

DEAD ENDS AND LIVING CURRENTS: DISTRIBUTISM AS A PROGRESSIVE RESEARCH PROGRAM

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Abstract: Distributism, a social program most closely associated with Catholic social teaching, calls for widespread and decentralized property ownership. Much in distributist thought, when considered in light of standard price theory, is simply untenable. But there is also much in distributist thought that is interesting and viable. We discuss the aspects of distributism best discarded, and the aspects that can serve as the foundation for a progressive research program.

Keywords: catholic social teaching, socialism, distributism, progressivism, economics, price theory, property rights

I. INTRODUCTION

“Distributism calls for a reform of economic systems in general, and capitalism in particular.”³ So declares John Médaille towards the beginning of his work, *Towards a Truly Free Market*.

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³ John Médaille, *Toward a Truly Free Market: A Distributist Perspective on the Role of Government, Taxes, Health Care, Deficits, and More* (Wilmington, Del.: ISI Books., 2011).

What is distributism, and what does it want to reform about capitalism? And more specifically, for our purposes, what parts of distributism are living proposals for reform, and what parts should be considered dead, killed by a better comprehension of economic reality?

Distributism can be defined as the social-economic philosophy holding that private property, while licit, indeed, even vital, must be widely dispersed for the good of society. Small property holders, small business owners, and tradesmen who own their machinery and other tools are looked upon favorably; large governments and corporations, frequently wielding significant economic power, are looked upon with suspicion. Distributism began in England, early in the last century. The founders of distributism, Chesterton and Belloc,⁴ were two of the most prominent English writers of the early twentieth century. Both Catholics, they sought to turn the social teaching of Pope Leo XIII and Pope Pius XI into a concrete program of action. They rejected socialism, believing that private property was an essential component of human wellbeing, but also rejected capitalism, because they perceive it as concentrated private property in far too few hands.

Chesterton and Belloc shared a diagnosis for what they saw as the ills of the England of their day: the problem was not private property, as Marxists argued, but the fact that private property owners were scarce. In other words, property was not widely dispersed enough throughout society. As Chesterton put it:

The truth is that what we call Capitalism ought to be called Proletarianism. The point of it is not that some people have capital, but that most people only have wages because they do not have capital.⁵

⁴ French by birth, Belloc spent his childhood and most of his adult life in England.

⁵ G. K. Chesterton, "The Outline of Sanity," in *Three Works on Distributism* (CreateSpace Independent Publishing Platform, 2009), 167.

As this quote illustrates, when the Chesterbelloc (as G. B. Shaw named the pair) talked about property, their focus was on *capital* goods, not consumption goods. They would not be impressed by arguments showing that, while American workers may be totally dispossessed of the means of production, at least they have huge plasma-screen televisions and SUVs. Belloc understood what had occurred in the last several centuries, politically speaking, as a regression to conditions resembling those in the late Roman Empire, where a few owned great landed estates and the masses owned little or nothing in the way of productive property. He wrote:

The two marks, then, defining the Capitalist State are: (i) that the citizens thereof are politically free: i.e. can use or withhold at will their possessions or their labor, but are also (ii) divided into capitalist and proletarian in such proportions that the state as a whole is not characterized by the institution of ownership among free citizens, but by the restriction of ownership to a section markedly less than the whole, or even to a small minority.⁶

But these ideas did not circulate only in Britain at that time, nor only among Catholics. Famed mystery novelist and Episcopalian theologian Dorothy Sayers was a fan of distributism. The Spanish worker's cooperative Mondragón (still a going concern) was founded on distributist lines. In Germany, ordoliberalism (*Ordoliberalismus*), propounded by such thinkers as Walter Eucken and Wilhelm Röpke, offered a similar critique of "unfettered" capitalism as did the distributists. And American historian Christopher Lasch noted that there was once a vigorous strain of American politics that advocated similar

⁶ Hillaire Belloc, *The Servile State* ([S.I.]: Seven Treasures Publications, 2014), 16.

ideas. As described by Matthew Harwood,⁷ Lasch lauded an American populism that was neither socialist nor capitalist:

Revolting against the dehumanizing conditions of deskilled wage labor, yet understanding that large-scale factory production was here to stay, skilled craftsmen and owners of productive land... envisioned a new society that resisted both state capitalism and state socialism. Centralization, whether it was at the behest of the boss or the bureaucrat, was their enemy. Their nemesis, however, prevailed, as Americans accepted that the cost of affluence and abundance was the loss of control over their very lives. With no sense of how history could have gone any other way, any pursuit of worker control today has been lost to history, smeared as communist rather than authentically American.⁸

But aside from historical interest, distributism is interesting because it has seen something of a revival of late.⁹

So what parts of distributism deserve a revival, and which should be left in the past? Let us begin with the latter bits.

⁷ Matthew Harwood, "Why Read Christopher Lasch?" *The American Conservative* (July 28, 2015). Accessed January 7, 2017 at:

<http://www.theamericanconservative.com/articles/why-read-christopher-lasch/>.

⁸ Harwood's use of the term "state capitalism," which has also been called "crony capitalism," suggests a categorical difference between that system and a genuine free market. We accept this distinction, but many distributists do not.

⁹ See, for instance, Gene Callahan, "Distributism is the Future," *The American Conservative* (April 11, 2016). Accessed January 10, 2017 at

<http://www.theamericanconservative.com/articles/distributism-is-the-future/>; Allan C. Carlson, *Third Ways: How Bulgarian Greens, Swedish Housewives, and Beer-Swilling Englishmen Created Family-Centered Economies-- and Why They Disappeared* (Wilmington, Del.: ISI Books, 2007); John D. Mueller, *Redeeming Economics: Free Markets and the Human Person* (Wilmington, DE: ISI Books, 2006); Liam D. O'Huallachain and John Sharpe, *Distributist Perspectives: Essays on the Economics of Justice and Charity, Volume II* (Norfolk: IHS Press, 2006); Daniel Schwindt, *Catholic Social Teaching: A New Synthesis: Rerum Novarum to Laudato Si'* (Kansas: Daniel Schwindt, 2015); John Sharpe and Liam D. O'Huallachain, *Distributist Perspectives: Essays on the Economics of Justice and Charity, Volume I* (Norfolk: IHS Press, 2004).

II. WHAT'S DEAD IN DISTRIBUTIST THOUGHT

Many of the suggestions made by distributist writers are economically unsound. They do not work in theory nor in practice. This is especially true of proposals such as the advocacy of wage and price controls.¹⁰ The error in distributist writers' specific proposals lies in their lack of attention to economic reality: many of their proposals would, in fact, produce effects quite different from those they intend.

Ludwig von Mises notes that the failure to recognize the nature of human action is an ancient and frequently repeated mistake made by social commentators.¹¹ Economics as means-ends analysis in the context of exchange activity sheds light on whether a proposed social arrangement, such as a political-economic system, is capable of achieving what its advocates desire. When distributists give poor advice, meaning advice intended to advance a goal but having the practical effect of failing of achieving more nearly the opposite of that goal, it is generally because they fail to pay attention to the actual effects their proposals will have, and instead focus on the effects they *intend* them to have.

For example, consider the orthodox distributist perspective on property. Distributists believe in private property, and also believe it should be widely decentralized. Distributists tend to be skeptical of large-scale operations in both the private and the public sector, seeing them both as the unfortunate result of industrial capitalism and the development of the administrative state. Both of these are worrisome because they can dehumanize those who work within them. Mass production and mass governance are not conducive to appreciating the worker or the bureaucrat as a human person. It is far too easy for humans to begin to use

¹⁰ See, e.g., the essays in Sharpe and O'Huallachain 2004 and O'Huallachain and Sharpe 2008, or Schwindt 2015. On the other hand, Mueller 2006, chapter 15, recognizes the problems caused by price fixing.

¹¹ Ludwig von Mises, *Human Action: A Treatise on Economics* (Auburn: Ludwig von Mises Institute, 2008 [1949]).

others as mere ends in the service of their own scramble to consume ever-higher quantities of goods and services. These normative considerations deserve careful consideration. But they also must be augmented by a realistic understanding of the role private property plays in facilitating social coordination.

Mises, in critiquing social systems in which all property was publicly owned, developed a theory of the relationship between property and markets that shows the importance of private property, and why socialist proposals fail on their own terms.¹² Mises's argument, in brief, is that private property is a necessary prerequisite to market exchange. Where there is no private property, there can be no voluntary exchange, and hence no market. This means there can be no market prices for the factors of production. Without market prices for capital goods, producers who use these goods as an input to making final goods and services would have no way of knowing how to produce efficiently. Efficiency, meaning least-cost production, is beneficial both to the producer who achieves it and to society at large: the producer gets more profit, and society has more resources left over to satisfy other wants. But ascertaining the costliness of production requires profit-and-loss accounting, which itself requires market prices as an input. When they significantly attenuate, or outright destroy, private property, social planners are also inadvertently destroying the mechanism by which producers and consumers coordinate their behavior and come to mutually satisfactory bargains concerning the employment of the factors of production. As an example, imagine a railroad company is considering building a new branch line, and wants to know whether to use steel or titanium rails. The obvious answer is steel. While perhaps marginally safer, titanium is significantly more expensive. Consumers would not be willing to pay the increased costs for titanium rails, even taking into account possible safety benefits. But without a functioning market for steel and titanium, the railroad company would

¹² Ludwig von Mises, *Socialism: An Economic and Sociological Analysis* (New Haven: Yale University Press, 1951 [1922]).

have no way of knowing that titanium would have had a much higher market price than steel, and thus would have been judged by market participants to have much higher-valued alternative uses.

Distributists are obviously not advocates of socialism, so at first it may be unclear as to the relevance of Mises's critiques. The key is to recognize that in markets what is being exchanged is property rights. A social theorist can speak to the characteristics of market exchange undertaken in a particular legal regime. But any attempt to lock-in a specifically desired distribution of property will have unintended consequences. If markets exist in a society, and individuals are unhappy with the existing distribution of property, then they will exchange property to reach more desired distributions. There is no guarantee that some ideal, 'decentralized' property distribution, which distributists may desire, will be sustainable, even if it were reachable by an act of initial redistribution. Individuals who own factors of production, but cannot employ those factors most profitably, would probably be happy to sell that property to a large enterprise that can put those factors of production to higher-yielding uses. Because many lines of production benefit from significant economies of scale, some of the results of free property exchange will be large businesses. Because some individuals are not the efficient owners of the factors of production, some will own no factors of production except their own labor, and would be satisfied with a wage contract rather than working as an independent proprietor. Furthermore, attempts to freeze in place a decentralized distribution of the factors of production would destroy many avenues for mutually beneficial exchange and social cooperation. To maintain a given distribution or set of distributions would require coercive enforcement. This enforcement would significantly impede, or outright destroy, the market as an exchange process.

The goal of the distributist plan of decentralized property ownership, and especially factor-of-production-ownership, is every household having at its disposal the means to attain a minimally acceptable standard of living. But attempting to preserve these distributions would in fact

result in greater poverty, since it would destroy the exchange process by which resources are allocated to high-yielding uses, which is the source of that income. The only way to prevent this is to allow the free exchange of property, including the factors of production. The result may be that many households own only their own labor, and are satisfied with that arrangement. Distributist ends regarding property ownership and the employment of the factors of production are thus unrealizable by the means stated by at least some distributist authors.¹³

This is one arena in which Chesterton,¹⁴ in particular, came up short. Understandably opposed to simple confiscation of property from existing owners—for how, exactly, could the confiscators decide exactly which holdings were amassed through “crony capitalism” and which through honest innovation and work?—he recommended that the state compensate large landowners for their land and distribute it to small ones. The problem with this idea is that the funds to pay the compensation have to be taxed away from somebody: if from the large landowners, then they are just having their property confiscated by a different route. But if the people to receive the land are taxed to pay for the public-domain seizures, then it would have been more sensible just to let them buy the land themselves.

Furthermore, distributist proposals to ‘fix’ a particular distribution of property ignore F. A. Hayek’s¹⁵ work on the informational role of the price

¹³ Furthermore, recent innovations and developments in capital markets may have made the prevalence of large, hierarchical firms less worrisome, by distributists’ own criteria. In particular, it is now much easier for ordinary individuals to own shares in such firms. Reduced transaction costs have made it much easier for those of even modest means to invest in financial instruments, such as mutual funds. This enables individuals to participate in the broad gains that long-run equities markets historically have created, while mitigating risk. Opportunities for capital holdings by non-wealthy households are thus greater than distributists realize.

¹⁴ Chesterton, *Three Works*, 243.

¹⁵ Friedrich A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948).

system. This work is still the foundation for a positive theory of how markets advance social cooperation under the division of labor. Hayek, who was arguably Mises's greatest student, builds on Mises's insights regarding the informational role of property and market exchange. Hayek argues that market prices convey crucial knowledge that helps buyers and sellers coordinate their actions in a way that, unintendedly, *tends towards* efficient resource allocation. In Hayek's scheme of thought, prices are both pieces of knowledge and knowledge surrogates. They convey information about real resource scarcities across lines of production, as determined by supply and demand, and they also can be used in place of detailed and specific information, as a way of economizing on knowledge. For example, suppose that an unexpected frost kills a large part of an orange crop. Because there are fewer oranges, the marginal orange—the next additional orange offered on the market—must be put to a higher-valued use than previously. Market prices tend to bring about this result (albeit while accepting the existing ability to pay as a given), even without any participants knowing all the information regarding the effects of the frost, as well as information about the value of oranges across all possible lines of orange-related production. The reduced supply of oranges would raise the market price of the marginal orange; only those who valued the orange highly in consumption, or wished to use the orange as an input into a relatively more valuable output good (e.g., mimosas as opposed to plain orange juice), would be willing to pay the higher price. Ultimately, Hayek's work shows how market prices, adjusting in response to changed supply and demand conditions, enable buyers and sellers to capture gains from exchange, even while knowing only a tiny fraction of the information embedded within the economic system.

Some distributist proposals call for explicit price fixing¹⁶ by guilds or other trade associations. This is intended to assure both skilled and unskilled producers a degree of certainty in selling their product. It is also

¹⁶ See fn. 8 above.

an attempt to institutionalize something approximating justice in exchange. But this is another example of how ignoring economic reality yields ineffectual proposals. As Hayek showed, market prices are necessary to facilitate coordination in exchange. Non-market prices, prevented from adjusting so that buyers and sellers can capture the maximum gains from exchange, impede the coordination of markets. If the fixed-pricing scheme favored by some distributists results in artificially high prices, the result will be persistent surpluses; if artificially low, persistent shortages. In addition to frustrating buyers' and sellers' plans, these proposals destroy social wealth by preventing these misalignments of production and consumption from being corrected. Correcting errors in production and consumption plans over time is the chief benefit of markets, and the cause of the phenomenal wealth created by market exchange. Normally it is the adjustment of relative prices that facilitates this error correction, but the more interventionist distributist programs rule out this coordination mechanism. Again, we see that some of the proposals adopted by distributists lead to results that they would find undesirable. The only predictability and assurance given by fixed prices is the guarantee of discoordination in markets—both buyers and sellers being unable to achieve their highest available satisfactions. Because market exchange is always limited by the party least willing to trade, price fixing schemes will result in a reduced volume of market transactions. This will make it more difficult for producers to secure minimally remunerative work, and more difficult for consumers to get the goods and services they desire. Both negatively impact these parties' standard of living.

Distributists also go wrong on more specialized areas of economic theory. For instance, Médaille's theory of the business cycle was debunked in the nineteenth century by Marx, among others. Médaille turns to the labor theory of value to judge that “the same kind and quality of labor, whether in its original or ‘stored-up’ form of capital, should produce

roughly the same return.”¹⁷ But in the current system, capital gets an “inordinate share of the rewards of production.” The result is “an overall decrease in purchasing power,” since there are so few capitalists compared to workers, meaning “that the vast majority of men and women will not have sufficient purchasing power to clear the markets, and the result will be...a recession.”¹⁸

The problem here is that Médaille offers us no reason at all to think his analysis is sound, or actually explains *any* real recessions. As Marx¹⁹ pointed out long ago, recessions tend to hit when workers’ wages are relatively high, rather than when they are relatively low—the direct opposite of what we should see if a lack of consumption on the part of workers explains recessions. Anyone trained in neoclassical economics will immediately wonder, if purchasing power is in the hands of plutocrats, why the economy just doesn’t produce more meals at ritzy restaurants and fewer at diners, more boutique shops and fewer big box stores, more yachts and fewer rowboats? If one considers the great palaces and monuments of antiquity, it is obvious that the rich can consume enough to suck up a great portion of a society’s output. Have our modern-day wealthy suddenly lost that spirit of conspicuous consumption? Standard theory would indicate that there are equilibrium bundles of goods that could be produced corresponding to any distribution of income; why are we stuck producing a mix of goods for a distribution we don’t have?

What’s more, Médaille is attempting to explain a cyclical phenomenon with a constant cause: according to him, capital is always garnering an unfair share of income at the expense of labor. Why aren’t we then in a permanent recession?

¹⁷ Médaille, *Towards a Truly Free Market*, 53.

¹⁸ Médaille, *Towards a Truly Free Market*, 53-54.

¹⁹ Karl Marx, *Capital, Volume II*, Trans. I. Lasker (Moscow: Progress Publishers, 1956), ch 20. Downloaded from <http://www.marxists.org/archive/marx/works/1885-c2/> on Sep. 21, 2011.

We find similarly poor economic analysis in, for instance, Schwindt:

St. Basil likened wealth to a great spring: if the water is drawn frequently, all the purer it will remain; yet if it is left unused it becomes foul and stagnant. Now this is of interest to us because of its economic parallel, which is the concept of the velocity of money. This concept says that money, if it falls into the hands of a poor man, will almost immediately leave his hands, either for rent or for lunch or for some other pressing need. If it goes into the hands of a very wealthy man, it may go into a bank account to draw interest, or it may go nowhere at all for a very long time. Now, economically speaking, the first is best, at least from the standpoint of a healthy, vibrant, functioning economy, why the latter is poisonous and leads to stagnation.²⁰

There are several errors here. Schwindt apparently is unaware that banks don’t actually keep the rich man’s money sitting in a vault, but lend it out. And while we imagine very few rich people are burying their money in cans in the back yard, if they were to do this, the effect would be a lowering of the general price level, not “poisonous...stagnation.”

III. WHATS ALIVE IN DISTRIBUTIST THOUGHT

The problems with distributist thought we discuss above identify economic “dead ends” of particular theoretical claims or policy proposals. This does not mean that distributist thought in its entirety should be ignored or discarded. On the contrary: we contend that there is much “alive” in distributist thought that deserves serious scholarly attention. In particular, distributists recognize an essential truth that has long been proclaimed by practitioners of “mainline” economics.²¹ Distributists’ emphasis on private and widespread property ownership as a political-

²⁰ Schwindt, *Catholic Social Teaching*, 152.

²¹ On mainline economics, see Peter J. Boettke, *Living Economics: Yesterday, Today, and Tomorrow* (Oakland: Independent Institute, 2012).

economic foundation of a “good society” highlights the importance of *institutional* foundations for markets.²² The assumption behind all distributist proposals, whether they are feasible or not, is that political and economic outcomes are a function of the underlying rules that constitute these social realms. Certain rules predictably result in cooperation and prosperity, while others predictably result in predation and poverty. Concern for simultaneously private and widespread ownership of private property, and in particular the factors of production, stems from the sound intuition that power must be dispersed in order for it to be wielded safely by anybody. The live and valuable thread of distributist thought recognizes that the background conditions for both markets and politics—conceptually but not in actuality separable realms of human action and potential cooperation—must be sound in order for the nexus of exchange relationships humans forge with each other to create mutually harmonious living. When this sensible starting point is augmented by sound economics, namely the applied theory of price as represented in works such as Mises,²³ Becker,²⁴ and Alchian and Allen,²⁵ a potentially powerful research program emerges out of the distributist paradigm.

Perhaps most troubling from a distributist perspective, in this regard, are the host of legal restrictions on economic activity that tilt the playing field against individual proprietors and small businesses. This creates an economic environment that selects for large organizations that are capable

²² Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Business, 2013); James M. Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975); Douglas C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990); Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan (New York: The Modern Library, 1994 [1776]); see also Mises, *Human Action*.

²³ Mises, *Human Action*.

²⁴ Gary Becker, *Economic Theory* (Chicago: University of Chicago Press, 1971).

²⁵ Armen Alchian and William Allen, *Exchange and Production: Competition, Coordination, and Control* (Belmont: Wadsworth Publishing, 1983).

of bearing the costs associated with legal compliance. This is particularly true when compliance with legal barriers is a fixed cost. Large fixed costs select for large organizations over smaller ones, because large organizations can spread a given fixed cost over a large range of output, which makes the cost easier to absorb. Smaller organizations have less output to absorb this fixed cost; they must increase price by proportionately more in order to remain profitable. Importantly, this is a feature of the institutional environment underpinning commercial activity. But because the comparative cost advantage of large organizations is due to legal and political, rather than economic, factors, it does not imply that smaller organizations are inherently unviable. In addition to creating more opportunities for widespread wealth creation, removing various barriers on commercial activity can ‘open up’ commercial space for individual proprietors and small businesses.²⁶

Consider, for example, tax policy in the United States. The federal tax system in particular is well known to be incredibly complex, and thus difficult to navigate. The length and complication of the federal tax code has grown steadily since the 1950’s. According to the Tax Foundation,²⁷ in 1955 the tax code and accompanying regulations were 1.4 million words in length. Today, the tax code and accompanying regulations are over 10 million words long. In addition, the tax code can change significantly from

²⁶ Not all regulatory barriers are disproportionately hard on smaller businesses. Sometimes the reverse is the case. Consider, for example, the Affordable Care Act’s exemption for firms with fewer than 50 employees. Large corporations, in virtue of their profitability, also can be targets for rent extraction by public officials. Ultimately, whether any particular regulation is more costly for smaller or larger firms is an empirical question. But on balance we think that the current regulatory environment, with its labyrinthine rules and exceptions to those rules, makes it more likely that large, hierarchical businesses—which can afford specialized personnel just to help them comply with the rules—have an advantage.

²⁷ Scott Greenberg, “Federal Tax Laws and Regulations are Now Over 10 Million Words Long.” *Tax Foundation* (October 8, 2015). <http://taxfoundation.org/blog/federal-tax-laws-and-regulations-are-now-over-10-million-words-long>. Accessed October 20th, 2016.

year to year. Fichtner and Feldman²⁸ find there were 4428 changes to the tax code between 2001 and 2010, averaging more than one change per day. Understandably, this generates a highly uncertain environment in which individuals and firms must expend significant resources just to comply with existing rules. In the same study, Fichtner and Feldman also find that compliance costs Americans around \$1 trillion per year, or roughly 5% of GDP. This is a political environment that favors large firms that can afford staffs of accountants and lawyers capable of navigating the complexities of the tax code. It also allows large firms to secure advantages that are prohibitively costly for individual proprietors and small firms to discover.²⁹

A distributist perspective on the tax code would emphasize the particularly burdensome effects of existing tax law on smaller organizations. In addition to general economic losses, restrictions on commerce of this kind disproportionately disadvantage individual proprietors and small businesses, and place significant barriers to direct employment of the factors of production by these smaller organizations. Distributist proposals would focus on just how particular aspects of the tax code impose these disproportionate burdens. Positive economic scholarship augmented by the distributist perspective would explore questions such as why these disproportionate burdens are politically profitable to implement, and how they can be removed with minimal cost. Normative scholarship augmented by the distributist perspective would focus on the injustice of imposing these disproportionate burdens on

²⁸ Jason Fichtner and Jacob Feldman, *The Hidden Costs of Tax Compliance* (Arlington: Mercatus Center, 2015). Available at:

https://www.mercatus.org/system/files/Fichtner_TaxCompliance_v3.pdf, 2013.

²⁹ These advantages are sometimes called “loopholes,” a term we have avoided due to the derogatory connotation. We emphasize that it is not firms’ securing of advantage in this context that we find objectionable. What we do find objectionable is the lack of a level playing field this complexity creates. There is also the broader economic argument: resources used by firms to secure advantage under the tax code represent a social loss, to the extent that, in absence of this complexity, firms could use those resources to create value for consumers.

smaller organizations. A strong case can be made, using the social teaching from which many distributist proposals draw their inspiration, that these burdens violate norms of individual freedom, the rule of law, and subsidiarity.

There are many other areas that can profit from positive and normative analysis from a distributist perspective. Licensing restrictions are another example. These are particularly important, because regulations requiring permission to produce present perhaps the greatest barrier to the direct employment of the factors of production on a small scale. Consider the increased prominence of the ‘sharing economy,’ most popularly in the form of ride sharing services such as Uber, or domicile sharing services such as Airbnb. One study estimates that nearly 20% of the US population has engaged in a sharing economy transaction.³⁰ Uber currently operates in more than 250 cities worldwide, and has a market capitalization of \$41.2 billion. Airbnb averages nearly 430,000 guests per night, and nearly 160 million per year, which is more than large hospitality service chains such as Hilton Worldwide. These services are increasingly used because they empower individuals by allowing them to transform goods which formerly were consumer durables into useful capital. Individuals with a car or a spare room are in possession of a good that delivers a stream of services to the owner of these goods. Technologies such as Uber and Airbnb allow owners to offer that stream of services to others in exchange for money. By lowering the transaction costs of linking excess demanders of shelter and transportation with excess suppliers of these services, sharing economy technologies create live, productive capital out of goods limited previously to personal consumption. Anybody with a car and free time, or a room to spare, can thus use these goods as factors of production. But this potentially empowering transformation is often hindered by legal restrictions. Taxi companies lobby for, and sometimes successfully get, legal restrictions on ride-

³⁰ PricewaterhouseCooper, “The Sharing Economy,” 4. *Consumer Intelligence Series* (2015). Available at pwc.com/CISsharing.

sharing services ranging from specific use conditions to outright bans. Hotel companies do the same for domicile sharing services. Licensing restrictions of these kinds prevent individuals from using their property to improve their wellbeing in ways that almost certainly will be unjustified from a distributist perspective.

Other aspects of the current legal regime which tilt the playing field towards the large and the giant include complex environmental regulations, elaborate workplace safety rules, and perhaps even the corporate form of organization itself,³¹ something attacked by such noted market fans as Adam Smith.

So these are some topics for which a distributive perspective can generate good scholarship and raise the quality of public debate. There are undoubtedly more. We want to emphasize again that the strength of this perspective comes from understanding how markets actually work, and applies the tools that generate this understanding to the structure of institutions that underpin economic and political activity. That these positive questions are motivated by normative positions stemming from a particular tradition of social teaching in no way impugns the product of such a research paradigm. All scholarship is ultimately normatively motivated, and the social teaching within which distributism developed is a rich source for understanding the nature of the good society. These normative positions can be and should be pursued using means appropriate for the attainment of the desired end, which is why incorporation of price theory is a necessary component of a living distributism.

³¹ This is admittedly a more speculative claim. Limited liability and public ownership can conceivably benefit small business owners and other individuals of modest means. For example, given our current highly litigious culture, limited liability can protect small business owners' personal assets from a crippling lawsuit. And we have already discussed in a previous footnote how ordinary households can turn the existence of large, publicly traded firms to their financial benefit.

IV. CONCLUSION: DISTRIBUTISM BY ANY OTHER NAME?

Our discussion contained only a few examples of the contents of a research program that would render distributism a living paradigm in scholarly economics and political economy. There are countless more. One other, which has been in the public eye recently, is the proposal for a guaranteed minimum (or “basic”) income, or a negative income tax. While the specifics of the proposals vary, the constant theme is for the state to guarantee to each citizen some certain minimum standard of living, ideally set neither too low (and so genuinely staves off intolerable poverty) nor too high (and so discourages work). A distributist research program would highlight how these proposals fit into a political-economic worldview, both positive and normative, and perhaps would tackle the thorny issues associated with actually securing and implementing these proposals. At this point the scholarship on economics and political economy would engage the scholarship on governance and public policy. This is a virtue of a research program that is sufficiently interdisciplinary to give the complexities of human social life their due. So long as these various sub-projects are informed by the economic way of thinking, as we have highlighted in this article, the possibilities for distributism as a progressive research program, rather than a curious footnote in the history of economic thought, are quite promising.

One question we foresee as being urgent to answer, as well as being particularly fruitful as a research project, is how specific alternative institutional arrangements for making political decisions fits into a distributist program. We have in mind here, especially, the principle of subsidiarity. Famously explicated by Pope Leo XIII in the encyclical *Rerum Novarum*³² and later by Pope Pius XI in the encyclical *Quadragesimo Anno*,³³

³² Pope Leo XIII, *Rerum Novarum: On Capital and Labor*. Given at St. Peter’s (May, 1891). Available online at: <http://www.papalencyclicals.net/Leo13/113rerum.htm>.

³³ Pope Pius XI, *Quadragesimo Anno: On the Reconstruction of the Social Order*. Given at St. Peter’s (May 15, 1931). Available online at:

subsidiarity is the norm holding that public sector activity ought to be conducted at the most local level possible. The local council ought not perform functions that can adequately be performed within the family; the municipal government ought not perform functions that can adequately be performed by the local council; the state government ought not perform functions that can be adequately performed by the municipal government; and the national government ought not perform functions that can be adequately performed by the state government. While subsidiarity has been interpreted as limiting the power of the state, this is not all it does. Subsidiarity protects local communities from larger and more powerful bodies that might infringe on local communities' just claims and prerogatives. Thus it is properly understood as a norm for facilitating cooperation within the various political orders comprised by persons, rather than as a guarantee of rights above and against political orders *per se*.

Interpreted economically, subsidiarity implies that public goods (those that are partially nonrival and nonexcludable in consumption) ought to be supplied at the institutional unit of least 'social distance' from those who would fund and enjoy them. In this way, institutions of public goods provision are more likely to only produce those goods that advance the common welfare, instead of being captured by special interest groups to advance their narrow self-interest at the expense of the common welfare. Subsidiarity is thus one way of achieving James Buchanan's³⁴ goal of unleashing the productive and protective state, while constraining the predatory state. Hence subsidiary is closely related (although not identical to) norms of federalism, especially in the tradition of governance in the United States.³⁵ This suggests that distributism as a research program,

http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadregesimo-anno.html.

³⁴ Buchanan, *Limits of Liberty*, 1975.

³⁵ James M. Buchanan, "Federalism as an Ideal Political Order and an Objective for Constitutional Reform," *Publius* 25:2 (1995): 19-27; James M. Buchanan and Gordon Tullock,

focused at the institutional level, has potential overlap with public choice economics and the Virginia School of political economy, which approaches questions of public institutions in a similar manner, and is explicitly informed by the economic way of thinking.

We believe questions of subsidiarity, federalism, and local public goods provision are a natural topic for scholars looking to apply distributist insights because of an intuitive hypothesis: perhaps the current economic landscape is tilted against small-scale production, or production methods where workers otherwise have additional ‘skin in the game’ because the *political* landscape is itself overly centralized. In the US, for example, the federal government’s relegation to itself of extraordinary control over economic life over the past century favors large firms that can afford the high costs of maintaining a permanent lobbying presence in Washington and regularly investing in relationships with legislators and bureaucrats. The ‘rent seeking society,’ explored by Gordon Tullock,³⁶ naturally makes those without the deep pockets required to make and maintain these political investments less likely to compete and thrive. Thus, growing public concerns over rising income and wealth inequality can be interpreted as a result not of some disembodied social program known as ‘capitalism,’ but a specific institutional arrangement that favors the granting of privileges and dispensations to individuals and groups of specific dispositions, redistributing wealth to them and from the average worker. Given the normative commitments of those with distributist priors, this phenomenon is obviously troubling, and worthy of serious study. Informed by the economic way of thinking, a distributist research program can more accurately identify specific institutional features that result in normatively troubling circumstances, and better understand what institutional changes will ameliorate them.

The Calculus of Consent: Logical Foundations of Constitutional Democracy (Ann Arbor: University of Michigan Press, 1962); see also the essays in James E. Fleming and Jacob T. Levy, *Federalism and Subsidiarity: NOMOS LV* (New York: New York University Press, 2014).

³⁶ Gordon Tullock, *The Rent Seeking Society* (Indianapolis: Liberty Fund, 2005).

Importantly, these avenues are hypothetical, in the sense that the proposed policies within existing institutions, and proposed changes to the institutions themselves, may not result in more widespread ownership of what is traditionally conceived as capital. It is always dangerous to have strong beliefs about the distribution of particular factors of production in response to within- and across-institutional change, since the accompanying exchange of property rights as predicted by the economic way of thinking frequently has unforeseen results. But at least the argument that particular aspects of the tilted playing field have resulted in a normatively unacceptable distribution of capital goods can, according to this method of investigation, be ‘falsified,’ in Buchanan’s³⁷ sense. That is, interpreted as a means-ends argument about why a particular distribution of capital goods has arisen, it can be shown that the desired distribution does not secure the consent of those subject to the distribution and the laws that govern it. Of course, whether this conclusion impugns the belief that capital goods ownership ought to be widespread, or whether the proposed policies and institutional alternatives were insufficient to achieve a still-desirable normative goal, is itself a ‘higher-order’ question within a distributist worldview.

In conclusion, distributism can be interpreted not just as a historical intellectual tradition, but a living paradigm for organizing and conducting research on important topics in economics and political economy. However, to steer it away from some of the dead ends that distributist proposals have sometimes entered, distributism must be augmented by the economic way of thinking. There is little that is viable, as a scholarly project, in calls for wage and price controls, or for the reestablishment of a guild-dominated economy. In contrast, there is much viable in the motivations underlying such calls, channeled to explore questions of public importance by considering these questions in light of the pure logic of choice, as well as the role of social institutions in generating information

³⁷ James M. Buchanan, “Positive Economics, Welfare Economics, and Political Economy,” *Journal of Political Economy* 2:3 (1959): 124-138.

and aligning incentives. Adopting these analytical precepts is required for distributism to become a progressive and fruitful research program.