his wealth. If, on the other hand, the value of the house increased merely through speculation and trickery, then his wealth is precisely the same. While he has less money, he has the same amount of stuff which has been made more, rather than less, useful for man; thus, he has the same amount of wealth. Money represents wealth as a congressman (theoretically) represents his district. Sending two congressmen to Washington does nothing to increase a district’s population.

In other words, an increase in money is only an increase in real wealth *if the wealth that the money represents has also increased*. In this case, as in countless others, that real wealth has not changed.

And yet our entire economy is built upon such increases in *money* rather than in producing *wealth*. More and more, in the West we produce less real wealth and spend more of our time passing money back and forth and pretending that we’re adding value to it every time it leaves our hands. Our banks, for example, become rich merely by creating money through a concept called *fractional reserve banking*. The nature of this process is too complex to describe here, but suffice to say that the bank produces no wealth when

it creates this new money; it merely produces new money. Yet it is rich from it. This sort of system is clearly out of accord with the basic principles we examined above, and thus must be fundamentally wrong.

Still, it seems to work, at least to a limited extent. Don't we have more things than ever before? Better medical care? More plentiful food? Better heating and clothing? So what's the problem?

The problem is that it's not natural, and thus it is not sustainable. Our current economic system may still be struggling on, but it violates nature, and thus it must inevitably fall.

2.3 The Failures of Capitalism

Capitalism fails on a number of levels philosophically; however, here we will limit ourselves to its failures due to its fundamental misunderstanding of the nature of human economy, based on the principles we've discussed above.

When a society begins to mistake money for wealth, it begins to dedicate itself to the production of money rather than to the production of wealth. The accumulation of money is seen as the acquisition of wealth, and the constant flow of money is seen as the lifeblood of the economy. Because money must be constantly moving, this system requires the greatest amount of spending by the greatest number of people possible. This encourages everyone to continue accumulating still more money, and so on, *ad infinitum*.

The capitalist, of course, argues that this fact also encourages production. After all, people have to be spending their money *on* something, and someone has to produce that something. This argument, however, misses the material point, which is that the purpose of this corrupted system is to produce *money*, not wealth. While people certainly spend a good deal of their money on things, and that those things must be produced, people also spend large quantities of money on things which have little or no real wealth behind them.

The current system is interested in producing money, not necessarily in producing wealth. So men in our system naturally turn to those professions which can produce the greatest amount of money in the shortest amount of time. Needless to say, this does not include farming or shoemaking; rather, it consists largely in finance. Short selling, ludicrously complex derivative packages, credit default swaps, and various esoteric types of insurance are the lifeblood of such a system. Trading money back and forth to each other while selling each other insurance on the packages occupies an astoundingly

large portion of our population. Meanwhile, the portion engaged in such tasks as growing food and making tools continues to dwindle.

In other words, it's clear that people still consume as they always did; however, *what* they consume, *how much* they consume, and what's *behind* that consumption are quite different.

First, people are driven to consume large quantities of useless things that they do not need. This sort of consumption is encouraged by the enormous quantities of advertising required by the consumptive capitalist society, which is needed to induce the populace to keep buying things that they don't really require. This is often accompanied by huge, tragic cultural losses, losses which are largely, if not entirely, ignored by our society. For example, the average citizen owns a large quantity of purchased music, in the form of tapes, compact discs, and digital files. Yet the average citizen rarely gets together with others in a pub and makes music for himself anymore, so distracted is he by the bought music he constantly pumps into his ears.

Second, people consume enormously more than they once did. They have to, or the system would come crashing down about itself, depending as it does upon the unending flow of large quantities of money. And so while people once saved for years to buy a home, which they would live in for decades at a minimum, people now get mortgages to pay for the entire cost of the home, or more, and yet leave it within only a few years. This also encourages massive personal debt and discourages personal savings, as it's necessary to constantly buy to get the things that we "need," while thrift and saving only delay the gratification that our society and the constant barrage of advertising tell us ought to be immediate.

Finally, what's behind the consumption is often merely a veneer of actual wealth. Production simply doesn't produce money fast enough; this has encouraged our citizens to avoid the productive trades and pursue others, which yield larger quantities of money more quickly. Because production doesn't pay enough to fuel our highly consumptive lives, production has increasingly left our shores and been "outsourced" to other lands. We are thus left physically dependent upon others for the wealth that we require for our survival. We also further the spiral of debt, consumption, and costs that's been briefly outlined above, aggravating still more our society's descent into hedonism.

Furthermore, behind all our reckless consumption lies an untold ocean of exploitation and injustice. To keep us constantly buying more and more stuff, prices must be kept down and durability must be kept minimal. The

cheaper things are, the more likely we are to buy them; the quicker they break, the more often we will purchase replacements. Not only does this run roughshod over all the traditions of craftsmanship in each particular trade, it also exploits the populations of other lands than ours. Those who do our production for us must do so at near-slave wages, for paying a living wage would remove the price benefit of producing there in the first place, and fewer of us would buy the goods produced. More and more, rather than producing wealth for their own countries, foreigners are led into borderline slavery to produce unnecessary flotsam for ours. In this way, while we corrupt ourselves, we also impoverish our neighbors.

Finally, our current system largely takes away the freedom of families and local communities within our society. Since goods are generally produced quite far from where they are sold (since they are generally produced in foreign countries, and even overseas), sale of those goods tends to become limited to those who can afford to transport them most cheaply. Huge retail monstrosities thus arise, vending the generally foreign and often useless garbage that advertising assures the populace that they need, as well as the few necessities which people cannot avoid buying. Families and local communities are thus led outside of themselves, not into themselves in solidarity. Rather than communities producing most of what they need themselves, and supporting one another with their money by buying what their neighbors have produced, communities are constantly split apart by the necessity to stray farther and farther away from home to make any purchase. These families and communities thus become absolutely dependent upon others, who are usually based far away and have little concern for them other than for their money. Communities dissolve, and small producers based in those communities become increasingly unable to survive.

Nor is this situation sustainable; we've seen recently just how fragile and ultimately doomed it really is. We've equated our wealth with our money; however, while we've based our entire society on our ever-increasing piles of cash, we have not accumulated real wealth to give that money any true meaning. This works for a time, as people get heady in their own richness; however, eventually they realize that there's nothing behind their money, and they flee from it as quickly as they can. This happened in housing; it happened in the financial markets; it will happen in all segments of our economy. We may be able to stave it off, but we cannot make it flee forever. One can only violate the nature of things for so long.

But what can be done? How can we free ourselves from the endless cycle of

consumption designed solely to produce more and more money which in itself holds absolutely no value? That is where distributism enters the picture.

3 The Distributist Answer

To sum up: we live in a society in which those who produce no wealth, but merely accumulate lots of money with little or no real wealth behind their gains, are glorified, but those who produce real wealth, like farmers, are laughed at as uneducated and useless bumpkins. Our economic system depends, at its core, upon a rampant consumerism that often borders on outright hedonism, and the real production of wealth is relegated to those in foreign lands, who are thus prevented from producing wealth for their own people.

Distributism seeks to answer all these questions. Distributism is a name produced in the early twentieth century by the great Catholic writers Hilaire Belloc and G. K. Chesterton; however, in a certain sense it is an unfortunate name. While it is accurate, it brings to mind images of commissars tossing the kulaks off their land and forcing peasants to starve on communal farms. However, nothing could be further from the truth.

Distributism could just as easily be called productionism, as both distributive justice and production are its central tenets. Essentially, distributism attempts to solve the modern consumptive, money-based economy by bringing the focus back to production. It does this by encouraging the widest possible distribution of productive property throughout the populace.

The problem with our modern system is that production has been removed from the ordinary citizen. We no longer respect and honor the man who can produce great wealth, but rather the man who can accumulate the most money. To defeat this tendency, we must once again make production of wealth the center of the normal citizen's life. When each citizen is again directly involved in production, the production of wealth will again become paramount, and the evils of a money-based system will be substantially mitigated.

However, distributism also takes account of a vital tenet of Catholic political thought: the principle of subsidiarity. This time-tested principle states that any given task in a society ought to be done by the smallest possible level of society. For example, the education of children is entrusted primarily to the parents of that child, as that is the smallest level of society truly

capable of performing that task. Similarly, the management of a given trade ought to be entrusted to that trade itself, since that is the smallest level of society really able to accomplish it. Distributism thus has a strongly localist streak, and it is from that streak that it receives its name.

For distributism seeks not only to ensure that most citizens are engaged in the true lifeblood of an economy, the production of wealth; distributism seeks to ensure that the production of wealth is done by the smallest units of society capable of doing it. Often, this unit will be the individual family. Thus, *distributism* is that system in which most ordinary citizens are the *owners of the means of production*.

If the average citizen is the owner of some means of production—whether that be land, tools of a trade, or some other productive property—the problems of our current system identified above will be greatly mitigated. Citizens will be involved personally in the production of wealth. More wealth production will be done more locally, ensuring that the money economy—that which is based on the exchange of money—will be much more solidly based in the existence of real wealth. Because most citizens will be involved in producing, outsourcing will no longer be necessary, because our own citizens will be happy to work their own property to produce wealth for their fellow citizens for fair trade. This will further enable those in other countries, currently exploited for our own benefit, to direct their efforts to the benefit of their own peoples. Being once again engaged in the production of real wealth, citizens will become better able to see through advertisements for “necessities” that are really superfluous, or even harmful, luxuries. Significantly, too, the most valuable members of our society, those who produce those things which are most necessary for our survival, will once again be held in their proper dignity.

Furthermore, families and communities will be bolstered and unified by their newfound comparative independence. Families will depend more on their own hard work and ingenuity than on that of others whom they have never met; communities will unite and support one another by spending their money on the producers within themselves. No longer will communities be dependent upon the good will and largesse of large corporations who care nothing for them; they will become strong and one again, independent and proud.

Most importantly, however, we will again be faithful to our God-given task of stewarding the earth which He gave us. God gave us His creation so that we could dress it and keep it; that is, improve it by making it more

useful to ourselves, and keep it by maintaining our improvements, so that the earth would serve us just as we serve Him. He did *not* give it to us so that we could accumulate ever-larger piles of green paper. Our Lord cultivates our souls so that we can serve Him; this is His primary task relative to man. Let us also cultivate the earth so that it can serve us, as God intended it to serve us; in this way we not only bring about our own sustainable prosperity, but also engage in Tolkien's subcreation, in order to come closer to our Creator.

Praise be to Christ the King!



Goretti Publications
708 Orchard Street
Martinsville, VA 24112
<http://gorpub.freeshell.org>
