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Moral Problems in  
Economic Organization in the  
Work of Yves R. Simon

*Unequal Exchange and Man as  
the Principle of Integration*



I. Introduction

Yves R. Simon's extensive work on the philosophy of democratic government is undoubtedly among the most significant contributions of the twentieth century. In the midst of this corpus, Simon addresses at length the issues of i. technology and democracy, and ii. socioeconomic equality and democracy. Although his work on the themes of liberty, authority, and democracy broadly considered has been increasingly recognized, his writing in these two areas remains relatively neglected. This is surprising, because no reader of Simon's corpus could emerge with any conclusion other than that they are crucial themes for the consideration of democratic development in our time. In Simon's most famous work, *Philosophy of Democratic Government*, he devotes close to 20 percent of the work to the theme of technology alone.<sup>1</sup> Concerning equality, Simon held that we could divide democracy's development into two phases. First, democracy struggled for equality in the sense of eliminating institutional forms of bondage and inequality: slavery, serfdom, and various forms of legalized

1. Yves R. Simon, *Philosophy of Democratic Government* (Notre Dame, Indiana: University of Notre Dame Press, 1993), 260–322.

inequality. Although a timeline is not easy to draw, Simon contends that at least after 1848, the central struggle of democracy shifted to a second phase, characterized by a conflict between propertied classes and workers, a struggle for economic equality against what he saw as institutionalized forms of unequal exchange. Simon insists that there is a culpable form of complacency in the belief that we can safely avoid the problem of dictatorship and totalitarianism without addressing the issue of alienation through unequal exchange.<sup>2</sup> His language could not be clearer or stronger. He writes, "Yet, alienation through unequal exchange is the thing that democracy, in the second phase of its revolutionary development, has to deal with, just as alienation through institutional bondage was the thing that democracy had to deal with in its first revolutionary phase."<sup>3</sup> Moreover, any economic system that would qualify as humanist must be one wherein man himself is the principle of integration. Yet, the development and use of technology threatens precisely this principle. Indeed, technology becomes an obstacle to democratic development to the extent that the technologically oriented society becomes oriented to the pursuit of power over happiness, reduces men's communion with nature and among themselves, and establishes predictability and regularity as the governing norms of social organization.

I have earlier attempted to underline the significance of Simon's writings on the subject of economic justice, in terms of both i. their centrality to Simon's work in political philosophy, and ii. their profound relevance for understanding political economy today.<sup>4</sup> In these earlier works, I focused predominantly on the themes of the common good and the role of political authority. In this essay, I will approach the theme of economic justice from a different angle. I will demonstrate that Simon underlines the significance of man as the center and principle of integration in economic organization and the threats technology poses to this principle and, hence, to democracy. Moreover, the market system, particularly under advanced technology, has a determinate tendency to heighten man's alienation through unequal exchange, illusory services, one-way exchanges in which wealth leaks out

2. See *ibid.*, 248.

3. *Ibid.*

4. See Thomas R. Rourke, "The Common Good and Economic Justice: Reflections on the Thought of Yves R. Simon," *The Review of Politics* 54, no. 2 (1992): 231-52; Thomas R. Rourke, "Michael Novak and Yves R. Simon on the Common Good and Capitalism," *The Review of Politics* 58, no. 2 (1996): 229-58. Additionally, in the latter volume, see "A Response to a Catholic Whig," 265-67.

of society, and the exploitation of labor. Finally, in light of these arguments, we will revisit Simon's contention that production and distribution through market methods is insufficient and must be supplemented by mechanisms of distribution according to needs and free distribution. Throughout, my attempt is, in addition to bringing Simon's arguments to light, to show their heightened relevance for today. Twenty years ago, I contended that Simon's concerns about production and distribution in the market system were more valid than when he originally wrote them. Today, I can only repeat the same claim with multiplied emphasis.

## II. Agriculture, Technology, and Man as the Principle of Integration

"The essence of humanism," according to Simon, is that man himself is the "principle of integration."<sup>5</sup> Here we find the central reason why Simon takes seriously the Jeffersonian ideal of democracy composed of landowning farmers, a theory rooted in the assumption that an agricultural society is most conducive to democratic government.<sup>6</sup> There is a wholeness and integration of economic activity on a small farm that makes of it a model not only for healthy economic organization, but also, as we shall see, an important contributor to democratic citizenship. On a small farm, production is tightly linked to the end of satisfying the real needs of the people who live on it. Two important principles are realized. First, production is entirely ordered to the service of indubitable human needs, such as food, clothing, and shelter for the inhabitants. Second, the amount of the various products produced tends to be determined by the proportion among the various human needs.<sup>7</sup> Small farmers tend to produce the amount of milk, meat, vegetables, and housing that corresponds to the needs of the family; they do not neglect to build a house so as to specialize in milk production. It is important to underline here that Simon's holding up family farming as a model of economic activity is grounded solely in a reasoned analysis of the relationship between production and needs, and has nothing whatsoever to do with any argument of an aesthetic nature. Nor is it an argument rooted in nostalgia for a world gone by. Yves Simon was far too much a proponent of practical wisdom and philosophical realism to lapse into views

5. Simon, *Democratic Government*, 300.

6. *Ibid.*, 261.

7. *Ibid.*, 300.

of this kind. His argument, rather, has a perennial philosophic, and, properly understood, political and economic validity.

In addition to the determinate tendency of family farming to guarantee the relationship between production and human needs, a society of independent farmers is conducive to promoting democratic tendencies and discouraging totalitarian ones. Simon sees this as central to the American ideal, best articulated by Jefferson, even to the point of saying that it "gives verisimilitude to the theory that a technological society does not admit of democratic government."<sup>8</sup> Simon contends further that the belief that a society of moderate landowners constitutes the ideal basis of a democratic regime is summarized in three propositions. First, rural life promotes a life ordered to happiness as opposed to the desire for power. This is based on the sound assumption that democracy is a form of government wherein power is employed in moderation, best realized by citizens who are not seeking power as an end in itself. Second, happiness is found interiorly; it cannot be found in anything external to man. Third, that which is conducive to happiness is enjoyed in peace, not through painful conflicts. Finally, human happiness is enjoyable in common with others.<sup>9</sup> Rural life, insofar as it is lived in accord with nature broadly conceived, respecting the processes of natural life, tends to discourage the pursuit of power as the end in life.

A second set of advantages of a society of small landowners is found in an insight that goes all the way back to Aristotle, reappropriated by Jefferson at the American founding. The moderate landowner has a lived experience of autonomy, of self-government, in his daily life, which suits him well when it comes to participation in the deliberative process at the core of democratic government. Moreover, he tends to seek moderate and limited government, with moderate laws. He wants a government that will help to preserve his family, his land, and his work. Moreover, a society of similarly minded people tends in the same direction. Additionally, Aristotle saw the obvious advantages for democracy in the relative economic equality of the people. The citizen of moderate wealth does not assume either that others should obey him or that he should be subservient to others. Therefore, he is the one most likely to be the democratic citizen, able to propose moderate and reasonable laws that he himself is willing to obey. Simon concludes that "farm work normally has ... a character of wholeness and integration

8. *Ibid.*, 261.

9. See *ibid.*, 265-66.

that industrial work cannot ... in most cases be expected to possess. ... All other things being equal, the farm worker finds in the condition of his work an opportunity for training in self-government both in the technical order and in the human order, which industrial conditions do not furnish."<sup>10</sup> Moreover, in the rural world, the uniqueness of each person working in the family unit tends to be confirmed, reinforcing a healthy sense of personal autonomy.<sup>11</sup>

Third, rural life promotes communal feelings, the sense of life engaged in commonly. Because rural life strongly reinforces family, even extended family, and community among families, it provides a healthy antidote to the kind of individualistic loneliness that technological society is prone to. Life lived in accord with nature reinforces a community of human experience grounded in the permanent things: love, work, virtues, family, and continuity among past, present, and future.

So important is the role of rural life that Simon goes so far as to say that democracy in a given nation depends particularly on an intense democratic life in its rural communities. In its roots, democracy is rule by the people, and direct democracy is the archetype, that is, a regime wherein the people rule in the absence of direct governing personnel. Simon is, of course, aware that conditions generally no longer support direct democracy. Nonetheless, one of the distinct advantages of such a practice is that it avoids the frequent accidental feature of democracy in technological societies, namely, that government is turned over to experts. Whenever citizens characterized by their prudence turn over government to specialists, a certain violence is done to public life. In technological societies, it is becoming increasingly difficult to keep the technical experts from the governing functions. In addition to Simon's concerns, I would add the aggravating factor that, in areas as important as the economy, the so-called experts in fact do not have the kind of knowledge that warrants the influence they are given.<sup>12</sup> Hence, if democracy of this archetypal kind were to disappear,

10. *Ibid.*, 301.

11. *Ibid.*, 302.

12. The philosopher can only cringe at the role played by the speculations of economists in contemporary policymaking circles. Economists have been given an authority over a crucial dimension of the common good, the economy, that is unjustified by any historically demonstrated capacity to predict and thereby forestall disastrous economic results. Other areas of public policy, such as education and social welfare, are similarly given over to the disproportionate influence of experts who have not the competence to solve the problems they purport to know

then democracy could easily degenerate into an oligarchic or aristocratic government.<sup>13</sup> Consequently, "a society so industrialized as to leave no room for family-size farming would be devastated by unchecked lust for power."<sup>14</sup>

Consideration of the disadvantages posed to democracy by the unrestricted development of technological society can emphasize all of the points raised above. The following five considerations are here noteworthy. First, Simon contends that it cannot be doubted that technological society has contributed greatly to the weakening of family life. People lacking community and experiencing loneliness are material for antidemocratic movements, leadership by mobs.<sup>15</sup> Second, in technological organization, it is less likely that the uniqueness of the person will be emphasized, adding to the sense that one's labor is simply an impersonal factor of production. Under such conditions, one is less likely to become aware of one's irreplaceable identity as a person. On the other hand, the relative absence of the division of labor in rural life underlines the distinctly personal contribution to the work effort. Third, the division of labor leaves a great number of workers with no lived sense of self-government. Given the importance of and the time dedicated to work, lack of autonomy therein "is by itself a very grave privation." Such a person will not easily govern himself in moral or social life, either.<sup>16</sup> Fourth, technology stimulates the lust for power, the proliferation of which, as an attitude, is a permanent threat to democracy. Society relies on rural people to safeguard against this tendency by preserving "the sentiments of universal reverence, of mystery, of awe and unity, that result from communion with nature in daily life."<sup>17</sup> Fifth, technical power tends to centralization and concentration. This tendency is determinate, because technology is oriented to increasing rationalization and regularization of economic processes from production through sale. The cost-reducing motives that drive its development in the first place only encourage the tendency for technology to cut costs while increasing speed and output. Inevitably, the industries that are most efficient prevail over

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the answers to. Would any honest observer truly wish to say that American education today is generally superior to what it was fifty years ago, or that American families and communities are happier and better off for the proliferation of psychologists?

13. See Simon, *Democratic Government*, 306-307.

14. *Ibid.*, 296.

16. See *ibid.*, 399.

15. See *ibid.*, 316.

17. *Ibid.*, 299.

those that are less so, increasing concentration of ownership and centralization of economic decision-making.<sup>18</sup>

Technology greatly increases the growth of, and hence the temptation to resort to, raw power. Over and above technology's inherent centralizing tendencies are the profound inclinations initiated within man by which he comes ever more to desire the kind of control increasingly exercised by technology over his environment, to acquire such power and be able to control the social order with it. As man becomes ever more submissive to technological requirements, he becomes less patient with problems caused by man in his freedom. Technology feeds the longing to control people. In a world increasingly dominated by the regularity of technological processes, man himself easily becomes the element that does not conform. Technology spawns a desire to remake society along technocratic lines in profoundly antidemocratic ways.<sup>19</sup> In such a demiurgical position, man is likely to lose his equilibrium and to erect himself into a sort of cosmic engineer strongly inclined to despise the mystery of nature and the greater mystery of human liberty.<sup>20</sup>

In light of all these considerations, we have reason to view with great alarm the tendencies concerning rural life in our own time. These trends are well discussed in the volume, *Hungry for Profit: The Agribusiness Threat to Farmers, Food and the Environment*.<sup>21</sup> Small-scale farming oriented to family subsistence and rural community has been subject to nothing less than an assault on multiple fronts. Increasingly, production of food has become big business; in fact, it is the second most profitable industry in the world. This, however, has not been good news for small farmers. The farmer's share of the food dollar is below ten cents. Technology itself has invaded agriculture in ways Simon could hardly have imagined. Low prices forced farmers to adopt new technologies and to increase the scale of production just to survive. An old New England jingle summarizes the situation well: "We grow more corn, to feed more cows, to make more milk, to buy more land, to grow more corn ..." Farmers have failed precipitously. No more than 1 to 2 percent of Americans today farm. If we look around the world, we see that

18. See *ibid.*, 285.

19. See *ibid.*, 290–92.

20. *Ibid.*, 292.

21. See *Hungry for Profit: The Agribusiness Threat to Farmers, Food and the Environment*, edited by Fred Magdoff, Frederick H. Buttel, and John Bellamy Foster (New York: Monthly Review Press, 2001).

the tendency is accelerating. Every year, 20–30 million of the world's poor leave rural areas and head to urban ones. One scholar sums up the situation as follows:

Over the past five decades, a massive number of the world's people have been dispossessed, uprooted, and displaced, the means whereby they have lived having been taken in the name of development, modernization, industrialization, growth, globalization, progress and profit. During this time, an enormous number of people who were involved in agriculture with direct access to the production of their means of subsistence were expropriated and displaced, creating huge masses of superfluous people. Between 1950 and 1990, the share of labor force in agriculture declined . . . by 40 percent in the Third World.<sup>22</sup>

In light of the preceding discussion of Simon's insistence on the connection between democracy and a vibrant rural life of self-subsistent farmers and farming communities, it is clear that the industrialization of agriculture and the evacuation of rural populations, converting millions into the most marginalized urban dwellers, barely eking out an existence, hardly augurs well for the future of democracy.

## II. The Problem of Unequal Exchange and Democracy

As we saw in the preceding section, small scale farming has the strong tendency to fulfill what we may call the natural teleology of economic activity, particularly insofar as production is oriented definitively to authentic human use, and there is a strict correlation between the profit of human work and the real service of work. Of course, in the context of a local community, the weakening of this natural teleology may be relatively insignificant, as in the case of the small businessman, say, the owner of a hardware store, who performs indubitable services to the community, in return for which he makes money, which he in turn uses to provide for his needs and those of his family. Yet, it is equally clear that, as the market system of exchange grows to become more all-encompassing, and economic relations largely cease to be of a personal nature, the distance between i. production and use, and ii. work and service, become substantial and troublesome. As

22. Farshad Araghi, "The Great Global Enclosure of Our Times: Peasants and the Agrarian Question at the End of the Twentieth Century," in *Hungry for Profit*, 145.



production for the purpose of exchange largely replaces production for use, the economic order suffers serious moral dislocations. Simon's concerns are summed up by the term, "unequal exchange," which includes what he refers to as "illusory services," "one-way exchanges," and the exploitation of workers. We will take up each of these. Again, it is clear that, for Simon, these problems are central to the success or failure of democracy. As stated at the outset, alienation through unequal exchange is the problem with which democracy in our time has to deal.

The first category of unequal exchange is that of illusory service. The concept is based on a principle not generally recognized by economists, yet very real and recognized by anyone who has not delivered himself of his common sense, that is, the difference between a want or desire, on the one hand, and a real human need, on the other. Everyone accepts the possibility of someone purchasing something he or she does not need, or, worse, that is downright harmful; this is a universally recognized truism. The market economy, particularly as its scale becomes national, then global, provides many examples of illusory services. Simon originally used the example of advertising and sales, in which salesmen convinced people to buy cars or homes they could not afford and which were largely beyond their needs. The service provided in such cases is clearly illusory. We can, moreover, consider the depth of the problem Thorstein Veblen originally dubbed "conspicuous consumption," which underlines the reality of production no longer ordered simply to service:

The vital point of production with him [the businessman] is the rendibility of the output, its controvertibility into money values, not its serviceability for the needs of mankind. A modicum of serviceability, for some purpose or other, the output must have if it is to be saleable. But it does not follow that the highest serviceability gives the largest gain to the businessman in terms of money, nor does it follow that the output in all cases need in all cases have other than a fictitious serviceability.<sup>23</sup>

The larger point is that illusory services encompass more than what takes place under the categories of sale and advertising, but also the products themselves. For a striking contemporary example, we have been made aware that, prior to the 2008 financial meltdown, buyers who could not afford to pay for mortgages were purchasing them anyway. To make matters

23. Thorstein Veblen, quoted in Yves R. Simon, *Work, Society and Culture*, edited by Vukan Kuic (New York: Fordham University Press, 1971), 121.

worse, the mortgages themselves were sliced and diced and sold all around the world to institutional investors. These financial instruments, it turned out, were absolutely worthless, which occasioned a threat to the entire international financial system. In light of Simon's argument, we need to ask, in both cases, what kind of service was being provided by i. those who sold the mortgages to the insolvent buyers, and ii. those who sold the repackaged failed mortgages to investors. In return for the large profits made, clearly no service was being provided at all. Beyond such obvious and extreme examples, Simon is of the opinion that, under contemporary circumstances, illusory services are prevalent throughout the economy. We have automobiles with far more power than can be safely used, tempting many to use them unsafely, resulting in deaths every day. We have piles of superfluous clothing piled up in stores, expensive cosmetics and ornaments for body and home. In the midst of an obesity epidemic, food stores sell tons of food with unhealthy levels of sugar and salt that no one needs. Now we have the further spectacle of drinks spiked with high doses of caffeine. Finally, we have industries purportedly devoted to serving unmet psychological and spiritual needs. All of this, of course, is supported by millions of dollars in advertising. The flip side of this coin, of course, is all of the genuine unmet human needs. Millions are hungry, lack affordable health care, potable water, arable land, and much-needed public transportation. At the time of the height of the housing boom in South Florida, and, I am sure, other areas, there was a boom in expensive condominiums. Yet, one of the unsung factors in the crisis was the lack of more affordable homes for working class people, which contributed to the tendency for people to buy beyond their means. In a market of rapidly increasing prices, the prevalent feeling was that the failure to buy now condemned one to future incapacity to purchase a home. In short, the market tended to overproduce high-end condos and neglect lower-income housing. Simon speaks in very strong language of the imbalances created by the proliferation of illusory services in words that are strikingly relevant today. Illusory services, he contends, "may annul the genuine service of work ... by crippling the system of distribution." He cites examples from the 1930s when some farmers were paid more to destroy produce than they could get for actually selling it as a service, and this while people were hungry. The products of genuine service could not be sold at viable prices and were left to rot, or used in extraneous ways, as in the case of using coffee to stoke locomotives. The

results were the worst imbalances of appalling poverty in the midst of plenty. Simon does not think that these results were incidental, writing, "And I have strong suspicions that there was a cause/effect relationship between the plenty of wealth and the extremes of poverty."<sup>24</sup>

Another phenomenon of concern to Simon is what he terms, "one-way exchanges," "wherein wealth leaks out of society."<sup>25</sup> In its pure form, what Simon has in mind here are operations in which one makes a profit simply by buying a product at one price and selling it at a higher one, without producing anything useful in the meantime. This corresponds to what Aristotle refers to as "commerce," or what is more commonly termed speculation. Following the treatments of Aristotle and Aquinas, Simon does not characterize the one who profits through speculation as immoral. However, there is a species of unequal exchange involved, which results in a moral problem in the system of distribution. Some make enormous profits while producing nothing, while others cannot find work or make ends meet. No just person can be indifferent to such results. Simon makes the clarification that a profit need not be completely speculative in order for it to cause concern. In our time, it must be noted that Simon's concerns apply with a multiplied force. Speculative financial activity occurs at a level in our society that no one in Simon's time could even imagine. Speculation has grown in many areas, and social and political philosophy has failed to reflect sufficiently upon these developments. Speculative finance has in our time become a kind of entire secondary economy of its own, the result of a search for profitable sources of investment.<sup>26</sup> The sheer magnitude is staggering. As Foster and Magdoff put it, "stock markets and currency trading have become little more than giant casinos where the number and value of transactions have increased far out of proportion to the underlying economy."<sup>27</sup> World currency markets trade up to 1.8 trillion dollars a day. Every twenty-four days, the dollar volume of currency trading equals the entire world's GDP.<sup>28</sup> This means that 90 percent or more of this market has nothing to do with the underlying economy of buying and selling goods. It approximates pure

24. Simon, *Work*, 127.

25. *Ibid.*, 34–39; Simon, *Democratic Government*, 237–41.

26. See Fred Magdoff, Frederick H. Buttel, and John Bellamy Foster, "An Overview," in *Hunger for Profit*, 18.

27. John Bellamy Foster and Fred Magdoff, "Liebig, Marx, and the Depletion of Soil Fertility: Relevance for Today's Agriculture," *Hunger for Profit*, 56.

28. See *ibid.*

speculation. Money drifts away from expansion in production to financial speculation, with the generation of more and more types of financial products and speculative games that only a specialist can keep up with. One can bet on the future value of almost anything. Although many people are familiar with futures markets, wherein one speculates on the future value of a commodity, few are aware that today 90 percent of this activity is in the financial sector of the economy, betting on the prices of currencies, municipal bonds, treasury bonds, stocks, interest rates, and various indices. In 2003, the Department of Defense created one in conjunction with a private company betting on the likelihood of assassinations and terrorist attacks. In 2007, a hedge fund, Amaranth Advisors, lost six billion dollars in one week betting incorrectly on natural gas prices.<sup>29</sup> It is precisely the search for the “one-way exchange,” the motivation to earn profit merely by a hoped for change in the price, that was behind the speculative mania that took hold of the U.S. housing market.

Speculative mania is characterized by a rapid increase in the quantity of debt and equally rapid decrease in its quality. Heavy borrowing is used to buy up financial assets, not based on the income streams they will generate but merely on the assumption of increasing prices for these assets. This is what economist Hyman Minsky famously called “Ponzi finance” or hyperspeculation. CDOs,<sup>30</sup> with their exposure to subprime mortgages or financial “toxic waste,” increasingly took this classic form. Not just mortgage lenders and subprime borrowers were caught up in the frenzy. A growing crowd of real estate speculators got into the business of buying houses in order to sell them at higher prices.<sup>31</sup>

It often seemed to be an entire system of money begetting money with no relation to production and humanly useful services.

Despite the generation of new forms of speculation, still among the worst and most socially damaging forms of unequal exchange remains the exploitation of labor. Simon identified exploitation with a situation wherein unequal exchange is forced upon workers by circumstances. These may be institutional, as in the case of forced labor or slavery. However, they also

29. John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis: Causes and Consequences* (New York: Monthly Review Press, 2009), 56–58.

30. A CDO is a collateralized debt obligation, a financial instrument developed in the 1990's, which mixed together a variety of mortgages at different levels of risk.

31. Foster and Magdoff, *The Great Financial Crisis*, 96–97. A fine example of a very pure form of speculation was the case of realtors who would purchase a home and sell it at a profit prior to having made even one payment.

exist in conditions of modern labor markets, particularly when workers are not unionized. When workers must simply accept the wage offered, there is generally exploitation, because the wage is unequal to the service rendered. It is tribute exacted from the workers, and Simon does not hesitate to call it servitude.<sup>32</sup> The problem, moreover, is not simply found among the employers, but pervades the society. Iniquity enters in whenever someone overvalues one's own contribution and undervalues his neighbor's.<sup>33</sup> Such attitudes support the exploitation of certain kind of work. Many demand \$100,000 for their own work, but want to buy their vegetables at low prices only possible if the workers are paid well below minimum wages. Such dispositions support the exploitation of farm workers who cannot bargain fairly. Labor in this case becomes a commodity, and exploitation will prevail in many labor markets so long as labor is such. These workers do not feel that they are part of the democratic community, and they will have a tendency toward secession. Despite the positive trends Simon saw in his own lifetime reversing such trends, he also believed that he had witnessed "the worst counterattack of oligarchic exploitation in modern history."<sup>34</sup>

The struggle against unequal exchange in recent decades has been greatly complicated by the increasing domination of the market ideology. Allegedly, Adam Smith's invisible hand delivers the ideal social result. The implication is either that i. the market wage is the functional equivalent of the just wage, or ii. we should abandon discussion of just wages altogether as impractical. Simon clearly accepts neither presupposition, and for good reasons. The classical economists revealed their ideological bias when they denied to those who sell their labor what they granted to all other sellers. Producers and sellers were permitted a profit over and above their costs of operation. The price of labor, on the other hand, is not calculated with an increment for profit. This is why the struggle for fair wages has always been a political struggle against the market wage.<sup>35</sup> Theory aside, Adam Smith's entire portrayal of work and workers was from the beginning ahistorical. He excluded exploitation from the narrative arbitrarily when he interpreted work as a purely voluntary transaction. He misrepresented the actual world of labor, referring to a largely fanciful world of many em-

32. Simon, *Work*, 130.

33. Simon, *Democratic Government*, 249.

34. *Ibid.*, 136.

35. See Vukan Kuic, *Yves R. Simon: Real Democracy* (Lanham, Maryland: Roman and Littlefield, 1999), 113.

ployers and few workers, wherein workers routinely became employers. There is in Smith's world no exploitation or domination, no working class struggling for its rights. The worker-merchants he referenced were historically few.<sup>36</sup> Simon's views, on the other hand, seem far more justified by a glimpse at contemporary labor. Unionization has declined considerably, while the globalization of the labor market has brought results resembling the abuses of the nineteenth century. In the United States alone, we have in the neighborhood of 200,000 children working 10–12 hours per day in the fields. Not surprisingly, such children drop out of school far more frequently. Far from a movement for social justice, the global labor market today presents distressing levels of exploitation, and not only in market relations. We have today new forms of slavery growing alongside the global economy. According to Kevin Bales, who has studied slavery globally, there are approximately 27,000,000 slaves in the world today, a figure larger than all the people taken from Africa during the transatlantic slave trade. Most of these modern slaves live under one of two forms of servitude. The most common is debt bondage. This is when a person pledges himself against a loan of money, but neither the length nor the nature of the service is clearly defined, and the labor done does not actually reduce the debt. The second form is contract slavery, wherein workers are tricked, often into leaving their own country, to go to work in jobs where they are fenced in and effectively enslaved. The contract is a mere cover for the servitude, and serves to legitimize it should questions arise. Lest anyone miss the point, we are not talking here of developments independent of the market system. As Bales underlines it:

Slaves touch your life indirectly as well. They made the bricks for the factory that made the TV you watch. In Brazil slaves made the charcoal that tempered the steel that made the springs in your car and the blade on your lawnmower. Slaves grew the rice that fed the woman that wove the lovely cloth you've put up as curtains. Your investment portfolio and your mutual fund pension own stock in companies using slave labor in the developing world. Slaves keep your costs low and the returns on your investments high.<sup>37</sup>

36. See Michael Perelman, *The Invisible Handcuffs of Capitalism* (New York: Monthly Review Press, 2011), 72–79; 169–72.

37. Kevin Bales, *Disposable People: New Slavery in the Global Economy* (Berkeley and Los Angeles: University of California Press, 1999), 19–20.

Simon also believed that advances in social conscience would lead to upward limits on compensation as well. Beyond a certain point, Simon contended, compensation becomes another one-way traffic in wealth. He writes:

A day will come when the conscience of the just will realize that the recompense of human labor ... is comprised between a lower limit, which cannot be very low—for it takes a terrific amount of money to prevent children from dying and to bring them up decently—and an upper limit, which cannot be very high—for no aspect of the common good demands that any person should enjoy an income many times greater than his avowable needs.<sup>38</sup>

Simon is denying the contemporary tendency to claim that inequality is irrelevant to democracy, an attitude that he condemns as democratic complacency.<sup>39</sup> The reasons are clear. Take, for example, the case of the CEO, who, having been unsuccessful in his work, is fired, yet on his last day of work, receives in compensation a figure greater than that received by any number of other workers in an entire lifetime of work. It is shallow to classify such transactions as simply private, because they clearly have profound implications for the sense of community upon which democracy also depends. It is hard to see in what sense this CEO and an employee of the same firm would experience community, and how the workers would not perceive themselves as victims of injustice sanctioned by society, encouraging the tendency of working people simply to withdraw from society. In truth, as Vukan Kuic summarizes Simon's attitude, liberty and equality must be held together to the greatest extent possible. When there are equal exchanges, liberty and equality are joined. When there is unequal exchange, they are divided with profoundly negative consequences for democratic community.<sup>40</sup>

### III. Challenging the Sovereignty of Market Theory and Practice

Simon does not hesitate to challenge modern economic theory in its roots, particularly in its claims to be scientific, value neutral, and to support exchange through the market as the sovereign principle. We will deal with

38. Simon, *Democratic Government*, 250.

39. See *ibid.*, 248.

40. See Kuic, *Real Democracy*, 112.

these in order. As discussed earlier, Simon considers the existence of illusory services plainly demonstrable to anyone with common rational sense. Of course, the concept hinges on a distinction between authentic human use and its counterfeits, which leads us precisely to the point. Ultimately, economic theory needs a clear concept of wealth, but wealth in turn is contingent on the concepts of use and service, which cannot be defined without reference to what is good for people, what corresponds to human nature. Ultimately, economics cannot be independent of the sovereignty of morality and the philosophy of human nature. To deny the existence of illusory services, or the distinction between profit and the fulfillment of human needs, is in the final analysis to equate all human desires with needs, something that no one ever really does anyway. We all really know people who desire all kind of things that they do not really need, and that modern advertising is designed precisely to foment an unrealistic sense of human need corresponding to desire. Economic theory becomes illusory to the extent that it prescind from realities such as one-way exchanges, illusory services, and exploitation, all of which occur with a distressing frequency that has increased geometrically since Simon's time. To make matters worse, economists will turn right around and promote what they call free market economics, at the same time claiming they make no value judgments. Simon rejects out of hand the postulate of value neutrality for good reasons, as it does not in fact describe the actual functioning of the economy, nor would it qualify as the ideal even if it did. Economics is clearly part of the social organization of human communities, and is hence a necessary component of the common good, the overarching ethical goal. There is no basis for the postulate of ethical neutrality in any discipline dealing with human societies.

Simon rejects the whole project of attempting to make market exchanges the predominant means of distributing wealth. His concerns originate in his suspicions as to the extent today to which production is actually oriented to use instead of mere financial gain, leading to a distribution system in which human needs remain unmet, while many have wealth and incomes hundreds of times greater than any rationally defensible notion of human needs. For this reason, distribution by exchange must be supplemented by mechanisms of distribution according to need. Take the obvious instance of a married man with young children who are not self-supporting, and compare him to a bachelor. (Obviously, in our own time, one must equally



consider the case of the working woman with children.) If one were to say today that the salary of the man with a family to support should be higher than that of the bachelor, the catcalls will be deafening. One is paid, they say, for one's work; the work being equal, both men should be paid the same. Simon sees in this, however, nothing but the old laissez-faire liberal notion that labor is nothing but a commodity. In a variety of ways outside labor markets, the principle is recognized. One is permitted to pay less taxes according to the number of one's dependents. Simon writes approvingly of family allowances, which he experienced in France. Employers paid into a fund according to the number of employees they had, and out of this fund came supplements to salaries based on the number of the employee's children. Simon does not think, however, that such programs would be likely to work without law and public authority to support them.<sup>41</sup>

Inextricably related to the principle of distribution according to needs is a reconsideration of the pricing of all products made with human labor. Simon challenges us to accept the conclusion that if we reject the notion that human labor is a commodity, then we must reject the practice of treating the products of human labor as though they were merely commodities. A low market price occasioned by oversupply can also be the occasion of unequal exchange. Simon gives the example of an oversupply of herring that means very low prices for fishermen. If human labor cannot be reduced to a mere commodity, then neither should the herring, since the price thereof is compensation owed in strict justice to the fishermen.<sup>42</sup>

Finally, there is the element of free distribution. So foreign is this notion that Simon even in his own time had to endure ridicule for even mentioning it. Simon makes it quite clear that he is not talking about people of means handing out dollars on street corners, but of more institutionalized methods. Simon finds it puzzling that the notion meets with so much hostility, because wealth has been freely distributed in every society and it is inconceivable that a society could really survive without it. No society ever existed simply by distributing goods according to the market. The perennial imbalances of market exchange systems, in which there is abundance in the midst of need, necessitate mechanisms of free distribution. We have the undercompensated, the involuntarily unemployed, the old, the sick, the mentally ill, victims of accidents, widows and orphans to take care of.

41. See Simon, *Work*, 133-38.

42. See *ibid.*, 136-37.

Simon has no doubt that in the face of unmet human needs, society has only really two choices: leave them to chance or take responsibility for them. Simon does not doubt that the common good demands that society not only seek to assist the needy, but to organize the distribution institutionally. Simon is equally aware of the dangers of having the state do the organizing. There is more freedom and autonomy of life if the mechanisms are organized privately, and this is clearly Simon's preference.<sup>43</sup> However, it must be added that there is a big difference between, on the one hand, stating a preference for private organization as opposed to organization by the state, and, on the other, simply to oppose distribution by the state. In the latter case, if there is no real provision to meet the needs, we in effect leave the needy to chance. If private mechanisms are unequal to the task, a role for the state is not excluded, the state being the final authority responsible for the realization of the common good considered materially. Nonetheless, Simon remains concerned that state action does indeed tend to stifle private initiative.<sup>44</sup>

The timeliness of Simon's remarks on the limitations of market exchange as a mechanism of meeting human needs is perhaps no more poignant than when we consider the global food market in recent decades. Due to pressures by the World Bank and the IMF—public agencies that represent large financial and corporate interests—Third World nations in particular have moved away from subsistence agriculture. Yet, subsistence agriculture is truly a model of production for use, and is an excellent example of the importance of distribution by means other than the market. Nevertheless, due to the pressure to produce for profit rather than use, there is a global restructuring of agriculture to make it more and more exclusively based on market distribution. There are the examples of the promotion of agricultural exports, deregulation of land markets, cutting farm subsidies and price supports, and, in general, forcing small producers to compete with the transnational food companies. Hundreds of millions of people have lost their land and nonmarket access to food. Araghi sums it up well:

With the rapid, massive and global incorporation of formerly self-sufficient agricultural peoples into market relations, and with millions of people having lost their nonmarket access to the production of their means of subsistence, hunger

43. See *ibid.*, 141.

44. Simon, *Democratic Government*, 48.

has assumed a uniquely global character. Hunger amidst scarcity has given way to hunger amidst abundance. The contemporary food problem is rooted in the increasing global commodification of food. . . . Currently there is a global surplus of food, and we can safely assume that people who are hungry are willing to eat; it is therefore people's inability to purchase food as a market commodity and the loss of their direct access to the production of their means of subsistence that explains the global character of hunger today.<sup>45</sup>

#### IV. Simon and the Recovery of Natural Teleology in Economic Thinking

Decades ago, Yves R. Simon underlined the importance of some moral fundamentals for economic reasoning in a just, democratic society. We might better call these fundamentals the "natural teleology" in the economic order. Three principles seem to stand out. First, production of goods should be oriented to the fulfillment of human needs. Second, human work should be ordered as well to the service of human needs. Third, there should be a correspondence between financial remuneration, whether of work or investment, and legitimate human service. Under the mechanisms of the market society, however, there is increasingly a tendency for these bonds to be weakened, and increasingly in serious ways. Production for profit weakens these natural connections. Production at times has only a weak or dubious relationship with the actual hierarchy of human needs. The bond between work and genuine service is often tenuous. There is a troubling separation between financial reward and human service. What proliferates in place of the fulfillment of the economy's natural teleology are what Simon terms illusory services, one-way exchanges, and the exploitation of labor. Imbalances frequently develop in the system of production and distribution whereby many human needs go unmet. "The proletarian revolutions of our time," Simon writes, "revealed to the world that modern democracy had remained, to an unsuspected degree, the concern of the happy few."<sup>46</sup> At the root of all of these are processes of unequal exchange, which most assuredly impair the formation of democratic community. Simon sees no hope in the remedy of these ills simply by increasing reliance on market mechanisms of production and exchange. In fact, in our time, the expansion of the market

45. Farshad Araghi, "The Great Global Enclosure of Our Times," 155.

46. Simon, *Democratic Government*, 217.

globally, in tandem with increasing economic liberalism on the part of governments (often imposed on developing nations via International Monetary Fund mandates), grants ever-greater sovereignty to exchange by the market alone. There is nothing in Simon's thinking that would lead us to conclude that these developments are likely to enhance democratic equality. What is needed is a resurgence of effort to distribute goods according to human needs, which means at times distributing them freely. If methods of state distribution have not worn well, methods which Simon himself saw more as last resorts than as intrinsically desirable, then what we need today is the courage and creativity to develop new institutions. We must insure that the billion people who remain largely outside the system of adequate human compensation and distribution do not stay there.

On one final note, as I said at the outset, it is puzzling that contemporary Thomists have largely ignored Simon's writings on economic justice. At the same time, they are very much aware that the withering away of the sense of natural teleology in the sexual order has caused profound human pain and social chaos; no Thomist would deny the natural relationship among sexual activity, marriage, and family, and hence the moral necessity to keep them together. Yet, the economy today is just another example of what happens when natural teleology is discarded in favor of technocratic developments combined with theories that seek to justify self-seeking behavior. It is indeed the same misguided understanding of human freedom, promoting the same vacuous sense of subjective, material, or sensual fulfillments, with the same rejection of any appeals to natural teleology as outdated, which is undermining the economic order, just as surely as it undermines the sexual.