



Work, Labor, and Social Justice

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Preface.

While the specific focus of these remarks is on matters of a practical and highly timely nature – a critique of policies of government related to the current economic crisis – the recent social encyclicals express ideas that bear on the same issue, and where that the encyclicals provide important insight into these matters. Two encyclicals in particular – *Laborem Exercens* (“The Fruits of Labor”) and *Caritas in Veritate* (“Truly Caring”)¹ – are must reading on this and on many other topics as well.

The entire skein of social encyclicals represents a radical departure from the former practice of the Holy See, as they themselves point out, because they are in effect a direct frontal assault on a certain, highly fallacious interpretation of the Separation of Church and State. Before 1891, the popes certainly crossed that line from time to time, but with more finely wrought attention to appearances. The false notion of Separation that the newer encyclicals confront is the proposition – so ardently defended in secular quarters today – that all matters of a societal nature, meaning all matters involving the dealings between persons, are the exclusive concern of the State. The Church is left to teaching people how to pray. Pope Leo XIII took on that proposition from the first lines of *Rerum Novarum* (literally “New Things”),² explaining that the Church – and by extension any church – is the repository of wisdom about morality, and morality is so intimately connected with the dealings among people. It seems hardly believable that this proposition is one of the New Things he had to write about, but that was in fact the situation at that time.

While morality is certainly an adequate premise on which to justify encyclicals on societal and mundane matters, it was actually only the lesser part of the full justification. Society is an integral part of the expression of – of the realization of – our humanity. The study of society is thus intimately bound up in the study of us, meaning not only of who we are but of who we are supposed to be. It is for that reason, I think, that Leo had so often resort to the *Summa*

¹ Author’s translations. *Laborem Exercens*, literally “Doing Work,” is a treatise on the nobility and value of work: hence, the Fruits of Labor. *Caritas in Veritate*, literally “Caring in Truth,” is a treatise about the using the gifts of modernity wisely for the good of all, and the focus is on Truth in the special senses of both Sincerity and Prudence: hence, Truly Caring.

² More revealingly, I think, “The New World.” Finally, at the end of the Feudal Age in which politics had been subsumed under dynastic edict and aristocratic privilege, in this new world mankind has the need to decide how to govern itself. As welcome as that responsibility is, it initially spawned some destructive ideologies that the Holy Father was quick to address.

Theologica, because nowhere else until that time had the force of reason and Revelation been so brilliantly brought to bear on our personal and social nature.

In the two rather new encyclicals that I plan to refer to directly, a new and bolder agenda has been introduced because both represent more than the application of ideas from other sources. Both are quite original reflections on the chosen topics. The nature of the connection between them and this essay is that on the one hand they do not hesitate to delve in what I referred to as the mundane matters of life, and in the tradition of *Rerum Novarum* do so in a self consciously timely and practical way. For practicing economists, “mundane” and “timely” are the stuff of our daily existence. We have at last found our element in even so lofty a place as the Vatican library. The topic of this short essay, to repeat, is certainly not theology as such. The topic is the application of what is usually just called economics. Where I will cite the encyclicals in places where the issues coincide, and hopefully the positions agree, those references are intended to excite a desire to learn more about the encyclicals. It has always been my practice when writing to ground my words in either direct observation or in deductive logic. Citations to the encyclicals or to other texts generally are therefore a departure for me.

The Proper Tasks of Government in Economic Affairs: the Labor Question

The notion that there is something that could be termed a “Macroeconomy,” as distinct from the economy, has its roots in economic science of the last century, though there were precursors dating from even the eighteenth century. The much bolder proposition that there should therefore be a science of what to do about the macroeconomy is somewhat more recent, having its first flowering in the days of John Maynard Lord Keynes (Earl of Tipton) and Sir John Hicks especially. They are the fathers of Macroeconomic Policy. Part of their legacy has been to set off their era – Europe and America in the 1930s – in bold type as the Great Depression. The 1930s were certainly a momentous time in world history, but what made them so was not the mundane functioning of commercial relationships. What made the 1930s so special were the events that were to follow: the Second World War and the resulting Cold War. The “Greatness” of the 1930s was political, rather than economic. Reduced to its simplest terms, the situation at that time was that a wealth of innovations in technology, science, and social organization had blessed a few nations as empires or – in the case of Japan – as would-be empires. Since empire is

by its nature a jealous beast, the number of rivals for the crown of “The” empire was unwieldy and in fact self-destructive. Starting in 1870, when Prussia had visibly joined the ranks of competitors by humiliating one of the reigning powers, the surfeit of rivals was known to be intolerable.

Contemporaneous with Keynes and Hicks, a new school of economics emerged from the shadows of the steel furnaces of Chicago, in a group of young aspiring students and protégées of Frank Knight and Irving Fischer,³ who were perhaps the best known American economists of the day. As a group, these upstarts questioned some of the premises of Keynesian economics. Milton Friedman especially redefined macroeconomics by insisting, and carrying through, a rethinking which forced the logic of the macroeconomy to explain itself in terms of the logic of the economy. More to the point for our purposes, he and the others questioned the realism and the feasibility of Macroeconomic Policy. In this essay we want to review the logic of Policy both as to feasibility and to Social Justice. Specifically, what are the demands of a just policy and are the accepted Keynesian policies just? For very obvious reasons there is no way to address these questions without asking ourselves whether macroeconomic policy, as we understand it, is actually feasible. What we find in the two encyclicals is a remarkably consistent view not only of what is just, but also of what is effective.

On Work

Pope John Paul II has this to say about the nature of work:

THROUGH WORK man must earn his daily bread⁴ and contribute to the continual advance of science and technology and, above all, to elevating unceasingly the cultural and moral level of the society within which he lives in community with those who belong to the same family. . . . Man is made to be in the visible universe an image and likeness of God himself,⁵ and he is placed in it in order to subdue the earth.⁶ From the beginning therefore he is called to work. Work is one of the characteristics that distinguish man from the rest of creatures, whose activity for sustaining their lives cannot be called work. Only man is capable of work, and only man works, at the same time by work occupying his

³ Irving Fischer was on the Yale faculty, but his thinking became central to the Chicago school.

⁴ Cf. Ps 127(128):2; cf. also Gen 3:17-19; Prov. 10:22; Ex 1:8-14; Jer 22:13.

⁵ Cf. Gen 1:26.

⁶ Cf. Gen 1:28.

existence on earth. Thus work bears a particular mark of man and of humanity, the mark of a person operating within a community of persons.⁷

The characteristic marks of work are therefore that it is a social, or collective effort, that it serves not only the daily needs but provides for the future of the laborer and of the community, and that it is a reflection of both the creativity and the perseverance of Jesus himself. Every one of these attributes is uniquely and unalterably human. It is for this reason that the encyclical, which follows in the path of the very somber recitation of *Rerum Novarum*, is entitled *The Fruits of Labor*. This is a canticle, a hymn to the achievements of work.

The reason why it is appropriate to begin with this citation is that economics is nothing but the science of work. It is the science of how work effort is directed, and in particular of how we men and women choose our work and chose the allocation of time and effort to efforts that yield rather immediate results – to “work” in the narrow sense – and to effort that yields results indirectly and after some period of investment. No single aspect of work is as indicative of work in the modern economy as the investment aspect of work, which comprehends formal education, training, planning and articulating work effort, and no doubt other aspects of what we do. It is above all a tribute to the insight of Adam Smith that at the center of the science of economics he placed the dictum that “The specialization of labor is limited to the extent of the market.” It is in specialization that the productivity of work is multiplied, and it is in the growing complexity of the society of work that this specialization becomes possible.

In the present time we have an elaboration of specialization that previous generations could hardly even conceive of, and they certainly could not imagine becoming a reality. This is the place to begin thinking about the macroeconomy for a very simple reason: it is the place to start thinking about the economy. I have written to this end elsewhere:

The wealth of a nation is defined by and is measured in terms of the work that is done there. Work, in this context, is similar to labor but they are by no means the same thing. . . Labor is expended but work is accomplished. . . Labor is however measured by effort, rather than by results, and by the rewards that effort earns. Work by contrast is defined by the results achieved. When we work toward some

⁷ *Laborarem Exercens*, preamble. Henceforth I will abbreviate *Laborarem Exercens* as LE, and *Caritas in Veritate* as CV. Lacking a standardized edition of these encyclicals, I cannot refer to page numbers. Since the subheadings of these encyclicals are numbered sequentially however I will identify citations by the section where they are found.

accomplishment we are working. The difference is unmistakably clear in practice: we naturally love work but we resent labor.⁸

It follows logically that one of the preeminent duties of sovereign governments is to promote the effectiveness of work: to seek out ways to enhance its value and to open valuable employment to more of their citizens. Creative examples of the partnership of public and private are easily found in the economic history of the West. The spread of the railroad, both for passenger and for freight service, is illustrative of this partnership. Where it would have been impossible as a practical matter for railroad entrepreneurs to amass the rights of way, the national governments stepped in while leaving the ownership of the trackage and the rolling stock to private enterprise, and leaving to them also the managing of the railroad business. The contribution of the railroad to the productivity of the people can hardly be overestimated. In terms of freight service alone, it freed the location of production from the location of the customers, and in the case of North America in particular it made possible the developing of the West when there was no native industry there and where – in the case of the great prairies – conditions demanded a high degree of specialization in farming and animal husbandry. The implication for those who settled there was that they would have an enormous surplus of what they produce but an almost complete lack of anything else they would need. In this example, by the way, we come back to Adam Smith, because in essence the windfall from the rails was to facilitate specialization. Pope Benedict devotes considerable attention to economic and cultural development, and rightly stresses the truth that the public authorities have unique and irreplaceable opportunities to contribute to the general welfare.

In society we work to create value, and we use the services of intermediaries whose work it is to make markets real and functional to exchange the value to our mutual benefit. Benedict reminds us that exchange is not a sufficient regulator of work and guide to value. He writes “In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well.”⁹ Three kinds of failures come to mind. First and foremost, value in exchange may be a misguided signal of true value. Saint Francis of Assisi was an enormously productive man for his short life, as the

⁸ Joel Clarke Gibbons. *Dysfunctions of the Welfare State* (Piscataway, NJ; Transaction Publishing: Rutgers, the State University, 2010).

⁹ CV, §35.

work of the order he founded signifies even today, but obviously Francis worked on a shoe string, and didn't even seem to care very much about that. He devoted himself to the highest and best use of his life; it just didn't pay very well. So we see that there is no substitute for one's own appraisal of value. Every person has to think about what is the most valuable thing he or she could be doing. Markets are guides. For a musician who has the choice of playing his own hopeful compositions, thereby entertaining a few tolerant friends, or performing other composers' works with the symphony orchestra, the generous salaries offered by the symphony are by no means a misleading signal. The world wants to tell him how he can serve them, and money and other perks are really the only signal they have. Yet the world is filled with starving Bohemians. While there are not nearly enough Saint Francises, there are plenty of lesser, stubborn individualists.

The practical demands of life are not absolved by the creative imagination of the dreamer. In practice the dreamers rely on the support of the more practical citizens in a sort of partnership of mutual respect. In these encyclicals this is called solidarity, and it is placed at the very center of the discussion. There is a tendency to take "Solidarity" large, as a national commitment, but as Benedict emphasizes, where it really works is small, in the friendship and even intimacy of a few friends and family. Of all the values that family makes possible is to support this kind of human solidarity. Family makes it possible for us to defy the strict logic of the market and of the Invisible Hand. What is not so well understood however is that sometimes these ways tend to free us to create value in the absence of the option to exchange with strangers. In economic thought the central focus needs always to be on the value created. Professor Gary Becker, Nobel Laureate, also stands out for his speculative thinking and his empirical research applied to the family as an economic institution, recognizing the fact that economics is not about markets and exchange, it is about value.¹⁰ In practice, though, family is not the only medium for this sort of charity. Religious institutions – convents and monasteries – are traditional places where men and women can retire to where their contribution to the mission of the establishment will not be scored with too sharp a pencil.

On the question of solidarity the question of how to give support and how much to give invariably arises, and it is precisely in matters like this that the admonition to care "in truth" makes its presence felt. Modern nations have adopted forms of financial relief for men and

¹⁰ Gary S Becker. *A Treatise on the Family*. (Boston, Mass; Harvard University Press, 1991).

women who suffer temporary job loss, which we call unemployment insurance. How much is enough? How much is too much? Benedict asks rhetorically at what point does charity become destructive paternalism and dependency: “The principle of subsidiarity must remain closely linked to the principle of solidarity and vice versa, since the former without the latter gives way to social privatism, while the latter without the former gives way to paternalist social assistance that is demeaning to those in need.”¹¹ Stated somewhat more bluntly, remote institutions, like the federal government, are very ill adapted to distribute charity because they have no option but to do so blindly, without regard to the actual impact on the recipient, and to treat every citizen and every case alike. It is ironic to say the least that the remotest government has the financial freedom to deliver charity, because it controls the supply of money itself, but is therefore least well prepared to do it wisely. The destructive consequences of welfare dependency and virtual modern peonage are all too evident in our cities, as they are also present but not as visible in rural areas.

Robert Barro, professor of economics at Harvard University, has studied the macroeconomy throughout his career and he recently brought home this warning in an article in the *Wall Street Journal*.¹²

[A] reason to be skeptical about the administration's stance [that extending the duration of benefits is harmless] is that generous unemployment-insurance programs have been found to raise unemployment in many Western European countries in which unemployment rates have been far higher than the current U.S. rate. In Europe, the influence has worked particularly through increases in long-term unemployment. So the key question is what happened to long-term unemployment in the United States during the current recession?

... These numbers provide a stark contrast with joblessness today. The peak unemployment rate of 10.1% in October 2009 corresponded to a mean duration of unemployment of 27.2 weeks and a share of long-term unemployment of 36%. The duration of unemployment peaked (thus far) at 35.2 weeks in June 2010, when the share of long-term unemployment in the total reached a remarkable 46.2%. These numbers are way above the ceilings of 21 weeks and 25% share applicable to previous post-World War II recessions. The dramatic expansion of unemployment-insurance eligibility to 99 weeks is almost surely the culprit.

Truly Caring means burying the ideology and looking at the reality. In the case of unemployment insurance, the desire of elected officials to keep the public contented at any cost

¹¹ CV, §58.

¹² Robert Barro, “The Folly of Subsidizing Unemployment,” *Wall Street Journal*, Aug 30, 2010.

is not merely understandable self interest on their part, it can easily become a disease throughout the society. There is no simple cure because in the end it is only the national government – remote and self absorbed as it may be – that has the financial capacity to pay cash when the public and industry are struggling with recession. Some way must however be found – and here the Holy Father’s reference to subsidiarity is very clear – to make the final decisions at a point much closer to where the need is and to exercise loving judgement on a case-by-case basis rather than just dropping a check in the mail.

The cost of depersonalizing “welfare” is that the personal responsibility of the worker is diminished. His support arrives as a right, unencumbered by any corresponding duties. When the benefits are only very temporary he cannot lose sight of the significance of his personal responsibility, but lengthening them, or worse, making them permanent, undermines that connection. It is one thing to share in the abundance of the nation, or even to share when it is a burden, but it is a very different thing to discard men and women and to exclude them from work. We all know that there are real ghettos in America, for instance, where men are excluded and treated as unnecessary. It helps only a little that public aid workers do interact directly with the women in the community. Unless an effort is made to empower the men – and at present the practice is the opposite of this – the result is not charity, but peonage. The real consequences become tangible when one compares urban and rural poverty. Rural life has a freedom of action that enables even the poor to work at productive activities. The urban ghettos we see in America represent a formerly poor, rural population suddenly thrust into an alien, urban setting in which their skills and knowledge are nearly useless. Thus the urban poor have added futility to poverty.

The Holy Father went further on this thesis to propose (CV. §60) what he calls Fiscal Subsidiarity in which the taxpayers are permit to withhold part of their tax bill on the condition that the funds saved are given to authorized causes of their choice. This seems on its face unlikely to inspire much enthusiasm in Washington, but it is not very different from tax exemption. What would be needed is to greatly expand the sorts of causes provided by tax exempt organizations, to include direct welfare-like efforts. These already exist, and Vincent DePaul Societies and Birthright offices are examples.

Work and Labor, Again.

How can the tools of macroeconomic policy be used to promote work? There is a tendency to take this question much too narrowly. I am not asking how we can promote jobs. That is useless unless the jobs do work. In *Laborem Exercens*, John Paul separates two dimensions of work, roughly comparable to what I have termed work and labor. In his phrasing they are work in the objective sense – where the focus is on the product of work – and work in the subjective sense – where the focus is on the worker as a person (LE, §6). It is work in this latter sense – corresponding roughly to my “labor” – that the encyclical is directed.

The lesson he drives home is that we, men and women, were made to work. Work teaches many virtues and not just in a formal or theoretical way. As we work, we gradually grow in strength of purpose and perseverance, in patience and the ability to subordinate the present to the future good. We grow in our ability to coordinate our individual efforts with those of the work community and with the community at large. This list is by no means exhaustive, but it is indicative of the reasons why Jesus made us to work.

At the University of Wisconsin there is a research institute devoted to research in poverty and its consequences. It is called simply the Institute for Research on Poverty. Some years ago the director of the institute summarized their main finding to that time on the cause of poverty. While poverty is often triggered by misfortune, and especially by conflict and by illness or injury, these do not cause a culture of poverty. They do not instill an expectation of poverty. The culture of poverty – what one might call a high tolerance for poverty – comes from just one attribute: an inability or unwillingness to plan for the future. The culture of poverty is simply the culture of instant gratification. That is not to blame the poor. None of us controls the culture in which we are immersed. But it points very clearly to the way out of poverty. The poor will always be poor – they will tolerate poverty – until they learn to, and to want to, defer immediate gratifications. It is precisely this trait that work teaches. Whether or not it rewards us with riches, it rescues us from the true poverty. Saint Francis had to be one of the least rich men of his day, and more recently Saint Bernadette Soubirous and Saint Thérèse of Lisieux were extraordinarily lacking in material comforts. But no one could accuse them of being poor, or of being lazy either. The examples of the two French women are all the more vivid because they lived in a nineteenth century France that was the wealthiest nation in the world of that time, better known for Camille and for the luxuries of Parisian café society, but they sided with the humble workers and so they were never poor. There is however no way to separate work from labor, as is clear

from two very different observations. The results of work are never less important than the lessons it teaches.

Macroeconomic and Work

There is a temptation to use public policy to put people to work – to make work – especially at times of high unemployment. Without any doubt, income supports of some kind are absolutely necessary at those times, as Robert Barro affirms, but make work jobs are not the answer. The national government of any modern nation has the wherewithal to hire people and to pay them whether what they are hired to do has much intrinsic value or not. But a nation that does so is not getting richer, it is getting poorer. The wealth of the nation – its long term capacity to support the population – grows from what the people create, but make work doesn't create.

This is not merely of theoretical interest, as two examples from Great Britain make clear. Coming out of the 1920s, British public policy was gripped by the twin forces of Laborism and Keynesian economic policies. To put them in perspective, previous to that time it was becoming clear to the leaders of Britain that as the Empire was growing richer, and while therefore the profits from the Empire were pouring into London, the countryside was being left behind. The foremost political leader and political theorist of that time, Lord Alfred Milner – whose imperial ambitions did not in any way conflict with his Socialist politics – perceived the need for what he called in a most unfelicitous turn of phrase “National Socialism.”¹³ The successes of the Labor Party and of Keynesian policies both were his handiwork. Two examples of the results shed some light on what this meant in practice. The government adopted policies designed to keep Englishmen working and earning some pay, and to finance this charitable policies out of a portion of the profits of the Empire.

In the early 1970s a story in the Wall Street Journal told of a group of laborers in Newcastle, which was the major port for the export of British coal. The job of these men was to wade out into the harbor in rubber waders and to collect the chunks of coal floating on the surface (soft British coal) that had been accidentally dropped overboard in the loading process. The men sold their take back to the coal company. One curious touch to this story was that the fellows the WSJ interviewed were descendents of what was in effect a family business started

¹³ The fascinating story of Milner and Cecil Rhodes and their ambitions is told in Carroll Quigley, *The Anglo-American Establishment* (G.S.G. & Associates, 1981).

generations earlier. The laborite policies of the government existed, in this case, to enable generations of men to subsist in poverty, engaging in a nearly useless activity but eking out a living wage. At about the same time, a special broadcast by the BBC told a somewhat parallel story of men who worked in the mines. The special was inspired by a strike in the mines. The strikers were men who worked as what were called “gleaners,” and they were demanding a huge raise. While compared with what they had been making, their demands were very ambitious, in truth even if they got their raise they would still be just getting by. A gleaner is a man whose job it was to go through the mine at the end of each shift with a bucket in hand, to pick up the chunks of coal that had dropped by the wayside and carry them out to of the mine. The dispute with management was brought to a head by the fact that their labor was hardly worth anything at all. From management perspective, they were being subsidized but from their point of view they were being cheated, and in this case everyone was right. The laborite policy to subsidize jobs had trapped all of these men in dead end jobs that simply could not pay a living wage. No one could fault Lord Milner and his protégés for any lack of compassion, but their compassion was serving to make poverty and backwardness endemic.

If it is good to work – as everyone affirms and as the Holy Father focuses us on – it is necessary to work effectively. In Britain in the 1970s it had become all too apparent that the old Laborite policies had failed – which is why the BBC was detailed to tell the stories – and that a new approach was imperative. Precisely because people work to support themselves and their families and to afford the good things of this world, policies that produce poverty are unsustainable.

Heaven and Work

In *Laborem Exercens*, John Paul ties work and the need for work to our human condition, citing the proclamation of our human estate decreed when we left the Garden of Eden. He makes clear, at the same time, that we were not condemned to work, though original sin had condemned us to need to work. Even at the moment of our expulsion work became not a punishment, but an opportunity, an integral part of our salvation. John Paul writes: “Man has to subdue the earth and dominate it, because as the ‘image of God’ he is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of deciding about himself, and with a tendency to self-realization.” (LE, §6)

The promise of salvation doesn't stop there, nor does the imperative to create value: to work and not just to labor. In a passage of the Gospels that is unfortunately underemphasized, Jesus promised his Apostles that in the future they would perform works greater than those they had witnessed from him! Our Heavenly reward is a job! And it is a job which, by his grace, is no longer needed to teach us discipline and humility. It is pure work, defined not by the effort expended but by the results obtained. Logically this has to be true, because it would make no sense for us to spend our lives in this world learning how to work, and then spending eternity in retirement. Labor must have its Fruits, as the Holy Father makes clear.