

## WHAT IS DISTRIBUTION IN THE MARKET PROCESS?

SPENCER HEATH\*

IN THEIR SOCIAL ORGANIZATION, as in their bodily economy, men are least conscious of that which is best performed, and most acutely conscious in all those areas of poorest functioning and therefore of most distress. This circumstance precludes for most persons that detachment of view concerning social phenomena that in other fields is a pre-requisite to discovery and the essential basis of every conscious procedure that leads to calculated and desired results.

Yet, amid all our concern lest we revert to a more barbarous and despotic state and our pathetic reliance on political government to avert it, it should still be possible to stand aside, as it were, and indulge an esthetic interest, a scientific curiosity, in those little noticed because quietly working functions and relationships that have raised the social organization to its present heights and in which lies all its present maintenance and hope of advance.

It is a commonplace of the current learned diagnoses that modern technology has all but abolished the resistances of nature to the physical

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\*This undated writing found among the papers of Spencer Heath (1876-1962) was intended by Heath to be the beginning of a larger work which was never carried out. It is so complete in what it covers, however, that it merits publication as a piece standing alone. The only editing has been to supply a title. It is Item 510 of *The Spencer Heath Archive*, a work in progress by his grandson and literary executor, Spencer H. MacCallum (sm@look.net), to collect and digitize all of Heath's surviving work. On completion the *Archive* will be domiciled at the Universidad Francisco Marroquin, Guatemala.

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production and transportation of goods. Distribution is regarded as less well developed—as the open or broken link between our needs and their fulfillment, between desire and gratification. To concede this should suggest not that the current processes of distribution should be attacked or abolished but rather that they should be examined and understood, for it should be remembered that distribution, for all its difficulties, does at least measurably take place and, like any other phenomena, it can be understood only in terms of its functioning and carrying on and never in terms of its non-functioning or failure to do so.

It should be noted at the outset, and fully realized, that production, including transportation, is primarily if not purely a series of physical processes and therefore the outgrowth from understandings of physical phenomena. But distribution is a *social* process, a function of the social organization; its development depends on an understanding of the operation of social phenomena—of what men do primarily with respect to each other—and only secondarily on what they do with respect to their natural or physical world, for this latter is the field in which they modify, rebuild and transport the elements of their physical environment and thus re-organize the natural world. Distribution is fundamentally the matter of how men arrange themselves with respect to each other—of how they constantly organize and reorganize not their natural but their self-environment—their social world.

In this view it is seen that distribution, which is social, does not depend upon the physical production or the movement of goods; it has to do rather with their ownership. It is, in fact, not the goods themselves that are affected by the process of distribution; it is the title or ownership of them, a change in the relationship between people concerning them, a social and not a physical phenomenon. In most cases the change of ownership does not affect the course and movement of property or goods but only the authority under which property is administered or goods and services are enjoyed and consumed. The process of distribution by exchange—of property being transferred, sold by one and bought by another, therefore does not depend upon the physical production of artificial things but may be and, in fact, is applied also to those things in nature of which men have need in the preparation of goods and services for each other and which are capable of being marked off and separately held.

Now it is only within a community organization that there can be any exchange of services, any service of each other with goods or with personal ministrations to desire—any significant social relations of any kind. To have these it is necessary that the members of the community hold some parts of their territory in common use and communication and that the remaining portions be designated to separate and exclusive occupancy or use. Until by

some form of social compact or convention this separation of the private parts of the community from the public is made and maintained there is no emergence from the pre-community or nomadic state. Acceptance of the convention of private property as to the non-public portions of the community territory, including access to and use of the public portions, is therefore the prime essential of there being any community life and of any community functions being performed.

We may digress for a moment to reflect that a society is an integration of individuals impelled by tendencies and potentialities within themselves that can be effected and realized only in that way. The spontaneous establishment of a community therefore is towards the fulfillment of a need—a need for higher development and organization of the individuals themselves, of a more extended and more abundant—a higher and finer functioning—life. This associative or societal relationship with its function of interchange of energy in the form of services and commodities corresponds with all the *symbiotic* relations and processes of the biological world. It provides the individual with a *social* environment that not only mitigates the rigors of his natural state and liberates him from the compulsions of a harsher environment, but constitutes him, with his fellows, as an agency of creation in the further building and organizing of the world—the evolution of the earth and of the life upon it. It affords the power of creation to him that was the creature of environment. It endows him with the power to re-create himself through re-creating the world in which he lives and gives him the key to an indefinite and continuing *realization of himself*—the divine promise wrought in the nature of man, the poet's hope, the mystic's dream.

We little understand any organization of life until we proceed beyond a mere examination of its lines and forms, of its structures and parts. This static or descriptive view is essential but not sufficient. There is in nature the utmost diversity of structure and form, but no such variety of functions; an infinitude of means but only one tendency and end—the organization of energy in its creative aspects, its qualitative manifestations. On the purely descriptive side of things the data are endless and, of themselves, unrevealing. Not until imagination is creatively applied can the picture come alive in process; only then are its functional operations and transformations perceived.

Hence, in our picture of a new-born society with its community confines divided by social convention into public and private parts we must look to the functions that in this societal structure, and in this structure alone, can be performed. The first of these is the process of social and peaceable distribution of its sites and resources, of the parts of its territory that are not in common and public use. Whatever savage rule or rudeness may have

preceded or resulted in the present allocation, that can be no part of the life nor any concern of the now-existing society. What does concern it is that the elements of its environment, its sites and resources, shall be or come into possession and control of those members who thereby will become most productive of those services and goods which the community most needs and desires—that the contribution of each to the general exchange and interchange, to the markets, of the community shall be most.

The society has attached itself to its territory by those specialized members whom its convention designates as original proprietors. Through the functioning of these members as its distributive agents the society proceeds and continues to redistribute so much of its sites and resources as its members have need of, so much as under the conditions affecting and limiting their operations they can profitably employ. The members who perform this distributive function are invested with their authority by common consent and by formal recognition and commission as proprietary officers. They perform a public or community service that is absolutely essential to there being or continuing to be any settled community at all. Without their security of peaceable possession and their merchandising of sites and resources to those most able to use them productively there could be no distribution of possession by any technique above that of force against force or the alternative of monopolization by some coercive political power to itself or by its special privileges. In the former case there could be no security of possession; in the latter no freedom or peace; in either case there could be but little if any productivity; and society must fall apart and revert to the nomadic state.

So essential to its life is this service of distribution by acknowledged proprietors that the society not only provides itself with proprietary officers to administer possession of its occupied lands but also provides itself from the beginning with persons to hold ownership of the unoccupied portions of the territory within its jurisdiction, both near and remote. These proprietors, although not yet distributing any possession or use perform what in other lines is called a stand-by service against the time when, through sites and resources continuing or becoming more profitable to use, they will come into demand. Whether the proprietors give current distributive services of the high importance and value demanded or whether they give only a stand-by and protective service against the day of a developed demand, in both cases there is provision automatically for their proper compensation. In the former case the several proprietors together petition (competition) land users to occupy their lands, thus pressing the price or rent down, while the land users together petition the proprietors for title or occupancy pressing the price or rent up. By this purely democratic process of voting on both sides of the

market the values of the proprietors' distributive services in terms of other services and goods is properly ascertained and ownership and possession distributed or redistributed accordingly, the measure of recompense to the proprietors resting in the democratic and popular will. As to lands not yet in demand the recompense for the proprietors' stand-by services must accumulate in his "asking price" or anticipated value until such time as it may become profitable to use the land after paying the proprietor such value of his stand-by services as the market then ascertains. Where there is a succession of ownership prior to land coming into use each purchaser pays to his predecessor in title what the open market esteems as the value of the stand-by service to date, leaving each owner only such net increment as accrues during the time of his standing by.

The profit from the social ownership, administration and distribution of land depends, as do all other profits, upon the services performed in connection therewith being sold under a sufficient demand. But the demand for one kind of services or goods consists in nothing but the abundance of other kinds of services that can be obtained in exchange for them. Hence, where the general production is rising or high the demand for exclusive possession of land will increase. Rents and values will be high (as will be all other income). But when production stalls or declines, then rents and values go down, nor can they be redeemed unless or until general production is again expanded and the demand for land thus restored and renewed.

Thus it is clear that the value of the distributive service in connection with the spaces and resources of nature depends wholly on the exchange productivity of the community. These services are essential to their being any security and therefore necessary to there being any productivity, but when a community is under tribute or taxation and its productivity is penalized and otherwise obstructed to subsidize waste and war at a greater rate than the physical and technical productiveness can advance, then the need for distributive services in connection with land is diminished and their values—that is, their recompense—like the recompense to all other services, declines.

By this time it will be noted that no reference is being made to any values inhering in sites and resources themselves, apart from the distributive services, purely social and not physical, which are necessary to their coming into any security of possession and productive use. The purpose has been to show that the purely social service of making and executing contracts by the voluntary and non-compulsive technique of the market with respect to sites and resources is anterior to all physical production or transportation, is, in fact a pre-requisite to there being any physical production with the social connotations of division of labor and service by exchange. The *social* phenomenon of contract, consent and exchange is being examined in its

basic and simplest manifestation. It is exhibited in that common acknowledgment of proprietorship which alone makes it possible for men to distribute the things of nature among themselves with the peace and security of mutual and unanimous consent. These are the only conditions under which any socially significant physical productivity can be achieved. What makes the resources of nature socially and productively available is the social service of democratic and contractual distribution under community auspices and conventions without which they cannot be either peaceably or productively employed to bring forth physical goods.

We have now examined and done justice, let it be hoped, to the necessary social basis of physical production which we find to be in the functioning of the institution of property in land as the foundation of all the exchange processes that constitute community life. The way is now prepared for an examination of the methods of physical production and transportation and the contractual engagements under which productivity is expanded as technical knowledge is applied. But since this has been exhaustively dealt with by many competent pens and since distribution is our immediate and relatively neglected concern we will pass over physical production and give attention to those social and community arrangements in which men change their relations with regard to each other and to things physically produced without thereby making any change in the physical things themselves.

Among men so primitive that they practice no exchange relations, no trading economy, all production is for the use and not for the recompense or profit of the producer. But civilized men live in communities and produce for each other and for the recompense or profit that they receive in exchange, the term "profit" being specifically applied to the recompense remaining to the owner or owners of an enterprise after defraying all the costs of doing business except their own services in conducting it. Since, then, social distribution by the contracts and engagements of voluntary exchange is the only immediate purpose of physical production in community life, we find there the same distributive technique with respect to the artificial goods produced that we observed in the society's distribution of its community sites and of the resources which provide the material substances contained in the wealth produced. Production and distribution is thus a three-fold process. It begins with the services of land ownership in making sites and materials peaceably available and distributing them socially by contract and consent. It continues in all those physical processes by which services are wrought into the materials of nature to bring them into the form, place and condition in which they can be used in aid of production or can themselves be consumed. And the three-fold process culminates and ends with the merchandizing or social distribution of the product physically brought forth. Here again it is to

be noted that the distribution is social and not physical. It has to do with the ownership entirely distinct from any physical movement or manipulation of the goods themselves. The basis of all social distribution is mutual consent. It is the fundamental of social democracy as practiced in the open markets wherein men distribute ownership and control of the services and goods they have prepared for others and receive distribution of what others have prepared for them. Here is the forum in which the basic democracy performs its constant and its silent beneficence, however scorned it may be by those who put their faith in force, distrusting freedom and consent. The processes of the market are predicated on service and not rulership, on universal contract, agreement and consent, not on coercion or compulsion or any external limitation or regulation. Within this area of freedom, this domain of contract and consent, is found and practiced all the right, all the liberty, that exists.