The Distributism Debate

The

Distributism Debate

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Eds.

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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 instituente regnum sociale eius
et Matri Suæ, Mariæ semper Virgini,
et Cordi Immaculatæ eius
et caræ Catharinæ uxori meæ
et Donaldo Patricio Quarto filio meo
et Ludovicæ Magdalenæ filiæ meæ
hoc opus dedicatum
—Donaldus Patricius—

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Introduction

Distributism is not well understood even within the Catholic world; outside of that world, it is barely, if at all, known. However, it is much more important to bring Catholics to an understanding of this economic system, intended to be a fulfilment of Catholic social teachings, than to ingratiate the theory with those outside of the Catholic world. Therefore, this assembly of articles was created, in an attempt to bring Catholics to a better understanding of distributism, the only economic system which attempts to conform to the principles of Catholic thought.

In 2002, in the revered traditionalist publication *Latin Mass Magazine*, John Clark penned an attack on distributism as explicated by one of its chief early proponents, Hilaire Belloc. Capitalists hailed it as a long-needed vindication of their principles against distributist ignorance; distributists decried it as ignorant and badly reasoned. Both began to address the matter on the Internet, and an informal debate quickly arose.

This is a collection of most of the articles entered into that debate. Naturally, many more were written, in many different places; some this editor knows about, some he has never seen. But these are the primary combatants, and consequently the debate ought to be judged primarily on their terms.

There is great wisdom and perspicacity in these pages, and great insight can be gained into the positions of both sides. John Clark and Thomas Woods provide as coherent a Catholic defense of capitalism as is possible; Br. Bugnolo gives some insightful considerations of profit, and John Sharpe offers a brilliant defense of distributism and refutation of the Clark-Woods theses. Both together provide an excellent cross-section of arguments designed for laymen, by which the concerned Catholic can make an informed decision regarding the economic question.

In editing these texts, I have limited myself entirely to typographical and spelling errors; I have altered no wording and made only minimal changes in formatting (for example, the small caps in Br. Alexis's letter). While this does leave the text with a somewhat inconsistent feel, I believe that this allows the authors' words to reach the reader with more authenticity and with all their original force. With that, the reader is left to his task, and the editor prays that the blessing of Almighty God might come upon him and guide him in this work.

Donald P. Goodman III
Editor

Trashing “Chesterbelloc”

James Fitzpatrick

I don’t know who coined the term “Chesterbelloc” to describe the economic theories of G. K. Chesterton and Hilaire Belloc, the famed Catholic writers of the first half of the 20th century, but it is an apt figure of speech. Chesterton’s and Belloc’s views on the economy were closely aligned. The term commonly used to label their vision is “distributism.”

It is a vision that many have argued reflects the economic insights found in the papal social encyclicals, and, for that reason, has been highly praised over the years by Catholic intellectuals—those who take the Church’s social teachings seriously, at any rate. But there is a curious disconnect in this phenomenon: Many of these Catholic intellectuals are also proponents of free-market economic theory, “movement” conservatives. They proceed as if distributism reinforces their laissez-fair capitalist views.

One can see why they would think that. Chesterton and Belloc were opposed to socialism. They wanted to make privately owned businesses as widespread as possible, seeking, in Belloc’s words, “a society in which property is well distributed and so large a proportion of the families in the State severally OWN and therefore control the means of production as to determine the general tone of society.”

But it is not that simple. In the Spring 2002 issue of *The Latin Mass*, John Clark, the President and CEO of a financial group in Virginia, shows us why. He goes so far as to argue that “distributism is actually inconsistent with the traditional teaching of the Church.” Clark focuses on an element of distributism that is frequently overlooked. He illustrates that Belloc’s method of keeping property ownership widespread was to employ a severely progressive tax system to make it impossible for a business to expand beyond a certain level. Clark summarizes Belloc’s views: “If individuals approached financial levels beyond those viewed by the state as reasonable, they would be taxed so they were no longer wealthy. In the eyes of Belloc, property would eventually be ‘more fairly’ distributed.” Clark quotes Belloc: “To control two such (stores) may involve but a small tax, to control three a larger one in proportion; and so on, with the curve rising steeply until the ownership of, say, a dozen in the territory over which the Government has power becomes economically impossible." (Restoration of Property, p. 69.)

We must face the facts: Distributism cannot be made to work without a vast increase in state power. In Belloc's scheme, the central government will determine how much is "enough" for an individual or a business to own, and then tax any accumulation of wealth beyond that level at a punitive rate. That is how business ownership will be kept widespread. State power is the lash, the redistributor of wealth.

This is where Clark feels that Belloc moves into opposition to the Church's teaching on private property rights: "Distributism places such definitive limits on private property that private ownership actually ceases to exist. Under distributism, it is not my decision to whom I can sell or rent my land; it is a decision of the state. Under distributism, if a merchant with three stores wished to purchase or rent my land, the state would intercede and prevent this transaction, and every transaction like it. The laws of distributism do not allow me to make private decisions about my property, and when this right ceases to exist, I no longer possess private property."

Thus, says Clark, the "traditional teaching of the Church is trampled upon by distributism, and in the final analysis private property ceases to exist, as ownership and use essentially become that of the state." "Distributism violates the fundamental right of private property as traditionally taught by the Church from the time of St. Augustine to the present day." Further, says Clark, "The distributist state removes the profit motive by placing limits on the amount of wealth that one can earn," thereby killing the profit motive that leads to economic growth and the generation of jobs.

Clark buttresses his case by quoting extensively from medieval theologians such as St. Albert the Great, Thomas Aquinas, Duns Scotus, Francisco Suarez and St. Bernardino of Siena on the nature of private property rights.

Is Clark right? To a certain extent, yes. I don't think it can be denied that Belloc's call for an increase in state power to bring about his "fairer" distribution of property would lead to a central government with a level of authority likely to be abused. It is a great mistake to make our decisions about the proper level of state power by assuming that the government to which we grant power will be to our liking. To make the point, imagine Bill Clinton and his cabinet sitting around a table making decisions about how much wealth the rest of us should be entitled to hold.

This is the fatal flaw in distributism. It is why I hold that it is better to view Chesterbellocian economic theory as poetry rather than prose. Their vision of small communities of neighbors, producing the goods and services they require for a modestly prosperous existence, has great appeal. It is the practical application of their scheme that presents problems, specifically the mammoth nanny-state required to prevent the Henry Fords and Bill Gates of the world from exercising their entrepreneurial drive. It is worth empowering the Clintonistas to hold our entrepreneurs in check?

I forgot where I heard the line, but it stuck with me: "Chesterton and Belloc extol a world of small businessmen running owner-operated shops. The only problem is that in the real world, every small businessman is looking to expand." It is an important point to keep in mine. In many ways, the distributist state would be as contrary to human nature as a Marxsian socialist state.

That said, I suggest that Clark goes overboard in his criticism of Belloc. It is no coincidence that the Catholic theologians Clark quotes are from the Middle Ages, and that the papal encyclicals, from those of Leo XIII to those of John Paul II, are more favorably disposed to state intervention in the economy, even if not to the degree called for by Belloc. It is why the encyclicals speak out against a rigid "economic individualism" that would deny the state any role in regulating private business in pursuit of social justice.

I make no claim to being able to augur how St. Thomas Aquinas and St. Augustine would write about private property rights if they were alive today. But it must be said: The private businesses they wrote about were nothing like the transnational corporations of the modern world. Their world of small craftsmen in medieval villages, employing a few apprentices and journeymen, has little in common with our world of corporations with the power to inflict great damage on the commonweal through their greed and dishonesty.

When Thomas Aquinas wrote, "It is a good thing that each one shall enlarge his possessions more, applying himself to them more carefully as being his own"—he wasn't talking about the practices of Enron, WorldCom and the other corporations caught up in the accounting crimes of the past few months. And I sense that he would not recoil from granting the government a counterbalancing power to regulate these massive concentrations of modern corporate power to make them socially responsible.

The social encyclicals have it right. Belloc and Chesterton were willing to assign the central state more authority than would be prudent to effect their distributist goals, but their goals were lofty. The more limited degree of state regulation of the economy called for in the social encyclicals seeks those goals without running the risk of creating a socialist state in the name of distributism.

Capitalism & Catholic Economics

John Sharpe

Dear Editor,
Congratulations to Mr. Fitzpatrick for his honest assessment of John Clark's article on Distributism for the *Latin Mass* Magazine.

Mr. Fitzpatrick is correctly hesitant regarding all of Mr. Clark's corrections, however he fails to recognize that it is not only Distributism, but also the teaching of the Church, that allows for the intervention of the State in order to control properly economic life.

Mr. Fitzpatrick's analysis suffers, specifically, from two problems.

First, he uses the term "socialism" in a very vague way, linking it simply with "excessive state power," when, in fact, socialism really means the ownership by the state of the means of production. Criticizing Distributism because it allegedly paves the way for socialism assumes that the Distributists are content to let the state own the means of producing wealth in society - and they plainly aren't. Distributists have in mind the better distribution of property among citizens of a nation, not its government.

The second error in Mr. Fitzpatrick's critique perhaps flows from his first. While he may not like Distributism because in Belloc's specific vision of it, the power of the state would be used to defend widely distributed ownership, Mr. Fitzpatrick cannot therefore accuse it of socialism unless he espouses another flawed assumption. That flawed assumption is that the state which exercises its power to give a Distributist tone to society is inherently arbitrary and lawless, and could thus at any moment unbearably infringe on the liberties of its citizens. Such an argument can be reduced to an erroneous syllogism, as follows:

> Distributism harnesses the power of the state to ensure widely distributed ownership of the means of production. Tyrants interested in eliminating civil liberties harness the power of the state for their own ends. Thus, Distributism is tyranny.

At the risk of belaboring the obvious, I will merely point out that (1) the State which uses its power to defend the small owner of property is inherently orderly and lawful, since the very proposition implies that the State's power is being used toward some pre-defined end; the task of Distributism, practically speaking, is to figure out how to imbue the men of government with these correct, noble principles; and (2) the unregulated free market, which is often "settled for" as the only possible alternative to the kind of State power which Belloc's scheme would involve, is no better than the allegedly unacceptable consequences of Belloc's scheme, insofar as the corporations which control the economic playing field are under no obligation or compulsion - in fact the system works in quite the opposite way - to think of the common good above their own self interest. Almost without question the small owner is made into a mere employee, following the dictates of "economic" priorities such efficiency, conglomeration, and cost-reduction.

Regards and God bless,
John Sharpe

Dear Mr. Sharpe:

Your analysis of the "Chesterbellocian" vision is perceptive and persuasive. My point was not that distributism would necessarily lead to socialism, but only that the amount of power that would be have to be given to the state to determine how much wealth any one individual would have the right to own in Belloc's scheme would very likely be abused.

Sincerely,
James K. Fitzpatrick

The Justice of Distributism: A Reply to John Clark

Thomas Storck

> The basic assumption of bourgeois civilization was that the best interests of the world, the state and the community could be served by allowing each individual to work out his economic destiny as he saw fit. This is known as the principle of laissez faire. As far as possible individual life is unregulated by the state, whose function is purely negative, like that of a policeman. The less the state does, the better. It was not long until the evil of this principle manifested itself. If every individual is to be allowed to work out his economic destiny as he see fit, it will not be long until wealth is concentrated in the hands of the few and the vast majority are reduced, as Hilaire Belloc showed, to a slave state — Fulton J. Sheen[1]

In the spring 2002 issue of The Latin Mass, Mr. John Clark published an article called "Distributism as Economic Theory." I believe that his arguments and conclusions are not consonant with either the teaching of the Church or the thought of Hilaire Belloc, and I offer this article to clarify what the Church says on this matter, as well as to do justice to the memory of a great Catholic, Hilaire Belloc.

Mr. Clark rightly begins by defining his key term, "Capitalism." Clark's definition of capitalism runs thus: "Capitalism is an economic system in which private property is seen as a morally defensible right. Corollaries to this right include 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

[1] Communism and the Conscience of the West (Indianapolis: Bobbs-Merrill, c. 1948) pp. 16–17.

defensible, and therefore there should be no legal limit as to the amount of money that one can legally earn" (p. 30).

Clark contrasts this with Belloc's own definition of capitalism as "a state of society in which a minority control the means of production, leaving the mass of citizens dispossessed."[2] Although I think Clark's definition is erroneous, Belloc's definition also suffers from the problem that it describes the nearly inevitable effects of capitalism rather than the distinguishing note of the system. For a better definition, then, I will turn to the 1931 encyclical of Pope Pius XI, Quadragesimo Anno. In section 100, the Pope refers to "that economic system in which were provided by different people the capital and labor jointly needed for production."[3] In other words, the distinguishing mark of capitalism is that some men own the means of production and hire other men to work for them. These latter are the "mass of citizens" that Belloc claims do not share in the ownership of the means of production.

Let us examine the deductions which Clark makes from his definiton of capitalism. "Capitalism is an economic system in which private property is seen as a morally defensible right." As we saw above, this is not the distinguishing mark of capitalism, but it nonetheless makes a correct point: private property is a morally defensible right. But what Clark claims follows from this is false: "Corollaries to this right include the right to free competition in the marketplace and the right to trade both domestically and internationally." Though we are accustomed to regarding free use of private property as inherent in our right to it, this is not the case. In the Catholic Middle Ages private property was upheld, but not the right of free competition. As we will see, traditional papal teaching on property by no means upholds the notion that one can do whatever one likes with one's property.

Clark next turns explicitly to the question of property rights. He says, "Although distributism claims to be the champion of private property, it is actually antithetical to it" (p. 31). Clark tries to substantiate this

[2]Quoted by Clark on page 30, but taken from Hilaire Belloc, The Restoration of Property (New York: Sheed & Ward, 1946) p. 19.

[3]The original Latin speaks of the economic system "qua generatim ad commune rei oeconomicae exercitium ab aliis res, ab aliis opera praestaretur." Acta Apostolicae Sedis, vol. 23, no. 6, June 1931, pp. 209–210. All citations from Quadragesimo Anno are taken from the Paulist translation as published in Seven Great Encyclicals and elsewhere.

claim by focusing on the legal method that Belloc suggested in The Restoration of Property ought to be used to bring about the existence of a distributist society. In brief, Belloc's suggested method of achieving more widely distributed property was to institute a system of highly graduated taxation so that those who owned concentrations of property, for example, a chain of stores, would sell off their excess property.

> There must be a differential tax on chain-shops, that is, on the system whereby one man or corporation controls a great number of different shops of the same kind. To control two such may involve but a small tax, to control three a larger one in proportion; and so on, with the curve rising steeply until the ownership of, say, a dozen in the territory over which the government has power becomes economically impossible.[4]

Now, is there anything morally wrong with such a scheme? Let us consider the various charges which Clark brings against it. First of all, he quotes various Renaissance Catholic theologians on the evils of unjust taxation and on what he calls "state redistribution" of property. Unjust taxation is, of course, ipso facto unjust. But the question here is whether Belloc's plan is unjust or not. To quote writers who inveigh against unjust taxation without first establishing whether Belloc's proposed taxation is unjust, is to be guilty of what in logic is called a petitio principii, that is, begging the question.

Nor does his quote from Pedro de Navarra help — "Taxes can be tyrannical … if one is taxed more heavily than others… " (p. 32.) — for this writer was doubtless talking about two persons in the same circumstances being taxed at different rates.[5] More importantly, we must note that the context of all the quotes from these Renaissance theologians was their objections against the absolute monarchies of the time instituting excessive taxation for the support of the king and his court. But in fact, the very aim of Belloc's taxation was that no one

[4]The Restoration of Property, p. 69.

[5]Clark takes his quote from Alejandro Chafuen's book, Christians for Freedom: Late-Scholastic Economics (San Francisco: Ignatius, c. 1986). This source does not shed any further light on the context of the quote, but it is surely absurd to suggest that de Navarra believed that it was unjust for a rich man to be taxed more heavily than a pauper.

would ever have to pay the tax at all! The entire aim of the taxation scheme to institute distributism was that people would not accumulate property in such amounts that they would have to pay the highly progressive taxes that accompanied the ownership of large amounts of certain kinds of property. The denunications of the theologians that Clark instances are simply beside the point.[6]

Moreover, Belloc himself was against high taxation: "High taxation is incompatible with the general institution of property. The one kills the other. Where property is well distributed resistance to big taxation is so fierce and efficacious that big taxation breaks down.[7]

This difference in attitude toward taxation flows from the different ways property is regarded in a distributist and in a capitalist society. In the former, property and all external goods are considered necessary precisely because they are necessary for the welfare and support of the family. It is the decent support of the family that is sought, not the maximization of income. Thus property will be so intimately connected with a man and his family, that he will have a fiercely protective attitude toward it and resist high taxation.[8] But under capitalism, property is viewed simply as something with a money value, which is to be sold if a good price comes along. And although capitalists no doubt dislike paying taxes also, if one is thinking solely of money values, it often makes good business sense simply to write off high taxes as necessary costs of doing business.[9]

Next let us consider Clark's charge of government "redistribution" of

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[6]Moreover, Clark presumes that these Renaissance theologians have some specially weighty authority in theology. But this is not the case. In comparison with papal teaching or with the teaching of St. Thomas Aquinas, these Renaissance theologians have no more authority than any other group of theologians. In no way can their opinions be equated with what Clark calls "the traditional teaching of the Church" (p. 30).

[7]The Restoration of Property, p. 119.

[8]Pope John Paul II, in Centesimus Annus, speaks of the purpose of private property as "one's personal development and the development of one's family" (no. 6).

[9]I should point out here that no one in a distributist society would be forced to become an owner of productive property. Doubtless some would remain in the position of employee. But the employer/employee relationship would no longer be the usual economic mode of society. The characteristic mark of a distributist society would be widespread ownership of productive property, even if not everyone chose to own such property.

property. "'Redistribution of the means of production' is an economic fallacy" (p. 32) Clark avers. But distributism, as sketched by Belloc, has absolutely nothing to do with government acquiring, distributing or redistributing any property at all. Private owners, aware of the coming institution of a distributist system of taxation, would be free to sell off their property to any other private owner they chose. The government would not be involved in such transactions at all. One may support or oppose such a system, but to call it "redistribution" by the government makes no sense at all.

In order to evaluate the justice or injustice of Belloc's proposals, we must next look at Clark's statements about property rights and the question of property ownership.

Clark quotes from Thomas Aquinas's Commentary on the Politics of Aristotle: "It is a good thing that each one shall enlarge his possessions more, applying himself to them more carefully as being his own" (p. 33). Thomas is here summarizing and expanding upon Aristotle's refutation of Plato's argument for the community of goods, i.e., for ownership of all property in common, such as Plato advocated in his Republic. The full sentence as translated from the Latin says, "Another good is that each one will multiply his possession more, applying himself to it more carefully since it is his own."[10] Thomas, following Aristotle, is simply pointing out that, generally, one will take more care of his own property than of common property. However, one cannot deduce from this any notion that the unlimited enlargement of a man's possessions is good either for himself or for society. Elsewhere Aquinas makes this clear. In the same Commentary he writes, "Political economy, however, which is concerned with the using of money for a definite purpose, does not seek unlimited wealth, but wealth such as shall help towards its purpose, and this purpose is the good estate of the home."[11] And in the Summa Theologiae, he says, "...the appetite of natural riches is not infinite, because according to a set measure they satisfy nature; but the appetite of artificial riches is infinite, because it serves inordinate

[10] "Aluid bonum est quod unusquisque magis multiplicabit possessionem suam insistens ei sollicitius tamquam propriae." Commentary on the Politics, book 2, lectio 4.

[11] Quoted in Bede Jarrett, Social Theories of the Middle Ages (Westminster, Md.: Newman Book Shop, 1942) p. 155.

concupiscence. . . . "[12] Moreover, such quotations could be multiplied from Catholic theologians. For example, although Clark claims that St. Antoninus "viewed the profit motive as both moral and financially essential" (p. 33), in fact that saint wrote: "If any merchant exercises his art, not for some honest end, as the government of the family, the profit of the country or other like one, but principally out of great greed, he gains an infamous profit."[13]

What does this have to do with Belloc's distributism? Simply that, if the purpose of riches is the support of a man and his family, then no one has any right to more than is necessary for the decent support of his family. If we ask ourselves why God has created man so that he must engage in the activity of producing external goods, the answer is obvious: economic activity is meant to serve the more important aspects of life, our spiritual, family, social, intellectual and cultural lives; it is not an end in itself. Therefore it is not necessarily a tyrannical act if our political arrangements determine our use of property so that we seek the amount of worldy riches necessary for a decent human life, but not more. As St. Thomas pointed out further in his De Regno, the aim of men living together in society is not riches but virtue.[14] And he pointedly says, "If abundance of riches were the ultimate end, an economist would be ruler of the people."[15]

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[12]Summa Theologiae, I-II, q. 2, a. 1 ad 3.

[13]Quoted in Joaquin Azpiazu, The Corporative State (St. Louis: Herder, 1951) p. 145.

[14]"It seems moreover to be the purpose of the multitude joined together to live according to virtue. . . . the good life moreover is according to virtue; the virtuous life therefore is the purpose of the human community." In the original, "Videtur autem finis esse multitudinis congregatae vivere secundum virtutem. . . . bona autem vita est secundum virtutem; virtuosa igitur vita est congregationis humanae finis." De Regno, I, 14. (This work is also known as De Regimine Principum.)

[15]"Si autem ultimus finis esset divitiarum affuentia, oeconomus rex quidam multitudinis esset." Ibid. Consider also these words of John Paul II in his encyclical Centesimus Annus, in which he describes the mainly U.S. attempt in the years after World War II to defeat communism by trumpeting the material benefits of our economy. "Another kind of response, practical in nature, is represented by the affluent society or the consumer society. It seeks to defeat Marxism on the level of pure materialism by showing how a free-market society can achieve a greater satisfaction of material human needs than Communism, while equally excluding spiritual values. In reality, while on the one hand it is true that this social model shows the failure of Marxism to contribute to a humane and better society, on the

But what of man's natural right to private property? Would not such a notion of the state conflict with it? Mr. Clark derives his notion of private property from Tony Honore, professor of law at Oxford University (p. 31), who is not a Catholic theologian. But Pope Pius XI, in his encyclical Quadragesimo Anno thought otherwise. He rejects both "individualism" and "collectivism" but clearly states that ownership has a "twofold aspect. . . which is individual or social accordingly as it regards individuals or concerns the common good." Therefore, "Provided that the natural and divine law be observed, the public authority, in view of the common good, may specify more accurately what is licit and what is illicit for property owners in the use of their possessions."[16] We do not have a right to do whatever we may please with our property. Thus distributism does not violate "the fundamental right of private property as traditionally taught by the Church" as Clark charges (p. 31). Rather it attempts to establish man's right to private property on a firm foundation, private property as the necessary means of support for the individual and his family.

Clark quotes St. Thomas' De Regno on the matter of distribution of income to the effect that "an architect who plans a building is. . . paid a higher wage than is the builder who does the manual labor under his direction" (p. 32).[17] No one disputes this. Belloc is not arguing for equality of property or equality of incomes. But the Catholic tradition by no means sanctions just any distribution of income. Pius XI, for example, in the encyclical already quoted, makes this remark about Catholics at the close of the nineteenth century and their opinions on the need for social reform: "Such also was the opinion of many Catholics, priests and laymen, who with admirable charity had long devoted themselves to relieving the undeserved misery of the laboring classes, and who could not persuade themselves that so vast and unfair a distinction in the distribution of temporal goods was really in harmony with the designs of an all-wise Creator."[18]

No distributist desires equality of income or property. However,

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other hand, insofar as it denies an autonomous existence and value to morality, law, culture and religion, it agrees with Marxism, in the sense that it totally reduces man to the sphere of economics and the satisfaction of material needs" (no. 19).

[16] Quadragesimo Anno, sections 45, 46 and 49.

[17] This is in De Regno, I, 9.

[18] Quadragesimo Anno, section 5. Emphasis mine.

consider these figures on "the ratio of the pay a CEO makes versus that earned by a factory worker. In the late 1960s, it was 25 to 1 and as recently as 1980 it was 42 to 1. By 1999 it had risen to a whopping 419 to 1."[19] One may perhaps be allowed the opinion that a 25 to 1 ratio was quite sufficient to safeguard the incentives that entrepreneurs apparently require.

The philosophy of property that capitalism contains and promotes is not the philosopohy of property that traditional Catholicism promotes. Property as the support for a man and his family, yes; but not the unlimited acquisition of property, so that a society is kept in turmoil by economic dislocations, plant closings, and so that individuals themselves are corrupted by what Holy Scripture calls the "root of all evils" (I Timothy 6:10). Traditional Catholics, when they consider economic questions ought to consult the encyclicals and other writings of the Popes, especially Leo XIII, Pius XI and Pius XII, and the works of St. Thomas. There they will find a rich teaching on the proper place of material wealth, and it will not be a teaching consonant with capitalism, whose founders and theorists were eighteenth century Deists openly in revolt against the traditional Christian conception of society.[20]

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[19]Elisabeth Lasch-Quinn, "Markets and Morals," The Washington Times, Sunday July 21, 2002, p. B8.

[20]For a good account of this, by someone who favors the new capitalist order, see Ralph Lerner, "Commerce and Character: the Anglo-American as New-Model Man" in Michael Novak, ed., Liberation South, Liberation North (Washington: American Enterprise Institute, c. 1981) pp. 24–49.

Capitalism and Catholic Economics

John Sharpe

John Clark vs. Some Surprising Opponents

> When men have become wage slaves they think in terms of income. When they are economically free they think in terms of property.
> We propose to re-establish the peasant, the craftsman and the small (and secure) retail tradesman.
>
> Hilaire Belloc

In the pages of the *Latin Mass* recently, Mr. Clark launched an attack on Distributism, maintaining rather that capitalism is the economic system that conforms to the teaching of the Catholic Church. In what follows, we will attempt to demonstrate that Mr. Clark's criticism of Distributism is either misplaced or unfounded, and that his praise of capitalism is by no means consistent with the Church's attitude, or that of Her greatest thinkers on economic questions.

Mr. Clark bases his critique of Distributism on what we may classify as two categories of observations; the first are attacks on Belloc's theory which are based on an incorrect or inaccurate representation of that theory, and the second are attacks on the Distributist vision which are themselves based on erroneous principles.

* * *

Misrepresentations of Belloc's intent: a new theory.

The first of Mr. Clark's arguments that can be classified as misrepresentations of Belloc's theory is the assertion that Distributism is a "new theory" to which the world was introduced by Belloc with the 1936 publication of *Restoration of Property.* Actually, Belloc used the term

Distributism in his 1924 *Economics for Helen*; and therein he places Distributism in historical context by admitting that "Distributism" is the rather awkward term coined to explain what had been, throughout the history of the civilized West, a common phenomenon: the existence of widely distributed productive property, in the form of land or a trade or craft and the tools that go with it, privately owned and worked by individual families for the provisions of their basic needs and necessities. In the *Restoration* he explains that the transformation of society into its present form, one in which the ownership of productive property is concentrated in relatively few hands, began with

> the religious revolution of the sixteenth century [that] had destroyed the ancient walls which had protected the freedom of the human city.
>
> The first great blow was the destruction of the Guilds, coupled with the seizure of collegiate property in all countries transformed by the Reformation, but most thoroughly and universally in England. This was followed up in England by a series of positive enactments of which that one called the Statute of Frauds was perhaps the chief instrument in destroying the English land-owning peasantry. The great efflorescence of Capitalism came after all that bad work had been done, and was only made possible by that bad work.

Prior to the publication of the *Restoration*, in his 1925 pamphlet entitled "The Catholic Church and the Principle of Private Property," he makes reference to the need to remedy industrial capitalism with the widespread distribution of property. Meanwhile, G.K. Chesterton had by then been making references to the need for a more widespread distribution of property for over 15 years. And in making such references, Belloc and Chesterton were simply following in the footsteps of the great Catholics of the Catholic Social Movement[1] and of Pope Leo XIII who, in *Rerum Novarum* (1891), hoped that there would come a time when working people could "look forward to obtaining a share in the land" (47).

[1]Cf. Fr. Edward Cahill, S.J., *Framework of a Christian State*, Chapter 25, Article 2; see also Charles Devas, *Political Economy* (1891), Chapter 7.

The above should be alone sufficient to refute Mr. Clark's statement that Distributism is "inconsistent with the traditional teaching of the Church." But let's continue our look at the specific arguments.

Misrepresentations of Belloc's intent: capitalism defined.

Mr. Clark objects to the way in which Belloc defines capitalism, as "a state of society in which a minority control the means of production, leaving the mass of the citizens dispossessed." When Belloc says that the mass of citizens are dispossesed, he is simply referring to the fact that most citizens sustain themselves based not upon their own labor applied to what they themselves own, but rather upon what they can *earn* in terms of wages, by hiring themselves out to work on another's capital. This definition, which Mr. Clark calls "simplistic," happens also to be that of Pius XI: "that economic system, wherein, generally, some provide capital while others provide labor for a joint economic activity."[2]

Misrepresentations of Belloc's intent: radical equality.

Mr. Clark then suggests that the Distributist scheme would make it impossible for "any one individual to have much more than any other." This is simply false. Were Distributism a revolutionary "leveling" and a socialistic denial of inequality, it would be justly deserving of blame. But the persuasiveness of Mr. Clark's critique is based upon the fact that most of us are at the mercy of *his* representation of Belloc's position, not having handy a copy of the actual text of *Restoration of Property*. A look at that text, however, dispels the myth that Distributism is an egalitarian, revolutionary and quasi-socialist scheme.

Firstly, Belloc says clearly, in a passage which Mr. Clark must have overlooked, that a variety of levels of ownership obviously form part of the complexity of normal and healthy human society:

[2] *Quadragesimo Anno*, 100.

> It cannot be too much repeated and insisted upon that the ideal of property *does not comport equality in property* — that mechanical ideal is contradictory of the personal quality attaching to property. It is not a bad but a good thing that rents, the dwelling house, the income from investment, and the rest, should be upon various scales, for such variety corresponds to the complex reality of human society (emphasis mine).[3]

Secondly, Belloc desires not to equalize wealth, but to protect the small farmer, the family landowner, the small craftsman, and the small retail trader. He thus advocates a scheme of "Differential Taxation (1) against chain stores; (2) against multiple shops; (3) against large retail turnover," in order to do just that. In no wise does Belloc propose (nor would his scheme produce) a system which which would make it impossible for "any one individual to have much more than any other."

In assuming that this is the case, Mr. Clark confuses the issue between wealth used for production (*capital*, financial or that in land, tools, machinery, etc.) and wealth which is immediately consumed in meeting the needs of human life. If a man, by his initiative, ingenuity, or pure luck, is able to have a business that is more successful than the next, nothing will prevent him from enjoying the added benefits of his effort or good fortune, insofar as those benefits are reflected in increased profits, higher personal income, and more loyal patrons — which will ultimately procure for him more land, a nicer home, better food, more ample furnishings, etc. But the employment of that increased wealth in expanding, Home-Depot style, to the point where that wealth is being used to shut down the independent enterprises, making them dependent upon him or eliminating them completely — such a course would be discouraged by Belloc's scheme of taxation. Belloc's program is not a radical redistribution of wealth "rivaled only by Karl Marx and Leon Trotsky," despite the useful emotional reaction which such an

[3]Mr. Clark must have overlooked a number of passages in this regard, for Belloc makes the point several times: "...the Proprietary (or Distributist) State neither can, nor should be, complete; for it cannot of its nature be mechanical. There will be many comparatively poor, and some comparatively rich. There will presumably be some proportion of dispossessed. But Property, and its accompaniment, Economic Freedom, will be the mark of society as a whole."

assertion provokes. It is not a limit on *natural* inequalities, but a limit on *unnatural* concentration.

Misrepresentations of Belloc's intent: taxation.

Under this heading we should briefly mention Mr. Clark's assertion, based on various condemnations of taxation culled from the writings of the Spanish Scholastics, that the greatest economic minds of the Church would have opposed Belloc's scheme to safeguard the small business man and small landholder. Consider three points in response:

(1) The tradition of the Church has always been to support a widely distributed property,[4] and there is no reason to suspect that the Spanish Scholastics would have opposed the taking of measures to safeguard or restore that distribution. Those measures are in no way "confiscatory," as Mr. Clark claims, using a word which we may suspect he learned from Belloc in the very section where he condemns excessive taxation!

(2) As we will see later on, the Church, in her magisterial teaching, has always granted to the state the power to regulate private property, and to take necessary steps to ensure that it is defended.

(3) The citations produced by Mr. Clark which allegedly prove that Belloc's scheme would have been repudiated by the Spanish Scholastics actually do nothing of the sort: they merely imply that, all things being equal, a sovereign cannot licitly tax one citizen more than others. The context obviously assumes a case in which a king might try to eliminate his political enemies by taxing them out of existence. Such a circumstance has absolutely nothing to do with Belloc's proposals, and it merely constitutes a straw man, through which Mr. Belloc may be conveniently (if ineffectively) refuted. For Belloc himself, in *Restoration*, condemns excessive taxation; he says that the institution of widely distributed property is itself a barrier against high taxation; and that high taxation is itself a tool which may be used to destroy widely distributed property:

> High taxation is incompatible with the general institution of property. The one kills the other. Where property is

[4] Cf. Cahill, Chapter 17, Article 2: "…the ideal, at which great statesmen from Solon of Athens to Leo XIII and Pius XI have aimed, is a State made up principally of flourishing and self-contained communities of small proprietors, and especially of small farmers or peasants." See also the Catholic Encyclopedia, s.v., "Agrarianism."

> well distributed resistance to big taxation is so fierce and efficacious that big taxation breaks down.

Misrepresentations of Belloc's intent: Socialism.

Mr. Clark elsewhere accuses Belloc of advocating Socialism, by referring to a statement which reads as follows: "State ownership is better, of course, than ownership by a few very rich individuals." But Mr. Clark commits two serious errors here: (1) he takes Belloc's comment out of context, and (2) he ignores the rest of Belloc's writing (both the text of *Restoration* and his other works) in order to make his point.

(1) It will be sufficient to point out that Belloc makes the above-noted statement in reference to a specific, limited, narrow circumstance: he is discussing whether or not it is possible to have distributed property in the case of that "economic unit which has, from the nature of the instrument used, to be worked on a large scale; the classical example is the railway system." The context of Belloc's statement — the points he makes before and after the single, isolated sentence in question — reveal Belloc's *true* meaning: he is clearly suggesting that ownership by the state of a very large enterprise (such as a national postal service, a railroad, or such like) is to be considered only as a last resort (a last resort sanctioned by the Church[5]), and that ownership by private shareholders or a Guild is obviously to be preferred:

> In those cases where the instrument is necessarily very expensive we may, as I have said, adopt one of two methods: we may either promote the ownership of it into shares, the proper division of which and the saving of which from irresponsible control will be later discussed; or we may accept the principle of communal ownership, whether by a Guild or by the State, but under the general proviso that ownership by the State is better avoided where possible, because the private citizen has no control over the State as he has over the Guild.
>
> State ownership is better, of course, than ownership by a few very rich individuals, or even the ownership by many small shareholders who are at the mercy of a few rich ones,

[5] Quadragesimo Anno, 114.

> as they are under our English company law, but there is always the danger in State ownership that the men who work for the State-owned instrument will turn, if they are not turned already, into wage slaves, without other support than the weekly provision made for them by their master — the State.

It could not be clearer that Belloc is a mile away from advocating Socialism, as Mr. Clark scandalously suggests.

(2) Belloc's condemnations of Socialism, both in *Restoration* and elsewhere, should be well-known. They should be so well known as to make Mr. Clark think twice before making such an accusation. It suffices to point out that Belloc speaks of the "Socialist fruit" of capitalism in *Restoration* with the same condemning language that he uses when speaking of capitalism itself, and he makes his position perfectly clear in any number of other works, not the least of which is his pamphlet "The Catholic Church and the Principle of Private Property."[6] What he thinks of Socialism was expressed therein with almost Chestertonian cleverness; nonetheless his meaning remains perfectly clear:

> The short-cut to the relief of humanity from Industrial Capitalism is Socialism, that is, the denial of Private Property, especially in the means of production. So the short-cut out of the horrors of a false religion (especially if it be a cruel and base religion such as Puritainism) is materialism. So the short-cut out of an unhappy marriage is divorce. So the short-cut out of an unhappy life is suicide.

Misrepresentations of Belloc's intent: means of production.

Mr. Clark suggests that Belloc's vision would dictate that society consist of "millions of family businesses,“ and that his plan calls for a "redistribution of the means of production“ which ignores the fact that not everyone alike possesses the same initiative and entrepreneurial skill. To so suggest is to miss the essential point.

[6]Published by The Catholic Truth Society, London, 1925.

As we have noted above, Belloc is not calling for some radical scheme of leveling, some smashing of factory equipment and handing out of corporate infrastructure to impoverished families in depressed economic areas. Nor does he deny, as Mr. Clark implies, that managers and leaders of enterprises which require above-average skill, effort, and energy are entitled to a larger income; such a notion remains merely a question of wages in exchanged for labor, and has little to do with an examination of how productive property may be better distributed. It is obvious (certainly to Belloc) that higher wages are justly paid for more complicated, more demanding, or more risky work. As a Distributist, however, Belloc is addressing himself to the problem of the common lot of men, which is to work for someone else for a wage, rather than for themselves for their sustenance. He is addressing the problem which Pius XII called "economic dependence and slavery." He is calling, primarily and principally, for the defense, the support, and the restoration of the craftsman, the small farmer, the small retailer. He is calling for what numerous Americans casually yet frequently hope for as consumers: a local coffee shop, as opposed to a Starbuck's; a family general store, rather than a 7-11; a local video shop, rather than "Blockbuster"; a personal hardware store, rather than Home Depot. And he is calling for what they should wish for as producers: the ability to depend upon themselves, their own capital, and their local community for their livelihood, and not solely upon their employers or the state.

In Belloc's defense, he does in fact reserve several pages for the treatment of how to handle large enterprises, which, by their very nature, would require both large amounts of capital and the direction of capable men. But his vision of *how* those capable men manage their respective industries is at issue, not *what kind of wage* they should receive for their trouble. His vision is a Catholic vision, not a social-Darwinist vision. Those large operations, he maintains, following the teaching of Leo XIII, Pius XI, and Pius XII, must be run in a manner consistent with the common good, and must serve the community by producing necessary commodities, in exchange for a fair profit, *while at the same time respecting the proper economic order*, which the Church has declared to be a wide distribution of productive property which helps to constitute families in a requisite degree of economic freedom and security. All things being equal, from a Catholic standpoint there is no degree of "business savvy," "entrepreneurial vision," or "economic initiative" that gives a man who runs a huge corporation the right to eliminate another small business, bearing in mind that such a business may be the means whereby one or several men, as business owners, support their families without being forced necessarily to work for someone else in exchange for a wage.

In suggesting that not everyone is capable of turning raw materials into actual products, Mr. Clark must obviously imagine that Belloc's scheme applies exclusively to the question of who *owns and manages* factories, industry, and large-scale corporate life (which it does not), rather than *how* those operations are managed and *how characteristic they are* of society (in comparison with the prevalence of smaller, local, more personal economic activities). Furthermore Mr. Clark must be at a loss to explain how it is that Western Europeans, before the great age of industry and business conglomeration, managed to feed and clothe themselves, unable as the mass of them were to "turn raw materials into actual products."

* * *

There remain to address three arguments advanced by Mr. Clark against Distributism. We may classify them as follows: it is anti-competitive, it restricts the use of private property, and it is in some fashion injurious to the profit motive in economic life. These are all, in general, and with room for exception and qualification according to circumstances, admittedly correct notions with regard to Distributism. The problem with Mr. Clark's position is that these aspects make Distributism conform *more*, rather than less, to the teaching of the Church regarding economic life. Perhaps that problem stems from unfamiliarity with truly Catholic economic ideals — a problem which we hope somewhat to remedy with what follows.

Catholic Economic Doctrine: free competition and the use of private property.

Mr. Clark suggests that capitalism, as an economic system, implies also a regime of free competition between economic enterprises. It may be surmised that the principal way in which Distributism militates against that notion of "free enterprise" is indicated later on in his article where he examines the notion of private property and its use. Taking these two ideas together, then, we may thus summarize his criticism of Distributism in this regard: "the institution of private property includes the notion that private property may be used without restriction by the owner of the property; Distributism destroys that notion by limiting the way in which owners may use their property, and it thereby eliminates (to some degree) the capitalist scheme of free competition."[7]

Mr. Clark asserts that the Distributist ideal of private property is "actually antithetical" to it, because it limits how private property may be used. He then cites for us the definition of a modern professor of law, who maintains that private property includes "the right to use or not use the private property."

(1) Such a statement is so vague as to be almost useless. Should we assume that the professor means that property implies an *unrestricted* right to its use? Such an assertion would be surprising; one would not find it upheld in even the most liberal of societies. I am not allowed to commit murder with a knife that I own, simply because I own it, and am therefore entitled also to its use. Human laws and human institutions are limited by any number of considerations, both moral and legal, and sometimes both (as in this example). If it is correct, therefore, that even the professor would admit that the use of property may be limited in some cases, then the logic of Mr. Clark's position can be dismissed as flawed. It remains solely to consider whether or not the Distributists place *such a degree* of restriction on the use of private property that, according to Mr. Clark, "private ownership ceases to exist."

(2) It is unfortunate that not everyone has a copy of Belloc's fine book, because it is impossible in the short space of this article to accurately detail what kind of scheme he proposes. We have noted in a few places that he proposes to defend the small landowner, the family farmer, the small craftsman, the small retailer, from being eaten up by the larger. What he is proposing is the checking of competition to the extent necessary to reverse the current trend: the tendency under a regime of free competition — *a tendency which cannot honestly be*

[7]Had Mr. Clark possessed either the space, or the inclination, he no doubt could have detailed for us the other standard objections against an economic system that limits competition. Those objections can be dealt with in another forum, at a later date. Let it suffice for the present to concern ourselves with the objection he actually described.

denied — towards the growth of bigger and bigger economic enterprises, at the expense of the smaller ones. Such a proposal by no means implies a stifling restriction on the use of property. Such a restriction does not even imply a limit on the amount of money that one can make, despite Mr. Clark's assertion to the contrary, through the enterprises and means of production that one already possesses. What it does imply is a restriction of the ability of a businessman to employ amassed wealth in an effort to eliminate his competitors, through outright purchase, or through "free market" competition. He is discouraged, under a Distributist program, from transforming — without their truly free consent — his neighbors into his employees.

(3) In conjunction with this objection Mr. Clark makes the rather heated assertion that traditional Catholic teaching is "trampled upon" by Distributism. Is it really?

Belloc said "that unchecked competition must ultimately produce the rule of ownership by a few." So did Pius XI:

> This concentration of power and might, the characteristic mark, as it were, of contemporary economic life, is the fruit that the unlimited freedom of struggle among competitors *has of its own nature produced* (emphasis mine).[8]

Belloc thought that free competition was not sufficient to regulate economic life in a way that allowed the masses to be secure in their property. He thus refers, in *Restoration*, to the historical fact that mankind

> has instinctively safeguarded itself against [the danger of ownership by a few] by the setting up of institutions for the protection of small property, and that these institutions have never broken down of themselves, but always and only under the conscious action of a deliberately hostile attack.

The Popes also admitted that competition was not sufficient in regulating economic life; Pius XI said that "the right ordering of economic life cannot be left to a free competition of forces. For from this source, as from a poisoned spring, have originated and spread all the

[8] *Quadragesimo Anno*, 107.

errors of individualist economic teaching."[9] And Pius XII observed that "the demands of competition, which is a normal consequence of human liberty and ingenuity, cannot be the final norm for economics."[10]

Belloc proposed to use the legitimate power of the State to regulate economic life according to the common good. Pius XI, following Leo XIII, also maintained that the role of the State in economic life was to foster the common good.

With regard to civil authority, Leo XIII, boldly breaking through the confines imposed by Liberalism, fearlessly taught that government must not be thought a mere guardian of law and of good order, but rather must put forth every effort so that "through the entire scheme of laws and institutions... both public and individual well-being may develop spontaneously out of the very structure and administration of the State."[11]

As we noted above, it is not only Belloc who sees the widespread ownership of property as an aspect of the common good, which the authority of the state not only may but must foster. Leo XIII hoped for a time when working people could "look forward to obtaining a share in the land;"[12] the *Catholic Encyclopedia*, under the heading "agrarianism," refers to not only the "uniform teaching and tradition of the Catholic Church on the lawfulness of private ownership of income-yielding property, whether it be named 'land' or 'capital,'" but also to the fact that Leo XIII "urged the diffusion of property as the mean between Socialism and Individualism, and that where possible each citizen should dwell secure in a homestead which, however humble, was his own." And even more recently, Pius XII has taught that

> The dignity of the human person... requires normally as a natural foundation of life the right to the use of the goods of the earth. To this right corresponds the fundamental obligation to grant private ownership of property, if possible, to all...; and "legislation... must prevent the worker, who is or will be a father of a family, from being condemned to an economic dependence and slavery which is irreconcilable

[9] *Quadragesimo Anno*, 88.
[10] *Address to International Foundry Congress*, September 28, 1954.
[11] *Quadragesimo Anno*, 25.
[12] *Rerum Novarum*, 47.

> with his rights as a person. Whether this slavery arises from the exploitation of private capital or from the power of the state, the result is the same."[13]

Finally, the Church, in a doctrine which Pius XI called "age-old," has always distinguished between the *ownership* and the *use* of private property; the former must be held as inviolable, and the latter as subject to the common good.

It follows from what We have termed the individual and at the same time social character of ownership, that men must consider in this matter not only their own advantage but also the common good. To define these duties in detail when necessity requires and the natural law has not done so is the function of those in charge of the State. Therefore, public authority, under the guiding light always of the natural and divine law, can determine more accurately upon consideration of the true requirements of the common good, what is permitted and what is not permitted to owners in the use of their property.[14]

Therefore to regulate private property, in a scheme such as that proposed by the Distributists, is not to destroy the institution of private property, but to ensure both that it is implemented in society in a way consistent with the common good, and that the widest possible number can enjoy its fruits. To so regulate that institution is not to destroy it, but to preserve it:

> Yet when the State brings private ownership into harmony with the needs of the common good, it does not commit a hostile act against private owners but rather does them a friendly service; for it thereby effectively prevents the private possession of goods, which the Author of nature in His most wise providence ordained for the support of human life, from causing intolerable evils and thus rushing to its own destruction; it does not destroy private possessions, but safeguards them; and it does not weaken private property rights, but strengthens them.[15]

[13] *Christmas Message*, 1942.
[14] *Quadragesimo Anno*, 49.
[15] *Quadragesimo Anno*, 49.

Catholic Economic Doctrine: profit.

The last of Mr. Clark's objections which bears refutation is the accusation leveled at the Distributists that they would remove the "profit motive" from economic life, thus bringing it to a halt. He maintains that Belloc's philosophy is founded on the notion that "men must be legally restrained from owning more property than their families need for support," and that such a notion has been "rejected by great traditional thinkers of the Church."

The first problem with such a position is that no where does Belloc condense his scheme to such a neat and tidy proposition. We have sufficiently seen, up to this point, that Belloc is seeking to protect the small economic enterprise from ruin at the hands of the larger ones. His purpose is not to restrict the amount of wealth that one can possess, but rather the amount of productive property one can employ when that employment directly affects the ability of the smaller operation to survive. It is crucial to bear in mind the distinction, which we have examined above, between the simple possession of property and its use in the public sphere — a distinction which Mr. Clark seems determined to forget.

A second distinction that we ignore at our peril is the one between wealth for *consumption*, such as food, clothing, luxuries, and "capital" (generally speaking) destined for personal use (such as land, automobiles, etc., which are not rented but used), and the wealth of *capital* (strictly speaking), which is employed in order to produce more wealth and generate income. It is the latter that is used by the great corporations to "get ahead" and defeat the small businessman, and it is the latter that must be regulated if a widespread distribution of ownership of income-generating property is to survive. No one is suggesting that it is sinful to be rich (though it may be noted in passing that, compared to warnings and condemnations, praise of the rich is rather scanty in both Scripture and the writings of theologians); what the Distributists condemn is a use (intentional *or otherwise*) of riches which deprives smaller property-owners of their ability to generate income without having to work for a wage. Regardless of whether it is permissible or praiseworthy to be rich, we would be at a complete loss to explain, without understanding this real nature of Belloc's objection, why Leo XIII and Pius XI (to name just two) denounced so vehemently the "immense power and despotic economic dictatorship [that] is consolidated in the hands of a few."[16]

A final note on this last of Mr. Clark's objections to Distributism is that the "profit motive," as it is imagined by modern economists, is a concept which is hardly acceptable to Catholic theologians.

We do well to glance quickly at the teaching of St. Thomas on the role of material goods in man's life. First, they are ordained to a specific end, which is the upkeep of himself and his family: "Temporal goods are subjected to man that he may use them according to his needs, not that he may place his end in them."[17] Furthermore, the fulfillment of man's needs does not serve its own purpose but rather facilitates the practice of virtue, which itself is ordained to the attainment of Heaven: "That a man may lead a good life, two things are required. The chief requisite is virtuous action… The other requisite, which is secondary and quasi-instrumental in character, is a sufficiency of material goods, the use of which is necessary for virtuous action."[18]

Based upon these principles, St. Thomas explains the licit motives for commercial activity as follows:

> The other kind of exchange is either that of money for money, or of any commodity for money, not on account of the necessities of life, but for profit…
>
> [this] gain which is the end of trading, though not implying, by its nature, anything virtuous or necessary, does not, in itself, connote anything sinful or contrary to virtue: wherefore nothing prevents gain from being directed to some necessary or even virtuous end, and thus trading becomes lawful. Thus, for instance, a man 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, for instance, lest his country lack the necessaries of life, and seek gain, not as an end, but as payment for his labor.[19]

The "profit motive" is licit, then, only insofar as the motive for the profit is the becoming upkeep of a household, the support and care of

[16] *Quadragesimo Anno*, 105.
[17] *Summa Theologica*, II, ii, Q. 55, Art 6, ad 1.
[18] *On Kingship*, I, xv.
[19] II, ii, Q. 77, Art. 4.

the poor, or as a just wage in exchange for a productive service rendered, which is good in itself.

Can it be honestly maintained that such a concept is the motive that economists have in mind when they speak of "maximizing profits"? That this is what Mr. Clark has in mind with his vague defense of the "profit motive"?

No doubt the determination of what is necessary and what is excessive in the upkeep of a household is largely a matter of conscience. No doubt that many Catholics are satisfied with a reasonable wage, which they then employ in the upkeep of their households. But the legitimate increase in income and property which results from the practice of an honest trade is *not* what Distributism seeks to limit. Rather it is the massive concentration of capital and financial wealth, that results from unrestricted economic competition,[20] which Distributism seeks to control. It is the personal craft, the independent retailer, and the homestead which Distributism seeks to defend, by placing Home Depot, WalMart, and agri-business under reasonable economic control. If such controls militate against the "profit motiveu" of modern economic man, then perhaps economic man must reevaluate his motives in light of the teaching of the Church.

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Distributism is broadly thought of, by its advocates, as an implementation of the Social Doctrine of the Church. It is so because it is a program that is consistent with the natural law and, because, in the final analysis, it will help man along the path to heaven rather than throw him off it.

The essence of the Social Doctrine is that society is a means to an end. The temporal common good — the moral and material goods of this life — which it is society's duty to protect and foster, serves ultimately another end: the Eternal Salvation of men.[21] As a result,

[20]Both of which the Church has condemned, as we have seen.

[21]"...civil society, established for the common welfare, should not only safeguard the well-being of the community, but have also at heart the interests of its individual members, in such mode as not in any way to hinder, but in every manner to render as easy as may be, the possession of that highest and unchangeable good for which all should seek" (Leo XIII, *Immortale Dei* (1885), 6).

every law, every custom, every ordinance of the earthly community is salutary insofar as it makes man's journey to heaven easier, and is disordered whenever it makes that journey more difficult.

In light of that most important of all truths of Catholic Social Doctrine, it should be easy to see that Distributism is consistent with the Catholic economic vision insofar as it subordinates economic life to the ultimate purpose of man's life. It does not curtail the right of a man to own and use his private property; its entire program is designed to safeguard and defend that right, and to ensure that most if not all I society are able to benefit from it. But defending private property assumes that there is something to defend it against: which is the notion that private property is an end in itself, to be amassed and multiplied and owned without limit.

"The art of amassing wealth," said St. Thomas, "which is solely concerned with money, is infinite."[22] Where that art is pursued for its own sake, where it is governed by a "profit motive" which possesses no built-in limit but is rather an end unto itself, it leads simply and directly to yet further desire for wealth: "Hence he that desires riches, may desire to be rich, not up to a certain limit, but to be simply as rich as possible."[23] The incarnation of that mentality is the modern economic system which not only encourages (by its philosophy) the unlimited acquisition of wealth, but sanctions (by its practice) an expanding field of ownership by a few at the expense of widespread and distributed ownership by many. It is this scheme of things that Distributism opposes, and for which it offers a remedy. That by the *Restoration of Property* to the non-owning masses it might also effect a restoration of economic life in its proper place, subordinate to the real needs of man and to the just decrees of God.

John Sharpe
9/6/2002

[22] *Commentary on the Politics of Aristotle*, v.
[23] II, i, Q. 30, Art. 4.

The Capitalist Response

John Clark

I would like to thank Mr. Sharpe for his rebuttal to my recent article in *The Latin Mass Magazine*. I would also like to take this opportunity to say that I appreciate all of the many reviews that my article has received. It is refreshing to know that so many Catholics have such an interest in economics.

Seeing an attack on capitalism appear on the Internet is like hearing a sermon on the evils of flying from the cockpit at 40,000 feet. Using capitalist tools to spread anti-capitalist thought is a strange irony.

Though time will not reasonably allow an extensive point by point rebuttal of Mr. Sharpe's recent piece, I feel compelled to simply make several observations in general.

I. The Greatest Minds of the Church

Mr. Sharpe begins his article with a very bold statement:

> "his (Clark's) praise of capitalism is by no means consistent with the Church's attitude, or that of Her greatest thinkers on economic questions."

Sharpe's entire essay revolves around one essential thesis: neither the Church herself, nor her greatest thinkers on economic questions have been supportive of capitalism. If his thesis itself breaks down, his subsequent conclusions must be seriously questioned, since distributism is, in essence, a form of anti-capitalism.

I will address this claim first.

I argue that the Catholic Church has been supportive of capitalism from its origin, both in theory and in practice.

Practice. As a matter of historical fact, capitalism almost literally began in the backyard of the Vatican. As Raymond De Roover explains in *The Rise and Decline of the Medici Bank: 1397-1494*: "Modern capitalism based on private ownership has its roots in Italy during the Middle Ages and the Renaissance."

Even the premiere economic historian Joseph Schumpeter admits that:

> "by the end of the fifteenth century most of the phenomena that we are in the habit of with that vague word Capitalism had put in their appearance, including big business, stock and commodity speculation and 'high finance'... "

Simply put, the Bellocian thesis that capitalism has Protestant origins must be summarily rejected. It is significant that modern capitalism found its origin in Catholic countries at the height of the glory of Christendom, when faith still mattered. It is also significant that the Medici Bank, which existed as both the figurative and literal center of the capitalist world, had one customer that did business with it more than any other: the offices of the Catholic Church. Though there are other examples, this is probably the best one to show that the Catholic Church actually endorsed the structures of capitalism in practice for hundreds of years (and, not insignificantly, has continued to support capitalistic enterprises without ceasing ever since). With this in mind, it would be difficult to argue that the Church did not support something that it was financially involved with for at least six hundred years.

Theory. Mr. Sharpe claims that my view of capitalism is inconsistent with the greatest minds of the Church. *After Mr. Sharpe claimed to grasp the thought of the Church on economic questions better than myself, his reader might logically expect to see Sharpe quote some of them.* After all, there are quite a number of extremely influential Catholic economists from whom he could have chosen. If the reader would please forgive the length of the following, I would suggest that the greatest Catholic thinkers on economic questions would include the following:

St. Bonaventure (the thirteenth century doctor of the Church who laid out an extensive moral application of property rights).

St. Albert the Great (who developed a moral defense of the lawfulness of business as well as establishing the "need theory of value").

Pope Alexander III (who provided an ethical foundation for the formula of a "just price").

Alexander of Hales (thirteenth century Franciscan chairman in theology at the University of Paris who, according to Odd Langholm, produced the "first clear definition and denunciation of monopoly in medieval theological literature").

Henry of Ghent (the thirteenth century master of arts at Paris who provided the moral defense of personal financial investments for future needs).

St. Bernardino of Siena (fifteenth century scholastic whose treatise *De Contractibus et Usuris* is considered by economists as perhaps the first general survey of the field of economics).

Richard of Middleton (thirteenth century regent master of arts at the University of Paris whose theories on international trade are considered by economists as breakthroughs).

Blessed John Duns Scotus (fourteenth century Franciscan whose commentaries on usury provided a pivotal understanding about the nature of money itself).

Roland of Cremona (thirteenth century regent master of arts at Balogna, who wrote a 1400 page confessional manual addressing questions of wealth and property).

St. Antoninus (archbishop of Florence until 1459, whom Schumpeter describes as "the first man to whom it is possible to ascribe a comprehensive vision of the economic process in all its major aspects").

Pedro Fernandez Navarrete (seventeenth century scholastic canonist who outlined the financial and moral perils of high taxation, whose theories pre-dated "The Laffer Curve" by almost four hundred years).

Cardinal Cajetan (sixteenth century general of the Dominican Order whose theories on the morality of exchange and pricing in *De Cambiis* provided a major ethical support for free market economic principles).

St. Alphonsus Liguori (eighteenth century doctor of the Church whose theories on the nature of capital would shape economic ethical theory henceforth).

Martin de Azpilcueta Navarrus (sixteenth century Dominican canon lawyer at Salamanca who developed the *purchasing power parity theory of exchange rates*).

Covarrubias y Leiva (sixteenth century bishop of Segovia who promoted the *utility theory of value*).

Francisco Suarez (sixteenth century chair of theology at the Jesuit College in Rome, who promoted the natural rights view of private property).

Leonard Lessius (seventeenth century student of Suarez who defended the capitalist principle of the entrepreneur being paid much more highly than other workers).

Laurentius de Ridolfis (fifteenth century canon lawyer who produced the first detailed discussion of foreign exchange).

These are many, but certainly not all, of the names that constitute the Church's greatest thinkers on economic questions. In fact, there was so much economic thought penned by these men that even secular economists are now forced to admit that many economic laws and theories previously attributed to others should rightly be attributed to these Catholics. I want to emphasize that point because it is so often missed. It is historically accurate to say that not only did the Catholic Church produce some of the greatest economic theories of all time, but economics as a science is forever indebted to these Catholic thinkers.

Though I am familiar with the writings of the above, I was only afforded three thousand words for my *Latin Mass Magazine* article, and within that word limit, I was able to cite *fifteen* references to pre-medieval and medieval Catholic economists. Mr. Sharpe, on the other hand, with over 6,000 words at his disposal, quotes exactly *one* Catholic prior to *Rerum Novarum*.

Therefore, though Mr. Sharpe draws the conclusion that my thesis was inconsistent with the greatest Catholic minds in the field of economics, he cites virtually none of them in the effort to prove his case, or to disprove mine.

The conclusion that the reader draws from reading Mr. Sharpe's piece is that Catholics only started writing about economics about a hundred years ago. That is an unfortunate (and presumably unintended) attack on the greatness of the Church thinkers. Instead, Sharpe relies almost exclusively on Hilaire Belloc, Chesterton, and some of the papal encyclicals.

Incidentally, Chesterton and Belloc could only be referred to as economists in a non-scientific sense. To my knowledge, neither of them had any formal training in economics; neither has any economic law attributed to them; and both of them are admitted former socialists. That is not to say that they did not have anything to offer philosophically—it is simply to underscore this fact: *to present Chesterton and Belloc as the "greatest minds of the Church in economic matters" to the exclusion of medieval theologians who have countless economic laws attributed to them is unscholarly and extremely misleading.*

One further point on this matter. Mr. Sharpe feels free to tell his reader what the Spanish scholastics thought, without ever citing them, as in the following quote:

The citations produced by Mr. Clark which allegedly prove that Belloc's scheme would have been repudiated by the Spanish Scholastics actually do nothing of the sort: they merely imply that, all things being equal, a sovereign cannot licitly tax one citizen more than others. *The context obviously assumes a case in which a king might try to eliminate his political enemies by taxing them out of existence.*

As a matter of fact, that is absolutely *not* what they were referring to in any way. They were formulating a moral philosophy of taxation, and merely attempting to save the Spanish monarchy from losing its most gifted citizens to emigration. Navarrete's thought might be summed in one sentence from his writings: "He who imposes high taxes receives from very few." Though he says that the Spanish scholastics "obviously" meant something other than what I described, it would have been nice if Mr. Sharpe had provided a specific quote, rather than simply guessing what they meant without ever having read the text.

II. Papal Statements

Catholic anti-capitalists, as von Mises has termed them, consistently point out that capitalism has been summarily condemned by the modern social encyclicals. While Pope Leo XIII was admittedly concerned about the economic environment of his time which followed industrialization, he certainly was no anti-capitalist. On the contrary, he simply condemned the *abuses* of capitalism, not capitalism itself. That is a rather large distinction. Condemning the abuses of a thing is not the same as condemning the thing. One year prior to *Rerum Novarem*, Pope Leo XIII, in *Sapientiae Christianae*, condemned the abuses of the education of children; he did not say that the education of children is an abuse.

Pope John Paul II is really the first modern Pontiff to delve into capitalism proper, and analyze it on its own merits.

In *Laborem Exercens*, Pope John Paul II writes:

> . . . it should be recognized that the error of early capitalism can be repeated wherever man is in a way treated on the same level as the whole complex of the material means of

> production, as an instrument and not in accordance with the true dignity of his work — that is to say, where he is not treated as subject and maker, and for this very reason as the true purpose of the whole process of production.

This paragraph is full of meaning and presents the Church long-standing attitude toward capitalism. When the Holy Father says "early capitalism," he is not talking about capitalism *per se*, he is referring to a specific historical period following the industrial revolution, in which abuses did certainly take place. More importantly, and somehow this message gets lost when many people read the social encyclicals, *the main point of the social encyclicals was not to outline a specific economic system, but simply to state that employers should treat their employees as beings created by God.* No economic system has ever been endorsed in an encyclical, although some have been condemned (socialism and communism), just as no political system has ever been endorsed. The Church has recognized that the duty to teach, sanctify, and rule within the realm of economics pertains to helping create a foundation of Catholic morality in that society, whatever its economic policy.

As close as a pope has ever come to fully endorsing a specific economic system occurred in *Centissimus Annus*. Speaking of capitalism, Pope John Paul II writes:

> Certainly the mechanisms of the market offer *secure advantages*: they help to *utilize resources better*; they *promote the exchange of products*; above all *they give central place to the person's desires and preferences*, which, in a contract, meet the desires and preferences of another person. Nevertheless, these mechanisms carry the risk of an "idolatry" of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities…
>
> Returning now to the initial question: can it perhaps be said that, after the failure of Communism, capitalism is the victorious social system, and that capitalism should be the goal of the countries now making efforts to rebuild their economy and society? *Is this the model which ought to*

> *be proposed to the countries of the Third World which are searching for the path to true economic and civil progress?*
>
> The answer is obviously complex. If by "capitalism" is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, *then the answer is certainly in the affirmative...*

The Holy Father is simply echoing what had been said time and time again by the other pontiffs: capitalism is an efficient economic system financially empowering its participants and serving the common good, however, it is not without peril if one begins to look at money as his god. In a later passage, the Holy Father does warn that capitalism, or more accurately, libertarianism, will be eschatologically unsuccessful in a society that is not shaped by morality. Of course, the same could be said of any economic system.

There is a substantial body of evidence available that the Catholic Church and her thinkers have supported capitalism both philosophically and practically for hundreds of years.

One further note on the papal capitalist versus distributist debate. I must admit that I find it tiring to hear the shopworn mantra from so many Catholics that distributism is the "more Catholic" economic system. Time and time again we hear that distributism has been endorsed by the recent pontiffs, yet the word "distributism" has never appeared in a single papal encyclical! If the modern popes were such proponents of distributism, as some would suggest, wouldn't they have at least used the word?

III. Belloc a Socialist?

I have been attacked in number of journals for saying that Belloc was a socialist. Of course, I never said that Belloc was a socialist. Here is exactly what I said: "Belloc called for the most radical redistribution of wealth in history, philosophically rivaled only by Karl Marx and Leon Trotsky." It apparently wasn't a real popular thing to say.

However, a comparison is not only possible between Marx and Belloc, it is almost impossible not to make one. Consider the following quotes:

> No sooner is the *exploitation of the laborer by the manufacturer*, so far at an end, that he receives his wages in cash. . . But does wage labor create any property for the laborer? Not a bit. It creates capital, i.e., that kind of property which *exploits wage labor*, and which cannot increase except upon conditions of begetting a new supply of wage labor for fresh exploitation. —Karl Marx, *The Communist Manifesto*

For the first time in history, the whole idea of wages was attacked by an influential writer. Remember that the Church emphasizes that wages be "just" and "living." Marx, however, contended that the mere concept of wages constituted an injustice. He wouldn't be the last to make this claim: Belloc would follow.

Furthermore, although Marx was pretty hard on capitalism, Belloc was an even greater foe.

> It is a necessary inference that there will be under capitalism a conscious, direct, and *planned exploitation* of majority (the free citizens who do not own) by the minority who are owners...If you left men completely free *under a capitalist system*, there would be so heavy a *mortality from starvation* as would dry up the sources of labor in a very short time. —Hilaire Belloc, *The Servile State*, Section 5

Though Karl Marx detested capitalism, Belloc does him one better. Belloc's position is that if they were left to their own devices, capitalists would just assume let men starve to death—*quickly.* Let me be clear: I am not saying that Hilaire Belloc was a socialist or a Marxist. I am simply saying that Belloc's terminology was eerily similar to that of Marx. One cannot simply reject Marxist critiques and simultaneously accept Belloc's analysis as completely accurate.

However, one person *did* call Belloc a socialist: Belloc's best friend, G. K. Chesterton. In *G.K.'s Weekly*, published on 28 November, 1935, G.K. Chesterton wrote: "It is my experience that the sort of man who does really become a Distributist is exactly the sort of man who has been a Socialist. . . ***Mr. Belloc himself had been a Socialist.***"

Why didn't anyone get mad at G. K. Chesterton for making such a "scandalous" comment?

IV. Moral Society

Distributists often make the claim that capitalism does not encourage virtue. Though I disagree with this analysis, mainly since things like dishonesty and fraud are poor business practices, it is unclear why distributists regard distributism as the *sine qua non* of a moral society. India was essentially a distributist state for at least fifty years and they worshiped cows.

Nevertheless, capitalism is often blamed for the moral ills of society's in which it operates. To this, I make but one observation. Imagine an economic system to be an automobile. Capitalism is a Ferrari with a full tank of gas and a world-class driver. The driver can use the car to commit a drive-by shooting, or it can be used to take a sick child to the hospital to save his life. Even Belloc, while at the same time lambasting capitalism, did admit that it is a more efficient economic system than distributism. But while capitalism is a Ferrari, distributism is admittedly a broken car with a blind driver. Belloc realized that distributism was inefficient—that's what he liked about it. Unfortunately, inefficient systems often fail to provide the essentials in life, like food, shelter, and medicine.

Ultimately, the question should be asked of distributists: *isn't inefficiency immoral?*

V. Government

Belloc does not essentially call for a Catholic state—he merely calls for a distributist state. He does not say, "Since the state is given more power under distributism, we must be careful that only moral regimes employ it." He just wants distributism. What he fails to grasp is that the government under in a distributist state will become enormous.

In the distributist state, mainly due to the almost unlimited powers of taxation, the government would become an all-powerful leviathan. The government becomes so involved in the day-to-day operations of communities that the people will soon realize the horror of living under a central planning government.

While the distributist state ensures that no private business will grow too large, paradoxically, one entity grows larger by the minute: *the government*. The entity we call "government" might seem large in the United States, but at least there are corporations so large in size that they can compete for power and influence. That is a good thing. In American, large corporations serve as a *de facto* check and balance on the cultural influence of government. In the distributist state, there is one power which vastly exceeds all others: the government. And if one power threatens, the state can simply move in and tax it to death. Government rarely reforms itself, or cuts back on its authority, and it rarely refuses to use all means at its disposal.

Not only would the size of the government increase in the distributist state, but under the distributist regime, the *relative* size of the government versus private business would be gargantuan. The government in a distributist state would constitute absolute power, and we know what that does.

In the distributist state, would-be capitalists are taxed to the hilt. This tax money doesn't just disappear—it goes to the government, giving it more power.

Of course, with so much power, the members of government would attempt to do as much as they could to enrich themselves.

Furthermore, many men would seek to enter government, recognizing governmental participation as the best way to enrich themselves, and under this regime, they would be correct.

The inescapable fact about distributism is that the distributist state would create an atmosphere in which business would be curbed at a certain level, but government would never be curbed. It would simply keep growing more and more powerful. Even in the Catholic state, the amount of power the government would possess would be staggering.

VI. Emigration

Though the inherent problems with distributism are many, there are two main economic problems which are so severe as to render the whole question of distributist a dead letter: emigration and trade. Though I am by no means a fan of Ayn Rand or *Atlas Shrugged*, some of her conclusions are inescapable. The first of which is simply this: *if you tax entrepreneurs to death, they will simply find some place else to do their business.* In the distributist state, the state would progressively tax the ablest entrepreneurs to the point where they can no longer increase their profits and wealth. Does Belloc actually think these talented people would remain in a country in which they cannot get any richer?

American corporations are often lambasted by liberals for moving their operations overseas. We are told that American companies move operations for "cheaper labor". Though this no doubt does happen in some instances, it is also true that many companies move operations because the taxes are lower. The quality of work in a foreign country is a big unknown for a company and may make them hesitant to leave America. However, when comparing tax rates, it's an "apples-to-apples" comparison. How much time does it take to decide whether you want to pay ten cents in taxes of every dollar earned, or thirty cents? People wonder why the Irish economy is booming. The reason is that they lowered the tax rate to 10%, attracting many new businesses which were sick of paying high taxes.

When a municipality issues a bond, they investigate whether the community will be able to pay the bond coupons out of their taxes. This is called a *feasibility study.* One of the main equations that goes into this formulation is the question of *how many people* will leave the community because of tax increases. On a major increase, the question isn't whether people will leave, but how many. This principle must also be applied to the economy as a whole.

If your principle is that capitalists are greedy men, who care about nothing except profits, why would they stay in a country that limits the amount of money they can make? The ablest entrepreneurs will move somewhere else, leaving those who have never run businesses with the job of running businesses.

Perhaps Navarette said it best:

> The origin of poverty is high taxes. *In continual fear of tax collectors, (farmers) prefer to abandon their land,* so they can avoid their vexations. As King Teodorico said, the only agreeable country is one where no man is afraid of tax collectors.

VII. Trade

Perhaps the biggest problem with the distributist economy involves the issue of trade. Belloc did not address the problem, but the problem still exists. To clarify what I am suggesting, let's first look at what the scholastics have taught about international trade. The position of the greatest scholastic minds of the Church on the subject of trade is this: 1) international trade was ordained by God; 2) it is vital to the survival of the state; and 3) the effort to restrict trade may be a sin against charity.

In *De Regno*, St. Thomas says that entirely self-sufficient communities are impossible. Thomas writes:

> One cannot easily find any place so overflowing with the necessaries as not to need some commodities from other parts. When there is an overabundance of some commodities in one place, these goods would serve no purpose if they could not be carried elsewhere by *professional traders*. Consequently, the *perfect city will make a moderate use of merchants*.

The perfect city is one that engages in trade. St. Bonaventure, the great Franciscan Doctor of the Church, argued that international trade *must be moral* because without trade, "many regions could not exist."

A late scholastic named Vitoria claimed that eternal law, natural law, and positive human law favored international trade. He wrote that to restrict the goods of an area from being supplied to another was not only economically unsound, but actually claimed that it was "iniquitous and against charity." Therefore, one can see that the Church has always been supportive of trade.

But how does international trade occur in the distributist state? In short, it doesn't.

Belloc admits that the small business cannot produce at a price that can compare to the large manufacturer. Therefore, as a small business owner, I must be protected against the large one. Therefore, international companies become my biggest adversary, because they can produce cheaper goods. If my small business produces and sells men's socks for three times the price of an import, I am finished if you allow the import. Therefore, in the distributist state, you cannot *import goods*, because if you were to do so, you would introduce a competitor to the small business, destroying his business.

Not only can you not import goods, you cannot realistically expect to *export* them either. Consumers are generally very disinterested in spending three times the amount of money on similar products. The distributist state just doesn't have much to offer in the way of goods to foreign lands. As economic history teaches, the quickest way to the poverty of a nation is to completely restrict trade. The people who are left in the distributist state will quickly discover what it means to be a third-world nation.

In the final analysis, the distributist state cannot engage in international trade, despite the fact that God ordained international trade, and despite the fact that poverty will ensue on a massive scale because of its absence.

Conclusion

As I mentioned in my *Latin Mass* article, capitalism and each of its component parts has been defended for centuries by the greatest minds of the Church. While capitalism continues to be attacked by the intelligentsia of the world, it has brought prosperity unknown prior to its arrival in countries across the world. Not even Belloc doubted its efficiency. Instead of attacking capitalism, perhaps Catholics should use the monetary tools at their disposal to produce Catholic businesses in an effort to glorify God.

May we all have the faith and courage to do so.

Letter to the Editor

Br. Alexis Bugnolo

Dear Editor,

Mr. Clark's contention that the economic system of capitalism is the one most supported by Catholic teaching — if one is to judge from his rebuttal — is specious at best. He confuses the teaching of catholic theologians and saints with that of the Magisterium, which always takes precedence. In this Mr. Sharpe has a clearer sense of fidelity to the Church's mind.

On the other hand, when discussing an economic system, the question of which is more catholic can only be resolved by a comparison of the ethics of the system to the morals taught by Jesus Christ, since economics fundamentally pertains to human relationships in the moral order. Thus Mr. Clark's contention of the need for a "profit" motive is absurd Such proponents confuse the material aspect of moral action with the formal aspect.

Take for example the case of a man whose home is flooded repeatedly by rainwater. There is a temporal need to dig a ditch, let us say; and his duty as head of the household requires him to look to the common good of his family and property. The temporal motive (to impede future flooding) is only materially the goal. The actual formal goal of his action is the common good of his family.

On the other hand the contention, advanced by Mr. Sharpe, that it is better that the state own large scale properties (railroad, post office) etc. than a private individual or group of individuals acting as one (corporation) or a group of individuals acting in concert (guilds or private persons) is also false. Who owns property is not a moral question. What he or they do with it is. Thus there is no more catholic a system when one or many own a given piece of property; just as there is no more catholic a government whether one or many govern. These are legitimate differences of the natural order–so long as the natural rights of man are not thwarted.

I find the dichotomy between ownership of property for the sake of making a living and use of one's personal talents to acquire a wage for the sake of making a living also facile. A man is equally the proprietor of his material possessions as well as his own work. If he chooses to work for a wage or to make a living by using his material wealth, the one is not more moral than the other, since neither pertain to the moral order. This is a question of the material aspects of moral action, not the formal.

No economic system that holds as legitimate what is not legitimate is capable of approval by any catholic. If you think acting for the sake of profit is meritorious in Christ's eyes, you are sadly deceived.

Let us consider what Sacred Scripture teaches:

> Do not transgress against thy friend deferring money, nor despise thy dear brother for the sake of gold (Ecclus. 7:20)

> There is not a more wicked thing than to love money: for such a one setteth even his own soul for sale: because while he liveth he hath cast away his heart. (Ecclus 10:10)

> He that loveth gold, shall not be justified: and he that followeth after corruption, shall be filled with it. Many have been brought to fall for gold, and the beauty thereof hath been their ruin. Gold is a stumbling-block to them that sacrifice to it: woe to them that eagerly follow after it, and every fool shall perish by it. (Ecclus 31:5-7)

> No man can serve two masters. For either he will hate the one, and love the other; or he will sustain the one and despise the other. You cannot love both God and mammon. (Mt. 6:24)

> But they that will to become rich, fall into temptation, and into the snare of the devil, and into many unprofitable and hurtful desires, which drown men into destruction and perdition. For the desire of money is the root of all evils, which some coveting, have erred from the faith, and have entangled themselves in many sorrows (1 Timothy 6:9-10)

Let us love Christ and not money.

Sincerely in Christ,
Br. Alexis Bugnolo

Three Catholic Cheers for Capitalism

Thomas E. Woods, Jr.

In recent months an informal debate on economics has been taking place over the Internet among traditional Catholics. The question, simply put, has been whether the free market is or is not in conformity with Catholic principles. Having already weighed in on this matter at considerable length in a paper for last year's Austrian Scholars Conference (and to be published in the Spring 2003 issue of the *Journal des Economistes et des Etudes Humaines*), I will limit myself to a few basic points.

There are some Catholic conservatives who seem to think they are striking a blow for traditional Catholicism and against liberalism and the Enlightenment by opposing the free market and favoring some alternative, usually the so-called "distributism" of G.K. Chesterton and Hilaire Belloc, according to which that social system is best in which productive property is widely dispersed rather than concentrated. These two figures rightly enjoy great renown throughout the Catholic world for their outstanding writing on a variety of subjects, though of course they had no formal training in economics. In 1871 Carl Menger had written his *Principles of Economics*, a work of profound genius that essentially launched the Austrian School of economics, but relatively few Catholics who spoke on the so-called "social question" made a serious attempt to reckon with it, or indeed were even aware of it. Those who have written on distributism in recent months appear to share in this ignorance, never once citing even a single economics text — as if a discipline devoted to the application of human reason to the problems of scarcity in the world could actually in itself be antagonistic to the Catholic faith.

Even granting the distributist premise that smaller businesses have been swallowed up by larger firms, that it is always preferable for a man to operate his own business rather than to work for another is by no means obvious. It may well be that a man is better able to care for his family precisely if he does not own his own business or work the backbreaking schedule of running his own farm, partially because he is not ruined if the enterprise for which he works should have to close, and partially because he doubtless enjoys more leisure time that he can spend with his family than if he had the cares and responsibilities of his own business. Surely, therefore, we are dealing here with a matter for individual circumstances rather than crude generalization.

Suppose, moreover, that "distributism" had been in effect as the Industrial Revolution was developing in Britain in the late eighteenth century. We would have heard ceaseless laments regarding the increasing concentration of economic power and the dramatic growth in the number people working for wages. What we probably wouldn't have heard about was the actual condition of those people who were seeking employment in the factories. They weren't lucky enough to be able to make a profitable living in agriculture, and they had not been provided by their families with the tools necessary to enter an independent trade and operate one of the small shops that delight the distributist. Had they not had the opportunity to work for a wage, therefore, they and their families would simply have starved. It is as simple as that. Capitalism, and not distributism, literally saved these people from utter destitution, and made possible the enormous growth in population, in life expectancy, health, and living standards more generally that England experienced at the time and which later spread to western Europe at large.

In a book correcting the leftist biases in older histories of the Industrial Revolution, Nobel laureate F.A. Hayek amplified this point. "The proletariat which capitalism can be said to have 'created,'" he wrote, "was thus not a proportion which would have existed without it and which it had degraded to a lower level; it was an additional population which was enabled to grow up by the new opportunities for employment which capitalism provided."

Ludwig von Mises makes the same crucial point: "It is a distortion of facts to say that the factories carried off the housewives from the nurseries and the kitchens and the children from their play. These women had nothing to cook with and to feed their children. These children were destitute and starving. Their only refuge was the factory. It saved them, in the strict sense of the term, from starvation. . . . the fact remains that for the surplus population which the enclosure movement had reduced to dire wretchedness and for which there was literally no room left in the frame of the prevailing system of production, work in the factories was salvation. These people thronged into the plants for no reason other than the urge to improve their standard of living." Distributism, in such a context, would have spelled certain doom for the proletariat it claims to defend.

Also coming under assault from distributists is the much-maligned "profit motive," a theme that has dominated many a sinister Hollywood film. "If you think acting for the sake of profit is meritorious in Christ's eyes," one critic wrote, "you are sadly deceived."

Now even a distributist would not deny — since he cannot — that it is morally licit for a man to want to improve his position, both for his own sake and for that of his family. Moreover, the restoration of Catholicism amid its present difficulties is certainly going to require the assistance of men of wealth to endow colleges and other salutary endeavors, and that wealth will have to be acquired somehow.

But without a "profit motive," there is no way to be sure that this morally legitimate desire to improve one's lot and provide for his family is pursued in a way that benefits society as a whole rather than simply himself. A small industry has arisen over the years devoted to poking fun at Adam Smith's "invisible hand," the image by which Smith sought to describe the salutary process by which each man's desire to improve his condition benefits those around him as well; and some moralists have argued that the fact that the baker bakes his bread not out of universal benevolence but out of a desire for profit is so much the worse for him from a moral point of view.

But there are only two options here: 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 need. 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. Profit signals, then, make for peaceful social cooperation and the most efficient use of scarce resources. Without them, as Mises showed in his classic essay on the impossibility of economic calculation under socialism, civilization literally reverts to barbarism.

Moreover, no Catholic would deny that a life of pure self-indulgence is morally inferior to one in which one's wealth is put to lasting and productive use. But even to raise this point is to distract attention from the real issue. It should be obvious that to acknowledge a "profit motive" is not to say that people should think only about money, or that money is more important than God, or any other such nonsense. As Mises explains, "The immense majority strives after a greater and better supply of food, clothes, homes, and other material amenities. In calling a rise in the masses' standard of living progress and improvement, *economists do not espouse a mean materialism.* They simply establish the fact that people are motivated by the urge to improve the material conditions of their existence. They judge policies from the point of view of the aims men want to attain. *He 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*" (emphasis added).

The point is, since we know that man has perfectly valid reasons for seeking the highest return on his investment, or earning the highest wage, instead of wasting time on foolish and irrelevant lamentations regarding the greedy people in the world — a matter of moral philosophy rather than economics — we ought to employ human reason to learn how this perfectly moral desire for gain redounds to society's benefit by ensuring that people produce what society urgently needs rather than more of something that society already enjoys in abundance. Stated this way, the profit-and-loss system of an economy based on the division of labor, an indispensable institution of civilized society, suddenly appears not only profoundly moral but actually obligatory, which is probably why opponents of capitalism never do state it this way.

If the engine of the enormous improvement in living standards that everyone in the developed world has enjoyed these past two centuries is not to be ground to a halt, it is essential that we understand the mechanisms that have made it possible. Such an appreciation of these indispensable aspects of the free economy is altogether absent from most exponents of distributism — who, in their eagerness to caricature the market as the site of ceaseless "exploitation" and greed, consistently neglect to acknowledge its achievements and virtues. Richard Tawney's characterization of Luther's anger at and ignorance of economics may be apt here: "Confronted with the complexities of foreign trade and financial organizations, he is like a savage introduced to a dynamo or a steam engine. He is too frightened and angry even to feel curiosity. Attempts to explain the mechanism merely enrage him; he can only repeat that there is a devil in it, and that good Christians will not meddle with the mystery of iniquity."

The popes have repeatedly observed that it is more difficult for a man to increase in virtue and to save his soul when living in utter destitution, so one would expect present-day Catholics to appreciate the value of a system that has made possible the greatest explosion of wealth the world has ever seen — including stunning increases in life expectancy, caloric intake, housing quality, education, literacy, and countless other good things, as well as dramatic decreases in infant mortality, famine, and disease. And contrary to what the propagandists assert, nothing could be more obvious than the fact that the benefits of capitalism have overwhelmingly benefited the poor. Donald Boudreaux recently offered a useful thought experiment: suppose an ancestor from the year 1700 could be shown a typical day in the life of Bill Gates. He would doubtless be impressed by some of what makes Bill Gates' life unique, but

> a good guess is that the features of Gates's life that would make the deepest impression are that he and his family never worry about starving to death; that they bathe daily; that they have several changes of clean clothes; that they have clean and healthy teeth; that diseases such as smallpox, polio, diphtheria, tuberculosis, tetanus, and pertussis present no substantial risks; that Melinda Gates's chances of dying during childbirth are about one-sixtieth what they would have been in 1700; that each child born to the Gateses is about 40 times more likely than a pre-industrial child to survive infancy; that the Gateses have a household refrigerator and freezer (not to mention microwave oven, dishwasher, and radios and televisions); that the Gateses's work week is only five days and that the family takes several weeks of vacation each year; that each of the Gates children will receive more than a decade of formal schooling; that the

> Gateses routinely travel through the air to distant lands in a matter of hours; that they effortlessly converse with people miles or oceans away; that they frequently enjoy the world's greatest actors' and actresses' stunning performances; that the Gateses can, whenever and wherever they please, listen to a Beethoven piano sonata, a Puccini opera, or a Frank Sinatra ballad.

In other words, what would most impress our visitor are the aspects of Gates's life that the software giant *shares with ordinary Americans*. When you consider the differences that characterized rich and poor prior to the Industrial Revolution, on the other hand, the "capitalism-promotes-inequality" myth is further exposed as the ignorant canard that it is.

Lurking beneath all this criticism of the market is a naivete regarding the state that almost defies belief coming from a serious Catholic. The current federal apparatus, whether occupied by Republicans or Democrats, can hardly be anything but anathema to anyone with conservative sensibilities, Catholic or not. Private corporations, even the largest among them, can go bankrupt — as did K Mart not long ago, which no doubt gave the critics of chain stores their share of satisfaction. But there is little prospect of the American government going out of business. Even supposing economic regulation to be a good idea, the suggestion that the present regime ought to be given still more power, or that such power would not certainly be abused (might campaign supporters find their businesses mysteriously immune from prosecution?), really requires much greater justification than it has thus far been given. Say what you will about Home Depot, it is not responsible for confiscating 40 percent of my income for purposes I find morally repugnant; neither does it wage aggressive war on Third World nations or oversee an educational system that produces dumbed-down "multicultural" idiots. That anyone would want to give this creature still more power, for any reason, suggests a profound lack of prudence, judgment, and good sense.

Those who care to support locally based and smaller-scale agriculture have already been doing so for two decades now by means of community-supported agriculture, which is booming. On a purely voluntary basis, people who wish to support local agriculture pay several hundred dollars at the beginning of the year to provide the farmer with the capital he needs; they then receive locally grown produce for the rest of the year. The organizers of this movement, rather than wasting their time and ours complaining about the need for state intervention, actually *did* something: they put together a voluntary program that has enjoyed considerable success across the country. Perhaps, if distributists feel as strongly about their position as they claim, this example can provide a model of how their time might be better spent.

In his outstanding history of economic thought, Murray Rothbard went to great lengths to highlight the contributions of the Spanish scholastics, whose critical insights on a variety of crucial economic subjects Catholics might well consider a source of pride. But since these writers came down so often on the side of economic freedom, distributists treat the Spanish scholastics like the family's crazy old uncle that you hope your friends never find out about. This is the real shame, since here were theologians who both set forth moral principles *and* sought to understand the mechanisms they were discussing. More recent papal encyclicals, such as Pope John Paul II's *Centesimus Annus*, have likewise begun to reflect an understanding of the role of prices, entrepreneurship, and various other aspects of the market economy, thereby acknowledging what educated people around the world have themselves begun to see. Only through a genuine understanding of the mechanisms of the free economy, rather than through caricatures of them, can the moral dimension of economics be sensibly discussed.

October 7, 2002

What Does It Profit a Man. . . ?

Br. Alexis Bugnolo

The Profit Motive Defended

Dr. Thomas E. Woods, Jr., in this week's column at LewRockwell.com entitled, "Three Catholic Cheers for Capitalism," attempted to justify one central notion of the economic system, the "profit motive," by a bold novelty. He writes:

> "The point is, since we know that man has perfectly valid reasons for seeking the highest return on his investment, or earning the highest wage, instead of wasting time on foolish and irrelevant lamentations regarding the greedy people in the world — a matter of moral philosophy rather than economics — we ought to employ human reason to learn how this perfectly moral desire for gain redounds to society's benefit by ensuring that people produce what society urgently needs rather than more of something that society already enjoys in abundance. Stated this way, the profit-and-loss system of an economy based on the division of labor, an indispensable institution of civilized society, suddenly appears not only profoundly moral but actually obligatory, which is probably why opponents of capitalism never do state it this way."

Dr. Woods, whose writings in Catholic publications in recent years I much admire, launches this thesis in reaction to what he terms an "assault of distributists" (meaning an assault on Capitalism by Distributists). Near the beginning of his recent column, he writes:

> "Also coming under assault from distributists is the much-maligned 'profit motive,' a theme that has dominated many a sinister Hollywood film. 'If you think acting for the sake

> of profit is meritorious in Christ's eyes,' one critic wrote, 'you are sadly deceived.'"

I'll grant that someone probably has long ago said that, "If you think acting for the sake of profit is meritorious in Christ's eyes," but if Dr. Woods attributes a Distributist position to the recent author of this statement in a Letter to the Editor of the SeattleCatholic.com, then for the record, Dr. Woods, I am no Distributist. I had thought from my Letter to the Editor that was evident enough.

Some Catholic Principles

This article of mine, however, is no rebuttal of Dr. Woods, whom I too much admire to take his comment personally. However, I gather from his column that my own statement is ambiguous. What I meant to say is that "If you think acting for the sake of profit 'in itself' is meritorious in Christ's eyes, etc. . . "

I assume Dr. Woods and I agree on the principles and conditions of supernatural merit, and so I won't discuss those; but I do take issue with the implicit materialism of Dr. Woods' theory of the moral value of the "profit motive."

First, let me say I do recognize that the science of economics is a true science, whose object of study is the economic activity of mankind. But with St. Thomas and St. Bonaventure, I likewise recognize that every science does not study all truth under every aspect; and that furthermore, apart from theology, every science receives its principles from a higher science. Let me explain. Take physics, for example: ask a physicist if it is morally acceptable to smuggle narcotics, and he will tell you that if you wish an answer from the science of physics, you have asked the wrong man. But ask him of what quanta this apple is composed and he may very well launch into a long explanation which few of us could follow, even if we wanted. In this way, the science of physics, although it studies all created being under the notion of material particularity, does not study all truth, nor all being. Likewise, the science of physics is a tertiary science; that is, it depends upon other sciences for the principles under which it operates. It does not question whether $1 + 1 = 2$; it accepts this truth without question from the science of mathematics. It does not question why it is better that a thing is rather than is not; it accepts this truth from the science of philosophy. It does not question whether the cosmos was created by God; it accepts that is was from the science of theology. When physics, as a science practiced by an individual scientist, no longer holds these bounds, it is no longer a science.

Economics is a science; but as it studies the economic activity of men, it must accept the principles of morality taught by the sciences of philosophy and theology. It is beyond the competency of economics to define the good of man, the nature of a moral act, and the hierarchy of charity that ought to be among men. If economics or an economic theory does this, then it is no longer a science; it is a philosophy or a religion.

This is why although Christ did not establish His Church to teach all natural truths, He did give the Magisterium of the Church authority to answer questions in the natural order that impinged upon truth of faith or morals. This is the reasoning behind *Unam Sanctam*: the Pope stands as a legitimate arbiter over all human affairs, in virtue of his office as Vicar of Christ who is the Author of Man and the Creator of the Universe. If you do not accept that, you are not a Christian.

What is Profitable to Man?

"Profit" in English is derived from the Latin verb "*proficio, -ere, profeci, profectum,*" which means "to make on behalf of." Etymologically, "profit" means the resultant production of any given activity. We see this general sense of the word when Christ says, "What does it profit a man if he gain the whole word and suffer the loss of his own soul?" (Matthew 16:26), though here the Vulgate reads "*prodest*", and the Greek "*ophelethesetai*"; the meaning is the same.

The notion of profit then is inextricable, philosophically, from the Good. No one asks, expecting an affirmative answer, whether it is profitable to do harm to, to do evil to, or to destroy one's own good. "What is profitable?" then is a question akin to "What is good?" Thus Christ resolves the debate by declaring, "What shall be the profit for a man if he gain the whole universe and loses his own soul?" (my own translation of the Greek).

In economics, the notion of profit is a special case. Economics being restricted as a science to economic activity considers the good of man only in part; that is, only inasmuch as it is represented by material goods and what results from these. "Profit" in economics is always material, and is thus considered under the aspect of economic value, and hence money. When economists speak of the "profit motive," they are speaking therefore of a motive to obtain a resultant monetary value which is mathematically greater than all costs. Hence they are not speaking of the "good of man" in the general, philosophical sense.

This limit of economics must be remembered when speaking of the so called "profit motive." Clearly, Christ sanctions the "profit motive" in the theological sense of seeking one's own salvation: thus the import of his question in Matthew 16:24. But for Christ the resultant gain from human activity is ultimately the Beatific Vision: "Blessed are those cleansed in heart for they shall see God" (my own translation). So the proper understanding of the discussion of "profit motive" in economics is not a moral one per se. I say "per se", using the scholastic phrase, which means "considered by means of itself," that is, "considered in its own notion, apart from its relation to other notions." "Profit" in economics, pertaining to the economic activity of man reckoned in monetary terms, is a material aspect of a part of man's activity. It thus in no way represents the sum total of human good; nor does it enter into the formal consideration of the goodness of man. I say "formal consideration" using a scholastic term "formal", which refers to the essential determinative principle of a thing. The formal good of any man is the Supreme Good, obtained only through the Beatific Vision.

Likewise, "profit" in the economic sense does not pertain formally to the moral good of the human individual or of the human race as a whole, since formally speaking, the moral good of a man or of men consists in the possession of supernatural charity in the will. Considered in itself, that is considered by itself and in the notion of its own essence, the moral good of a man does not consist in the possession of created goods, but rather in the possession of God, wherein supernatural charity reaches its ultimate and supreme state.

If one considers the good of man as a wayfarer, that is, no longer considered in its ultimate goal the perfection of its formality but now in progress or digress from that goal, the good of man consists in grace, in which formally the perfection of the human individual consists. This is because being composed of body and soul, the soul being the formal principle of the human individual, the good of the human individual consists in the perfection of the formal principle of his being, his soul. Hence, what benefits his soul is his profit as a wayfarer.

But since man is also, materially speaking, a body, and since the soul and body cannot remain united unless the body enjoys some material things which are necessary, there is a necessary material aspect to the good of the human individual, considered now, not as a human in formality, that is as a rational being, but in his totality as a corporal-rational being. And since, as he passes through time, being a creature with a transient corporal nature, there are ongoing necessities of body, there must be activity of some kind, corporal or spiritual, to acquire the necessities of body. The nature of man therefore requires material acquisition. This is a law of anthropology.

The economic notion of "profit" therefore is a very restricted and restricting notion of the good. Naturally speaking, the notion of profit can be said to be derivative of agricultural production, since every season sees the additional production of material goods (crops) over and above the means of production (fields, plants, equipment etc.). But such a notion of profit is only good inasmuch as man's ultimate good, the acquisition of the Beatific Vision, requires it. Hence the superabundance of material goods is no way profitable to the individual, when "superabundance" is taken in the sense of excessive, and "superabundance of material goods" is considered apart from others' needs. Superabundance, taken in the sense of more than personal needs or the needs of one's dependents, but not more than what can be useful to the acquisition of moral good through charity towards one's neighbor, within the limits of one's own spiritual strengths (for the heart of man tends to make an idol of riches even in doing good with them, inasmuch as the greater good is that which can be done by virtue without the necessity of money, as Christ taught: Go sell everything you have and come and follow Me.) is, however, conducive to the good of man.

Since man is a moral being, and since his ultimate good requires a right ordering of his will, and hence moral good to the Supreme Good, even a will disordered to an otherwise proper acquisition of necessary material goods is an obstacle to his ultimate good. Hence the teaching of Scripture, "Do no set your heart on riches, even when they increase"

The Profit Motive is Excessively Restricted Consideration for Human Motivation

What I have said so far is merely a preamble, to avoid a misunderstanding. And so let me restate that remark of mine which Dr. Woods took exception to. If one thinks that acting for the sake of profit, understood in the economic sense, in se, that is apart from any other consideration, is meritorious in Christ's eyes, that is, is worthy of supernatural merit, then he is sadly deceived, that is, he has allowed his avarice to bewilder his intellect into considering a very small good as his ultimate good.

I do not deny that in the science of economics the "profit motive," understood as the motive of human individuals acting for profit, considered in its material monetary aspect, is a proper consideration. By proper, I mean appropriate to the science of economics. However, the "profit motive," thus considered, is not a proper consideration for judging the value of human activity, since the good of man does not consist formally or principally in economic activity, as I have explained above. If one were to assert that the consideration of profit as is held in economics is sufficient for a human consideration or a moral consideration or a philosophical consideration or a theological consideration, then one would be replacing the science of anthropology, morals, philosophy and theology, respectively, with that of economics. In such a case you no longer would have a science, but a false dogmatism.

A Problem with Dr. Woods' Reckoning of the Good of the Profit Motive

Perhaps it is all too obvious to point out the fundamental inadequacy of Dr. Woods assertion that acting for the sake of profit is "morally obligatory." Let me argue *ad absurdum*: There is a great demand for pornography, thus making it economically profitable to publish and distribute pornography. Applying Dr. Wood's explanation that he who seeks the greatest profit, seeks to meet the greatest needs of his neighbor and thus fulfills the precept of charity, one concludes that the publisher of pornography is a holy man, full of supernatural charity. However, as must be obvious to Christians, the conclusion is false; indeed very false.

One 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, if it its to be a true science, that is, as the root of the word, *scientia*, means, a body of knowledge, and not of folly. Modern economic theory too often fails this litmus test, since from the time of the Reformation, the error of scientism has led to a revolt of each science from submission to those sciences to which it must remain dependent, philosophy and theology. (Throughout I mean by theology, that science of the divine which bases itself on Christ's teaching as understood by the Magisterium of the Church — I exclude a priori false, fanciful, pagan or heretical theology.)

In Conclusion

And since one cannot equate economic needs with the good of a man or of men, one cannot equate a "profit motive," in the sense economists use it, to the moral good. Hence Dr. Woods' opinion fails to distinguish the proper order of human goods, the formality of the moral act, and the materiality of human economic activity.

To make myself more clear: it is not immoral to seek to make a profit, so long as one's ultimate goal is the Supreme Good. For this it is necessary that the quantity of profit be proportioned to one's material needs and the needs of one's neighbor, understanding needs in a Christian upright sense. Hence he who seeks the greatest profit, is seeking an ideal which must be further specified, since he who seeks the greatest profit in time of a famine by food speculation, is always guilty of a mortal sin against the common good of his neighbor. Nor it is reasonable to oblige that anyone seek the greatest material profit since the greatest quantitative material profit may not be necessary for his bodily needs or those of his dependents. Nor it is reasonable to oblige everyone to seek a material profit: for otherwise such saints as St. Francis who forsook all property and even the use of money would be condemned; not to mention Christ who died without any material profit for His Sacrifice.

Hence the so-called "profit motive" as economists use the term is an incomplete consideration of the human good. If one were to accept the definition of this term as it is used in economics and impose it upon all other sciences and human endeavors, one would reduce the dignity of all men to that of an economic agent, which is not only a false concept of man but a perversion and inversion of the Gospel of Jesus Christ. The quest for and the degree of profit in the economic sense must always be tempered by one's own needs (dependents included), the needs of one's neighbors, one's spiritual welfare (ability to remain virtuous in prosperity, etc.) and that of one's neighbors, and ultimately all men, since in God charity obliges the love of all. The man who sets his heart on profit, however great or small, sins greatly; but the man who setting his heart on God, aims for a reasonable profit that harms no one and which he employs for his own ultimate good and that of others (especially as they may be needy) while avoiding spiritual danger to all, does not sin. However in such a case if he merits, it is not in virtue of the profit, but only inasmuch as he practices virtue, regardless of the circumstances. Ultimately, for the wayfarer, it is not money which purchases Heaven, but grace. It is grace and the desire for more of it, for one's self and one's neighbor, which is the true economic motive of mankind, of which Christ spoke: I have come to cast fire upon the Earth, and how I wish it were kindled up!

Economics and Profit: A Final Word

Thomas E. Woods, Jr.

I very much appreciated Br. Alexis Bugnolo's article ("What Does It Profit a Man...", October 11), since I believe it shows that less separates our respective positions than may at first appear. Let me say at the outset, though, that in my own article for LewRockwell.com I did indeed use Br. Alexis' words on the profit motive, partially because when I first set out to write the article I was not intending to answer only the distributists, and thus I did not intend to imply that he was himself a distributist. (I also nowhere mentioned his name.) I apologize for having misled anyone.

Since I am positively overwhelmed with work at the moment, and in a spirit of mercy toward readers of SeattleCatholic.com, I wish to limit myself to a few observations. First, I am pleased to see that Br. Alexis recognizes that "the science of economics is a true science." This is a crucial first step. Since writing my original article, I have received quite a bit of supportive correspondence (including a kind note from a professor at a pontifical university), but I have also received email from well-meaning people whose views on economics are very far from systematic, and appear to be informed simply by anecdote, emotion, or even logical error. Economics is a *bona fide* discipline and deserves to be studied. (I *strongly* recommend Gene Callahan's brilliant *Economics for Real People* [2002], an outstanding introduction to sound economic thought, and Alejandro Chafuen's *Christians for Freedom: Late Scholastic Economics* [1986]).

The German Historical School of the nineteenth and twentieth centuries likewise rejected the idea that such a thing as economic law existed — even such elementary relationships as supply and demand. They were, as Ludwig von Mises said, thereby rejecting economics as such. Such a philosophy lends itself quite well to fascism, since the fascist leader could captivate the masses by proclaiming that no so-called "economic law" was any match for his iron will. Such leaders do not, of course, appreciate being told that the definition of truth consists in conformity of mind to reality, and that economic reality precludes the dictator's economic ambitions from being fulfilled. (That helps explain why Mises had to flee from Austria and settle in the United States in 1940 — where he found an academic establishment eager to welcome Marxists but uninterested in a genuine economist like himself.)

Br. Alexis is also correct to note that each individual discipline, while making its own contribution to knowledge, is necessarily limited in the amount of the truth with which it can enlighten us. Br. Alexis would doubtless agree with me that for too long, scientists have neglected this principle, arguing from the fact that they themselves study observable phenomena and concluding that observable phenomena are all that exist. Moreover, while scientists can tell us what is scientifically possible, and how a certain scientific goal might be reached, they can properly tell us nothing, *qua* scientists, about the *morality* of any of these things (e.g., *should* we investigate human cloning?).

Economics is no different. It cannot presume to tell us what we should desire, how we should live, or how we should use our wealth. This, I think, is one of the places where distributists commit an error. They are indicting economics in general and the free market in particular for not doing what they were never intended to do. The market does not prevent people from using their wealth badly; nor does it possess a built-in limit on the amount of wealth that someone can acquire. Neither does the discipline of economics itself have anything to say about these matters, which properly belong to moral philosophy.

To the contrary, economics is a *wertfrei* — value-free — science. Those who condemn the "materialism" of economists are not being fair. Economics is a study that reckons with the fact of scarcity in the world, and which demonstrates to man, *given his ends*, how they can or cannot be achieved. Thus if our end is to improve the lot of the least fortunate, economics can tell us whether a $25/hour minimum wage will or will not achieve that end.

Economics, therefore, does not presume to dictate to us what our ends should be. Neither does it attempt to claim, by being "value-free," that all values are equal, or that morality doesn't matter, or that all that matters is money. It is simply delineating the limits of its subject matter: it is a science whose purpose is to employ human reason to discover how man's ends can be reached. What those ends are is a matter for theology and moral philosophy to decide. As any science should, economics properly acknowledges its limits.

A professor friend on the West Coast wrote to me to point out what distributists and other critics of the market consistently fail to acknowledge: "No one claims that anyone can, morally speaking, do simply *whatever* he wants with his property; the question is over exactly *which* uses are immoral uses, and which of these immoral uses ought also to be *illegal*ones."

Such considerations must take into account changing circumstances: theologians from 800 years ago could not in their worst nightmares have envisioned the modern state and its hostility to Catholic tradition. (Have a look at Paul Gottfried's new book, *Multiculturalism and the Politics of Guilt: Toward a Secular Theocracy*for an update on what that modern state has been up to lately.) Even if we accepted the distributist premise (which I do not) that large accumulations of wealth should be broken up by the state, surely a relevant moral consideration includes whether authorizing the state to do so is really worth the price of strengthening an institution that to any sensible person is obviously an enemy of traditional Catholicism.

To be sure, then, there is more to life than economic profit. But practically everyone acknowledges this. The critiques of the market that have appeared in recent weeks and months seem to dwell on this point as if it were devastating to the free-market economist. All right, all right — there is more to life than economic profit. We know that. The point, though, is that the creation of wealth happens to comprise much of what economics studies. That doesn't mean that wealth is all there is; it means that wealth is what this particular discipline investigates.

Msgr. John Ryan, the American priest who perhaps more than any other attempted to reckon with the question of labor and wages, himself acknowledged that men are "more susceptible to religious influence [and] can know and serve God better when they are contented and comfortable than when they are impoverished and miserable." If that is so, then we should appreciate the market all the more. For some reason, critics of the market focus on the extraordinarily wealthy, as though only they were its beneficiaries. This is a ridiculous, even bizarre, misconception, as I explained in my LewRockwell.com article. Overwhelmingly it is the poor who have benefited from the extension of the market, and for whom the good things of civilization are available in much greater abundance than they were even for the greatest kings of centuries past. I'm not talking about mansions and boats; I'm talking about better housing, better health and sanitation, and dramatically lower infant mortality.

There are those who will say that none of that matters, that even to consider material well-being is, well, "materialistic." Such criticism is hard to take seriously. As Mises explained, "In calling a rise in the masses' standard of living progress and improvement, *economists do not espouse a mean materialism.* . . . They simply establish the fact that people are motivated by the urge to improve the material conditions of their existence. They judge policies from the point of view of the aims men want to attain. *He 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*" (emphasis added). Any takers?

Thus, again, economics is properly a value-free science that shows us how our ends can be reached. It doesn't contain all the answers of life, nor does it claim to. It does, however, show how the morally acceptable desire for profit leads to spontaneous social cooperation that obviates the need for a bloated state apparatus to direct production. It shows us the fascinating mechanisms by which peaceful social cooperation leads to overall prosperity. And it would be silly to claim that a good Catholic could properly object to that.

Liberal Economics vs. Catholic Truth

John Sharpe

A final defense of Distributism

A word of thanks to Mr. Miller of Seattle Catholic for the opportunity to respond to Mr. Clark's response to my response, etc., etc. I will attempt in what follows to summarize the results of our exchange, and point out where I think points which I made have been either conceded, missed, or misunderstood. Begging the reader's forgiveness, I will also touch briefly on several new arguments which were raised against the Distributist position, both by Mr. Clark and by Dr. Woods, who contributed to the debate after it was in progress. Those new points include the following: 1) numerous theologians have supported capitalism, 2) capitalism has reduced the gap between rich and poor and thus does not promote inequality, 3) Distributism would be productive of "big government," and, finally, 4) it is illegitimate to expect the free market or the science of economics to take morality into account, as both are fundamentally neutral. In what follows I also assume that readers are familiar, at least in general, with the articles that have been written by Dr. Woods and Mr. Clark in connection with this discussion.[1]

Concessions

To my mind, the following points were ignored and, therefore, conceded:

(1) **Belloc's definition of capitalism.** It was dismissed as "simplistic" by Mr. Clark, but we saw how it was also the definition of Pope Pius XI, who was probably not a simpleton. Speaking of the definition

[1] Woods, Dr. Thomas, "Piety is no Substitute for Economics," "Three Catholic Cheers for Capitalism," and "Economics and Profit: A Final Word;" and Clark, John, "Distributism as Economic Theory," and "The Capitalist Response." Dr. Woods' articles are available at http://www.lewrockwell.com/woods/woods-arch.html, and Mr. Clark's at http://www.seattlecatholic.com/articles.html.

of capitalism, I also conceded to Mr. Clark that in modern terms the notion of "capitalism" does indeed imply a regime of free competition, as he suggested. This was and is central to my critique of capitalism. More on that later.

(2) **Distributism a new theory.** I maintained that Distributism was a new and awkward word for a very old theory, a theory of widely distributed ownership not only of material wealth in general, but of *productive* wealth specifically. I said, in fact, that ". . . the ideal, at which great statesmen from Solon of Athens to Leo XIII and Pius XI have aimed, is a State made up principally of flourishing and self-contained communities of small proprietors, and especially of small farmers or peasants." This too was not refuted. Mr. Clark only said, essentially, that capitalism didn't come from Protestantism; he provided no evidence to suggest that Belloc was wrong, however, in noting that the concentration of wealth characteristic of capitalist society resulted, at least in England, from a few unique events triggered by the Reformation — events which he details in his tidy *Essay on the Restoration of Property*. Those events were made possible, furthermore, by the breakdown of laws and structures which preserved the "Distributist" nature of society up to that point. More on Mr. Clark's other comments in this regard later. Suffice it to say that my contention that a society of many small owners, rather than a few big ones, has always been the ideal of great statesmen and sane thinkers, was never refuted.

(3) **Radical equality and Socialism.** Belloc maintained that the *gross*inequality of modern society, which has owners pitted against an essentially non-owning class, is too much to bear; in so stating he simply follows the Popes. (We'll see more of this in our brief look at the so-called "capitalism-creates-inequality" myth.) I pointed out in my original article, however, that Belloc *admitted* in several places of his *Essay*that inequality is natural in society and should be respected; his was not a scheme of radical leveling but one of defending the small owner. I also made it perfectly clear that Belloc *opposed socialism* as vigorously as he opposed capitalism. Furthermore, I looked in detail at the phrase — taken out of context by Mr. Clark — in which Belloc says that the state should own certain forms of property before those forms are left to the ownership of a few wealthy men; I demonstrated that such a statement was not only miles away from an advocacy of Socialism, but was rather completely consistent with the words of the

Pontiff who had condemned socialism so vigorously![2]

Just to be perfectly clear, I will reiterate: *at no point and in no phrase* of any of Belloc's writing does he demand radical, Socialist equality; *at no point and in no phrase* does he object to the fundamentally Catholic notion that society will always consist of varying degrees of inequality; *at no point and in no phrase* does he advocate the application of taxation to redistribute *personal wealth* to those who have less; *at no point and in no phrase* does he argue for repressively high, "tyrannical" taxation (to use Clark's word) — in fact he devotes an entire chapter of *Restoration of Property* (VI) to opposing high taxation. In so doing he is perfectly in agreement with the actual words (though perhaps not with Clark's unsupportable interpretation) of Navarette's statement, which Clark quoted: "The origin of poverty is high taxes. In continual fear of tax collectors, (farmers) prefer to abandon their land, so they can avoid their vexations." This is exactly what Belloc said!

In making these points I was and am trying to further illustrate the general vision behind Belloc's scheme in *Restoration of Property*. He desired no redistribution of wealth *á la* Marx; but he did advocate a defense of the small owner.

The burden of proof thus lies with Mr. Clark to demonstrate that Belloc advocated socialism. The only reply from Mr. Clark on this point was to insinuate that Belloc thought that the wage contract was fundamentally unjust — because Belloc referred to the "exploitation" of wage earners. But Belloc clearly respected the justice of the wage contract.[3] For Mr. Clark to prove that Belloc advocated socialism — *which was his original contention* — we need more concrete, factual evidence from him than the assertion that "Belloc's terminology was eerily similar to that of Marx." Such a statement, in light of what I have

[2]"…certain kinds of property, it is rightly contended, ought to be reserved to the State since they carry with them a dominating power so great that cannot without danger to the general welfare be entrusted to private individuals. Such just demands and desires have nothing in them now which is inconsistent with Christian truth…" *Quadragesimo Anno*, 114-115.

[3]In fact in his essay "The Faith and Industrial Capitalism," Belloc in fact laments the impossibility of a binding religious condemnation of the capitalist economic arrangement; he concedes the justice of a wage contract quite clearly (as would be expected of a man who a faithful Catholic and not an idiot): "What is there [in Catholic morals] to prevent my offering [my] stores of livelihood to destitute men on condition they work my machine…?"

demonstrated, is hardly a scholarly demonstration of Belloc's socialist sympathies.

(4) **The Means of Production.** I spent a section of my article explaining that Belloc specifically — and Distributists in general — has no objection to an entrepreneur being paid more for his efforts than that of the assembly line wage-earner. The Distributist objection to the capitalist scheme has to do with wages only tangentially, and is rooted more in how capital ownership is currently distributed among the members of society. Because of this current distribution, relatively few *own* the means of production, and the rest are compelled by the very structure of the thing to work for those few in exchange for a wage. This essential point — the very foundation of the Distributist premise — was and is *never, ever* refuted. Regardless of how both rich and poor have microwave ovens and TVs, and how an entrepreneur is entitled to be compensated more than a shoe repair man — provided he is truly providing a useful service to the community with his large, complicated, capital-intensive venture, the fact is that wage-earners *cannot* have the dignity, freedom, and independence of capital owners because they *own*no productive wealth with which they can themselves produce wealth for consumption. Pius XI called such a state "hand-to-mouth uncertainty,"[4] and Pius XII called it "economic dependence and slavery which is irreconcilable with [a man's] rights as a person.[5]

That's the beginning and the end of the point.

(5) **Free competition.** Another point which I made was that free or unrestricted competition cannot be the final, regulating factor in economic life. I also suggested that regulation and *defense*of private property from the destructive effects of unrestricted competition was not to regulate private property out of existence, but to defend it and protect it.[6] The first point was made clearly time and again by Pope Leo XIII, Pope Pius XI, and Pope Pius XII, and the latter was affirmed with unparalleled explicitness by Pope Pius XI. Neither aspect of that observation was ever refuted by Mr. Clark either. He suggests that the government should stay out of regulating economic life, lest it become an "all-powerful leviathan," but that is hardly a response to a clear

[4] *Quadragesimo Anno*, 61.

[5] Christmas Message, 1942.

[6] In my original article I made it explicitly clear that Pius XI taught this exactly; cf. *QA*, 16.

declaration by several Popes that "the right ordering of economic life *cannot be left to a free competition of forces.* For from this source, as from a poisoned spring, have originated and spread all the errors of individualist economic teaching"[7] (emphasis mine) We'll look quickly later on at the myth of "big government." Let it be reaffirmed here, that the Church has solemnly condemned unrestricted competition, and there is no refuting that.

(6) **Profit.** Mr. Clark chose not to address the profit aspect of my previous article. Another conceded point, evidently. The essence of my position was that profit is *only* licit from the Catholic standpoint as a means to an end — namely, the procuring of *necessary*goods for one's self and one's family, and that a desire for gain which is not circumscribed by that very specific intention is immoral and illicit, and thus also illegitimate as a principle of social order. This issue was only addressed in a related fashion by Dr. Woods, and I'll respond to those points very briefly below.

(7) **The Social Doctrine of the Church.** Another conceded point was my original contention that the fundamental tenet of the Social Doctrine of the Church is the idea that society should be an aid to virtue, not a hindrance. I maintained that a society which legally and publicly recognizes an unlimited "profit motive" — one unconcerned with how the amassing of productive wealth adversely affects the rest of society — is a society fundamentally disordered and inconsistent with Catholic teaching. I would argue that this is plainly and simply true, and therefore impossible to refute. Which may explain the absence of a refutation.

Rebuttals

In several instances, Mr. Clark offered rebuttals to my original points. Dr. Woods additionally offered his responses to some of the observations that I made, in the pieces which he contributed to this debate. I would ask the reader to consider the following in response:

(1) **The greatest minds of the Church.** Mr. Clark claimed to be able to cite "*fifteen* references [to] pre-medieval and medieval Catholic economists," and complained that I quoted "exactly *one* Catholic prior

[7] *Quadragesimo Anno*, 88.

to *Rerum Novarum*." He further lamented that I relied "almost exclusively on Hilaire Belloc, Chesterton, and some of the papal encyclicals."

Firstly, Clark's references to the "fifteen theologians" are — begging forgiveness for the terms — completely useless and irrelevant. He *lists 15 names*; he doesn't quote from any of them. The reader will forgive me if I do not take Mr. Clark's word for it that all 15 theologians were proto-capitalists.[8] If he's so familiar with their work (albeit through an obviously liberal lens), why not quote them, *at length*, so that we too can learn that the Scholastic philosophers *supported* a massive concentration of productive property into a relatively few hands (a phenomena which, it should be remembered, Mr. Clark did not deny), perpetuated by a regime of unlimited economic competition? I defy anyone (!) to produce a single citation from any Catholic philosopher (who is not an admitted liberal like Bastiat) which says that a concentration of wealth such as we see today, created and/or encouraged by totally free competition, is a desirable state of affairs. *No such quote is possible.*

An additional fact to bear in mind is that the Church, in most cases throughout Her history, has reacted to historical circumstances and issued condemnations of social or theological trends *after* those trends took a wrong turn. St. Albert the Great's defense of private property is hardly an apologia for a concentration of wealth. How can we expect to hear fierce denunciations of economic rationalism/liberalism from clerics who lived *before the problem had manifested itself socially or philosophically*? When I said that the great minds of the Church would not have sanctioned Mr. Clark's praise of capitalism, I meant those minds who considered capitalism in retrospect, from a point in history *after* capitalism had developed. It is *not* a coincidence in my mind that those theologians who examined capitalism from a modern perspective were almost all of one mind in condemning it. For readers interested in this aspect of the question, they are encouraged to consult the writings of Fr. Heinrich Pesch, Fr. Oswald von Nell-Breuning, Fr. Bernard Dempsey, Fr. John Ryan, Dr. Amintore Fanfani, Dr. George O'Brien, Dr. Charles Devas, Fr. Matteo Liberatore, Fr. Denis Fahey, Fr. Edward Cahill, Mgr. Emile Guerry, and the numerous other Social

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[8]Readers are asked to consult Appendix I if they desire more information on the alleged proto-capitalism of the Late Scholastics.

Catholics who wrestled with the problem of the modern economy. Such a list should be enough to refute the implication that I, in a "misleading" and "unscholarly" fashion, meant to portray only Chesterton (whom I didn't mention once!) and Belloc as the Church's greatest minds on the economic question.

It is worth mentioning that the *one* theologian from whom I did quote in my previous article is, according to Holy Mother Church, our *chief guide*in matters economic. That one was St. Thomas Aquinas, who, as Pius XI taught, "is… the perfect theologian, [who] gives infallible rules and precepts of life not only for individuals, *but also for civil and domestic society which is the object also of moral science, both economic and political.*"[9] (emphasis mine)

Finally, I will here point out that Mr. Clark grudgingly admitted that I quoted from "some of the papal encyclicals," as if to base myself on such sources were to condemn myself to the unscholarly oblivion of ignorance and naiveté. This is an argument about what *Catholics* should think about the economic order, and quoting *the* major encyclicals on economic problems isn't sufficient!?! Clark asserts that Pope Leo XIII "was no anti-capitalist." While 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, he and his successors *most certainly* condemned an economic order based upon unrestricted competition and rationalist principles! And the notion of unlimited competition is — according to Mr. Clark — a prime element of modern capitalism… an element condemned in most vigorous terms by Pius XI, in spite of Clark's contention that the social encyclicals intended "simply to state that employers should treat their employees as beings created by God." If such were the case, what are we to make of Pius XI's teaching that public authority can justly regulate what owners do or do not do with their property (49), that free competition must be controlled by the state or other legitimate authority (110), that wealth is immensely concentrated *as a result of free competition* (105, 107)… and on and on and on? To dismiss the teaching of Pius XI as applying merely to how employers are supposed to treat their employees is to grossly misrepresent the pontiff's teaching.

[9] *Studiorum Ducem*, 20.

A final note on the encyclicals. Mr. Clark maintains that "Pope John Paul II is really the first modern Pontiff to delve into capitalism proper, and analyze it on its own merits." My interpretation of his meaning is that he is the first Pope worth quoting since he admitted the merits of capitalism, because his predecessors analyzed it in detail (*Quadragesimo Anno* is over 20,000 words long!) and found it wanting. Insofar as the statements of Pius XI and others which I have quoted refer to *principle* and not contingent facts,[10] I am certain that all Catholics will continue to admit their binding force. I further trust we are all agreed that the Holy Father did not intend to contradict his predecessors.

(2) **The history of capitalism.** Mr. Clark maintains that Belloc's thesis must be rejected, insofar as Prof. de Roover has suggested that "Modern capitalism based on private ownership has its roots in Italy during the Middle Ages and the Renaissance." A couple of points in reply:

First, the thesis is not merely Belloc's. It is Weber's, Fanfani's, O'Brien's, and Fahey's. Space doesn't permit me to quote from them extensively, but I would be happy to provide more information as and when requested.

Second, the "Bellocian thesis" is not that the historical phenomena of division of labor, stock speculation, capital-intensive production and trade, and banking were created overnight after Luther nailed his 95 theses to the door of the Wittenberg cathedral. In England, at least, it is simply a fact that the concentrations of wealth which made "big business" possible resulted from, among other things, the confiscation of Church lands and the implementation of the Statute of Frauds passed after Henry VIII's break with Rome.

Additionally, as Mr. Clark said very clearly in his first article, capitalism implies the right to private property *and*free competition. One without the other would cease to be capitalism. So even in France, Italy, and other places where pre-Reformation concentrations of capital existed for the carrying out of large, capital-intensive operations, without the mentality of "unrestricted competition" which is today part of the essence of the "free market," capitalism as we know it would not have

[10]Where Pius XI was referring to facts, such as the concentration of wealth during his time, readers are kindly directed to the Shared Capitalism Instutite (http://-www.sharedcapitalism.org/scfacts.html) for a look at just how bad the problem remains.

existed. This is a point which Clark's source, Prof. de Roover, seems unwilling to grapple with in most of his writings. It took a change in mentality to foster capitalism as we know it, and that change of mentality was furthered by an emancipation of morals from the authority of Rome: i.e., Protestantism.

(3) **Capitalism doesn't create inequality.** I will ask for the reader's indulgence if I respond with slightly more than, "Yes, it does."

This is primarily Dr. Woods' contention, that the "capitalism-creates-inequality myth" is simply an "ignorant canard." He emphasizes the point in two different ways: first, by reminding us that the destitute were employed by the factories, and so they would otherwise have perished, were it not for the labor-creating factories; second, by reminding us that both rich and poor classes today have TVs, microwaves, radios, access to air travel, etc., etc.

To this first point I simply respond by saying that the massive and rapid growth of the factory system wouldn't have been possible without the destruction of some aspects of the Distributist society which existed beforehand. If the factories are to be thanked for providing employment for the hungry masses, the question which comes to mind is: "Where did all the hungry masses come from in the first place?" It is a stunt of circular reasoning to suggest that they failed on their land or at their trade and so *had* to be employed by the factories to survive, because 1) they lost their land *in the first place* as a result of events that Belloc mentioned (and that we have noted briefly above), and 2) their home-grown trade would have been made ineffective or impossible in raw competition with a capital-intensive, assembly-line method of production which could turn out hundreds of times the amount of goods, at far cheaper costs — which is the very problem which Distributism seeks to remedy! In essence, the balance of the small, predominantly cottage economy was upset by the triumph of the factory system on a large scale, combined with a liberal, "no-holds-barred" economic philosophy, and the combined result was the wholesale transformation of land-owning peasants into employees.

It should, finally, be born in mind that the question of wealth distribution is not a question of who has the most toys, but rather a question of who possesses productive wealth, which can be worked to generate the wealth to live on. It is *this* kind of wealth which is mal-distributed, and this kind of mal-distribution thereof which Distributism, with the Popes, seeks to remedy. Neither Leo XIII, nor Pius XI, nor Pius XII lamented the "sad lack of modern conveniences among poorer families, the scarcity of TV- and microwave-owning families who lord their gadgets over the poor, along with the gross inequality in health standards." Pius XI called the non-owning workers the "proletariat" — *propertyless*. The non-owning workers (like most all of us) possess no productive property of their own to make their labor productive of wealth absent someone else's capital, thus producing the precarious state of "economic dependence" (Pius XII's phrase) and "hand-to-mouth uncertainty" (Pius XI's). That such a state still exists today should be obvious from current headlines, which almost daily announce a new round of layoffs in the thousands from corporations both large and small.

Pius XI even *concedes* — in anticipation of Dr. Woods' objection — that "the status of non-owning workers is to be carefully distinguished from pauperism," and that "the workers can no longer be considered universally overwhelmed with misery and lacking the necessities of life."[11] But he nevertheless maintains "that the immense multitude of the non-owning workers on the one hand and the enormous riches of certain very wealthy men on the other establish an *unanswerable argument* that the riches which are so abundantly produced in our age of 'industrialism,' as it is called, are not rightly distributed and equitably made available to the various classes of the people"[12] (emphasis mine), and that this inequality is a "fruit that the unlimited freedom of struggle among competitors has *of its own nature* produced"[13] (emphasis mine). So much for the "ignorant canard."

(4) **Profit.** Dr. Woods took the lead in rebutting this point, as well, with what I assume was somewhat of a justification of "the profit motive" in suggesting that "profit signals. . . make for peaceful social cooperation and the most efficient use of scarce resources." Elsewhere he asserts that "the morally acceptable desire for profit leads to spontaneous social cooperation."

I have serious qualms with both of those statements. That our system produces "peaceful" social cooperation is only true insofar as most

[11] *Quadragesimo Anno*, 60 and 59.
[12] *Quadragesimo Anno*, 60.
[13] *Quadragesimo Anno*, 58.

of us aren't murdering one another to buy sugar and flour. But it *is* to contradict the prevailing spirit which demands that a business continuously increase its "market share" (at who's expense, we wonder. . . ?) or go under. How many small business have to shut their doors because of the big ones before we abandon the "peaceful social cooperation myth"? Doubtless Dr. Woods would consider the evacuation of a small farm in the face of agri-business a "signal from the consumer" that high broccoli prices will no longer be tolerated, but has it occurred to him that the low prices wouldn't be a factor if the regime of unlimited competition weren't the prevailing economic doctrine? What if everybody *more or less* sold broccoli at the same price, and the question turned on not who could undercut the competition, but simply "how much broccoli do we need?"

Finally, to say that the "desire for profit" is "morally acceptable" is to frame the question with certain definite assumptions which do not factor in modern economic life. That wage-earners bring home a pay check to meet basic needs — and thus are behaving morally in so doing — is a stark fact of life. That CEO's bring home a salary *several hundred times* that of the average worker has little to do with need, and everything to do with avarice. So too for the industry that insists upon expanding — for "market share," "dividends," or pure "profit" — to the detriment of the small holders of property who otherwise would have maintained themselves in reasonable comfort while working on *their own productive property.*It is only a system of pure liberalism that would suggest that such avarice should be ignored by the "free market" as solely a personal religious or moral issue, in which economics has no role to play. Such would be pure rationalism applied to political and economic life, of the kind denounced by Leo XIII and all the recent Pius's. Pius XI referred, in fact, to the salutary role that the state could play in redressing such grievous imbalances in his encyclical — believe it or not! — *against communism:*

> . . . the wealthy classes must be induced to assume those burdens without which human society cannot be saved nor they themselves remain secure. However, measures taken by the State with this end in view ought to be of such a nature that they will *really affect those who actually possess more than their share of capital resources, and who continue*

> *to accumulate them to the grievous detriment of others.*[14] (emphasis mine)

New Issues

Several new issues were raised both by Mr. Clark and Dr. Woods in their responses to the Distributist position, and I will tackle those now, as briefly as I can.

(1) **Moral neutrality of economics; economics a value-free science.** Clark's contribution to this theme was to compare capitalism to an automobile, implying that it is a neutral tool to be used for good or evil. Dr. Woods elsewhere suggested that the problem of greed is "a matter of moral philosophy rather than economics;" and he further explained that economics is a "value-free" science which doesn't tell people how much money they can make or how to employ their wealth.

I answer that: All of these statements imply that the creation of wealth for use by man is simply a matter of technique, science, and practical knowledge — as if wealth could be created by this *or*that system interchangeably and inconsequentially, as if it were simply a choice in woodcarving between this or that knife, this or that file.

The fact is, however, that an economic order is not a lifeless piece of matter, to be manipulated according to forces of nature governing that inanimate matter. It is a scheme whereby living, animated creatures produce the wealth necessary for life on earth, to further their practice of virtue and thereby (God willing) attain heaven. Thus there can be no "limitless" wealth creation because the *end* of wealth creation is subordinate to the *end*of man, which is God. Wherever limitless wealth creation runs up against moral concerns — like the right of a "competitor" to possess his productive property in peace, the right of labor to a *fair share*of the fruits of production, the right of labor to be treated as something essential to life and dignity, rather than as a commodity — then the moral concerns must triumph, and economic concerns take a subordinate place. Anything else is simply not Catholic.

Such a conclusion is not pie-in-the-sky dreaming, or naïve wishful thinking. It is *Catholic* science, backed up by a scholarly tradition

[14] *Divini Redemptoris*, 75.

much longer than that of rationalist and liberal economic "science."[15] For a truly Catholic economic understanding maintains that the art of acquiring wealth (money-making) or producing wealth (this could be any number of arts: manufacture, agriculture, etc.), is limited by the science of *using* wealth (Political Economy); the science of using wealth is subordinate to political science which looks after the common good of the nation as a whole; and the science which looks after the nation is itself a *moral* science.[16] "The best usage of the present time," says the *Catholic Encyclopedia*, "is to make political economy 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 so far as to make political economy a branch of ethics and not an independent science."[17] Elsewhere the *Encyclopedia* emphasizes the point:

> Ethics is distinguished from the other natural sciences which deal with moral conduct of man, as jurisprudence and pedagogy, in this, that the latter do not ascend to first principles, but borrow their fundamental notions from ethics, and are therefore subordinate to it. To investigate what constitutes good or bad, just or unjust, what is virtue, law, conscience, duty, etc., what obligations are common to all men, does not lie within the scope of jurisprudence or pedagogy, but of ethics; and yet these principles must be

[15]For the record, I am *not* claiming, nor would any of the Distributists, that economic study, research, analysis, whatever, cannot produce and has not produced useful insights as to how man might be a more efficient creator of wealth, in a strictly technical, mechanical, and truly "value-free" way (if it even makes sense for a Catholic to use such a term; I would argue that it does not. In both Devas's and Liberatore's texts on political economy can be found a lengthy discussion of what separates art from science. Generally speaking, art deals with technique, science with knowledge based upon first principles. No doubt we are very smart, in part thanks to the Austrians, about the *technique* of managing the national economy; forgetting that economics is primarily a practical *science* which includes, assumes, and is founded upon fundamental truths about man and society is where we have gone wrong.). What I *am* saying, however, is that the economic science, for Catholics, is subordinate to, not independent of, moral philosophy.

[16]Cf. Bede Jarrett's *Social Theories of the Middle Ages*, pp. 153-155. He is paraphrasing St. Thomas's Commentary on the Politics of Aristotle.

[17]S.v., "Political Economy"

> presupposed by the former, must serve them as a groundwork and guide; hence they are subordinated to ethics. The same is true of political economy. The latter is indeed immediately concerned with man's social activity inasmuch as it treats of the production, distribution and consumption of material commodities, but this activity is not independent of ethics; industrial life must develop in accordance with the moral law and must be dominated by justice, equity, and love. Political economy was wholly wrong in trying to emancipate itself from the requirements of ethics.[18]

Readers who are interested in further defense of this subject are asked to see Appendix II.

(2) **A note on "Big government."** All this talk of "government regulation" makes modern opponents of Distributism nervous that Big Brother (he's really our Uncle) will exercise a sweeping and oppressive amount of authority to make sure that the rich don't get too rich. This fear is *in one sense* well-founded, insofar as modern "liberal" governments have a long and robust track record of useless (and usually nefarious) encroachments on the just liberties of their citizens. It should be borne in mind, however, even as we concede this fear, that the massive coercive power of the modern state is itself a violation of the Catholic doctrine of subsidiarity, and so the State that the Pontiffs imagine is the whole body of small and intermediate bodies which make up the whole fabric of the civil authority. Thus the Distributist question, in practice, becomes one of "what can we accomplish today, *in present circumstances*, to live economically, as well as morally, like Catholics." Such is a separate question from the theory, which we have been debating in these pages.

On the other hand this fear is completely unfounded and polemically irrelevant. To argue against the use of a thing from its abuse is a very sophistical procedure, to use the phrase of the Thomist, Fr. Matteo Liberatore. Pius XI and the Distributists aren't arguing *for* oppression, they're arguing for the defense of the weak *from*the oppression of the economically strong. Critiquing an implementation of Distributism — or Catholic economics generally — which includes the "power to the state" part but leaves out the question of *what exactly*the state will be

[18] CE, s.v., "Ethics"

empowered to do, is not to criticize Distributism at all, but rather to defeat a straw man with the hopes that the unsuspecting will dismiss the real man along with him. Finally, if Pius XI's idea of the State justly regulating economic life gives Catholics the uncomfortable sense that their "rights" are being violated and their "freedom" is being curtailed, then it is not the Pope who has to adjust his view of what the state can and cannot do; it is Catholics who must recalibrate their notion of "rights" and "freedom" to correspond with the Teaching of the Church.

It is worth noting at this juncture that we can't have our cake and eat it too, nor can any of my opponents. Dr. Woods suggests that Distributism is a bad idea today because "theologians from 800 years ago couldn't have imagined the evil of the modern state." I would humbly submit to the reader that they couldn't have imagined the evil of modern capitalism either, and thus the citations from 13th century Thomists and 15th century Jesuits are wholly irrelevant as a vindication of modern capitalism.

(3) **Emigration.** Mr. Clark says that high tax will drive out the entrepreneur: "the state would progressively tax the ablest entrepreneurs to the point where they can no longer increase their profits and wealth." Two very simple answers:

1) The state will not tax entrepreneurial skill; the state will tax an amassing of wealth which begins to eliminate the ability of others to own productive property.

2) If said entrepreneurs are unhappy because their profits and wealth are limited, I bid them good riddance. Mr. Clark makes the point for me: "If your principle is that capitalists are greedy men, who care about nothing except profits, why would they stay in a country that limits the amount of money they can make? The ablest entrepreneurs will move somewhere else, leaving those who have never run businesses with the job of running businesses." I will simply reply to the final sentence with the remark I made in my earlier article. It is a strange thing that our pre-capitalist ancestors were capable of pulling off such feats of grandeur like constructing cathedrals when they were faced with the oppressive, anti-competitive restrictions of the Guild System, which allegedly wrecks all entrepreneurial spirit. Could it be that "social cooperation" results more from socially sanctioned and encouraged cooperation than from "survival-of-the-fittest" economics?

(4) **Trade.** Mr. Clark suggests that international trade will be

impossible in a Distributist society.

I reply: That's not true. It will occur *where necessary*, because the purpose of trade is not to allow a foreign country to destabilize prices and the entire economic order by importing cheap goods produced by cheaper labor, where those goods are already produced by the home country; the purpose is to supply what is *naturally lacking* to that country. In other words, the Thomistic justification for international trade is not for Chinese shoemakers to put American shoemakers out of business, but, *according to Clark's own citation*, to supply a need where a country cannot supply the same need on its own.

Unfortunately, this technique — of quoting someone and then *completely and misleadingly reinterpreting it* — is typical of Mr. Clark's style. He suggests that trade is in and of itself worthwhile and justifiable, and thus he laments that Distributism would allegedly make trade impossible. But the citations he produces all say that trade *supplies a need which the city cannot supply on its own.* Most erroneous is Clark's statement — *allegedly* a conclusion from St. Thomas: "The perfect city is one that engages in trade." But St. Thomas didn't say that. He said that the city will make use of trade where necessary, but that the ideal city will tend towards self-sufficiency, to the exclusion of trade altogether. I quote here the entire passage to illustrate the degree to which St. Thomas is misrepresented:

> The 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. Now the city which is supplied by the surrounding country with all its vital needs is more self-sufficient than another which must obtain those supplies by trade. A city therefore which has an abundance of food from its own territory is more dignified than one which is provisioned through trade.[19]

Furthermore, St. Thomas has harsh words for a society in which most if not all of the citizens are mixed up in commerce, as all of us are. His description of such a society is eminently applicable to our time:

> If the citizens themselves devote their life to matters of trade, the way will be opened to many vices. Since the

[19] *On Kingship*, II, 3.

> foremost tendency of tradesmen is to make money, greed is awakened in the hearts of the citizens through the pursuit of trade. The result is that everything in the city will become venal; good faith will be destroyed and the way opened to all kinds of trickery; each one will work only for his own profit, despising the public good; the cultivation of virtue will fail since honor, virtue's reward, will be bestowed upon the rich. Thus, in such a city, civic life will necessarily be corrupted.[20]

A final comment on trade. Clark's example illustrates the inherent wisdom of Distributism. He suggests that trade will be impossible in the event that certain goods are manufactured at home and the foreign commodity threatens to undercut them in terms of price. Indeed so. For the Distributist perspective maintains that the integrity of the national economy, and the livelihood of individual men and women which results from their practice of a trade or craft, is more important that the capitalist's need to "expand his market" or "increase his market share." There can be no question that these two mentalities are one hundred percent at odds, and that the Distributist thinks of men and nations whereas capitalism thinks only of money.

A concluding note on the Social Vision of the Church

At the risk of repeating myself, I beg leave to remind readers that Distributism does not — as Mr. Clark suggests — intend to represent itself as a *sine qua non* of a moral society. It *does*however claim to be an economic system which is consistent with the demands of morality and the Social Doctrine of the Church. Insofar as my comments on the Social Doctrine of the Church were ignored by those attempting to refute the Distributist position, I offer in closing an expanded recapitulation of where the Distributists are coming from in terms of that Doctrine.

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[20] *On Kingship*, II, 3.

Distributism is broadly thought of, by its advocates, as an implementation of the Social Doctrine of the Church. It is so because it is a program that is consistent with the natural law and, because, in the final analysis, it will help man along the path to Heaven rather than throw him off it.

The essence of the Social Doctrine is that society is a means to an end. The temporal common good — the moral and material goods of this life — which it is society's duty to protect and foster, serves ultimately another end: the Eternal Salvation of men.[21] As a result, every law, every custom, every ordinance of the earthly community is salutary insofar as it makes man's journey to Heaven easier, and is disordered whenever it makes that journey more difficult.

St. Thomas made this point explicitly clear in his instruction to the King of Cyprus: "it pertains to the king's office to promote the good life of the multitude in such a way as to make it suitable for the attainment of heavenly happiness, that is to say, he should command those things which lead to the happiness of Heaven, and as far as possible, forbid the contrary."[22] He says in his treatise on law in the Summa that "The purpose of human law is to lead men to virtue, not suddenly, but gradually."[23] He concedes, of course that the law cannot forbid all vices, nor command all virtues, but this is a far cry from saying that the law is indifferent to virtue and vice, and seeks only to "preserve the peace" so that man can do what he pleases, as both new and old liberals tell us.

It was very correctly, if unintentionally, said by Dr. Woods recently that the essential point is the relationship between the law and morals. Someone had written to him "to point out what Distributists and other critics of the market consistently fail to acknowledge (sic): 'No one claims that anyone can, morally speaking, do simply *whatever* he wants with his property; the question is over exactly *which* uses are immoral uses, and which of these immoral uses ought also to be *illegal*

[21] "...civil society, established for the common welfare, should not only safeguard the well-being of the community, but have also at heart the interests of its individual members, in such mode as not in any way to hinder, but in every manner to render as easy as may be, the possession of that highest and unchangeable good for which all should seek" (Leo XIII, *Immortale Dei* (1885), 6).

[22] *On Kingship*, I, 15.

[23] II, i, Q. 96, Art 2, ad 2.

ones.'" The point is, rather, one which Distributists, with the Popes, consistently bear in mind; *the difference* is that the Distributists offer a Catholic answer to the question, rather than a liberal one.

As we have seen, Pius XI referred specifically to Leo XIII's teaching on the state and economic life as *"boldly breaking through the confines imposed by Liberalism"*[24] (emphasis mine). His own teaching was the same. Acknowledging the true human inclination towards evil as stemming from Original Sin, he nevertheless affirmed that the "unquenchable thirst for riches and temporal goods, which has at all times impelled men to break God's laws and trample upon the rights of their neighbors...*on account of the present system of economic life*, is laying far more numerous snares for human frailty"[25] (emphasis mine). That system could have been reformed, he says, by "strict and watchful moral restraint enforced vigorously by governmental authority,"[26] but it was not, and it has left us with a "whole scheme of social and economic life [which] is now such as to put in the way of vast numbers of mankind most serious obstacles which prevent them from caring for the one thing necessary." As such, that system must either be condemned, or the Social Doctrine denied.

This point is often lost on the opponents of Distributism, who insist that economic life is neutral and that the creation, distribution, consumption, and exchange of wealth is simply a technical process, which is affected by morality only insofar as the individuals who interact with that process choose to allow moral considerations to enter into their thoughts and actions. Such a mindset, whether the root of an erroneous conception of economic science, an infatuation with Austrian economics,[27] or a general absorption of the prevailing liberalism which has always, unfortunately, been part of American life, is fundamentally false. It is an expression of that "body of economic teaching far removed from the true moral law" which developed from "the principles of rationalism" and which, contrary to every Catholic sense of the purpose of law, civil life, and the social order, gave "completely free rein... to human passions."[28]

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[24] *Quadragesimo Anno*, 25.
[25] *Quadragesimo Anno*, 132.
[26] *Quadragesimo Anno*, 133.
[27] For more on the Austrian question, please see Appendix III.
[28] *Quadragesimo Anno*, 133.

The alternative is a conception of temporal life which recognizes the role of law and society in restraining human passions, to the extent possible and appropriate, and guiding human life, such that the whole social fabric becomes a help to salvation.

In light of this most important of all truths of Catholic Social Doctrine, it should be easy to see that Distributism is consistent with the Catholic economic vision insofar as it subordinates economic life to the ultimate purpose of man's life. It does not curtail the right of a man to own and use his private property; its entire program is designed to safeguard and defend that right, and to ensure that most if not all in society are able to benefit from it, in a matter befitting their dignity and independence as man, and not merely as potential employees. But defending private property assumes that there is something to defend it against: which is the notion that private property is an end in itself, to be amassed and multiplied and owned without limit.

"The art of amassing wealth," said St. Thomas, "which is solely concerned with money, is infinite."[29] Where that art is pursued for its own sake, where it is governed by a "profit motive" which possesses no built-in limit but is rather an end unto itself, it leads simply and directly to yet further desire for wealth: "Hence he that desires riches, may desire to be rich, not up to a certain limit, but to be simply as rich as possible."[30] The incarnation of that mentality is the modern economic system which not only encourages (by its philosophy) the unlimited acquisition of wealth, but sanctions (by its practice) an expanding field of ownership by a few at the expense of widespread and distributed ownership by many. It is this scheme of things that Distributism opposes, and for which it offers a remedy.

I have often remarked that modern society, cut off as it is from the Moral Law, is simply an example of institutionalized Original Sin. It does not reflect the Truth, but is rather more often than not an incarnation of error and sin. An interesting illustration of this is found in the hypothetical exchange of Article 1, Question 77, of the second part of the second part of St. Thomas's *Summa*. In attempting to defend the "buy low, sell high" mentality in all circumstances, without restriction, the Objector says that what is common to all men would

[29] *Commentary on the Politics of Aristotle*, v.
[30] II, i, Q. 30, Art. 4.

seem to be natural, and thus cannot be sinful. He continues, attempting to cite St. Augustine in his defense: "Augustine relates that the saying of a certain jester was accepted by all, 'You wish to buy for a song and to sell at a premium.'" St. Thomas's reply is illustrative, and reveals the essential flaw with our entire economic outlook. The Angelic Doctor further quotes St. Augustine: "'this jester, either by looking into himself or by his experience of others, thought that all men are inclined to wish to buy for a song and sell at a premium. But since in reality this is wicked, it is in every man's power to acquire that justice whereby he may resist and overcome this inclination.'" "Hence it is evident," St. Thomas concludes, "that this common desire is not from nature but from vice, wherefore it is common to many who walk along the broad road of sin." Institutionalizing this desire to buy for a song and sell at a premium is the glory of modern capitalism. Replacing this regime with one that encourages virtue, not merely internally but also by the very fabric of society, is the aim of the Distributists and all Social Catholics, who hope both for the *Restoration of Property* to the non-owning masses, and the restoration of true economic science, subordinate to the real needs of man and to the just decrees of God.

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Appendix I—a note on the "libertarian" Scholastics

In addition to citing the works of the Austrian economists, many of the opponents of Distributism are fond of citing the works of the Spanish Jesuits of Salamanca in evident defense of their liberal economic positions. However, Dr. William F. Campbell, a retired Professor of Economics with Louisiana State University, and current secretary of the Philadelphia Society, stated recently that, "Libertarians often find the quotes they are looking for in treatises on natural law which include materials on property and contracts. Unfortunately they are often taken out of context of the whole juridical and political philosophy of which they are a part. It is similar to saying that Aristotle is a libertarian because he stresses the commonsense arguments for private property."

The problem is that we're at the mercy of the pro-capitalists who quote St. Bernardine, St. Albert, St. Antoninus, the Spanish Scholastics, etc., because none of their works are available in English in complete form. Most of them quote from Alejandro Chafuen's book *Christians for Freedom* — heartily recommended by Dr. Woods in his latest article, which allegedly demonstrates that the late Spanish Scholastics were proto-Capitalists of the liberal and/or libertarian variety.

Dr. Chafuen's work, however, should be taken with the proverbial grain of salt. His work is certainly *not*the absolute standard against which Catholic's economic views should be measured. Firstly, he is — now for over 20 years — a member of the Mont Pelerin Society, a notorious exponent of the free-for-all liberalism of the classical economists, which was condemned by the Church time and again as rationalism was making its way across Europe like a veritable plague during the 18th and 19th centuries; and that rationalism is *exactly*the kind which inspires liberals and libertarians who are imbued with the erroneous notion that economics can be treated as a science independent of morals, and the role of the state should be that of a mere "watchdog" guaranteeing the maximum of license to the maximum of individuals.

Secondly, like many others arguing that the Scholastics were "proto-capitalists," he — at least in some instances[31] — omits the context surrounding his citations from the allegedly pro-capitalist theologians. As an illustration of this, I offer the following. In an address to the Philadelphia Society in 1997, he made the claim, while discussing the legitimacy of making a profit based upon information unknown to other participants in the market, that the modern economist Israel Kirzner had come to this same conclusion as St. Thomas Aquinas: "Failing to divulge information to others (without engaging in misrepresentation) may not be very noble; it may even, under certain circumstances, be deemed to be downright disgusting; but it constitutes neither robbery nor fraud." Well, in the right context the statement may be very true. In another context, however, it is completely false. St. Thomas taught, for instance, that a seller of an item which is defective, when the defect is not obvious, must declare outright the item's defect and adjust the price downward accordingly; failure to do so would render the sale "fraudulent."[32]

It is perfectly legitimate, and even obligatory if we're interested in the *truth*, to ask the following question: How many of the other isolated

[31] I don't have a copy of his book. It is — sadly or fortunately, depending upon your perspective — out of print and nearly impossible to find.

[32] "Now the seller who offers goods for sale, gives the buyer an occasion of loss or danger, by the very fact that he offers him defective goods, if such defect may

statements, offered in defense of the supposed capitalist sympathies of the great Catholic theologians of the past, have really no bearing whatsoever on the question at hand, or even misstate the actual position of those theologians?

Examples of this phenomena abound: St. Bernardine and St. Antoninus are often claimed as part of the capitalist/free-market camp. Never mind the *fact* that St. Bernardine *condemned* the practice of selling a product at a lower price than is normally established as unjust toward other participants in the market who attempt to sell at the established price (how pro-capitalist is that?), and that St. Antoninus *wanted* the just price of major commodities to be *fixed* by the state as an inducement to honest trade.[33]

We should be careful to accept the economic doctrine of the Church only from those who have an unsullied reputation for orthodoxy *in all areas of Catholic teaching, not excepting politics and economics*, and leave it to the capitalists to prove that these random, isolated statements from the late Scholastics and others have any relevance in a debate about the licitness of the modern economic order in light of the Faith.

Appendix II — further notes on the true economic science

The amount of material on truly Catholic economics abounds. I offer here some further observations for those who wish to explore the topic in greater detail.

Devas, for instance, in his *Political Economy*, says:

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occasion loss or danger to the buyer—loss, if, by reason of this defect, the goods are of less value, and he takes nothing off the price on that account—danger, if this defect either hinder the use of the goods or render it hurtful, for instance, if a man sells a lame for a fleet horse, a tottering house for a safe one, rotten or poisonous food for wholesome. Wherefore if such like defects be hidden, and the seller does not make them known, the sale will be illicit and fraudulent, and the seller will be bound to compensation for the loss incurred" (*Summa Theologica*, II, ii, Q. 77, Art 3).

[33] Chapter and verse from their works are as follows: St. Bernardine, *Opera Omnia*, vol III, p. 250, quoted by Amintore Fanfani, *Le Origini dello Spirito Capitalistico in Italia*, and St Antoninus, *Summa Moralis*, pars iii., 8, 3, iv; and pars ii, I, 16, ii, quoted by Bede Jarret, *Social Theories of the Middle Ages*.

> If we are agreed on the true philosophical view of the nature and destiny of man and of his surroundings, we ought to have little difficulty in agreeing on the position of economics among the sciences. It is a part of moral philosophy or *ethics*, which, in the widest sense, is itself that part of philosophy which regards the moral order.

And Liberatore, in his *Principles of Political Economy*, maintains that "Political Economy is of its nature subordinate to Political Science, [and] it is consequently subordinate to Moral Science, because Political Science is intrinsically and essentially dependent on Moral Science." The essential point is that for a Catholic, economics is not simply a collection of formulas, charts, graphs, and equations, built out of collections of data or abstract musings upon "how can we make the most stuff," but rather the science which has for its aim the satisfactions of man's material needs in conformity with the truth about man's final destiny and his duty upon earth to pursue it.

Hear again the *Catholic Encyclopedia*: It is for this reason that the *Encyclopedia* further states in the same entry that

> . . . the State has to exercise important economical functions. It must protect private property and see to it that in man's industrial life the laws affecting justice be carried out in all their force and vigour. But its duties do not stop here. It should pass such laws as will enable its subjects to procure what is needed for their respectable sustenance and even to attain a moderate competency. Both excessive wealth and extreme poverty involve many dangers to the individual and to society. Hence the State should pass such laws as will favour the sturdy middle class of citizens and add to their numbers. Much can be done to bring about this desirable condition by the enactment of proper tax and inheritance laws, of laws which protect the labouring, manufacturing, and agricultural interests, and which supervise and control trusts, syndicates, etc.

Noteworthy — but not surprising — in the above are the facts that (1) the duties of the State are summarized under the entry for the word "ethics," and (2) enumerated among those duties are the regulation of economic life towards the common good of the whole.

A final point. In a recent article Dr. Woods suggested that the Distributists err by demanding that the economic science reckon with moral issues: "This, I think, is one of the places where Distributists commit an error. They are indicting economics in general and the free market in particular for not doing what they were never intended to do. The market does not prevent people from using their wealth badly; nor does it possess a built-in limit on the amount of wealth that someone can acquire. Neither does the discipline of economics itself have anything to say about these matters, which properly belong to moral philosophy." Dr. Woods misses the point here at several levels.

1) Distributists don't attack economic science generally; they attack the value-free perversion of economics while defending its integrity as a science subordinate to ethics. They don't deny economic law; they refuse to concede that man should be crushed by abstract and rationalist economic law, the way he is crushed by the law of gravity, should he find himself under a falling rock! For Distributists, economic law is, as we have seen, fundamentally subordinate to moral law, which is the supreme law in all fields — including economics — in which human free will is the operative principle.

2) They don't demand that the free market provide moral constraints; they in fact concede that the free(-for-all) market provides nothing of the sort, and this is in fact one of its flaws!

3) They don't demand that an individual man be told what to do with his wealth. They demand that moral limits be observed in the workings of the economic order. So if there is in fact an inviolable moral right for a man to possess private property, then a system that deprives most of an opportunity to own productive property because of its tendency, in the name of the almighty "free market," to concentrate that property, is a system which violates the moral law. And no lengthy dissertation about efficiency and productivity can change the fact that if the right of all to possess private property is a fundamental moral tenet of the Catholic economic position, then an economic system which facilitates the continual violation of that moral tenet must bend to the moral law itself.

4) Finally, Distributists don't demand that there be a limit to the amount of wealth that a man can make (I made this point in my

original reply to John Clark; certainly Dr. Woods missed it, and he is not intentionally ignoring the issue). They demand that there be a limit to the concentration of income-generating property into so few hands that most others be compelled to work for a wage rather than with their own share of productive property. It's an essential distinction (I realize I'm repeating myself), and one which Belloc makes quite clearly in *Economics for Helen*: between wealth for consumption and wealth for future production (i.e., capital). If a family is to sustain itself securely and independently, it has a right to some sufficiency in possession of the latter.

Appendix III — A note on the alleged wisdom of the Austrian economists

Many of the critics of Distributism repeatedly cite the words of Murray Rothbard, Ludwig von Mises, and others of the Austrian school in defense of their position. This infatuation with Austrian economics is indeed a strange phenomenon among Catholics, but it makes sense to some limited degree. The modern libertarians, who trace their economic roots to the Austrian school, have some very intelligent things to say, and I find myself agreeing with many of their conclusions about the modern world (though usually *not* for the same reasons). They oppose interventionist American foreign policy, and so do I; so should all Catholics. They oppose fractional-reserve banking and favor sound monetary policy; so do I, and so should all Catholics. They oppose an unnecessarily big national government; so do I, and so should all Catholics. They oppose Socialism; so do I, *so did Belloc*, and so should all Catholics.

But a failure to understand and analyze the "why" behind their position, and substituting for that analysis a naïve, blanket acceptance of all of their utterances is also *impossible* for a Catholic. The Austrian economists were liberals, plain and simple, following on the heels of the French Physiocrats and the liberal English Political Economists. They opposed socialism *not* because it violates the natural law as taught by true philosophy and confirmed by Revelation, but because it is less efficiently productive of material wealth than the free market. This is not the *Catholic* critique of socialism. Furthermore, the original Austrian crusade was to assert the validity of economic "law" against the German Historical School of economics, which maintained that such laws were a fiction. But the "laws" which the Austrians maintained have *nothing* whatsoever to do with the Natural Law of philosophical realism and the Catholic Faith.

It should not be a surprise, then, that the Austrians display a woeful ignorance of the ideas and principles which underlie the Social Doctrine of the Church, based as it is upon the philosophical and religious Truth about man and society. Von Mises's ignorance of the very notion of a truly Catholic Social Order is evident in the following little snippet, among others, from his famous work, *Socialism.* Here he attempts to explain the antagonism displayed by the Church toward Liberalism, from a standpoint which is (obviously) profoundly anti-Catholic in spirit, shallow in its reasoning, supremely ignorant of the Faith, and therefore unable to conceive of a Creed which transcends the worn-out poles of Left and Right:

> Historically it is easy to understand the dislike which the Church has shown for economic liberty and political Liberalism in any form. Liberalism is the flower of that rational enlightenment which dealt a death blow to the regime of the old Church and from which modern historical criticism has sprung. It was Liberalism that undermined the power of the classes that had for centuries been closely bound up with the Church. It transformed the world more than Christianity had ever done. It restored humanity to the world and to life. It awakened forces which shook the foundations of the inert traditionalism on which Church and creed rested. The new outlook caused the Church great uneasiness, and it has not yet adjusted itself to even the externals of the modern epoch. True, the priests in Catholic countries sprinkle holy water on newly laid railways and dynamos of new power stations, but the professed Christian still shudders inwardly at the workings of a civilization which his faith cannot grasp. The Church strongly resented modernity and the modern spirit. What wonder, then, that it allied itself with those whom resentment had driven to wish for the break-up of this wonderful new world, and feverishly explored its well-stocked arsenal for the means to denounce the earthly struggle for work and wealth. The religion which called itself the religion of love became a religion of hatred in a world that seemed ripe for happiness. Any would-be destroyers of the modern social order could count on finding a champion in Christianity.

Liberalism had "transformed the world more than Christianity had ever done[, and] restored humanity to the world and to life." How charming. Obviously the old days of Workingmen's Guilds and economic life properly *subordinated* to morals were devoid of life and humanity; true enough, insofar as moral, legal, and canonical limits that are active in the social fabric, and not simply a matter of private conscience, extinguish the "life" of license which all true liberals long for.

Conclusion

Because the editors are distributists, and believe strongly that the distributists have the better of the argument, many readers will undoubtedly expect this conclusion to contain a denunciation of capitalism, or even a point-by-point flow of the debate, explaining exactly how Mr. Sharpe's final article demolished all of capitalism's comers. They shall be disappointed. Readers are perfectly capable of analyzing the argument and observing where each author's points were unopposed or undefeated in the flow; they require no assistance from arrogant editors. This conclusion is not intended to be a redundant repetition of the above debate in condensed and partisan form.

Rather, this conclusion is intended as a summary of the *whys*, rather than the *whats*; it will explain why this debate is important and what to do with it, rather than who won which particular points. Why should any Catholic care about distributism or capitalism, when babies are being murdered every day and Western civilization is in shambles? Are economic questions important enough to occupy our thoughts and prayers in such dire and desparate circumstances?

The answer is an unequivocal "yes." Economic matters are of primary importance; indeed, even Pope John Paul II once stated that the Church's social teachings are "an essential part of the Christian message."[1] Christianity is, of course, a message for individual men: that Christ is their true king, and will deliver them from their sins and bring them into His kingdom, everlasting life. Capitalists and distributists alike recognize this fact, and neither has made any move to question it.

However, Christianity is also a message to societies: that Christ is also their true king, and that they must submit themselves to His law

[1] John Paul II, *Centesimus Annus*, no. 5.

if they wish to govern properly. The Church, as always, is the arbiter and interpreter of what Christ wishes societies to do. The Church does not dictate specific social mechanisms; however, the Church does enunciate general principles which societies must obey. To the extent that societies do obey them, they are good and Christian societies; to the extent that societies do not, they are not good, and are out of accord with God's law.

The economic question, then, is of great import: only by answering and understanding it can Catholics make efforts to bring not only their own lives, but also their communities' and states' lives, into conformity with the law of God as taught by His Holy Church. This debate has undoubtedly helped many Catholics come to a better knowledge of this question and form their conclusions; this conclusion shall not usurp their efforts. If this reader has improved his comprehension of the Church's economic teaching; if he has a better idea of how to implement his Catholic principles in the public sphere; then this work has performed its task.

No other conclusion is necessary.

Appendices

Morality and Economic Law

Dr. Thomas Woods

Editor's Note: When contacted for permission to publish his articles in this book, Dr. Woods requested that this talk also be included, as he did not think that the articles included in the debate adequately reflected his position. This has been done, followed by an additional article detailing the distributist position.

TWO YEARS AGO I delivered a paper at the Austrian Scholars Conference called "Catholic Social Teaching and Economic Law: An Unresolved Tension." I was gratified by the amount of discussion it provoked at the time and in the months that followed. In a paper delivered later that year, Professor Richard Dougherty of the University of Dallas, who was not altogether persuaded by what I had had to say, nevertheless described my position very well:

> The approach found in many of the encyclicals has led the Church to attempt to impose on the economic order principles external to the science of economics, and thus, it promotes policies that are bound to fail, and that will bring disrepute to the Church, leading people to reject its teachings as unserious.... [T]he principles of economic activity are orderly and unchanging, and attempts to impose particular policies from outside of that system reflect a lack of comprehension or recognition of the reality of the economic order.

Shortly after delivering the paper, I began receiving correspondence urging me to expand the argument into a full-length book. I am happy to report that that project is now complete, and that the manuscript is under review as I speak to you.

The points I made in that paper have been a source of controversy in some Catholic circles even as they were happily welcomed in others. In my remarks today, therefore, I wish to do three things. First, I shall briefly dispense with the implicit — and at times not so implicit — claim heard in certain quarters that someone who takes the economic views I have adopted involves himself in "dissent" from Church teaching. As I show at much greater length in my book, the nature of economics as a positive science possessing an internal coherence of its own renders this claim perfectly nonsensical. Second, I wish to speak at some length about a single example – that of labor and wage rates – that demonstrates the importance of sound economic analysis to proper moral judgment, and which provides a passing glimpse of some of the difficulties and frustrations with which the Catholic Austrian has at times had to reckon. Finally, I wish to say a few words about the philosophical attractiveness of Austrian economics from a Catholic point of view.

Economics as a Science

My critics notwithstanding, the primary claim I am making is not that there is no moral dimension to the economic order. Fraud, theft, and malicious failure to meet contractual obligations are crimes that amply merit the condemnation of the moral theologian. Moreover, one can raise no objection when a churchman expresses his concern regarding the material well-being of families and suggests that morally licit methods of improving it should be pursued. My point is simply this: *as soon as he recommends the best or most effective way to carry out that intention* — via minimum wages, various mandated benefits, heavy taxation on the wealthy, or whatever — he is entering a field in which his conclusions must be evaluated not on the basis of his authority as a churchman but instead on the rigor of the argument he makes on their behalf.

If a churchman possessed some special insight into economics merely by virtue of his exalted authority, why not into other disciplines as well? Why should this special insight not extend, say, to architecture? As soon as we thus extend it, however, we see the logical problem with applying moral analysis to a value-neutral, scientific discipline. It is certainly quite acceptable to say, for example, that churches should be constructed in such a way as to give to God the proper honor that is due to him, but it is quite another to employ a moralistic idiom to pronounce upon how many supporting columns are necessary to keep them standing, or what kind of building materials are the most desirable from the point of view of structural soundness. These questions are obviously well outside the legitimate province of the moral theologian.

Issues surrounding the well-being of the workingman can help illustrate the point. Although in his encyclical *Longinqua Oceani* (1895) Pope Leo XIII appeared to endorse only voluntary unionism rather than the coercive variety with which Western nations are intimately familiar, individual bishops, theologians, and lay defenders of the Church's social teaching often fail to make such a distinction, taking it for granted that a Catholic's support for the interests of labor includes endorsing the various special privileges that labor unions presently enjoy under the law. In short, hardly anyone who claims to speak for the Church on economic matters calls for a completely free labor market today.

But if I can show that coercive labor unionism must have the overall effect of impoverishing society more than in proportion to any "gains" won by unionized labor, and that unionized labor itself would be better off in a society with a free labor market, I cannot be obliged in conscience to believe coercive labor unionism to be a good thing from the point of view of workers' economic well-being. We are dealing here with a matter of simple disagreement on a debatable point of fact – qualitatively different from the denial of the Virgin Birth, the Immaculate Conception, or the equality of the three Persons of the Holy Trinity.

However, there are plenty of commentators who cannot or will not make this kind of distinction. For example, Todd Whitmore, an associate professor of theology at the University of Notre Dame, has raised the question of whether the free-market positions adopted by author Michael Novak "constitute formal dissent on Novak's part." "I believe that they do," Whitmore concludes.

What neither Whitmore nor any other commentator has taken the trouble to answer is how it makes sense to speak of "dissent" from teaching one believes to be based on factual error on a matter on which the Church has been promised no divine protection from error. Had a series of popes said that two and two made five, it would be unreasonable to call someone a "dissenter" who argued that in fact they made four, particularly since mathematics is not a discipline into which the popes have been granted any special insight. The very notion of dissent is obviously inapplicable in such a case. And if economics is just as legitimate and internally coherent a discipline as mathematics or any other field of study, the same boundaries should apply in this case as in those.

This is precisely the nature of the critique offered by Novak and even more so by my own work. (If anything, the problem with Novak's position is not that it is too pro-market but that it is far too timid in its endorsement of the market.) We are not dealing here with the pertinacious denial of a solemn dogma believed by the Church for two thousand years that the conscience is absolutely bound to accept, but rather with a good-faith effort on the part of loyal Catholics to amend certain economic positions which, though advanced in the name of helping the poor or rectifying alleged injustice, have had and indeed must have the opposite effect.

Still, there are those who would stifle healthy and vigorous discussion of economic issues in the name of authority. "We need a Mandatum," say Mark and Louise Zwick of the politically leftist *Houston Catholic Worker*, "to ensure that the economics taught in Catholic universities will reflect the social teaching of the Church." Such a demand is both an embarrassment to the Church and an outrageous offense against a legitimate sphere of academic freedom within the university. It also reveals a profound confusion regarding the very nature of economics and of the Church's Magisterium itself.

As I have indicated, it can be shown on the basis of theoretical argument and of empirical evidence that coercive labor unionism makes some workers worse off; Richard Vedder and Lowell Gallaway of Ohio University have also shown that labor taken collectively is much worse off than it would have been had a free labor market prevailed over the past half century. To be sure, that conclusion appears to contradict the implied conclusion of Catholic social teaching that labor unionism is a legitimate means for workers to advance their interests, and one that Catholics should favor. What, exactly, would the Catholic university endorsed by the Zwicks do with such information as Professors Vedder and Gallaway provide? Ignore it? Assume a priori that it must be false? Would I be fired for communicating such subversive information to my students? If so, would the Zwicks, before firing me, at least do me the courtesy of explaining where my logic was mistaken, or am I simply to assume that logic is not welcome in their "Catholic" university, since its conclusions are disappointing from the point of view of the social teaching?

Those of us who belong to the Church and are persuaded by the claims of Austrian economics insist upon the legitimate liberty of opinion that is supposed to be permitted in matters that do not touch upon Catholic dogma, and on which men of good will may disagree. St. Augustine is said to have remarked, "*In fide, unitas; in dubiis, libertas; in omnibus, caritas*" (in faith, unity; in doubtful matters, liberty; in all things, charity). Such liberty of opinion on economic matters is generally recognized in practice. No one is suggesting that the sixteenth-century Spanish Scholastics, who held a number of proto-Austrian economic ideas, be declared heretics for that reason – though they certainly would be considered heretical had they denied an actual Catholic dogma: the Incarnation, the Trinity, the two natures in Christ, and so on. The Spanish Scholastics remain profoundly admired by Catholics as the great intellects they were – unthinkable if they had pertinaciously taught perverse error.

When in the early twentieth century Msgr. John Ryan put forth his moral arguments for a family wage for a head of household, he was criticized by some in Catholic scholarly circles. The *Catholic University Bulletin* published a lengthy critique of Ryan in 1907 – and as anyone familiar with that publication knows very well, its editors would never have published anything they believed to be in conflict with the tenets of the Catholic faith. That they nevertheless published critiques of Ryan reveals that they were able to make the elementary distinction between matters of Catholic dogma and matters which, by virtue of their reliance upon analysis borrowed from a secular discipline, are necessarily excluded from the infallibility that the Church claims in matters strictly pertaining to faith and morals.

Pope Pius XI made a significant concession in his encyclical *Quadragesimo Anno* (1931), which marked the fortieth anniversary of the issuance of Leo XIII's seminal *Rerum Novarum.* He acknowledged that limits must exist to what the moral theologian may legitimately say within the economic sphere, since "economics and moral science employs each its own principles in its own sphere." To be sure, the Pope then went on to deny that "the economic and moral orders are so distinct from and alien to each other that the former depends in no way on the latter." But once it has been conceded that economics is a bona fide science possessing an internal coherence of its own, problems immediately arise for those who would claim that Catholic social teaching definitively settles all major economic matters in an absolute and binding way. As A.M.C. Waterman points out, this concession by Pius XI "throws doubt on the authoritative character of that very substantial part of Catholic (or at least papal) social teaching which consists not of theological and ethical pronouncements, but of empirical judgments about the economy."

This is the fundamental issue, as yet unresolved, in Catholic social teaching from the perspective of the supporter of the market. The moral argument advanced in favor of such teachings as the "living wage" is inextricably bound to certain economic preconceptions. But if those economic preconceptions are incorrect, what happens to the moral analysis whose conclusions are based on them? For instance, churchmen have wanted to increase the material well-being of workers, and some have not ruled out the imposition of a government-mandated "living wage" in order to do so. But what if such legislation increases unemployment? Should this not be a factor in our moral evaluation of living-wage legislation? Furthermore, what if we can show that real wages are reliably increased across the board not by intrusive legislation but by an economic order that leaves capital accumulation unhampered, thereby increasing the productivity of labor? Facts like these must inform our judgment of such important matters.

This is the primary difficulty with some of what goes by the name of Catholic social teaching. And it is this, rather than any lack of loyalty to the teaching office of the Church, that accounts for why so many genuinely faithful Catholics have had difficulty lending their wholehearted support to these positions.

William Luckey, chairman of the department of political science and economics at Christendom College, shares this concern. "The fact that Catholic economic teaching, put forth as unchanging and required of belief, did not square with what Austrian economists know to be true, has created an agonizing crisis of conscience for such economists." All these economists have tried to say is that if churchmen wish to weigh in on important economic questions, they cannot do so in a way that legitimately binds the conscience unless they pay very serious attention to what the secular discipline of economics has to say.

The Anti-Marxist Insight of Leo XIII

In *Rerum Novarum*, Pope Leo XIII insisted that there was no inherent antagonism of interests between labor and capital. This point strikes at the heart of Marxism, of course, since that ideology posited a war of class against class as the normal and unavoidable condition of the market economy. The Pope may not have realized the full import of the point he was making. The analysis that follows may, I hope, vindicate his claim more decisively than he may have thought possible.

What I want to show here, in brief, is that in fact the normal operation of the market tends toward an increase in the laborer's standard of living. So benevolent an institution is the market that no one's gain has to come at the expense of anyone else. Everyone can gain simultaneously. That being the case, it is this approach that Catholics should take when seeking to increase people's standard of living – not only because it is the only way that can improve everyone's economic well-being at once, but also because it does so in a way that sets up no artificial antagonism between labor and capital, as does all proposed legislation that would have increases in the worker's well-being come at his employer's coerced expense.

In my opinion, one of the most important contributions of George Reisman's book (1996) is the author's "productivity theory of wages." Given my limited time this morning I can only sketch Reisman's argument, though I do him considerably more justice in my forthcoming book.

First, a proviso. In an economy with an expanding money supply, it is conceivable for everyone to earn more money at the same time, and for the prices of all goods to rise on a steady and regular basis. This, of course, is a description of the American economy for most of the twentieth century. But these features of our inflationary economy obscure the actual process by which our living standards are increased, because they mislead us into thinking that the source of our increased prosperity is the greater quantity of dollars we tend to receive over time for our services. For the sake of conceptual clarity, therefore, we imagine in what follows an economy with an unchanging quantity of money.

The key to the process whereby the unhampered market increases the average standard of living involves business investment in capital goods that increase the productivity of labor — that is, the amount of output that each worker is capable of producing. A forklift makes it possible for a worker to move and stack far more pallets than before, and to reach heights that would have been impossible with his bare hands. Other kinds of machinery can multiply the efficiency of a single worker many times over, sometimes even by orders of magnitude. The amount of goods the economy is capable of producing rises, at times even explodes. This is how wealth is created.

As a result of such capital investment, firms can now produce many, many times more goods than before, and at considerably lower cost. Thanks to the pressures of market competition, firms pass on these cost cuts to consumers in the form of lower prices, better quality merchandise, or a combination of both. The ordinary person's standard of living increases, therefore, not because government takes from the rich to give to him — that kind of simple theft would only undermine the process herein described — or because labor unions "struggle" with employers to win him concessions. His standard of living increases because on the unhampered market business firms are in a position to invest in machinery that makes it possible for more and more goods to be produced with fewer and fewer hands, thereby increasing the overall amount of material goods available and rendering them less and less expensive. As Reisman explains, "It is the productivity of labor that determines the supply of consumers' goods relative to the supply of labor, and thus the prices of consumers' goods relative to wage rates." (That this process tends to increase all real incomes and not just wages in no way minimizes the fact that it does contribute to an increase in real wages.)

It should be unnecessary to point out that this does not mean that we will run out of jobs. As long as human wants remain even partially unfulfilled, there will never be a shortage of jobs. In some fields, such as agriculture, the increase in output made possible by productivity gains will not be met by a proportionate increase in consumption, and will therefore result in fewer workers employed. But this released labor is now available to produce other goods that we could not have had before, since it had been tied up in agriculture. Again, the result is greater wealth. In other fields, such as automobile manufacturing, productivity increases will make possible a mass market in a product that had once been a mere luxury, and will therefore attract more employment. In both cases, the great mass of consumers are enormously benefited.

To say the least, this is not the description of events that we find either in the typical history text or, unfortunately, in the statements of bishops' conferences. Instead, we hear that massive redistribution of wealth from rich to poor was and is morally necessary and economically indispensable in order to improve the lot of the least wealthy. But that kind of policy would have done absolutely nothing to improve the standard of living of workers who lived during the early Industrial Revolution. As Reisman puts it, "If one person in a thousand, say, is a wealthy capitalist, and eats twice as much and has twenty times the clothing and furniture as an average person, hardly any noticeable improvement for the average person could come from dividing the capitalists' greater-than-average consumption by 999 and redistributing it." At best, therefore, such wealth redistribution would have been useless in eradicating the poverty of the past; at worst, by discouraging the wealthy from investing, such an approach would only have inhibited the process of wealth creation we have described here, and diminished or halted altogether the progress toward a higher standard of living that would otherwise have occurred for the great mass of the population.

The salutary process by which the free market leads to an ever-higher standard of living occurs without having to threaten violence against anyone or to confiscate anyone's wealth by force. It certainly occurs very much in spite of destructive and ill-considered campaigns for a "living wage" — carried out, all too often, in the name of Catholic social teaching — which utterly fail to understand how this process occurs and which only make it more expensive to hire people in the first place. Pope Leo XIII's point that there is no necessary antagonism between labor and capital could enjoy no greater and happier vindication than this wonderful, mutually beneficial process. Labor and capital alike should want the same thing: an economic environment with as little taxation as possible (even none at all), and an environment in which business investment and expansion are unhampered. How could this conclusion not be central to sound and sensible moral reasoning?

This kind of analysis dramatically simplifies the process of making moral and economic sense of such subsidiary issues as working hours and working conditions. Didn't workers in the past have to work very long hours? Certainly. There is no doubt that by today's standards, people in the nineteenth century did indeed work an exhausting schedule. But, again, when output per worker is miserably low, then a supply of consumer goods that most people consider adequate requires people to work correspondingly long hours to produce them all. That, and not the wickedness of big business — as the typical textbook relates the matter, with dreary predictability — accounts for the low standard of living and long hours of work that existed in the past. As the productivity of labor increases, and with it the level of real wages, people can begin to opt for additional leisure rather than continue to work the long hours of the past. Without the need for any legislation whatever, a situation will eventually arise in which employers find offering correspondingly fewer hours to be in their own economic interest, and will offer them without the need for government coercion. If someone who once worked 80 hours per week now wishes to work only 60 (that is, three-fourths as many hours), and is willing to accept a wage less than three-fourths that of his previous wage as a premium on the leisure he will now enjoy, it makes perfect sense for his employer to offer these terms.

To the extent that maximum-hours legislation corresponded with people's desire to work fewer hours, it was superfluous, since such an outcome would have come about by means of the process just described. But to the extent that such legislation was economically premature, forcing fewer hours on workers who needed the wages of their longer hours in order to maintain what they considered an adequate standard of living, it harmed the very people it was allegedly intended to help.

The same can be said for legislation to improve working conditions, which was praised by Pius XI in *Quadragesimo*. Improvements in working conditions that pay for themselves in terms of less workplace damage and disruption will of course be readily adopted by any profit-seeking enterprise. But even improvements that do not pay for themselves will still be adopted in cases in which the wage premium that would have to be offered to attract workers in the absence of the improvement would be higher than the cost of simply introducing the improvement.

The only non-arbitrary way of introducing an improvement like climate-controlled facilities, therefore, and the only way of doing so that does not price workers out of jobs entirely or impoverish society out of proportion to the satisfaction derived by workers now enjoying climate control, is by paying attention to the market. Everyone knows that certain lines of work, because of their difficulty or because of undesirable or unpleasant aspects of the labor involved, carry a wage premium to attract sufficient workers by compensating them for these negative factors. As time goes on and more and more places become climate controlled, the wage premium for non-climate-controlled workplaces will rise. The wage differential that the non-climate-controlled workplace must pay in order to attract workers away from employers with climate-controlled facilities may eventually reach a level at which it would be less expensive for the firm simply to install climate control rather than to go on paying higher wages than their competitors who provide climate control. The market thus allows for rational allocation of resources, and helps to ensure that improvements in workplace conditions — which, after all, have no logical limit: who would not want five-hour lunch breaks, the services of a masseuse, and an office with a view of Niagara Falls? — do not come at the expense of other goods that workers and consumers value more. There is no such thing as a free lunch, economists sometimes say, and any improvement in working conditions must come at the expense of something else that must now be foregone. There is no way, in isolation from market exchange, that improvements in working conditions can be rationally compared with these foregone opportunities.

Most people, including numerous recent popes, take for granted that the government must enact legislation governing working conditions. Now certainly the popes would oppose state-mandated safety requirements so stringent as to cause serious disruption in employment. As free-market economists have suggested, however, there is only one non-arbitrary way of ensuring that increases in working conditions do not come at the expense of other goods that society at large as well as workers themselves value more highly. That way involves market exchange. For that reason, therefore, there is nothing subversive or objectionable taking place when a Catholic recommends the market as the best way of implementing the popes' concern for working conditions, even if this particular solution may not have occurred to them (as indeed it does not occur to most people).

A similar analysis can also shed light on the problem of child labor, the source of a great deal of uninformed moralizing. Far from a product of the Industrial Revolution, child labor has existed since the beginning of time. When the productivity of labor is hopelessly low, parents naturally think of children as economic actors who can contribute to the well-being of their families. Without their children's participation in the family's work, the entire household could suffer terrible privation. This is a fact of life in poor, low-productivity societies that no "progressive" legislation can wish away. As Anna Krueger writes, "The issue of child labor is vexing: there are legitimate issues of intolerable working conditions, but employment of children may provide food that prevents a family from starving. In some instances, also, it may provide girls with an alternative to forced early marriages." Even the International Labor Organization conceded in a 1997 report, "Poverty, however, emerges as the most compelling reason why children work. Poor households need the money, and children commonly contribute around 20 to 25 percent of family income. Since by definition poor households spend the bulk of their income on food, it is clear that the income provided by working children is critical to their survival."

To say that legislation can bring about an end to child labor is akin to saying that someone's fever could be cured by dousing his thermometer in ice. The only way child labor can come to a genuine end is when the need for it has dwindled or disappeared. In societies where the productivity of labor has risen sufficiently — in other words, when the labor of fewer people is now necessary to perform the same amount of work as before — the contribution of children to the productive process no longer carries the same urgency. In wealthy societies like these, parents have the luxury of keeping their children at home, and in our own case, even providing them with over twelve years of formal education by age 18. Again, this outcome could not have been wished into existence. It had to be brought about through a dramatic increase in the productivity of labor — in other words, by the capital investment that occurs on the unhampered market.

Those who, out of a combination of legitimate humanitarian concern and unfortunate economic ignorance, attempt to accelerate this process by means of legislation prohibiting child labor only add to the very misery they claim to be alleviating. It is only because such humanitarians have spent their lives in the fantastically wealthy capitalist societies of the West that they could have failed to realize that dire poverty, which makes child labor inevitable, has been the lot of the entire human race for the great majority of its history. The fact is, legislation or no legislation, the typical family in a very poor country still needs the income the child's work brings. If the law prevents their children from being employed legally, then – supposing they do not want to starve – they are likely to employ their children illegally, where conditions are almost certain to be far worse. In fact, in exceedingly poor societies where liberal humanitarians have prohibited child labor, it is not uncommon to find that the children wind up in prostitution – hardly an improvement in their welfare, to say the least. In fact, Oxfam, the British charity, recently reported that when factory owners in Bangladesh gave in to pressure to fire child laborers, thousands starved or went into prostitution.

In light of our discussion of wages and how they are increased, we are in a better position to evaluate Pius XI's statement in *Quadragesimo Anno* that all men must be paid a wage sufficient to support their families in reasonable comfort, and that where this is not possible "social justice demands that changes be introduced as soon as possible whereby such a wage will be assured to every adult workingman." According to our analysis of wages, when *Quadragesimo* instructs us to introduce changes in order to make a living wage available to workingmen, we should comply by removing as many obstacles to investment as possible, and eliminating taxes on capital, "excess profits," and the like. Unfortunately, certain ecclesiastical documents seem to call for just the opposite. Such ill-considered recommendations only underscore the importance of sound economic reasoning to sensible moral judgment. "What was wrong with Catholic social thought in the nineteenth century," writes Fr. James Sadowsky, "was not so much its ethics as its lack of understanding of how the free market can work. The concern for the worker was entirely legitimate, but concern can accomplish little unless we know the causes and the cures for the disease."

Strangely, little or no acknowledgment is made in papal economic writings since 1891 of the enormous increase in living standards that became evident among the great mass of the population from the Industrial Revolution to the present, or the substantial increase in the purchasing power of wages that occurred throughout the nineteenth century, the century of *laissez-faire*. This is surely one of the most outstanding features of modern European economic history, yet for some reason it features not at all in the social encyclicals. To the contrary, the social encyclicals routinely speak as if the workers' condition had actually stagnated or even deteriorated (as indeed popular opinion continues to believe). Professor Luckey writes that it is "hard to excuse Leo XIII" for his statements to this effect. "Using life expectancy figures, which ought to have been available to Leo, it is clear that at the dawn of the nineteenth century life expectancy in England was about 37 years, but after 1871–5, about 20 years prior to *Rerum Novarum*, there is an acceleration in life expectancy with no setbacks, so that by 1900 English life expectancy is about 50. Real per capita income begins to soar immediately after 1800 in all of Europe."

Let me offer one additional consideration before closing this section. When dealing with wage rates, a moral question that is hardly ever asked, but should be, by those who advocate "living wage" legislation is why the obligation of charity should fall entirely upon the shoulders of the employer. Fr. Sadowsky argues that the very fact that an employee has accepted employment is an indication that he expects to be made better off than he would have been had he attempted to go into business for himself. Thus in the case of a worker in dire need, while "certainly from a Christian point of view we ought to help him meet his needs, the question that *ought* to arise is this: "Why, however, should it be precisely the *employer* on whom this obligation falls, if in fact the employer is not worsening but bettering the condition of his employee?" Advocates of the minimum wage, living wage, and family wage never even raise this fairly critical question. As two other scholars recently put it, "If you want to give money to poor people, why not just go ahead and do it?"

Catholicism and Austrian Economics: Concluding Thoughts

Let me be clear: those of us within the Church who advocate the Austrian approach to economics are not demanding that the popes preach Austrian economics from the Chair of Peter. No one with any knowledge of the development of economic thought among churchmen over the centuries would dare to claim that a single view could constitute "Catholic economics." Against those who suggest that a Catholic may look at economic matters in only one way, Professor Daniel Villey reminds us that "Catholic theology does not exclude pluralism of opinions on profane matters." We do not claim that ours alone is "Catholic economics," but merely that what we teach is not only not antagonistic to, but in fact is profoundly compatible with, traditional Catholicism.

A profound philosophical commonality exists between Catholicism and the brilliant edifice of truth to be found within the Austrian school of economics. The Austrian method of praxeology should be especially attractive to the Catholic. Carl Menger, but above all Mises and his followers, sought to ground economic principles on the basis of *absolute truth*, apprehensible by means of reflection on the nature of reality. What in the social sciences could be more congenial to the Catholic mind than this?

Likewise, Austrian economics reveals to us a universe of order, whose structure we can apprehend through our reason. As Professor Jeffrey Herbener explains, "A causal-realistic approach to economics arose in Christendom because only there did scholars conceive of nature as an interconnected order, created in the flux of time by God out of nothing, and governed by God-ordained natural laws that human intellect could discover and use to comprehend nature, with the goal of ruling over it for God's glory." The alternative is the world of John Stuart Mill, who posited that it was entirely possible that we might find some place in the universe where two and two do not make four – a view which, in Herbener's words, "is grounded in the metaphysical position that the universe is not an orderly creation." Which one is more compatible with Catholicism should not be difficult to discern.

The Church has always maintained that faith and reason are not in conflict, but rather constitute two harmonious paths to truth. That is the approach toward the secular world that makes the most sense for a

Catholic, and for which there exists considerable precedent throughout history. In the second century, St. Justin Martyr spoke of the "seeds of the Word" to be found in the ancient Greeks, and Clement of Alexandria insisted that the great works of the Greeks be studied at his renowned catechetical school. St. John of Damascus (John Damascene) adopted the same attitude. He favored the study and use of what was good in Greek philosophy because "whatever there is of good has been given to men from above by God, since 'every best gift and every perfect gift is from above, coming down from the Father of lights.'"

In my book on Catholic intellectual life during the Progressive Era, I show that the same type of interaction with secular knowledge was at work in the early twentieth century as well. It is simply not possible to question the doctrinal orthodoxy of the men I profiled in that book. At the same time, they were not afraid to engage in selective appropriation of the best of secular thought wherever it contained an insight that might be of benefit to the Church, all the while keeping the Faith itself free from profanation.

Yet while the Church has not hesitated in the past to make use of whatever secular knowledge has to teach, what is especially interesting about the present case is that the secular truths that economic theory has to teach were in some cases anticipated or even discovered by some of the Church's own theologians. The Austrian School carries forward a great many of the economic insights of the late Scholastic theologians – a source of pride, not shame, for modern-day Catholics. The Scholastics perceived clear relationships of cause and effect at work in the economy, particularly after observing the considerable price inflation that occurred in sixteenth-century Spain as a result of the influx of precious metals from the New World. From the observation that the greater supply of specie had led to a decline in the purchasing power of money, they came to the more general conclusion – an economic law, as it were – that an increase in the supply of any good will tend to bring about a decrease in its price.

The Austrian School also shows what reason, properly exercised, can accomplish, and surely this is something that Catholics, who have always granted reason its rightful due, ought to appreciate. The great economic treatises of Ludwig von Mises and Murray N. Rothbard begin with the axiom that human beings act, and proceed to the elaboration of an entire economic system from this irrefutable premise and a few subsidiary postulates. Austrians reject the mathematization of the discipline that other paradigms have encouraged, and dismiss artificial models that reduce man to a mere atom. They are methodological dualists who insist that the study of man, who unlike animals and inanimate things is endowed with reason and free will, is something unique, conceptually distinct from the study of the physical universe, and they criticize the attempt to fashion economics along the model of physics and the hard sciences.

This, clearly, is a system that is eminently congenial to the Catholic mind.

Economics does not contain all the answers of life, nor does it claim to. It does, however, show how the morally acceptable desire for profit leads to spontaneous social cooperation that obviates the need for a bloated state apparatus to direct production. It shows us the fascinating mechanisms by which peaceful social cooperation, without the initiation of physical force, leads to overall prosperity. This means less disease, more leisure time to spend with our families, and greater opportunities to enjoy the good things of civilization.

In *A Humane Economy*, Wilhelm Ropke wrote:

> What overweening arrogance there is in the disparagement of things economic, what ignorant neglect of the sum of work, sacrifice, devotion, pioneering spirit, common decency, and conscientiousness upon which depends the bare life of the world's enormous and ever-growing population! The sum of all these humble things supports the whole edifice of our civilization, and without them there could be neither freedom nor justice, the masses would not have a life fit for human beings, and no helping hand would be extended to anyone.... Romanticizing and moralistic contempt for the economy, including contempt of the impulses which move the market economy and the institutions that support it, must be as far from our minds as economism, materialism, and utilitarianism.

That is sound advice from a wise man. It also happens to be the very message that Catholics working within the Austrian tradition have themselves been trying to convey.

Preface to Amintore Fanfani's *Catholicism, Protestantism, and Capitalism*

Directors of IHS Press

> *Catholics, so long as they held closely to the social teachings of the Church, could never act in favour of capitalism.*
>
> Amintore Fanfani
>
> *To try to run an economy by the highest Christian principles is certain to destroy both the economy and the reputation of Christianity.*
>
> Michael Novak

Catholicism*, Protestantism, and Capitalism* was last published in 1984, at which time Notre Dame University Press issued its edition with two introductions: one which accepted the book's basic premise, and another which trashed it.

Thus part of the reason for making Fanfani's classic work available again is to set the record straight, and to put to rest the arguments advanced against it by libertarian "economists" and war-mongering neo-conservatives, who suggest that the intellectual roots of capitalism are compatible with — and even a natural outgrowth of — the tradition of thought and culture bequeathed to us by the Catholic Church.

Fanfani's contention is just the opposite: that "there is an unbridgeable gulf between the Catholic and the capitalistic conception of life." While most criticisms of that position are ably refuted throughout the book, it may be too much to expect — in this era of spin and media magic — that a reader will approach this text with a mind open enough to be persuaded by it. Such a sad state of affairs is due in no small part to the work of a single man who has come to represent all that Catholic thought has to say on economic subjects: that man is Michael Novak.

In 1978, "intrigued by the relationship between religion and economics," Novak joined the American Enterprise Institute, founded to preserve and strengthen "private enterprise," among other things. In 1979 he made his first public defense of capitalism; he has been hard at work developing a "theology of capitalism" ever since. His "theology" is expressed mainly in two books, the 1982 *Spirit of Democratic Capitalism* and the 1993 *Catholic Ethic and the Spirit of Capitalism*. Both were also AEI projects; and the latter included a revision of the Introduction that criticized Fanfani's book in its 1984 edition — it, too, written by Michael Novak.

It can of course be argued that Novak is read exclusively by the "neo-con" crowd, that his following is limited, that few Catholics care what he thinks. All happily true, to some extent. This new edition of Fanfani's work is intended to appeal to a range of people who, regardless of Novak's position, are predisposed to second thoughts about the way capitalism works: traditionalists, agrarian conservatives, anti-corporate leftists, etc. Nevertheless, among Christians, particularly in America, there remains an almost total conviction that capitalism is simply *the* way of doing business. But as Fanfani demonstrates in his book, the notion that capitalism is *the* ideal economic system is — especially for Catholics — inadmissible and indefensible.

Sixty years ago, however, living in the shadow of the Depression and Pius XI's *Quadragesimo Anno*, most Catholics accepted, *at least in principle*, that unbridled capitalism isn't all it's cracked up to be. Today such an assumption is found only among "left-wing" Catholics whose commitment to the material betterment of the masses is often rooted in a Socialist tradition as antithetical to the Faith as its capitalist ancestor. The absence of a truly Catholic conception of anti-capitalism from the 1960s onward must be chalked up to a total failure of Catholic clergy and laity to articulate and understand the Social Doctrine of the Church, a Doctrine constituting — despite attempts to discredit the phrase — *the* third way that transcends the tyranny of both Market and State.

The rise of Socialist anti-capitalism among Catholics was a boon for the capitalists. Absent a robust Catholic Social Teaching, socialism tends to "monopolize" the anti-capitalist position, providing the opportunity for "conservatives" to dismiss it along with Socialism itself.

Re-enter Mr. Michael Novak, "reformed" socialist.[1] When he left Socialism to embrace the "free economy," he didn't abandon his "concern" for the poor (who he claims are better served by capitalism) nor his attachment to "democracy" (which he revered even *while* a socialist). What he *did* reject was the notion – mistakenly attributed to Socialism[2] — that a non-pluralist morality should govern economic life... the very notion at the heart of the Social Doctrine of the Church!

Whether or not Novak really ever believed the Church's teaching that morality must direct the socio-economic order, the idea was certainly anathema to him by the time he became a die-hard "free marketeer." By identifying that teaching with "socialism,"[3] he smears a truth (that morality must regulate economics) with the errors of socialism (e.g., its tendency towards bureaucratization, hostility to private productive property, etc.). This sleight of hand constitutes the essence of Novak's ignorance of the true third way and his apology for capitalism, and of his attack on Fanfani's book.

The "anti-capitalism equals socialism" canard has become the standard reply of neo-cons and libertarians to the Catholic anti-capitalist position. There is little doubt that Novak's efforts have done much both to convince American Catholics that capitalism is their only economic option, and to discredit the real Catholic answer to that contention.

Given this predisposition of many Catholics towards capitalism, we offer the following look at the essential strengths of the Catholic position, and the principal fallacies of its capitalist counterpart. And the Catholic tradition to which Fanfani was heir is further testimony to his fitness to represent that position — a fitness which his critics, like Novak, do not possess.

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Amintore Fanfani saw in the great Italian economist Giuseppe Toniolo (1845–1918) an academic and spiritual mentor.[4] His attachment to Toniolo links him to a cultural and intellectual tradition nurtured by

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[1]Cf. *First Things*, "Controversial Engagements," April, 1999, pp. 21–29.

[2]Cf. *The Spirit of Democratic Capitalism* (henceforth *SDC*) (New York: Simon & Schuster), 1982, p. 112: "those persons who prefer the public enforcement of virtue find obvious attractions in socialism."

[3]Cf. *SDC*, p. 201.

[4]The sentiment of esteem and affection that Fanfani, especially in his younger

19^{th}- and 20^{th}-century Social Catholic thinkers and their ecclesiastical guides, and lends incomparable weight to his analysis of the economic question.

Toniolo's career began in the 1860s at the University of Padua, and took him to Pisa, where he was awarded the Chair of Political Economy. He remained there — where economist Werner Sombart was a onetime student — from 1879 until his death. Toniolo's academic life flowed over into genuine activism for Social Catholicism. In the 1880s he was a central figure in the social activity of the Work of the Congresses, the organ of Italian Catholic Action. He was a collaborator with the Union of Fribourg, founded in 1884 to study of the social question by René de La Tour du Pin (1834–1924), under the patronage of the Cardinal Bishop of Lausanne. In 1889 Toniolo, with Count Medolago Albani, Mgr. Giuseppe Callegari, and others, founded the Catholic Union for Social Studies. In 1893 he founded the *International Review of Social Sciences and Auxiliary Disciplines* as the organ of the Social Studies Union, "to illustrate the value of the Christian Social Order and to follow the marvelous movement of ideas and works that nowadays, throughout the world, under the guidance of the Roman Pontiff, works for the restoration of that Order."[5]

The two aspects of Toniolo's work — scholarly study and social action — were united in his role as the inspiration for the founding of the Catholic University of the Sacred Heart at Milan — an institute of higher Catholic studies which was not merely Toniolo's legacy to Italian Social Catholicism but which became, eight years after his death, academic home to Amintore Fanfani.

The idea of a Catholic university grew out of the 1870s-era Italian Social Catholic movement. The first step towards its realization was Toniolo's foundation of the Italian Catholic Society for Scientific Studies, thanks to a commitment to found such an institute made with his

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years, had for Toniolo is particularly evident in his article "Riflessioni sull'Opera di Toniolo a Vent'Anni dalla sua Morte" (Reflections on the Work of Toniolo, Twenty Years After His Death), *Rivista Internazionale di Scienze Sociali*, November, 1938, IX, vi, pp. 888–891.

[5]Francesca Duchini, Daniela Parisi, Claudia Rotondi, "La dottrina sociale della Chiesa nella 'Rivista internazionale' di scienze sociali (1943–1967)," November, 1995 (Milan: Center for the Study of the Social Doctrine of the Church, Catholic University of the Sacred Heart).

associates at the first Italian Catholic Congress for Students of the Social Sciences at Genoa in 1892 (where they also decided to establish his *Social Science Review*[6] The founder of Sacred Heart University, Franciscan Fr. Agostino Gemelli, considered Toniolo's Society to be the forerunner of the University. By the time Gemelli had become the university's chief exponent around the turn of the century, he was corresponding with Toniolo directly. World War I delayed establishment of the University, but in 1918, with the war near its end, a gravely ill Toniolo, calling Fr. Gemelli to his bedside, urged him to establish the long-hoped-for University. Thus Gemelli considered its founding to be the fulfillment of a promise made to Toniolo on his deathbed.

The Giuseppe Toniolo Institute for Higher Studies was inaugurated in 1920 and confirmed by Pope Benedict XV as a "victorious achievement" for Italian Catholics. In 1921 the University proper was founded with a Mass celebrated by Fr. Gemelli in the presence of the Cardinal Archbishop of Milan, who, three months later, was to be Pius XI.

The formation of the University was just one of Toniolo's many activities sanctioned by the Church through the support and approval of Her ministers. More than three decades before, Toniolo's conversations with Pope Leo XIII, along with reports from the Fribourg Union, were among the things that convinced the Pope to make a pronouncement on social issues: the great *Rerum Novarum* resulted. Giuseppe Sarto, then Bishop of Mantua and future Pope St. Pius X, was invited to preside at the first meeting of Toniolo's Social Studies Union. Though he declined out of deference to the Bishop of Padua, he counted himself a member of Toniolo's Union. Years later as Pope he called upon Toniolo to help him reorganize the forces of Italian Social Catholicism,[7] the outcome of which was the 1906 establishment of the "Popular Union," with Toniolo at its head. It was modeled on the German *Volksverein* (established for the "opposition of heresy and revolutionary tendencies in the social-economic world as well as the defense of the Christian order in society"[8]), and charged with "particular responsibility for propagating Christian social teaching."

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[6] *Ibid.*

[7] "Giuseppe Toniolo," by Fr. Fiorenzo Carbonari, *ll La Nostra Valle* (Inter-parish bulletin of Valle del Cesano) May, 2000, n. 250.

[8] *The Catholic Encyclopedia* (New York: Robert Appleton Company, 1907–1912; Online Edition Copyright 1999 by Kevin Knight), s.v., "Volksverein."

In this glorious context of Italian Social Catholicism, Fanfani began his academic work at the Catholic University of the Sacred Heart in 1926, pursuing a career impressive in its own right and linked to the work of Toniolo and other Social Catholics. He obtained a degree in economic history, and in 1933 he assumed editorship of the *International Review*, which had become the socio-economic journal of the Catholic University and part of its publishing house, *Vita e Pensiero*. In 1936 Fanfani successfully competed for the University's Chair of Economic History. From 1929 to 1942, he contributed 36 major essays and 210 book reviews to the *International Review*. The reviews surveyed all current economic literature and included original work along with his commentary. This output indicates the breadth and depth, the seriousness and intensity, of Fanfani's work in economic history.

In 1932 Fanfani submitted a manuscript to the Catholic Union for the Social Sciences, for its competition seeking works on "Catholicism and Protestantism in the Historical Formation of Modern Capitalism." The Union was established two years before for the promotion of research in the social sciences to "illustrate the influence of Christianity on the progress of civilization," and was heir to Toniolo's 1889 and 1898 Unions, and to La Tour du Pin's Union of Fribourg. Fanfani's text was selected for publication in 1934, as volume iii of the Union's new series of socio-economic works called the "Library of the Union for the Social Sciences." That text was *Catholicism, Protestantism, and Capitalism*.

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The approach Fanfani takes in his work is based upon propositions necessarily implied by his Catholicism. Today, sadly, such propositions are not self-evident to many Catholics. The popular grasp and understanding of the Faith has declined tremendously among Catholics over the last half century. Meanwhile, contemporary "scholars," claiming to be Catholic, routinely argue from positions plainly opposed to the Faith. But Fanfani's assumptions *are* Catholic; failure to grasp them would inhibit a real understanding of his work. And a "Catholic" critique of Fanfani's conclusions which — like Novak's — does not accept these premises, would be *ipso facto* invalid, for no Catholic can argue from a Catholic perspective while rejecting Catholic truths. These truths we now do well to reconsider.

1. *Sin and Liberty.* The Catholic conception of original sin is that human nature was wounded as a result of the sin of our first parents. The intellect was dimmed, the will weakened, and the passions incited to rebellion against reason. These effects give man a tendency to do evil, and a propensity to fail in his quest for truth. Neither means that man cannot do good nor know the truth; they do mean that it is exceedingly difficult to do so without sanctifying grace.

The Catholic notion of liberty is analogous: just as original sin deformed and weakened man's nature, so actual sin is a deformed exercise of man's liberty — it is in fact *slavery* to error and evil.[9] Though man is *able* to sin through an exercise of what is called natural liberty (the psychological ability to choose freely between courses of action), sin is not something that he has a *right* to accomplish, because man is only morally free to choose the good and the true.[10] In *this* freedom does man possess his liberty, "the liberty of the glory of the children of God."[11]

2. *Law.* Thus the law is designed *not* to safeguard every man's "right" to do as he pleases, but rather to facilitate his practice of virtue. It exists to help man overcome his weakness and to compensate for the defect of his liberty. This applies not only to the natural law written in the hearts of men (which we moderns attempt to place solely within the individual conscience), but also to the visible, public laws of nations and states, which, where valid, are merely practical applications of the natural (or moral) law, itself a part of the Eternal Law of God. "The purpose of human law is to lead men gradually to virtue" (II, I, 96, Art. 2, ad 2) says St. Thomas, whose teaching is confirmed by Leo XIII in *Libertas*, § 9. It is easy to forget, in a world where nations can obliterate their neighbors in the name of modern "liberty," that true freedom is not a "free *for all*" but the ability to choose freely the good.

> The true liberty of human society does not consist in every man doing what he pleases... but rather in this, that through the injunctions of the civil law all may more easily conform

[9] "...his servants you are whom you obey, whether it be of sin unto death, or of obedience unto justice." (Romans vi:16; cf. also St. John viii:34 and 2 St. Peter ii:18–19).

[10] Cf. Leo XIII, *Libertas* (1888), § 23.

[11] Romans viii:21.

> to the prescriptions of the eternal law.[12]

3. *Beatitude.* At the root of this vision of liberty and law is the truth that life on earth is a pilgrimage. St. Thomas writes: "Through virtuous living man is further ordained to a higher end, which consists in the enjoyment of God."[13] Thus even virtue is not an end in itself but rather a means to an ultimate end: the attainment of Heaven. And since man's end lies therein, all temporal life must aid him in pursuit of it, must — following Leo XIII — "render as easy as may be the possession of that highest and unchangeable Good for which all should seek" (*Immortale Dei*, § 6). In Fanfani's thesis this truth is decisive, since temporal life *includes* economic life.

> The moral necessity of attaining the ultimate end *circumscribes human action in the domestic, the political, the economic*, and the purely religious spheres. More exactly, we might say that such a conception transforms all activity into moral activity, and every act into a religious act. And thus man's ultimate end, whether he prays, works, studies, does business, eats, or amuses himself, is always God, and every means that leads him to study, work, do business, eat, and so forth, must at the same time be such as to lead him towards his attainment of the Beatific Vision... (emphasis ours) (p. 107).

4. *The third way.* As a Catholic, Fanfani knew that the choice of economic systems is not limited to one between socialism and capitalism. There is a real alternative, built upon the Catholic sense of Liberty, Law, and man's last End, in which (1) landed property is well distributed; (2) workers and employers are organized into guilds or corporations on the basis of economic function; and (3) these salutary institutions of economic life are protected by the sanction of the law. In the Italy of Fanfani's time this alternative was referred to as Corporatism, but it dovetailed with what was being discussed elsewhere in Europe as Distributism, Solidarism, and the Guild System. It was socio-economic reality just before Fanfani's mentor, Toniolo, began his

[12] *Libertas*, § 10.
[13] *De regno*, I, 14.

career; it remained for Catholic thinkers an ideal to which to aspire. This alternative of the Catholic "third way" is, in Fanfani's writing, an historical and theoretical reality, serving both as a reply to the charge that a critic of capitalism must be a socialist, and as an incarnation of Catholic economic principles, through which they can be visualized and understood.

As an alternative to the two "ism's," Catholic corporatism was espoused by the chief thinkers who preceded Fanfani. La Tour du Pin, in his 1907 *Towards a Christian Social Order* defended the corporate structure as *the* alternative to individualistic capitalism. And Toniolo argued "on the model of the Italian middle age guilds... that corporativism represented a 'third way' between liberalism and socialism,"[14] a position vindicated by *Quadragesimo Anno*, which directed that those "twin rocks of shipwreck" (§ 46) be avoided by establishing guilds of "Industries and Professions," and towards which it called for "every possible effort" (§ 87) to be made.

As a result, there were limited but real successes, prior to World War II, practically vindicating the corporatist vision not only in the Portugal of Salazar and the Austria of Dollfuss, but in almost every country in Europe, in which large numbers of Catholics were actively campaigning for a Catholic social order:

> Drawing their inspiration from... encyclicals... from the late nineteenth century, [Catholics] from countries as diverse as Austria, Italy, Spain, Portugal, Poland and Lithuania sought to found political movements which, by defining themselves as *against both liberal democracy and modern totalitarianisms*, advocated a "third way" of strong central government combined with *a devolved structure of guilds and corporations*. It was in the early 1930s that this current... reached its peak. The regimes of Salazar in Portugal and of Dollfuss in Austria drew much of their inspiration from these ideas and in turn served as an example which other movements sought to emulate (emphasis ours).[15]

[14]Marco E.L. Guidi, "Corporative Economics and the Italian Tradition of Economic Thought: a Survey," *Storia del Pensiero Economico*, N. 40 (2000).

[15]Martin Conway, *Collaboration in Belgium* (New Haven & London: Yale University Press), 1993, p. 5.

For Fanfani, the reality of the guilds was a living symbol of an organization of economic life according to Catholic principles. Though today liberal economists eager to apologize for capitalism ignore or ridicule the guilds, the best of Catholic historians, such as the Belgian Godefroid Kurth (1847–1916), defend them as one of the numerous "necessary means... adopted to prevent that unbridled competition through which some become unduly rich by exploiting their fellowmen, and reducing multitudes of them to misery."[16] Fanfani understood that in the guilds was found the evidence of Catholic principles at work in the economic order: "If European history knew a pre-capitalistic age, it is in that age that we must seek for a trend of public life and private activity in harmony with the social principles of Catholicism... *when Catholic ethics have been a prevailing influence in public life, the result has been for various institutions and laws to co-ordinate the activity of private individuals in non-capitalistic orders*" (emphasis ours) (p. 118).

Chief among these institutions were the guilds, in actuality and in the vision of Fanfani and scholars before him. Without the alternative to socialism and capitalism that the guilds (and the Catholic thought inspiring them) represent, modern "scholars" can only argue about the desirability of socialism *or* capitalism. To approach Fanfani without understanding that there exists an alternative radically different from these two modern "isms" is to miss the essence of his thesis. Even worse, to offer a critique of Fanfani's vision, without understanding the Catholic ideal, is to respond *only* to a convenient socialist construct disingenuously presented as the only alternative to the domination of men by impersonal "market forces." Only in understanding what the Catholic vision argues *for* can one have a full appreciation of what it argues *against*, and why.

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His numerous references to guild regulations and statutes prove that Fanfani's approach is not just philosophical but also historical. His critique of capitalism is not based upon a simple evaluation of capitalist "theory" against the dictates of the Catholic Faith. It is a look at the capitalism that developed from the 14^{th} to the 19^{th} centuries, and

[16] Godefroid Kurth, *Workingmen's Guilds of the Middle Ages* (Hawthorne, CA: Omni Publications), 1943, p. 52.

the mentalities and activities that inspired it. Nevertheless, many of Fanfani's critics, Michael Novak included, accuse him of attacking an "ideal" capitalism which they claim is nonexistent. Some of them even admit that a *theoretical* capitalism, which would have every man doing his utmost to amass material wealth at no matter what cost to the social order, would be incompatible with Catholic morals. But they insist that capitalism "as it is actually practiced" is fundamentally different from the "theoretical" one condemned by the Faith.

Fanfani's analysis is an answer to this objection; for it is based not on a capitalist mental fiction but on the modern economic world as it grew out of the high medieval, pre-capitalist order. "We have historical proofs," he writes, "that the neo-capitalist in the beginning sought to increase his profits by breaking all pre-capitalist rules against competition, and thus sought to gain a privileged position for himself" (p. 85). Thus began the long process of erosion, resulting in the eventual extinction of the Christian socio-economic order. Thus begins Fanfani's analysis as well; it considers the Catholic world as it was before the development of capitalism, and the actions and ideas that caused it to change. For if there was once a "trend of public life and private activity in harmony with the social principles of Catholicism" (p. 118), something must have caused that trend to change. That something, as Fanfani demonstrates, was a mentality satisfied neither with a "sufficient" amount of wealth nor with the moral, social, and legal limits to the means for obtaining it.

An illustration from Fanfani's work illustrates the point. A shopkeeper who "held out special inducements to passers-by," he writes, or a merchant who "bribed agents to secure him customers" would have been, at one time, a "sole rebel in the midst of those who respected the law." Trying to induce customers into a shop, and paying agents to represent wares to customers were both at one time actually *against* the law. Such laws make no sense if not as specific implementations of the Catholic social vision. They sought to preserve the delicate balance of market share among craftsmen and traders, to give all a reasonable chance of making a decent living, and to prevent that concentration of wealth and consolidation of enterprises which is the undisputed result of purely free competition. Under the old order, activities even *in themselves* not immoral were limited to preserve every businessman's right and opportunity to do business. A "freedom" to get ahead of competitors *by any means legal or otherwise* was not admitted.

Once those willing to break the law established a relatively secure economic position (through activities that were previously forbidden by law and custom), others had no choice but to follow suit to remain "competitive." Fanfani writes: "Once this way has been opened, *many will feel it inevitable to go forward, others will deem it more profitable, and others will feel it impossible to arrest their course or turn back*" (emphasis ours) (p. 115). This observation pinpoints why the trend towards a capitalistic order was so hard to arrest; it explains today why it is almost impossible to resist. For just as the medieval merchant who respected guild rules was defeated by those who ignored them, so too a man who today attempted to compete while restraining himself in the name of some higher social or moral good would soon be put out of business. Who could imagine the CEO of a major company who "declined" an opportunity to capture market share because he was sensitive to his competitor's right to a percentage of the market?

Nevertheless, the typical criticism of Fanfani's position is that within the capitalist economic structure men are "free" to approach economic life with any motive whatsoever. Because they can "choose" to act generously and philanthropically, capitalism allegedly permits and encourages generosity and selflessness. From this follows the "fact" that capitalism is not (quoting Novak) "absolutist, totalistic, pervading the whole of a person's being." Now Fanfani nowhere describes capitalism as such. But the implication is that critics of capitalism (like Fanfani) assume that all who participate in it are necessarily motivated by greed and materialism. The subsequent refutation of this straw man is then offered as a refutation of the whole anti-capitalist position, regardless of whether any Catholic anti-capitalist ever so maintained in the first place!

Fanfani nowhere claims that participation in capitalist economic life necessitates an obsession with money. He does not assert that because businesses must advertise and hire sales reps, every modern merchant is motivated by greed. What he *does* suggest is that such capitalistic practices, though today *sine qua non*'s of business, were *in their origins* evidence of a desire for gain powerful enough to warrant breaking the law. Once those laws were broken repeatedly, such that they ceased having any real effect, no shelter remained for the man who would *not* have otherwise been inclined to employ the new, capitalistic practices to keep up with his rivals. Without such shelter he learned to compete or he abandoned his trade. The argument is not that only materialists and misers get ahead; it is that under the capitalist system, the techniques employed by materialists and misers must be employed even by philanthropists if they are to survive. The point is not about intentions; it is about economic necessities.

Fanfani is perfectly aware that such necessities cause men sometimes to act in ways they would rather not: "For even those who are not touched by the prevailing spirit, or who are moved by another, must often. . . live and act in accordance, not with their own convictions, but with the convictions of those who inspire and direct social institutions" (p. 62). This statement directly answers the criticism we have noted, which Novak also makes in his 1984 Introduction to Fanfani's book. In it Novak takes issue with a statement from Max Weber (which Fanfani quotes; see p. 66 of this edition), to the effect that "[a man who] does not adapt himself to the conditions indispensable to success under the capitalistic system, is left behind or goes under." Attempting to refute the point, Novak asserts that people can succeed economically without "apply[ing] themselves to their work in the spirit Fanfani describes." But he misses the point: Fanfani's argument is that regardless of what spirit motivates a man, once he finds himself in a system which recognizes no rule limiting competition, he either competes or dies. His motive for competing may not be avarice; it may be mere survival; it may even be quite noble, like providing a livelihood for his family. But it is the economic structure — permitting the employment of all kinds of competitive means — that determines how he must behave to obtain that livelihood. This is why Weber cites the "*conditions* indispensable to success," and not the indispensable "motives," "sentiments," or "mindsets."

It is ironic that those who rejoice in the opportunity capitalism affords men to behave generously and philanthropically commit the chief errors of which they accuse their opponents. In striving to defend unrestricted competition, the capitalists perpetuate an economic regime wherein men are decisively *not* free to act upon concerns other than economic ones. We are told that there must be a *maximum* of economic freedom; that interference with the "free" market must be absolutely limited. Yet this very "freedom," this absence of all restraint, is what *compels* men in their economic activity to adopt the behavior, if not the mentality, of the stereotypical ruthless businessman. Because the old legal and customary limits to competition were broken down, all others who wish today to compete *have no choice* but to adapt.

Moreover, it is not Fanfani who argues against a "savage" capitalism that does not really exist. The apologists for a supposed "tame" and "wholesome" capitalism, a capitalism "as it is actually practiced," are rather arguing for a figment of the imagination. For the issue is not whether men *can be* on occasion motivated by philanthropy, generosity, and kindness. An economic system wherein free rein is given to those willing to go to any lengths to amass wealth and increase market share necessarily compels all others to adopt the same means of competition. The motive for competing under such a system becomes wholly irrelevant. Where law and custom place no restraint on competitive activity, competition becomes the law of life, revealing the "socially conscious" and "moral" capitalism to be the pipe dream that it is.

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The position adopted by Fanfani's critics who defend a so-called "democratic" capitalism is rooted in errors, both philosophical and historical. It can *in no way* recommend itself to Catholics as an alternative to Fanfani's vision. The position is (1) wholly illogical and (2) based upon principles fundamentally opposed to the Truth. Furthermore, (3) what is *claimed* of capitalism "as it is actually practiced" has no resemblance to capitalism *as it is actually practiced!* Following is a brief look at each point.

(1) The very concept of "democratic capitalism" is sophistry, pure and simple. It fuses together two contradictory principles (one arguing for moral and cultural restraint upon economic life, and the other arguing for a total lack of it) which are then emphasized or downplayed in response to polemical necessities.

The notion's chief apologist maintains in his so-called "masterpiece" (*The Spirit of Democratic Capitalism*) that economic institutions exist in a "desirable" tension (p. 171) with political and cultural institutions, effectively denying a premise (which he sneeringly dismisses as "pre-modern residue" (p. 263)) maintained by the greatest Catholic and classical philosophers (not to mention Popes!): that economic life is subject to morality, that political economy is *subordinate* to moral philosophy. For Novak the idea is anathema, for if implemented it would get in the way of unadulterated material and financial progress: "[Economic] liberty is valued as the atmosphere most favorable to invention, creativity, and economic activism. To repress it is to invite stagnation" (*SDC*, p. 352).

The idea that political and cultural institutions exist in a "tension" with the economic system allows Novak to claim that democratic capitalism both "maximizes freedom" and limits economic life by salutary controls. The clever assertion attempts to satisfy those who feel the need for a limit to economic life *and* those who want only the unrestricted ability to amass wealth. The problem is that an economic system properly and effectively controlled by moral and cultural concerns — like the kind imagined in *Quadragesimo Anno* — is *not* capitalism, for it strictly limits both "individualism" and "the free market," fundamental aspects of capitalism which Novak admits are its "philosophical bases."

The only measures that "democratic capitalism" implements of its own accord are those necessary to keep the system working. And the example Novak chooses to illustrate his point proves *our* point. He maintains that Roosevelt's New Deal (!) instituted economic reforms that were "not only consistent with democratic capitalism, they have become part of its substance" (p. 253). But Roosevelt's measures did nothing to rectify the essential disorders of capitalism (e.g., the concentration of wealth and productive property, the decay of craftsmanship, the triumph of mass production, the herding of people into cities and suburbs). They were mere palliatives to ensure the continued operation of a flawed system, effectively ushering in Belloc's Servile State. Novak's reference to a 1919 American Bishops' document on social life, which he claims inspired some New Deal reforms, only perpetuates the illogic. For it actually recommended a religious, non-pluralist, non-liberal solution to the social question with a Distributist approach to private property,[17] all of which Novak rejects, and which found no place in New

[17]The bishops wrote: "Pope Leo XIII declared that the remedy is 'to induce as many as possible of the humbler classes to become owners' (*Rerum Novarum*). This recommendation is in exact accord with the traditional teaching and practice of the Church. When Her social influence was greatest, in the Middle Ages, the prevailing economic system was such that the workers were gradually obtaining a larger share in the ownership of the lands upon which, and the tools with which, they labored. Though the economic arrangements of that time cannot be restored,

Deal legislation he references. The limits to capitalism "spontaneously" developed by the moral, cultural, and political structure in which it is embedded are merely window-dressing, designed to beautify a system based upon the unrestricted right of property owners to employ their property to pursue ever more wealth; and it is only this window dressing which Novak endorses.

(2) At the root of "democratic capitalism" is a philosophical and historical vision totally at odds with Catholic truth, based rather upon modern liberalism for which historical progress is an emancipation from all constraint, intellectual or juridical, of Truth. Thus it is hardly surprising that the so-called reforms engendered "spontaneously" by "democratic capitalism" are necessarily superficial. For the capitalism Novak imagines is ideologically anchored to radically liberal principles; thus it can never reform itself out of existence. The liberal, anti-Catholic principles are central, and the alleged, self-generating "reforms" simply sugarcoat a philosophically and religiously repugnant pill.

For Novak, capitalism is a part of a pluralist society built around an idolatry of liberty. It constitutes a denial of the idea of a Christian Social Order, and it is scandal from someone claiming to speak from a Catholic position. "The political system of democratic capitalism," he writes, "cannot, in principle, be a Christian system... it cannot even be presumed to be, in an *obligatory* way, suffused with Christian values and purposes" (*SDC*, p. 351). Elsewhere his denial of the possibility of a Christian State is even more explicit: "... in the world at large... the consciences of all Christians are not identical. An economy based upon the consciences of some would offend the consciences of others. A free economy cannot... be a Christian economy" (*SDC*, p. 352).

With this refusal to accept the idea that objective Truth can serve as the basis for society comes Novak's concept of liberty and law, totally at odds with the Catholic position. For "freedom's sake" man must have full opportunity to sin: "For the full exercise of their humanity, being both finite and sinful, free persons require the pluralist institutions" (*SDC*, p. 70). Elsewhere he admits that "democratic capitalism" effectively ignores the question of virtue, for its "chief aim is to fragment

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the underlying principle is of permanent application and is the only one that will give stability to industrial society. It should be applied to our present system as rapidly as conditions will permit." *Program of Social Reconstruction* (1919), U. S. Bishops' Administrative Committee of the National Catholic War Council.

and repress power, but not to repress sin. Within it every human vice flourishes" (*SDC*, p. 350). His contradiction of St. Thomas, for whom a just ruler must command what is virtuous and forbid what is evil, is stark and undeniable.

Novak's historical vision is no less anti-Catholic. His exaltation of "freedom" as man's highest good leads him to see in history a continuous improvement in man's lot since the High Middle Ages, an improvement not so much material as spiritual, moral, and philosophical. Underlying this vision is the sense that history has been following an inexorable course towards political and economic liberty, a course ultimately a result of the essential nature of man, which above all longs to be "free."

Novak thus exhibits a contempt for the medieval order that is totally foreign to the Catholic sense. Extolling the virtues of modern society built around "formal structures of manufacturing and commerce" (*SDC*, p. 90), he rejoices that we have abandoned the "theocracies and moral tyrannies of the past" (*SDC*, pp. 86–7) and laments the clergy's "demonstrated record of fanaticism, intolerance, and misuse of power" (*SDC*, p. 89). Hardly traditional, Novak's "[pluralist] system [is] intended to constitute a continuous revolution" (*SDC*, p. 172). In rejecting the "unfortunate" remnants of an earlier age, even the Church herself, he says, is progressing on "her own slow but steady journey toward liberty, in the economic as well as in the political domain," partly thanks to certain Scholastic theologians who, according to him, "walked in the direction of the revolution in economic thought that later reached its fruition in the eighteenth century."[18] Never mind that this political and economic revolution is *precisely* what Leo XIII condemned in *Rerum Novarum!*

Since the old Faith is incompatible with the modern, liberal view of society, a new theology is needed to justify the *Novus Ordo Seclorum*. Novak admits that the destruction of the medieval order was an event not merely historical but ideological, philosophical, theological: when "the quiet stability of the medieval vision of order was broken through. . . [it] was a moral breakthrough. It was even, if you please, a theological breakthrough"(*SDC*, p. 80). Such a "breakthrough" constituted for Novak the beginning of a new religion, one more suited to liberal,

[18]Cf. *Christians for Freedom*, Foreword, (San Francisco: Ignatius Press, 1986), pp. 9–14.

capitalist society: "[the order of a plural society] calls forth not only a new theology but a new type of religion" (*SDC*, p. 69).

Ultimately one point is clear: for Novak, economic life must be built upon the premise that no objective Truth, binding on the consciences of men, can act as the foundation of the social order. Men are free to think whatever they want; therefore they must be allowed to do in society whatever they want: ". . . the free market and the liberal polity follow from liberty of conscience" (*SDC*, p. 112). "Freedom" is the standard against which all social and economic progress must be evaluated, not the Good, the True, the Just. For Novak the Catholic order stands condemned by that standard: "The crucial difference between modern and pre-modern economics is liberty" (*SDC*, p. 263); a conclusion for which Novak, as a Catholic, must stand condemned as well.

(3) The structure of modern political economy requires that men participating in it adapt to its exigencies. This is Fanfani's argument on the historical development of capitalism. It is the argument his critics fail to understand, but which they unintentionally concede by their preoccupation and obsession with "freedom" It is a commonsense argument proved from the nature of man and his history: that a social system founded upon a liberty conceived of as freedom from all restraint succeeds only in giving the vicious free rein to compel the virtuous to compete with them on their own, vicious terms. The liberty guaranteed by such a system is not the freedom to do good, but rather a liberty which institutionalizes Original Sin. Novak himself testifies to this truth, perhaps unwittingly, when he says that capitalism is the economic system "best designed to meet the premises of original sin" (*SDC*, p. 350).

The performance of the modern capitalist system, a fruit of this disordered conception of liberty, today more than ever proves Fanfani's point, that it is incompatible with a truly Catholic morality. It is not a hypothetical, disembodied capitalism which offends the Catholic conscience, but the one *which is today actually practiced*, notwithstanding claims that "democratic" capitalism does not live up to its social-Darwinist vision.

Modern capitalism "as it is actually practiced," through its elimination of regulations protecting the small farmer and the small craftsman, has facilitated the concentration of productive property into corporate and industrial concerns which leave the mass of people owning only their ability to work in exchange for a wage. A mere 7% of Americans work for themselves, and only tenth of these do so on the land. In agriculture alone the example of Illinois in the U.S. Midwest is illustrative. Thanks to "contract farming, vertical integration, and agribusiness consolidation, aided and abetted by government policies that pander to the parasitic inclinations of corporate greed," 300,000 family farms have been lost, and the percentage of Illinois families once living on the land has gone from 30 to less than 1.[19] Small independent craftsmen and businesses have met similar fates in industries across the board.

Modern capitalism "as it is actually practiced" has caused the once dignified craftsman or tiller of the soil to abandon his privately-owned, productive property in the face of ruthless competition by more powerful concerns, and to settle for a wage exchanged for meaningless labor. Man the laborer is no longer the subject of economic activity, working out his salvation while practicing a vocation or trade important to the community and satisfying to the soul; he is instead a mere commodity.

Modern capitalism "as it is actually practiced" has subjected this property-less employee to the whims of unregulated "market forces," forces which have seen close to 3 million jobs lost over the past year. Meanwhile, economic "liberty" is increasingly applied not only within Western nations but internationally as well. While small farms and family business are shut out by fast food chains, agri-business concerns, manufacturing conglomerations, and corporate mergers, the industrial bases of these countries – and their jobs with them – are being transferred to China, India and elsewhere, all in the name of "reducing overhead" and improving "shareholder equity." Never mind Novak's fantasy land where the "business corporation is the strategically central institution of social justice;" that modern corporation is necessarily more concerned with keeping an eye on the "bottom line" than keeping its workers out of the unemployment line.

Modern capitalism "as it is actually practiced" does nothing to restrict the corporate instinct to consider profits before people and money before men. Production is today simply and only a means of generating ever more token wealth. Novak provides the best example,

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[19] Juli Brussell, "Our Family Farms: A Final Requiem or a Route to Recovery?" *Conscious Choice*, May 2001.

indicating how "democratic capitalism" gives the citizens of a nation not what they *need* but whatever can be sold: "…massage parlors, pornography shops…prostitutes, pushers, punk rock…— you name it, democratic capitalism tolerates it and someone makes a living from it" (*SDC*, p. 350).

Modern capitalism "as it is actually practiced" does not stop with the mere sale of immoralities, trivialities, and luxuries. It rather bombards man's poor, weak nature with a never-ending stream of spam, junk mail, glittering TV commercials, and newspaper and magazine advertisements, all in an effort to create a need for what is to be sold, regardless of whether it is moral or immoral, healthy or unhealthy, useful or useless. Such concerns are too esoteric for "democratic capitalism," which in the name of "liberty" offers a free-for-all of license, turning a blind eye to right and wrong out of respect for the individual conscience.

Modern capitalism "as it is actually practiced" leads, finally, to the disordered domination of money not only in the production and distribution of material goods but in the trading of factories, corporations, and money itself. The sale of whole enterprises to merger corporations, or of parts of firms through stock shares, has transformed productive companies, formed in principle to produce necessary goods in exchange for just remuneration, into laboratories for the ever more fanciful creation of artificial wealth. According to a recent financial newsletter – to note just one example – General Motors reported a 16.7% loss in its automotive division for the year's first quarter, while its "finance unit" generated $700 million through "mortgage operations." Meanwhile, there remain 3.93 million new cars sitting on various lots throughout the country, of which the "big three" automakers can hardly sell a fraction, in spite of offering "cash-back" incentives averaging over $3000 per vehicle. The result? The actual manufacture and sale of cars is simply a burden, offset by the automakers' lending and financial operations. "Some banks give away toasters to attract new customers," quipped the same newsletter; "General Motors, apparently, gives away cars."

Nevertheless, all is not rosy with the "new economy." In addition to job losses, the export of the manufacturing base overseas, and a near total extinction of the family farm and rural life, the financial system itself is near breakdown, thanks to inventive tricks played by corporate leaders and investment bureaucrats with various "financial instruments" and new modes of corporate governance. Last year 186 publicly traded companies filed for bankruptcy, in a "staggering" $368 billion of debt; WorldCom, Inc., alone contributed $109 billion to the figure, following an accounting scandal with "irregularities" of $9 billion. "Experts say it is not surprising to see mammoth bankruptcies and deceptive accounting go hand in hand," remarked an understated wire report from last year.

Returning to the automotive example, the health of even the "reliable" corporations is ultimately a fiction. Many constitute a mini-"Servile State," expected to care for retired employees all the way to the grave; the resultant obligations eventually liquidate the companies' remaining financial strength. "At some point, the great sucking sound of pension and health-care liabilities just overwhelms your ability to raise capital or invest in new plants and equipment," said the CEO of the Bethlehem Steel Corp, commenting on the news that General Motors's pension and retirement obligation is $76.8 billion, as against an annual income of $3.9 billion. According to a *Wall Street Journal* report of last year, 360 of the top 500 companies face similar situations, with assets to cover only 79% of pension liabilities. With all of this against the backdrop of a world market of over $142 trillion (!) of financial derivatives (which "veteran" investor Warren Buffett called "financial 'weapons of mass destruction"' based upon their totally unknown impact on world finances), what is it exactly about Fanfani's characterization of capitalism that is unfair or unreflective of *capitalism as it is actually practiced?* In light of the historical and theoretical facts detailed by Fanfani, as well as those of today, can it be true, as Novak claims, that "markets as free as possible from governmental and religious command best serve the common good" (*SDC*, p. 79)?

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The answer, of course, is a categorical "no." The modern economic landscape serves not the common good but a very particular good: that of those who can profit from the unrestricted employment of wealth in the generation of more and more of it.

That such a system must be maintained by effective propaganda and an elaborate *apologia* is not surprising, for its inauguration also required a campaign of ideological persuasion and political action. The breakdown of the Guild System and the destruction of widely distributed Property was hardly the natural triumph of progress and enlightenment. No, it was rather the result of concerted efforts to "create a politico-economic system fully in harmony with the needs of capitalism" (p. 97), as Fanfani says in his book.

Thus we see yet another aspect of his far-ranging vision, since similar efforts to preserve that system continue today unabated. Accompanying the legislation hostile to well-distributed property, and the even more hostile nature of the economic system itself, is a propaganda effort of incredible proportions, sponsored in part by the "think" tank of which Novak has been a part for 25 years, and whose board of trustees reads like a "Who's Who" of Fortune 500 CEOs.

An *apologia* for the "free market" is to be expected from oil men, manufacturing giants, and the masters of debt. But for a Catholic to support their "party line" — by hiding the race to amass wealth, which is fostered by modern economics, behind clever theories and contrived social "systems" — is nothing less than a betrayal. For one cannot serve both Catholic Truth and capitalist lies anymore than one can serve both God and Mammon. Fanfani to his credit served the Truth, and in fidelity to that Truth he passed his judgment upon capitalism, which judgment we now commend to his modern readers. It was a judgment he was eminently qualified to make, and a judgment he made with logic, with integrity, and, most importantly, with Faith.

Twenty years ago Fanfani's book was published with an Introduction impugning that judgment. We offer the book again with the hope that the credentials of its author and the logic of its thesis will be afforded due and accurate appreciation, and with the prayer that it will contribute to a renewal of true Catholic study, scholarship, and action in opposition to the evils of unbridled materialism and the unlimited desire for wealth.

One thing at least is certain. No one will henceforth be able to claim that the position of the Church towards capitalism is inadequately explained, insufficiently defended, or essentially unknown. "Scholars" claiming that Catholics have no qualms with capitalism must first confront and then refute this masterful work. To be taken seriously, they will have to be able to answer in the affirmative, "Have you read and *understood* Fanfani?"

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This section contains the article sources, then suggestions for further reading. All are grouped together in alphabetical order.

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Colophon

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