IDEAS ON LIBERTY
NOVEMBER 2003

The Fallacies of Distributism

by Thomas E. Woods, Jr.

In certain disaffected pockets of the political left and right, more and more voices can be heard on behalf of an economic and social system known as distributism. According to the celebrated Catholic writers G. K. Chesterton and Hilaire Belloc, who popularized the idea in the early twentieth century, that social system is best in which "productive property" is widely dispersed rather than concentrated. They contend that the market order undermines community life and introduces an intolerable level of insecurity and anxiety into the economic life of the ordinary person. They would, therefore, limit business competition and implement a system of punitive taxation against firms that had attained what these writers considered excessive economic concentration.

I do not for a moment doubt the good will and pure intentions of those who support distributism, and indeed I count some of them among my friends. My own view is that if someone wishes to live in relative self-sufficiency and to retreat, to a degree, from the division of labor, that is his decision. What I wish to do here is to suggest that the purported advantages of distributism, as well as the alleged iniquities of the market, have both been greatly exaggerated.

Let us consider Belloc's fundamental claim for distributism. As he sees it, distributism brings freedom:

> A family possessed of the means of production—the simplest form of which is the possession of land and of the implements and capital for working the land—cannot be controlled by others. Of course, various producers specialize, and through exchange one with the other they become more or less interdependent, but still, each one can live "on his own": each one can stand out, if necessary, from pressure exercised against him by another. He can say: "If you will not take my surplus as against your surplus I shall be the poorer; but at least I can live."[1]

For Belloc, then, the great advantage of distributism is that it gives the household a significant measure of independence. A new introduction to his *Essay on the Restoration of Property* describes his view of "economic freedom" as something that "comes from the possession of sufficient productive property, such that a man need not depend upon his employer for a wage, but has rather to depend upon himself and *his* land, craft, tools, and trade for his sustenance."[2] Belloc acknowledges in passing that of course anyone selling to others is in some way dependent on those others, thereby conceding that risk and uncertainty are unavoidable aspects of life rather than unique to a system of economic freedom. If the price and quality of his goods do not remain sufficiently competitive, he is surely bound to lose business. However, Belloc points out, the family can nevertheless live on its own, even if buyers refuse to purchase its

Thomas Woods (woods@sunysuffolk.edu) holds a Ph.D. in history from Columbia University and is assistant professor of history at Suffolk Community College (SUNY) in Brentwood, New York.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

surplus goods. They can live on what they themselves produce. At heart, then, Belloc's promise of security amounts to the distributist family's ability in the last resort to retreat altogether from the division of labor and live in a condition of self-sufficiency.

Yet the advantages of the division of labor are so clear that relatively few people have found Belloc's proposal attractive enough to have actually attempted to adopt it. Practically anyone in the United States today who possesses the requisite knowledge and modest capital can acquire farmland and chase after the kind of self-sufficiency Belloc advocated. Producing their own necessities and in possession of the means of production, so to speak, such a family would be utterly independent of employers or anyone else. They would probably also enjoy a standard of living so depressed and intolerable as to throw the rationality of the entire enterprise into question. This certain outcome probably accounts for why the overwhelming majority of people choose to take their chances within the division of labor, balancing the risks from which this earthly life is never entirely secure against the unparalleled wealth and comfort they can enjoy by not retreating into semi-autarky.

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 back-breaking 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.

Deprived of Property

The way distributists portray the situation, the wage earners of today are where they are as a result of forces beyond their control; an ineluctable process of wealth concentration brought about by capitalism has deprived them of the possibility of owning "productive property" and avoiding the dependency that the wage relation implies. But the fact is, many people clearly prefer to be wage earners rather than business owners. Belloc and his followers are free to insult such people by calling them "wage slaves"—the distributists' favorite slur—but they have made an entirely rational choice. And it *is* a choice. As Fr. James Sadowsky observes,

> The fact is that in the nineteenth century, when workers had far less disposable income than their counterparts today, a remarkable number of them became capitalists. It is all too often the *unwillingness* to restrict consumption, a grasshopper attitude, that prevents workers like me from becoming capitalists. In our day we see especially among immigrants from Asia what is, for us, an amazing willingness to defer present consumption. We find these people living initially in conditions that we should judge to be absolutely impossible. Yet before we know it, they are operating successful businesses.[3]

As for the alleged insecurity with which workers must live, those who work for wages in fact enjoy a kind of security that is simply not acknowledged at all by distributists—namely, that the worker receives his pay whether or not the goods toward whose production he contributes ever sell. It may be many months or years before they make it to market at all. During all that time, instead of suffering the anxieties and uncertainties of the independent craftsman or shop owner, the worker consistently earns his wage. He need not wait until—if ever—his product is actually sold in order to reap his benefit.

While Karl Marx claimed that any differential between capitalist profit and wages paid to labor constituted "surplus value" and exploitation, the Austrian economist Eugen von Böhm-Bawerk attributed such

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

differentials to the time factor involved: rather than having to wait, say, the full year that must ordinarily elapse before the product on which he has worked is sold, the laborer can be paid immediately. Since present goods are preferred, other things equal, to future goods, the capitalist is entitled to his profit since he compensates his workers in the present for the production of goods that will be sold only in the future. The worker, on the other hand, prefers a lesser amount in the present to the greater amount he could have received in the future had he been willing to wait that long. He is clearly benefited by the wage relation.[4]

To be sure, the worker does labor under the very real uncertainty that he may lose his job. But this is inevitable due to technological improvements, changing tastes, new methods of production, and the like. The advent of the automobile meant that carriage manufacturers would have to shift into some other line of production. The introduction of fax machines and electronic mail must have cut into the business of couriers and package delivery. The net result of these changes is greater abundance and a higher standard of living, as fewer resources are now necessary to accomplish our ends, thereby freeing up resources for the production of goods that prior to these technological advances we could not have enjoyed.

What would the distributists have us do about these benign phenomena? Shall we establish a board of economic commissars to dictate which improvements will be permitted and which not? No one has a property right in a job. Put another way, no one has a right to demand that society continue to compensate him for performing a task people no longer require, whether he is a laborer or a shop owner. An economy based on the division of labor does not tolerate such a self-centered, anti-social attitude. Instead, it encourages us to satisfy the needs of our fellows.

Life Is Always Uncertain

Moreover, it is profoundly misleading to suggest that the "uncertainty" of the modern worker is a uniquely reprehensible aspect of modern society rather than an inevitable aspect of life that has been with us since the beginning of time. Were peasants in preindustrial France—who were, it should be recalled, among the freest, most independent peasantry in Europe—free of "hand-to-mouth uncertainty"? (Try telling that to a fourteenth-century mother who has just lost her fourth child before his first birthday, lives one bad harvest away from starvation, and resides in nearly intolerable squalor.) As late as the eighteenth century, all travelers commented on the appalling conditions of the French peasantry and the shockingly dilapidated state of rural housing. The same held true for many who sought employment in a trade. A Norman parish priest described the situation in 1774:

> Day laborers, workmen, journeymen and all those whose occupation does not provide for much more than food and clothing are the ones who make beggars. As young men they work, and when by their work they have got themselves decent clothing and something to pay their wedding costs, they marry, raise a first child, have much trouble in raising two, and if a third comes along their work is no longer enough for food, and the expense. At such a time they do not hesitate to take up the beggar's staff and take to the road.[5]

Taking up the beggar's staff and taking to the road: that is what was left to them. To say, therefore, that the free market led to the destruction of some previously existing, harmonious community life is simply to defy historical testimony. How could "community" exist when people were starving and forced to take to the road for sustenance? In what way is the alleged "independence" of farmers and craftsmen in evidence here? These appalling conditions applied at times to as much as one third of the French population—some eight million people.[6]

Nevertheless, Belloc claims that "the twin evils of Insecurity and Insufficiency" are inevitably associated with capitalism. "The main body of citizens, the Proletariat, are

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not sufficiently clothed, housed and fed, and even their insufficient supply is unstable. They live in a perpetual anxiety."[7] This was not even true at the height of the Industrial Revolution, let alone in the early twentieth century when Belloc was writing.[8] Practically everyone acknowledges that the free market has created a greater abundance of necessities than previous ages could have dreamed possible. Imagine what the thirteenth-century peasant, the exemplar cited by so many distributists, would have thought of a society in which life expectancy was not 35 but 75, where everyone in society enjoyed dozens of changes of clean clothes, inexpensive food, shelter with amenities like heating and air conditioning—the list could go on a long, long time. The only way one could claim that capitalism actually brought about a retrogression of the physical well-being of the poorest would be if he were entirely ignorant of the conditions of the past.

More to Life

Faced with this point, distributists frequently shift to the rhetorically effective argument that there is more to life than material possessions, and that economic relations should be such that man is enabled to enjoy and cultivate higher tastes and virtues. This is a straw man, of course, since hardly anyone arguing in favor of the market suggests that material possessions are ends in themselves or bring the highest kind of fulfillment. Furthermore, it is precisely the wealth that the market creates and the leisure it makes possible that make the enjoyment of higher things practicable in the first place. A man living at the level of bare subsistence is not likely to be able to cultivate an interest in opera, or Renaissance painting, or nineteenth-century literature.

Indeed, the objection of materialism only reveals the incoherence of the anti-market position, which began as an argument that the market systematically exploited and impoverished the laborer. When the overwhelming weight of the evidence shows this opinion to be ludicrously at odds with reality, the accusation shifts ground. With the superiority of economic freedom all but impossible to deny, and the amazing abundance which we owe to such a social order no longer a matter of serious dispute, we are now told that even to think in such terms reveals an excessive attachment to the things of this world.

The net result of all of the obstacles to prosperity inherent in distributism *must* be a far poorer society. Now Belloc and his followers are free to argue that impoverishment is a small price to pay for economic independence. But they have no right to accuse anyone of moral perversity for remaining unconvinced. Yes, there is "insecurity" in a free society, in that no one has a right to demand that his fellow men continue to pay him for performing a task they have indicated they no longer require. This is a feature of any economic system—unless we guarantee every business owner a share of the market regardless of his abilities, courtesy toward the customer, and responsiveness to the needs of society. At the same time, the "insecurity" of the free society is more than compensated for by the unique security enjoyed by members of such a society vis-à-vis members of a distributist society, in the form of fantastic, unheard-of levels of wealth, the benefits of the division of labor, and the large-scale social cooperation it makes possible. An eleventh-century serf enjoyed a great deal of job security, but few envy him his position.

Every one of the agricultural revolutions through which the Western world has passed since the ninth century has involved the introduction of new farming implements, methods, or fertilizers whose net result has been that fewer people are needed to produce the same amount of output. Naturally, these advances meant the displacement of some people, as the economy adjusted to new circumstances. Would Belloc have permitted any of these agricultural revolutions to occur? After all, they led to a great deal of what Belloc calls insecurity. But they also made possible the sheer survival of far more people, now that food could be more readily produced. The same is true of any innovation that increases the productivity of agri-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cultural labor: it makes possible a considerable increase in population. Can this consideration be weighed against Belloc's desire for stability? We are not told.

Moreover, it is not clear what precisely is so "secure" about deliberately spurning the material benefits of the division of labor, which are not inconsiderable, in favor of the kind of self-sufficiency that Belloc describes. As Belloc and other distributists have said, the self-sufficient man, while certainly benefiting from specialization and exchange with others, can if necessary rely on himself alone for the things he needs. That is certainly true, but that would make Robinson Crusoe one of the most secure men who ever lived, since he was in no danger (until Friday came along, that is) of being lured into the temptations of the division of labor and thereby finding himself in a state of interdependence with his fellows.

The man who relinquishes so many of the benefits of the division of labor, moreover, invites a level of insecurity with which the so-called "wage slave" of capitalism need never be confronted. What does Belloc's isolated farmer do during a drought? By the time normal channels of trade are hastily reopened, it may be too late. What consolation will such a family be afforded by reassuring themselves at such a time that at least they are not "wage slaves"? Who in the present United States suffers from such fears?

Belloc would use state policy to keep large manufacturers in check. But in the marketplace a crucial check already exists against a wealthy manufacturer: he will be able to maintain his wealth only to the extent that he makes prudent investments and continues to satisfy the needs of his fellow man. This is what Ludwig von Mises meant when he said that ownership of the means of production "is not a privilege, but a social liability":

> Capitalists and landowners are compelled to employ their property for the best possible satisfaction of the consumers. If they are slow and inept in the performance of their duties, they are penalized by losses. If they do not learn the lesson and do not reform their conduct of affairs, they lose their wealth. No investment is safe forever. He who does not use his property in serving the consumers in the most efficient way is doomed to failure. There is no room left for people who would like to enjoy their fortunes in idleness and thoughtlessness. The proprietor must aim to invest his funds in such a way that principal and yield are at least not impaired.[9]

What more salutary check against arbitrariness could exist than that? The state, on the other hand, which Belloc proposes to use to establish and maintain his own system, is insulated from the consequences of arbitrariness, since it never has to pass any such market test. In fact, the worse a government agency performs, the higher its budget tends to be the following year. This is one reason so many of us are loath to entrust our well-being to such an institution.

Let us count our blessings. Thanks to industrial society, few of us live in fear of dying of the countless diseases since tamed by medical science. We enjoy sanitary conditions, personal comforts, and opportunities that the greatest kings of Europe could scarcely have imagined. Half of our children do not die by age five. People are free to consider these things trivial or unimpressive if they wish, but the judgment of mankind appears to run in the other direction. □

1. Hilaire Belloc, *Economics for Helen* (London: J. W. Arrowsmith, 1924), p. 125.
2. Editors of IHS Press, "Introduction," in Hilaire Belloc, *An Essay on the Restoration of Property* (Norfolk, Va.: IHS Press, 2002 [1936]), p. 12.
3. James A. Sadowsky, "Capitalism, Ethics, and Classical Catholic Social Doctrine," *This World*, Fall 1983, p. 123.
4. Eugen von Böhm-Bawerk, *Capital and Interest*, 3 vols., trans. George D. Huncke and Hans F. Sennholz (South Holland, Ill.: Libertarian Press, 1959), vol. 1, p. 269; see also Hans-Hermann Hoppe, *The Economics and Ethics of Private Property* (Boston: Kluwer Academic Publishers, 1993), pp. 96–97.
5. Olwen H. Hufton, *The Poor of Eighteenth Century France, 1750–1789* (Oxford: Oxford University Press, 1974), p. 11.
6. William Doyle, *The Oxford History of the French Revolution* (Oxford: Oxford University Press, 1989), p. 14.
7. Belloc, *Essay*, p. 28.
8. Thomas E. Woods, Jr., "A Myth Shattered: Mises, Hayek, and the Industrial Revolution," *Ideas on Liberty*, November 2001, pp. 42–44.
9. Ludwig von Mises, *Human Action*, Scholar's Edition (Auburn, Ala: Ludwig von Mises Institute, 1998 [1949]), p. 308. I owe this reference to Professor Jeffrey Herbener.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

Adam Smith's Marketplace of Life

by James R. Otteson

Cambridge University Press • 2002 • 338 pages • $70.00 hardcover; $26.00 paperback

Reviewed by Robert Batemarco

One of the puzzles confronting students of the history of economic thought is the apparent inconsistency of the two masterworks of Adam Smith: *The Theory of Moral Sentiments* and *An Inquiry into the Nature and Causes of the Wealth of Nations*. In the former, Smith gives an account of how benevolence plays a central role in shaping individuals' moral sensibilities, while in the latter he contends that economic prosperity can prevail with nary a trace of benevolence.

James Otteson, associate professor of philosophy at the University of Alabama, did not find conventional explanations of this disparity satisfactory. Where most students of this issue tried to explain why *The Wealth of Nations* differed from *The Theory of Moral Sentiments,* Otteson looked for what in the latter was the same as in the former. In *Adam Smith's Marketplace of Life*, his willingness to think outside the box led him to identify the common framework that integrates both these works in their parallel adjustment processes.

In the economic order, most readers of *Ideas on Liberty* are more than familiar with Smith's notion that prices are guides to mutually beneficial exchanges and desirable allocations of resources. His vision of automatic adjustment is central to modern economics. In the moral realm, he used a parallel construction to explain people's moral judgments.

Otteson sees Smith starting from the premise that people have an innate desire for their sentiments to correspond with those of others, which he calls "mutual sympathy of sentiments." To accomplish this, people must judge their own actions the way a fair-minded observer with no vested interest in the outcome of those actions would. This is Smith's imaginary "impartial spectator." Following the dictates of this "impartial spectator" is a kind of adjustment mechanism driving us toward a moral consensus in much the same way that following the price system permits markets to clear—the better known "Invisible Hand."

Smith sees this "impartial spectator" as able to permit us to strike a balance between benevolence and self-interest against a backdrop of justice. Whereas justice is the prerequisite for any kind of ordered society and is thus always commanded by the impartial spectator, benevolence, which goes beyond justice, is only called for contingently. As Otteson puts it, "Smith argued that the impartial spectator approves of an ascending degree of benevolence towards others in direct relation to our knowledge of and familiarity with them." According to this "familiarity principle," behavior consistent with the letter of the law that would be quite proper in dealing with strangers would be scandalous if applied to family and friends.

Since we conduct most of our economic transactions with strangers or near-strangers, the premises set forth in *The Theory of Moral Sentiments* lead directly to the conclusion that self-interest properly trumps benevolence in the economic realm depicted in *The Wealth of Nations*. Thus the two books, rather than contradicting each other, share a common core. Otteson's original contribution is to have identified that core and how Smith saw it playing out in the moral realm.

In making this contribution, he displays virtuoso scholarship. Otteson assiduously examines the points of view of others who have studied this issue without ever letting the reader lose sight of his own argument. Moreover, for nearly every question this thought-provoking work raised in the mind of this reader, the author provided a satisfying answer within a couple of pages. To top it off, Otteson spells out what makes his inquiry more than a mere exploration of arcane issues—namely, that it gives us compelling "reasons to spread

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED