

## Catholicism's developing social teaching

Robert A. Sirico, CSP\*\*

The latter part of the 19th century saw momentous changes brought on by the Industrial Revolution. In an attempt to bring to bear the insights of transcendent faith on real-world matters, Pope Leo XIII, who reigned from 1878 to 1903, penned an encyclical letter that would become known as the Magna Carta of Catholic social teaching. The revolutionary changes Leo witnessed had transformed the social and technological patterns of European life and were the immediate occasion for his letter **Rerum Novarum** in May 1891.

**Rerum Novarum** was the first of the modern social encyclicals.: While certain foundational moral teachings are expressed in these documents, much of what they deal with are matters of a contingent and prudential nature.

The student of Catholic social teaching will therefore note that is dynamic and always subject to development. In honor of the centenary of Leo's encyclical, Pope John Paul II declared 1991 a Year of Church Social Teaching and issued a ground-breaking new encyclical, **Centesimas Annus** (The Hundredth Year), which represents a dramatic development in the encyclical tradition in favor of the free economy.

I set out to examine *Rerum Novarum* with a somewhat focused intention, in order to provide a backdrop for understanding how momentous the appearance of **Centesimas Annus** is. It is not so much my goal to write here as a theologian, but rather as a student of what Ludwig von Mises called "the forces that bring society into existence", namely the activities of the free market. There will, of course, be a theological dimension to these remarks, and to that extent I write with an awareness of the ecumenical setting of today's religious dialogue, and the desire of all people of goodwill to learn how to build a society that is just, free, and prosperous.

### The Role of Encyclicals in Official Catholic Teaching

Our discussion of **Rerum Novarum** and **Centesimas Annus** will be deepened by an understanding of what it means to speak authoritatively in a Roman Catholic ecclesiastical understanding and what the bounds of that teaching authority, or magisterium, are.

The Catholic Church makes the claim that its magisterium carries with it a privileged insight into matters of faith and morals. Nonetheless, the teaching authority itself recognizes certain boundaries to its competence and has outlined, very generally, the parameters of that competence. There are times when the boundaries may be obscure and where they may overlap fields outside its immediate mission, but this merely makes the business of interpreting these documents more challenging, it does not vitiate the church's claim for them.

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\*\*Paulist Father Robert A. Sirico is president of The Acción Instituto for the Study of Religion and Liberty in Grand Rapids, Michigan. Fr. Sirico would like to acknowledge the aid of his research assistant, Jeffrey O. Nelson, in the preparation of this essay.

1 Literally translated **Rerum Novarum** means "of new things", although the general title of the encyclical actually is given as "On the Condition of Workers", or as the renowned Thomist Etienne Gilson more accurately entitled it, The Rights and Duties of Capital and Labor.

2 **Rerum Novarum** would be followed by **Quadragesimo Anno** in 1931, Pius XII's Pentecost Radio Address (1941), **Water»! Magistra** (1961), **Pacem In Terris** (1963), **Gaudium «I Spes** (1965), **Dignitatis Humanae** (1965), **Populorum Progressio** (1967), **Octogésima Adveniens** (1971), **Laborom Exercens** (1981), **Sollicitudo Rei Socialis** (1987), and **Centesimas Annus** (1991).

An initial distinction note is that between generally authoritative pronouncements by church leaders and specifically infallible pronouncements. Catholic understanding in this area is frequently misunderstood by those outside the church, as well as by Catholics themselves.

Church teaching may be exercised in a solemn or extraordinary manner, as when a given doctrine is defined by an ecumenical council of bishops or when pronounced **ex cathedra** (from the chair) individually by the pope. Distinct from this exercise is the ordinary teaching of the popes, as in an encyclical.

Further gradations of the church's teaching authority may be noted: allocutions of popes, the letters and teachings of various Vatican secretariats and commissions, the homilies of a pope, the teachings of bishops either within their own dioceses or in national conferences, and the teaching of pastors to their parishioners and catechists to those inquiring into Catholic belief. All of These, and others as well, participate in varying degrees in the church's teaching mission and charism.

Our discussion here relates to an encyclical, which is a papal letter circulated throughout the whole of the Catholic Church, and in more recent days, a letter addressed beyond the church to all people of goodwill. As encyclicals, **Rerum Novarum** and **Centesimas Annus** therefore enjoy a relatively privileged position within the hierarchy of official Catholic teaching.

Two things should be noted: First, as encyclicals, **Rerum Novarum** and **Centesimas Annus** make no claim to infallibility as such. Second, it is necessary to read the documents carefully to discern where Leo and John Paul claim to speak from the very heart and core of church teaching, and where they are attempting to make a practical and prudent application of that core teaching to the day-to-day-world.

The purpose of this essay is not to examine the function of Catholic dogmatic teaching, but to explore two instances of church teaching dealing with the social realm.

### The Historical Backdrop of **Rerum Novarum**

The events of the late 18th and the 19th century form the immediate historical context of this encyclical, especially the two great revolutions which defined and marked the era: the French Revolution and the Industrial Revolution. The philosophical backdrop for these revolutions was, of course, the Enlightenment, which spawned the philosophical, religious, political, and economic reflection that formed Continental liberalism.

Freedom from authority was the axiom upon which this liberalism was based, and decades would pass before a distinction between the legitimate and illegitimate exercise of authority would emerge, for example, in the way Lord Acton in the last century and Robert Nisbet in this century would later demarcate power from authority.

For many Continental liberals, this meant opposition to the authority of the dominant religious force: The Roman Catholic Church, in both its moral and its civil manifestations. The French Revolution destroyed the ancient régime, which had determined the course of Western civilization from the early Middle Ages. The result sent shock waves through a church that had long-standing social and political links with the deposed old order. Thus, the French Revolution led to a direct assault on the church's authority, not solely in the spiritual realm; it rebelled against the traditional temporal authority the Catholic Church enjoyed at that time as well.

This last factor, especially the attack on the church's property, is what led Leo into his defense of private property in **Rerum Novarum**, arguably the most concise and solid defense of the right to private property offered by the magisterium of the Catholic Church until the promulgation of **Centesimas Annus**. The seething anticlerical hatred generated by the French Revolution, however, caused the church to be very leery of liberal ideas. The history of Catholic social thought in this area might have been very different had the church encountered liberalism in its British, rather than its Continental, manifestation.

In the meantime, Karl Marx had midwived socialist thought and offered a complete philosophical analysis of the industrial situation with his own doctrine of economics, anthropology, and eschatology in his attempt to respond to the laissez faire of liberalism.

3 Francis A Sullivan, **Magisterium: Teaching Authorly In the Catholic Church** (New York: Paulist Press, 1983), Father Sullivan, a professor of ecclesiology at the pontifical Gregorian University in Rome, provides a balanced and extensive overview of the role of the teaching office of the Church.

4 See Robert Nisbet, **The Quest for Community: A Study in the Ethic and Order of Freedom** (San Francisco: ICS Press, 1990), where he says: "By authority, I do not mean power. Power, I conceive as something external and based upon force. Authority, on the other hand, is rooted in the statutes, functions, and allegiances which are the components of any association. Authority is indeed indistinguishable from organization, and perhaps the chief means by which organization, and a sense of organization, becomes part of human personality. Authority, like power, is a form of constraint, but, unlike power, is based ultimately upon consent of those under it: that it is, conditional. Power arises only when authority breaks down". (p.xxvi).

5 A. M. C. Waterman, "Christian Political Economy: Millhus to Thatcher", **Religion, Economic and Social Thought**, Walter Block and Irving Hexham, eds. (Vancouver, B. C: The Fraser Institute, 1986); also see Michael Novak's excellent discussion of John Stuart Mill in Chapter 5 of **Freedom With Justice** (San Francisco: Harper and Row, 1986), pp. 81-107 and Irving Kristol's **Reflections of a Neoconservative** (New York: Basic Books, 1983), particularly chapter 12, "Adam Smith and the Spirit of Capitalism", pp. 139-76.

## An Analysis of Rerum Novarum

The principal focus of **Rerum Novarum** is given in its very title, **On the Condition of Workers**. To lose sight of this is to sever Leo's thoughts and intentions from their moorings, and to make it difficult to understand his essential moral contentions as well as his prudential suggestions. The result is to blur some essential distinctions and confuse cause for effect. Sadly, this is much of the history of the interpretation of this document.

It would be impossible in the limited space allotted to this essay to examine the full thrust and development of the whole of Catholic social teaching which finds its modern impetus in the promulgation of **Rerum Novarum**. For our purpose it will be necessary only to examine the document itself and to observe the ground it shares with an essentially free-market approach to social organization. This also will enable us to see **Centesimus Annus** as an authentic development of Leo's thought.

Leo notes at the outset of his work that the great upheavals occurring in his time encompassed both the political and the economic domain (#1) and he acknowledges that "the problem is difficult to resolve and is not free from dangers". (#4).

Socialism offered itself as the solution for the ills of society; it is no exaggeration to say that in **Rerum Novarum** Leo looks upon this offer with withering disdain. Of the socialist program, he says that it "is so unsuited for terminating the conflict that it actually injures the workers themselves". (#8). Socialism does this, the pope argues, because it violates the right of people to direct their own lives and to improve their lot, and because it violates the right of man "to possess things privately as his own". (#9 and #10).

### In Defense of Private Property

Leo's defense of private property is rooted in a mode of natural law argument reminiscent of John Locke. After distinguishing human nature from that of animals by virtue of man's faculty of reason, the pope says:

Since man expends his mental energy and his bodily strength in procuring the goods of nature, by this very act he appropriates that part of physical nature to himself which he has cultivated. On it he leaves impressed, as it were, a kind of image of his person, so that it must be altogether just that he should possess that part as his very own and that no one in any way should be permitted to violate his right. (#15).

Note the similarity of this argument to that employed by John Locke in his **Two Treatises of Government**, written around 1690. In his discussion of property, Locke says:

Though the earth, and all inferior creatures be common to all men, yet every man has a property in his own person. This nobody has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property. It... hath by this labour something annexed to it, that excludes the common right of other men

For Leo, as for Locke before him, and as for St. Thomas before them both, "the right to private property is not merely some abstract theory; it is, rather, an extension of the rights which find their origin and "reside in individuals", (#18) and are to be enjoyed and safe-guarded by the legitimate authority, which exists for this very purpose. Thus, the pontiff concludes, "Private ownership must be preserved inviolate". (#22).

Likewise, **Rerum Novarum** renounces any form of coercive egalitarianism and asserts: "There are truly very great and very many natural differences among men. Neither the talents, nor the skill, nor the health, nor the capacities of all are the same, and unequal fortune follows of itself upon the necessary inequality in respect to these endowments". (#26).

In paragraphs 31 and 32 Leo outlines a series of obligations that employers have toward their workers. Although some have interpreted Leo's expressions of concern for workers in an interventionist sense, a balanced reading reveals that it not only contains a clear condemnation of socialism, but it attempts to offer concrete ways in which class conflict may be avoided. The pope's pastoral heart is displayed here as he expresses his concern that workers should be given what they are "justly due". He also warns against the use of what he calls "the arts of usury", but this admonition must be read within the context of his discussion of fraud and coercion. Had Leo a clearer understanding of the role the market plays in setting interest rates, he probably would have taken the more benign view of "usury" than his successors did. This reference should be read as a prudential, not a fundamental moral, assertion. In general, it would be difficult to find in this section anything that would generally offend the moral sensibility of the ethical employer.

6 Throughout this article parenthetical references to specific sections in **Rerum Novarum** and **Centesimus Annus** follow the citations.

7 John Locke, **Second Treatise of Government**, paragraph 27. It should be noted that there is a debate as to whether Leo's use of the Lockean argument is a repudiation of the previous Catholic tradition on private property or a development and expansion of it.

8 Thomas Aquinas, **Summa Theologica, II-II**, q6, a 2: "A man would not act unlawfully if by going beforehand to the play he prepared the way for others: but he acts unlawfully if by so doing hinders others from going... A rich man does not act unlawfully if he anticipates someone in taking possession of something which at first was common property (i.e. existing in a state of nature), and gives others a share: but he sins if he excludes others indiscriminately from using it.

9 See J. T. Noonan, *The Scholastic Analysis of Usury* (Cambridge, Mass: Harvard University Press, 1957).

The encyclical shifts from an economic perspective to aim at what it considers a higher ideal. Here is where the distinction between practical policy suggestions and basic moral premises becomes apparent. The responsibility of the civil order is in part to ensure that people act in ways that are just in their economic relations. Leo's use of the term "justice" is derived from its classical, Aristotelian-Thomistic meaning: "treatment in accord with desert". Contemporary usage of "justice", on the other hand, seems to offer a blank check for a host of entitlement programs.<sup>10</sup>

Christianity, however, does not stop with the basic demands of justice. By offering a transcendent perspective, it calls people to the virtue of love as well. Leo doesn't make the mistake of collapsing the one into the other. In saying that "no one, certainly, is obliged to assist others out of what is required for his own necessary use", he is not dispensing the faithful from their obligation to the poor. He chooses, instead, to make an all too frequently forgotten distinction: "These are duties, not of justice, except in cases of extreme need, but of Christian charity, which obviously cannot be enforced by legal action". (#36).

This section of **Rerum Novarum** provides an outline of the transcendent vision of the human person contained within Christianity. The acceptance of Christianity can only be achieved by an exercise of free will, hence the living out of this commitment must be performed freely as well. In this regard, Leo moves within the classical liberal tradition in believing that freedom may be sufficient for a just society, but it is not sufficient for a good one.

### Limits of Law

The encyclical also expresses a concern that applies as much today as it did when it was penned a century ago. That concern is the supplanting of the church by the state in the former's ministry to human needs. (#45).

Paragraph 53 offers a good example of the confusion that results from the failure to distinguish between the moral principles in which church teaching is anchored and the prudential suggestions made to implement them. Here Leo is addressing himself to the conditions of workers and their moral and spiritual well-being. He enumerates a number of concerns: strikes, disintegration of family life, religious backsliding, "incitements to sin" by the mixing of the sexes, and overwork. He then concludes that "in all these cases, the power and authority of the law, but of course within certain limits, manifestly ought to be employed".

Two things should be noted about this passage. The first is that the overriding concern is the moral, religious, and physical condition of workers, not the method chosen to achieve their well-being. Second, even when permitting a governmental intervention, Leo is quick to establish a limitation set by reason, and that the law must not go further than necessary to remedy the situation.

Paragraphs 61-66 contain a complex line of reasoning. The pope argues that free consent is not a sufficient criterion for establishing a "just wage". Free consent, he says, fails to provide enough of the context to establish the morality of the wage offered when the wage is not sufficient for the preservation of life.<sup>11</sup> He says, "To preserve one's life is a duty common to all individuals, and to neglect this duty is a crime".

There are several aspects of Leo's careful argument worth noting. It is apparent that he fails fully to grasp the manner in which wage rates affect the whole of the economy. If the rate of wages is artificially high, the cost of the products produced by labor will be increased proportionally throughout the whole economy, placing many of those products outside the reach of the workers, who are also consumers. It is unfortunate that Leo didn't make the connection between the market wage and pricing system as the economically most efficient way to insure living wage for workers. This perception, that the "just wage" is best insured by the market wage, is by no means alien to Catholic social thought.

Another thing to observe about Leo's argument is the underlying goal in recommending this policy. Did he want to create a socialist or quasi-socialist society because he believed that socialism was the morally superior economic arrangement? Quite the contrary. His interest in insuring that workers obtain the highest wage possible was that he wanted them to become mini-capitalists by being able to own and maintain property, to become members of the bourgeoisie. He says:

If a worker receives a wage sufficiently large to enable him to provide comfortably for himself (and his family, he will eventually be able to) come into the possession of a little wealth. We have seen, in fact, that the whole question under consideration cannot be settled effectually unless it is assumed and established as a principle, that the right of private property must be regarded as **sacred**. (#65, emphasis added)

Thus, Leo makes an honest, well-intentioned mistake in a particular economic policy prescription, but not in his overall economic framework. The latter asserts that private property is a good thing for all people,

10 . A. Hayek, **The Constitution of Liberty** (Chicago: The University of Chicago Press, 1960), pp. 93, 99-100, 231-82.

11 The pope divides what he calls the "personal" dimension from the "necessary" dimension of the wage rate question. By "personal" he means what a worker and an employer agree upon as a wage; by "necessary" he means a wage sufficient to enable a worker to acquire life's necessities.

12 See Alejandro Chafuen, **Christians for Freedom** (San Francisco: Ignatius Press, 1986), pp. 180-86.

deriving its legitimacy from natural law; further, it evidences a clear understanding of the dynamic nature of the market and the way in which protection of the right to property can inspire the poor to productivity and social harmony. (#66). Such economic dynamism can only occur, however, "if private wealth is not drained away by crushing taxes of every kind". (#67).

## Reaction

This reading of *Rerum Novarum* is not a prevalent one today. It comes from a view of the world as expressed by classical liberals. The contents of the document, however, in my mind, lend themselves to such an analysis and are, in fact, wholly consistent in many ways with the development of classical liberal thought in the 20th century, as well as with the thrust of Pope John Paul II's **Centesimus Annus**. Articulating a classically liberal view of the social crisis is obviously not what Leo had in mind when he wrote his encyclical. Yet, I would contend that classical liberal thought is at least as much in the tradition of *Rerum Novarum* as is the collectivist interpretation it has historically received.

Indeed, the standard interpretation given *Rerum Novarum* in many circles has obfuscated much of what is authentically liberal in Catholic social thought. Unfortunately, the interpretations of certain theorists have so dominated discussions on what is the proper Christian response to social, political, and economic calamities or injustices, that any classical liberal interpretation of contemporary injustices is greeted as naive, insensitive, or even heretical.

This has had a dampening effect on the dialogue that must exist in Catholic, indeed Christian, quarters if we are to realize an authentic, informed, and workable moral solution to the social crisis that we are obliged to address. The dearth of classical-liberal religious social theorists, and the hostile opposition they receive in many circles, attests to a kind of intellectual monopoly held by non-liberals with regard to "accepted" interpretations of papal documents. Having outlined the ground *Rerum Novarum* shares with a free-market approach to social organization, a brief look at the reaction to the document, particularly in America, will serve to show how the present intellectual hegemony developed and entrenched itself.

**Rerum Novarum** wasn't breaking entirely new ground in addressing the social question. While it was the first papal response, there was a tradition of social thought that preceded and influenced Leo's encyclical.

Social thinkers prior to Leo were divided into a number of camps. Some condemned the new economic order while others approved of it. Many study circles and round-table conferences arose in the middle of the 19th century that had an important role in influencing Leo's thought.

Of these the Geneva Alliance and the Fribourg Union are representative. Leo paid close attention to these groups and their social analysis of the times. He rejected what he perceived to be the materialism of the new economic order but wasn't averse to technological progress. He became interested in the work of the pioneer of social thought in Germany, Bishop Emmanuel von Ketteler of Mainz, as well as the German economist Lujo Brentano. According to Franz H. Mueller, "Ketteler... had become more and more convinced of the need of government intervention in social and economic matters, and particularly for protective labor legislation. Brentano ... had insisted that only through unionization could the labor market become truly competitive". This was a representative attitude shared by many church leaders.

The labor conditions faced by many was the principal impetus for much social debate. **Rerum Novarum** lent its support to various workers associations or labor unions. The American effort to secure the Vatican's recognition of the Knights of Labor impressed Leo very much. The Knights of Labor were the immediate forerunners of the American Federation of Labor (A.F.L.) They had come under suspicion in Rome, and were nearly condemned, due to secret initiation rites and dubious leadership."

However, any thought of condemnation evaporated once these problems were settled to the Vatican's satisfaction, and especially after Cardinal Gibbons of Baltimore delivered a brilliant memorial on behalf of the Knights. Leo was generally moved by labor's plight, and he paid close attention to the activities of Cardinals such as Gibbons and Henry Edward Manning of England on behalf of labor. Due to their influence and activities **Rerum Novarum** became the springboard for the burgeoning labor movement in America and Europe.

## The Development of Social Thought

America, like Europe, had a tradition of social thought that preceded **Rerum Novarum**. To the reformer's mind, Leo's encyclical gave them the support and recognition they needed to carry out their program. Leo deemed profound change to be necessary. Progress was not to be feared. While liberalism was to be rejected, so too was socialism. Whereas liberalism denied political intervention in the market and in industry's affairs,

13 Franz H. Mueller, *The Church and the Social Question* (Washington D. C.: American Enterprise Institute, 1984), p. 73.

14 Brother William J. Keiter, SM, *Leo XIII: A Light From Heaven* (Milwaukee: Bruce Publishing Company, 1961), pp. 146-49.

socialism overemphasized the role the state should play in both community and industrial life.

Leo saw laissez faire as the philosophy of the business and political establishment. He saw socialism making inroads into the thought of the masses, threatening to excite envy, encourage unreal expectations, and act as the true opiate of the people. For Leo, private property, rooted in justice and charity, should be the basis by which the welfare of working men and women is secured. No solution to labor's problem could be had without assistance from religion and the church. To Leo's mind, Catholic charity groups would work in defense of those who suffered from horrible living and working conditions until a more prosperous economic base could develop. Such groups would aid the work of both the state and workmen's associations to help relieve poverty.

The task of giving **Rerum Novarum** its social interpretation was swiftly taken up by the progressive left. While Leo advocated, in a measured way, his belief in the importance of securing a "living wage", eliminating Sunday labor, shortening the work day, and prohibiting or regulating the labor of children and women in factories, these points were seized upon by social activists and served as the launching pad for a much broader array of social advocacy and legislation. Those in sympathy with these planks in Leo's encyclical focused almost exclusively on them, too often at the expense of the rest, and great majority, of the encyclical which attempted to restrict the expansion of the state.

An example of this selective interpretation is pointed out by Aaron Abell, himself sympathetic with the left's social analysis, when he notes that after arguing for the proposals contained in **Rerum Novarum**, these theorists conclude by wanting to "use the taxing power to favor the multiplication of property owners". The encyclical expressly warned against this. (#47).

The social activists, however, believed that in order to improve the admittedly less-than-desirable state of the laborer, both a public and private effort must be made. In the minds of such activist's public response was often equated with an increase in the role of the state. Indeed, they saw the role of government as being chiefly concerned with promoting human welfare. Since the working class, in their way of thinking, contributed more than any other group to the prosperity and material well-being of the commonwealth, the state should be active in effecting legislation on their behalf.

American social movements served, in some cases, to give many the notion that private property was a natural right, but it could and should be extensively regulated by the state. According to Abell, "A social view of property ...served as the entering wedge for much contemporary and future American Catholic participation in social reform". Such a view would seem to be contrary to the view expressed by Leo who articulated a view of property **rooted** in the individual, but which has social dimensions.

Many interpreters of **Rerum Novarum**, however, have overemphasized the social view of property. This reflects a bias against individualism and self-interest because of the belief that property owners will inevitably oppress the poor. The burden for relieving the poor in this view must fall on the state. According to Abell, "these early state interventionists upheld the right of workers to organize and to engage their employers on the battle field of industry, they doubted labor's power, without the aid of the state, to wring justice from entrenched capital". According to one priest, the Reverend Edward Priestly, prior to the promulgation of Leo's encyclical people were coming to the conclusion "that we must, more than we have hitherto done, make over to the state a closer oversight of the relations between classes".

Hence, during the 1880s sympathy for the labor movement was born in the hearts of nearly all socially concerned Catholics of importance. In addition, a sympathy toward using the apparatus of the state to empower the downtrodden increased. These were, in the words of Cardinal Gibbons, "the most efficacious means, almost the only means" to combat the rise of monopolies and to check their "heartless avarice which, through greed of gain, pitilessly grinds not only the men, but even the women and children in various employments.

The hierarchy's enthusiastic support for labor focused public attention on the condition of workers. Two Catholic congresses also were instrumental in fixing this pro-labor sentiment in people's minds. The first was in Baltimore in 1889, two years prior to the promulgation of **Rerum Novarum**; the second in Chicago in 1893, two years after. They were organized by the hierarchy with the aid of prominent laymen and were aimed at mobilizing clerical and lay persons for "progressive social action". The congresses were well attended and equated capitalist greed with socialism and communism, all of which were denounced.

These congresses presented papers and argued for political, social, and economic change. Many called for increased government intervention, especially in the form of taxes on the rich. In addition, the congresses voted to set up study groups and distribute the new

15 Aaron I. Abell, *The Reception of Leo XIII's Labor Encyclical in America, 1891-1919*, **Review of Polillos**, vol. vii, October 1945, p. 466.

16 *Ibid.*, p. 471.

17 *Ibid.*, p. 472.

18 *Ibid.*

19 *Ibid.*, p. 476.

encyclical as widely as possible. Organized labor wanted to get the analysis of the encyclical included in labor organs and have it be part of addresses before labor audiences. Protestant advocates who were friendly to the growing notion of "the social gospel" reacted more than a little enthusiastically. They believed that by encouraging the state to get involved in the redress of abuses against labor, the pope had "ranged himself un-mistakably on the side of the new Political Economy"/" This "new Political Economy" initiates, in the American context, the march toward an economy of welfarism and interventionism.

The American Economic Association was equally enthusiastic about the new encyclical. While most economists didn't agree with the whole of it, none could deny its monumental importance. Argument ensued after the promulgation of the encyclical over the single tax issue. Henry George saw in it a repudiation of his program. He sent an open letter to the pope attempting to explain that under his plan only rent would be transformed into common property. Michael A. Corrigan, the archbishop of New York, forced supporters of George in his diocese to make public disclaimers. Catholic laymen rushed to George's defense and argued that what was included in the encyclical regarding public policy was not infallible. Cardinal Gibbons, among others, argued that supporters of the single tax should be allowed to judge the efficacy of George's proposal as they would be allowed to do with any other public proposal. Archbishop Corrigan was corrected by Rome, giving all progressive-minded Catholics the freedom to pursue public policy proposals without church interference. Theoretically, all public policy proposals were acceptable as long as they weren't contrary to the faith and moral teaching of the church.

### **The Roots of the Social Justice Movement**

This new freedom acknowledged by the Vatican finally established the new movement for social justice. In 1899 the Reverend Thomas J. Ducey argued that the church should now lead the people to emancipation from "social and economic slavery" imposed on them by "trust kings and kings of monopoly...".<sup>20</sup> However, according to Abell, the social movement never really got off the ground during the decade and a half following the promulgation of the encyclical. Abel attributes this to racial dissension that caused division and deep disunity among Catholics, a reference to the waves of immigration that swept the country in the last half of the 19th and early part of the 20th century.

The newer immigrants ran up against the older and more established immigrants who were less sympathetic to their condition, and who felt threatened by the competition for jobs they represented. The new arrivals, after 1900, from central and Eastern Europe, were often accused of being involved in socialist causes. The Socialist Party, headed by Eugene Debs, was making inroads in all parts of American society. The period between 1912 and the beginning of World War I was the time of its greatest appeal. In 1912 the American Federation of Labor was one-third socialist. The Industrial Workers of the World (I.W.W.) offered the more radical trade unionists an outlet until the war, while many Catholic priests and laity became involved in the increasingly active socialist movement.

The American hierarchy repeatedly censured socialism as being materialistic, justifying this position by citing Leo's condemnation of socialism in **Rerum Novarum**. Social activists in return argued that these condemnations by the hierarchy were "exaggerated", that they even "misinterpreted" Leo's attitude toward socialism. In addition, they "ignored its positive program for Christian social reform". Despite protests from the hierarchy, socialists were making considerable inroads into the Catholic community.

### **Father John Ryan and "Semi-Socialism"**

Around 1905 the hierarchy began to articulate a program that would keep those Catholics who were attracted to socialism within the church. Their goal was to head off the burgeoning alliance between Catholic workers and socialists. Catholic social activists and theorists developed a strategy to construct progressive economic reform around what they deemed to be "the really salient passages" of **Rerum Novarum**. This, of course, often meant those that favored interventionism and welfarism to the exclusion of those that warned against such policies. The new reformers argued that socialism contained in itself seeds of Catholic truth which the socialists had stolen, and which Catholic social theorists should now reclaim. Leading this new approach was Father John A. Ryan - "the foremost academician of the American Catholic social movement".

Ryan's first book, **A Living Wage**, was published in 1906 and advocated a minimum wage for all. He extended his argument by calling for other reforms and interventions in subsequent books and articles. Among these reforms were "indirect methods of augmenting the workers income through legislative action; (including) the eight-hour day; restriction on the labor of women and children; legalization of picketing, persuasion and boy-

20 **Bid**

21 **Ibid.**, p. 481.

22 **Ibid.**, p 493.

23 **Ibid.**, p 483.

cotting: conciliation and arbitration by state and national boards with compulsory powers; and relief of unemployment by state employment bureaus, labor colonies and social insurance. Likewise provisions should be made against accidents, illness and old age. Finally, the state should launch a housing program, not only condemning and preventing unsanitary housing and congestion, but erecting decent habitations for the poorer classes, to be rented or sold -preferably sold- on easy conditions. Ryan also advocated public ownership of natural monopolies, progressive income and inheritance taxation, taxation on future increases in land values, and prohibition of speculation on the exchanges.

Ryan understood that socialism tended to destroy the faith of those involved. In that respect he thought it should be condemned. However, he felt that the economic aspect of socialism could be salvaged from its negative religious aspects. Hence, he called his program "Essential Economic Socialism" or "Semi-Socialism", and he believed this didn't fall under church condemnation. He believed that he was complying most faithfully with Leo's desire that the "rights and opportunities of private ownership be sufficiently extensive to safeguard individual and social welfare" \* Ryan maintained that socialism could best safeguard private ownership with regard to the goods of consumption, and that it would only be necessary to convert the means of production, and not all consumer goods, into common property.

Ryan believed that economic socialism was not only in the best tradition of Leo, but that its promotion was good strategy. He felt that if reformers concentrated on refuting the negative religious assumptions of the secular socialist movement, while at the same time arguing in favor of its economic precepts, then Catholics would be less likely to get involved in the socialist movement as it was expressing itself politically-seeing the church as a champion of the kind of social reform the masses were demanding.

After 1908 a widespread Catholic movement for social reform began with Ryan as its leader. The first important group to champion social reform was the Germán Catholic Central Verein. In 1908 they began with 125.000 members and established a Central Bureau for the Promotion of Social Education and founded a magazine called the **Central-Blatt and Social Justice**. In 1909 the Central Verein had a convention which called for more progressive labor legislation. the Verein worked tirelessly to promote social education and the labor movement.

It also sponsored scholarships for the study of social problems as they existed in Germany. It set up summer schools for social study in 1912 at Spring Bank, Wisconsin, and Fordham University, and lobbied for a Catholic school of social science to be established. Ryan was encouraged by this blossoming educational movement and predicted that within a decade it would produce an army of men "able to justify Catholic opposition to both the abuses of capitalism and the excesses of Socialism" with "the ability and the courage to defend plans of positive social reform".

### **Catholic Support for the Labor Movement**

The 1909 Verein convention also called for support of the labor movement. It advocated faithful cooperation with groups like the American Federation of Labor, the National Civil Federation, and the American Association for Labor Legislation. The Verein influence was felt not only among Germans; its program was adopted by nearly all Catholics. This was largely due to the efforts of the Reverend Peter E. Dietz of New York, one of its most persistent members. Abell says that "just as John A. Ryan was the academician, so Peter E. Dietz was the organizer, of the American Catholic social movement".

In 1909 Dietz attended the convention of the American Federation of Labor in Toronto. He believed Catholics weren't doing as good a job as the Protestant denominations in officially supporting the delegation, so he got himself appointed as a delegate to the 1910 convention, establishing a permanent Catholic delegate position at A.F.L. conventions in the process, and in a speech to the delegates assured them of Catholic support for trade unionism.

During the convention he brought Catholic trade union representatives together and formed a permanent organization called the Militia of Christ for Social Service. The Militia's purpose was to promote understanding of the church's social program and the cause of labor. Its labor program exhibited a vast influence immediately, and in 1911 the American Federation of Catholic Societies formed a Social Service Commission to promote labor's cause. The new Social Service Commission systematically circulated Leo's encyclical to be studied and applied with an interventionist slant. The Social Service Commission was essentially an enlarged Militia of Christ. These groups called for education and pressed for the establishment of schools, as well as inclusion of social science study into the curriculum.

These college graduates and professionals formed the Economic League ("well-lawed league") to discuss social problems, and several lecture courses were adopted to reflect the new concerns, the ones at Loyola -

24 Ibid., p. 484.

25 quoted in Abe», p. 484.

26 Abell. pp. 486-87.

27 Ibid., p. 488



Chicago and Fordham being the most important. Some seminaries, in addition to The Catholic University of America, placed social studies in their regular curricula. With the successful launching of these educational programs, the pre-war Catholic social movement came to an end. However, this was the most critical and important time in the history of Catholic social thought to date. Much has merely been addition, re-definition, and extension of the programs begun during this period.

Following the war the organized socialist movement began to disintegrate, and economic problems arose which the American Federation of Catholic Societies lacked the ability to address. The hierarchy formed the National Catholic War Council in 1917 to deal with post-war social reconstruction. Though it condemned socialism in a couple of places, it picked up where pre-war thought left off. In 1919 the War Councils Administrative Committee issued what has been called the **Bishops' Program of Social Reconstruction**. The statement was prepared by John A. Ryan, and it advocated such remedies for the country's social ills as:

social insurance against unemployment, sickness, invalidity, and old age; a federal child labor law; legal enforcement of labor's right to organize; public housing for the working classes; progressive taxation of inheritances, incomes and excess profits, stringent regulation of public Utilities rates; government competition with monopolies...; worker participation in management; and cooperative productive societies and copartnership arrangements in order to enable the majority of wage earners to "become owners... of the instruments of production".

It was with good reason that Ryan would come to be called the "Right Reverend New Dealer".

The bishops changed the name of the Council in 1922 to the National Catholic Welfare Council, and it is today known as the National Conference of Catholic Bishops. They also created a social action arm called the Department of Social Action which was charged with the task of seeing that the Bishops' program was realized. With that, Abell argues, the "reception of Leo XIII's labor encyclical was complete".

The Catholic social movement has continued from that time essentially to argue the same points and advocate the same political and economic agenda. The names, councils, and circumstances have changed, but from Pius XI to John Paul II the social movement has retained its character.

The context in which this agenda has been framed, of course, has changed with the passing of time. According to G.J. Hebert, "Social changes during the period after WW II were naturally reflected in Catholic social movements. Specialization and organization became more and more characteristic of Catholic as well as other efforts. As the role of organized labor in American society was stabilized...., the labor movement was less prominent than formally as a battleground for social justice..."

More than labor, today's liberationist and environmentalist movements are the means by which the Chris-tian left wages its battles for "social justice". Indeed, if they have moved in any direction it has been farther to the left as the left-wing Catholic scholar Gregory Baum has recently argued.

### A Dramatic Development

The latest installment in Catholic social teaching, and arguably its most dramatic development, comes in Pope John Paul II's **Centesimus Annus**, which commemorates Leo's encyclical. It may well represent a shift away from centralized planning within the Catholic tradition, and a reversal of the left-wing trend outlined in the previous pages\*

More than any other church document, this latest one celebrates the creativity of entrepreneurs and the virtues required for productivity. John Paul describes these virtues as: "diligence, industriousness, prudence \n taking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible setbacks". (#32).

The pope affirms both the practical and moral legitimacy of profit, entrepreneurship, appropriate selfinterest, productivity, and a stable currency. He endorses the right to private property along with its social dimension and calls it a human right. And he distinguishes consumerism from the business economy.

Nowhere does the Holy Father imply that socialism and capitalism are morally equal, a sentiment some detected in his 1987 social encyclical, **Sollicitudo Rei Socialis**. This very deliberate move on the pope's part comes as a surprise to those who anticipated that, having been as a principal player in the events that buried collectivism in 1989, John Paul would now employ the considerable prestige and power of his moral authority to anathematize the economic system of free exchange. Instead, John Paul encourages such a system, as long as it is rooted in legal, ethical, and religious traditions.

28 For an interesting history of this period see John B. Sheehn, CSP, *Never Look Back: The Career and Concerns of John J. Burke* (New York: Paulist Press, 1975). Burke was the founder of the National Catholic War Council.

29 Abell, p. 494.

30 Ibid.

31 G.J. Herbert, "Social Movements, Catholic", *New Catholic Encyclopedia*, vol. 13, p. 331.

32 Gregory Baum, "Recent Catholic Social Teaching: A Shift to the Left", *Religion, Economics and Social Thought*, Walter Block and Irving Hexham, eds., pp. 47-70.

33 This section is drawn from my articles in *National Catholic Reporter*, May 24, 1991, p. 6, and in *National Review*, June 23, 1991, pp. S9-S10.

Beyond seeing no contradiction between virtue and freedom (a word frequently employed in his letter), the pope expresses deep reservations throughout the document about various forms of state economic interventions.

In this regard, the pope's letter strikes a considerably different tone from that of the U.S. bishops in their 1986 statement on the U.S. economy, "Economic Justice for All". The latter repeatedly called for increasing the role of the government to remedy social problems and was seen by many business leaders and economists as a moral sanction for the redistributivist state.

The pope, on the other hand, having seen the deleterious impact of governmental encroachments in Eastern European countries, questions the legitimacy of extensive intervention by the welfare state, or what he calls the "social assistance state". John Paul says, "By intervening directly and depriving society of its responsibility the social assistance state leads to a loss of human energies and an inordinate increase of public agencies, which are more dominated by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending". (#48).

At the beginning of his pontificate some theologians thought that John Paul, having lived in a Marxist society, would approach social and economic questions with a certain sensitivity and sympathy to Marxist insights. What appeared to some commentators\* on his first social encyclical, **Laborum Exercens**, as a turn to dialogue with Marxists, has ended up being not only a repudiation of the entire collectivist agenda, root and branch, but the warmest embrace of the free economy since the Scholastics.

**Centesimus Annus** represents an authentic development in the encyclical tradition at the same time that it constitutes a retrieval of the forgotten private property tradition of the Scholastics, most notably the School of Salamanca in the mid-16th century. This school of thought asserted that what Christianity says about private property is exactly what it says about the whole material order: It is good, but relative. Only God is absolute.

To grasp the authentic significance of **Centesimus Annus** requires a blend of two approaches. First, read it on its own merits. As objectively as possible, one can exegete its various passages to discern its thrust and priorities on the basis of the text of the encyclical itself. Then, read the document in context of the previous social pronouncements by the Catholic teaching office over the past 100 years, and see what new themes, developments, and directions the present one initiates.

When read for itself, **Centesimus Annus** emerges as an uncompromising rejection of collectivism in its Marxist, Communist, socialist, and even welfare-statist manifestations. While the encyclical allows for a certain amount of intervention by the state in such areas as wage levels, social security, unemployment insurance, and the like, **Centesimus Annus** expresses repeated concern for observing the principle of subsidiarity (first tending to human needs on the local level), and warns against the effects on intervention both on the economic prosperity of a nation and on the dignity and rights of each person.

**Centesimus Annus**, then, indicates a decided preference for what it calls the "business economy", "market economy", or "free economy", rooted in a legal, ethical, and religious framework. While it rejects the notion that such a free economic system meets all human needs, it distinguishes the economic system from the ethical and cultural context in which it exists. In this way **Centesimus Annus** can criticize the excesses of materialism and consumerism and still endorse capitalism as being essentially in accord with Christianity.

A second way of reading this encyclical reveals it as an even more dramatic document. When read with an awareness of modern Catholic social thought, beginning with Leo XIII's **Rerum Novarum**, its historical import surfaces. **Centesimus Annus** evidences the greatest depth of economic understanding and the most deliberate (and least critical) embrace of the system of free exchange on the part of Catholic teaching authority in 100 years, and possibly since the Middle Ages, as noted previously. Moreover, it contains a modern appreciation for the dynamic nature of free exchange and the way in which wealth is produced.

When seen in this way **Centesimus Annus** represents the beginnings of a shift away from the static, zero-sum economic world view that led the church to be suspicious of capitalism and to argue for wealth distribution as the only moral response to poverty.

There are several implications of this new direction worth considering. As already noted, there is the clear difference in thrust and direction apparent when **Centesimus Annus** is read alongside the 1986 U.S. bishops' letter, "Economic Justice for All". This has left the social-justice establishment unprepared to consider social questions from within the framework John Paul has constructed in **Centesimus Annus**. When one reads over the material these ecclesiastical cognoscenti have produced, it becomes evident that they are unfamiliar with the Continental economic tradition represented by Wilhelm Roepke, Ludwig von Mises, F. A. Hayek, Israel Kirzner, as well as the insights of the Virginia public choice school and others.

A further implication of this encyclical is that entrepreneurs and capitalists have been invited in out of the moral cold to which they felt exiled in the past. The Holy

34 See Gregory Baum, *The Priority of Labor* (New Jersey: Paulist Press, 1982).

35 For a fine analysis of the late Scholastics, see Alejandro A. Chafuen.

Father has affirmed their basic vocation and role, even while he challenges them to look beyond the economic bottom line and consider the moral aspects of their work.

A third implication is that this encyclical constitutes the epitaph for liberation and collectivist movements in terms of any official ecclesiastical legitimacy. The "Chris-tian-Marxist dialogue" is dead, as even Gustavo Gutiérrez, father of liberation theology, has recently conceded.

**Centesimus Annus** indicates a turn toward authentic human liberty as a principle for social organization on the part of the world's largest Christian church. Thus a new dialogue has begun.

This latest encyclical will go down in history alongside Vatican II's **Dignitatis Humanae**, on religious liberty, as representing the impact the American experiment has had on the teaching of the universal church. What **Dignitatis Humanae** did to open the church to the rights of conscience and religious liberty, **Centesimus Annus** will do to open the church to a full and vigorous dialogue with the idea of economic liberty. It is an idea that began with Catholic scholarship as seen in the Scholastics; it is fitting that it should be retrieved by this pope.

## Conclusion

The hegemony of the left in social matters, has, over the years, had an increasingly deleterious effect on the traditionally progressive and effective social mission of the church, and may only now be coming to an end. But it is crucial to understand that the reason for this is a fundamental misconception on the part of these thinkers regarding the context necessary for economic progress. It has been argued elsewhere that the progressive ideals of the left were co-opted by agents of reaction in an attempt to maintain centralized control. So my objection here is not so much to the **goals** of the social reformers (e.g., living wages, decent working conditions, available health care), as much as it is with the programs advocated to achieve these goals.

The time has come for more dialogue between free market and socialist theorists within the religious community. Some understanding and consensus must be reached if our goal of "liberating" the poor from the shackles of poverty and injustice is to be authentically accomplished. There are encouraging signs that these inroads are finally being made.

Especially seen in the light of the collapse of the command economies in Eastern Europe, the program of the "progressives" has become somewhat stale and is increasingly viewed as restricting economic progress and political freedom in many ways. Too often the old policy proposals first articulated by John A. Ryan are retooled and put forth today as viable solutions to economic and political oppression. At times it almost appears that the events -political, economic, and social- of the past 100 years, which have exposed the ineffectiveness of much of this social program, had not occurred.

Ronald Nash, an evangelical Christian philosopher, points to a simple fact that should be kept in mind by all Christian social theorists: "Compassion and love must be coupled with a careful grounding in the relevant philosophical, economic, political and social issues. If the... social activist proceeds in ignorance of the accepted tools of economic analysis, he risks turning bad situations into something far worse".

**Rerum Novarum** is not without certain misconceptions relative to the practice of the free economy. Pope Leo appeared concerned that if the government doesn't exercise some control over economic transactions, the "powerful" will take over and abuse the weak. When Leo saw the activities of businessmen like J. P. Morgan, using the coercive power of the state to achieve and maintain monopolies, he reacted against such abuses by calling for interventions that he hoped would insure the widest possible distribution of private property.

He failed to see that a freely operating market would act as the best insurance to achieve this goal, but this was a mistake in economic analysis, not a mistake in moral principles. It may be said that the economic analysis has been updated in John Paul's **Centesimus Annus**.

Where **Rerum Novarum** exhibits a concern that society be organized in such a way that a vibrant network of what we today would call mediating institutions be active in protecting and promoting the welfare of the commonweal, **Centesimus Annus** explicitly calls for such "intermediate communities" to be left free to extend their positive social impact. (#48 and #49) Taken as a whole and read in the context of its historical setting, **Rerum Novarum** provides one of the most finely-honed defenses of the free market and private property order in the annals of Catholic, indeed Christian, social thought up until the appearance of **Centesimus Annus**, which expands Leo's notion of property beyond land ownership, to include "the possession of know-how, technology and skill". (#32).

Both **Rerum Novarum** and **Centesimus Annus** are worthy of celebration by those who believe that individual liberty offers the best hope for the common good; and they are worthy of study by religious collectivists who mistakenly believe that religion in general, and Christianity in particular, ought to opt for socialism.

36 See Don Lavoie, **National Economic Planning: What Is Left?** (Cambridge, Mass.: Ballinger Publishing Company, 1985).

37. Ronald H Nash, **Social Justice and the Christian Church** (Milford, Mich.: Matt Media, 1983), p.2.