

# CATHOLIC SOCIAL TEACHING: HUMAN RIGHTS AND PRINCIPLES

Edward J. O'Boyle, Ph.D.  
Mayo Research Institute

June 2017

---

Catholic social economics is based squarely on human rights and principles of Catholic social teaching (CST) that address human need and transform mainstream economics with its reliance on individualism into personalist economics with its emphasis on personalism. Maximizing personal net advantage is not the critical force driving everyday economic affairs. Meeting human material need is.

Sadly Catholic social economics has been replaced at most Catholic colleges and universities in the United States with mainstream economics where *homo economicus* is a central figure and individualism supplies its philosophical foundation. Worse yet there is not a single U.S. university that offers a doctoral degree where the student can learn more about and specialize in Catholic social economics. This means that there will be no one left to teach future students about economic affairs from a Catholic social economics perspective.

## Three Human Rights of Catholic Social Teaching

We begin with three of many rights asserted in CST that are commonly recognized and accepted in everyday economic affairs: the right to private property, the right of workers to form a union, and the right to legitimate rest and Sunday rest.

The *right to private property* may be restated as follows: the good or service produced belongs to the person who produces it: "... so it is just and right that the results of labor should belong to those who have bestowed labor" (Leo XIII, § 10). This principle applies to both the owners, who at some risk built and operate the business enterprise, and the workers who exchange what they produce in that enterprise for wages. In this regard *Rerum Novarum* is outspoken about both classes but notably the workers: "... so have We thought it expedient now to speak on the condition of the working classes" (Leo XIII, § 2). In his reflections on *Rerum Novarum*, John Paul II stated that "the key to reading the Encyclical is the *dignity of the worker* as such, and, for the same reason, the *dignity of work ...*" (John Paul 1991, § 6; emphasis in the original).

Our emphasis, therefore, is with the property rights of the workers as affirmed in *Rerum Novarum* (§§ 5 and 57), for the father as a worker (§13), and for the masses including those who work (§15). This principle may be further restated as follows: the property rights of workers protect their ability to meet their own personal needs and the needs of their families through work.

The *workers' right to form a union*, defended in *Rerum Novarum* (§§ 49-51), may be reasserted as follows: the needs of the worker are met through *private group action* in the workplace. Forming a union is one of the means by which those needs are met. In the United States the right to form a union was affirmed at the federal level by the Wagner Act of 1935.

Private group action takes the familiar form of negotiating with management on wages, hours, and working conditions, and may at times justify a strike in order to force management to negotiate in good faith. The right to form a union is meaningless without the corollary *right to strike* -- a necessary counterweight in negotiations to management's right to lock out the workers which is grounded in the right to private property. Those rights are protected best when the parties involved act non-violently (Leo XIII, §§ 20, 36, 39). By acting non-violently to resolve their differences with management, at times with the assistance of an arbitrator or mediator, unions contribute to the needs of the wider community for efficiency in production which proceeds peacefully, "that is, with the tranquillity that is born of order" (Dempsey 1958, p. 371).

Regarding the connection between the union and the social encyclicals, Ken Matheny has asserted that even though union membership in the United States has been declining and the influence of unions has been waning, "the fundamental right of workers to form associations for their protection and to advance their legitimate interests remains not only relevant, but essential to a just economy." In this regard, Matheny cites the social encyclicals of John Paul and Benedict, specifically *Laborem Exercens*, *Sollicitudo Rei Socialis*, *Centesimus Annus*, *Deus Caritas Est*, *Spe Salvi*, and *Caritas in Veritate* as the basis for his claim (Matheny 2013, pp. 2-3).

The *workers' right to legitimate rest and Sunday rest* is stated in *Rerum Novarum* and affirmed in *Centesimus Annus*. This principle may be restated as follows: the need for rest has two dimensions relating directly to human nature. As material beings, humans according to *Rerum Novarum* have a right to legitimate rest that is "proportionate to the wear and tear of one's strength" (John Paul 1991, § 7). As spiritual beings, humans have a right to Sunday rest (John Paul 1991, § 9) that is put into effect by the common practice of allowing workers to worship on the Sabbath and select holydays, though it must be revised for some workers especially in those activities that are continuous such as air travel and hospital care. This principle is compromised increasingly by retail shops opening for business on Sundays.

For more on human rights from John Paul II, see *Sollicitudo Rei Socialis*.

### **Five Principles of Catholic Social Teaching**

Five principles of CST are not so readily recognized in everyday economic affairs. They are the priority of labor over capital, the common good, subsidiarity, solidarity, and the universal destination of the goods of the world. Examples are provided that demonstrate how these principles are applied in everyday economic affairs. Those examples constitute a small part of a description of the significant characteristics of a personalist economy where the *person of action* and personalism replace *homo economicus* and individualism.

The ***priority of labor over capital*** may be construed as follows: the profits of capital are subordinate to the needs of workers. Profit-sharing, also called gain-sharing, is a common practice in the United States and has energized Cleveland-based Lincoln Electric for many years, making its employees some of the highest-paid manufacturing workers in the world and the company one of the leading producers of quality electric motors, welding equipment, and supplies. Every year since 1934, Lincoln Electric has paid a profit-sharing bonus to its eligible employees in December. For its 2,800 U.S. employees in 2016 Lincoln Electric paid an average bonus of \$24,111, raising their total earnings for the year to \$72,323 (Koller, pp.1-2).

Gain-sharing is based on the simple proposition that workers are motivated to increase their productivity when they are promised a share in the gains that flow from those productivity improvements. Management benefits from gain-sharing because they too share in the gains. Management resistance to gain-sharing sometimes takes the form of this argument: we pay the workers once for their work; we should not have to pay them twice.

The ***principle of the common good*** for our purposes is taken to mean that the need of the person is fulfilled in part by that person's contribution to the common good. Dempsey puts this obligation in terms of contributive justice.

... every man has need of community organization. It is indispensable to the maintenance, development, and perfection of his personality. The members are bound to contribute to the common good of every community to which they belong; *yet the community* can only give a return to its members in the degree to which the members have by their contribution made it a sound community. ... since I have unconditional need of sound, dynamic communities ... I have also an unconditional obligation to contribute to the common good of each (Dempsey 1958, p. 465; emphasis in the original).

Becker asserted that in subordinating him/herself to society the individual does not lose his/her selfhood. Rather he/she fulfills it by rendering to the common good his/her intelligent and freely-given service (Becker 1959, p. 6).

The response of thousands of private individuals and organizations to the desperate need of the residents left stranded in New Orleans in the immediate aftermath of Hurricane Katrina is a dramatic example of this kind of subordination freely and intelligently given, sometimes at grave personal risk to the responders.

The ***principle of subsidiarity*** may be reasserted as follows: the need of all, though different at different times, is best met first through private group action. However, subsidiarity accepts public group action through agencies of the government whenever private group action fails.

Since its founding 130 years ago, United Way has become a highly-regarded private organization operating in many U.S. cities that brings together local business enterprises and other organizations in order to raise funds to help those in the area who are needy. True to the principle of subsidiarity, United Way brings the source of assistance closer to the needy, enabling it to assess those needs more accurately, thereby reducing the need for government intervention. On a worldwide basis, United Way in 2015 raised \$99 million (United Way 2015, not paginated).

United Way is a prime example of a supra-firm alliance that allows member organizations to be more effective in addressing unmet needs collectively than they would be acting on their own. The supra-firm alliance is a formalized agreement that is largely independent of the more powerful public authority and is outside the direct control of the State. It is voluntary and representative of the various private firms and organizations that form the alliance.

The *principle of solidarity* may be construed as follows: the need of every person is the need of all. Reflecting on Leo XIII's messages in *Rerum Novarum* John Paul in *Centesimus Annus* (§ 16) points explicitly to producer, consumer, and credit cooperatives as one of the "effective instruments of solidarity."

Ocean Spray is a producer cooperative that embraces the principle of solidarity. Founded in 1930, Ocean Spray is owned by 700 cranberry and grapefruit growers in the United States, Canada, and Chile. It has more than 2,000 employees and delivers approximately seven million barrels of cranberries to nearly 20 receiving and processing facilities. The entire global industry delivers roughly 12 million barrels annually. Ocean Spray delivers its products in 70 countries around the world (Ocean Spray 2015 and 2017).

Land O'Lakes is a member-owned and directed producer cooperative that is a second example of solidarity in action. The cooperative dates from 1921, when a group of Minnesota creameries decided to put cooperation ahead of competition. The cooperative today has 300,000 direct or indirect owners who handle 12 billion pounds of milk annually, producing a wide range of dairy products. In 2016 Land O'Lakes had sales of \$13.2 billion compared to \$14.2 billion in 2013. It provides farmers and ranchers with a line of agricultural supplies including feed, seed, and crop protection products. Additionally, it provides agricultural assistance and technical training in more than 25 developing countries (Land O'Lakes 2015 and 2017).

Ocean Spray and Land O'Lakes are just two of more than 29,000 cooperatives (excluding housing where more than 1.2 million families reside) in the United States. Membership in U.S. cooperatives (some persons belong to more than one) exceeds 350 million. Annual revenues are greater than \$653 billion (Community-Wealth Organization c.2017).

The *universal destination of the goods of the world* may be reasserted in these words: the profits of the company are subordinate to the need of all. In *Centesimus Annus* (§ 6; emphasis in the original) John Paul credits Leo XIII in *Rerum Novarum* with an awareness that "private property is not an absolute value" and for proclaiming "the necessary complementary principles, such as the *universal destination*

*of the earth's goods.*” John Paul also connects the universal destination principle to subsidiarity by arguing that the State has a duty to create “favourable conditions for the free exercise of economic activity, which will lead to abundant opportunities for employment and sources of wealth” and to solidarity, according to which the State has an obligation to defend the weakest (John Paul 1991, §15).

To uphold the principle of the universal destination of the goods of the world, John Paul calls for some public control of the market mechanism to assure “an abundance of work opportunities, a solid system of social security and professional training, the freedom to join trade unions and the effective action of unions, the assistance provided in cases of unemployment, the opportunities for democratic participation in the life of society ...” (John Paul 1991, §19).

The policy of allowing rival pharmaceutical companies to manufacture and sell as a generic drug a product originally developed by another company once its patent has expired allows the originator to re-coup its research and development costs and earn a reasonable profit. This policy effectively makes that medication available to more persons in need because as a generic drug with little or no research and development costs it can be sold at a lower price. Thus generics are one means for achieving the objective of the universal destination of the goods of the world.

### **Person of Action: The New Economic Agent**

Notwithstanding the language and intent of mainstream economics as to the importance of price determination and profits, it is human beings who are of the utmost importance because they alone are capable of *acting* in economic affairs as living, breathing, existential actualities. In 1890 Alfred Marshall stated in the very first sentence of his insightful *Principles of Economics* that “Political Economy or Economics is a study of mankind in the ordinary business of life...” (Marshall 1948 [1890], p.1).

Economic agency as represented in mainstream economics is seriously outdated in large measure because it has deliberately oversimplified the economic agent -- the individual or *homo economicus* that originated in the Enlightenment of the 17th-18th centuries -- in order to simplify economic analysis and produce empirical findings about which it can claim certitude. We propose as its replacement the *person of action* who is more faithful to 21<sup>st</sup> century understanding of human nature according to the encyclicals of John Paul II and CST, and better aligned with human activity in current economic affairs.

The *person of action* dynamically carries out such uniquely economic activities as producing, distributing, exchanging, consuming, saving, investing, credit-creating, lending, borrowing, innovating, developing, and (re-)vitalizing. We suggest *person of action* for two reasons. First, whereas *homo economicus* reduces the economic agent to an individual being, *person of action* recognizes the economic agent as a human being acting in economic affairs both as an individual being and a social being. Second, whereas *homo economicus* is tied to the philosophy of individualism, *person of action* links our conception of economic agency to the philosophy of personalism that aligns much more closely to CST.

With the *person of action* emphasis is on creating new options from which the economic agent is able to choose. This kind of participation in economic affairs is dynamic. With *homo economicus* the emphasis is on choosing from among an array of options without creating new ones. This kind of participation is passive. The *person of action* is entrepreneurial. *Homo economicus* is not.

The result of this change in how the economic agent is represented admittedly introduces more complexity in economic analysis, which in turn demands more judgment on the part of the economic analyst in correctly interpreting the findings that the analysis brings forth. This proposition rests on the premise that certitude purchased at the price of oversimplification is an illusion.

Economic agency as conceived by mainstream economics is based on the proposition that *homo economicus* maximizes utility and profit and that the economy functions best when it reaches Pareto optimality wherein no one can be better off without making someone else worse off. Maximizing utility and profit means that the good invariably consists in *having* more. This construction misrepresents human nature because it asserts that the economic agent passively selects from among a set of options in order to maximize personal net advantage. In mainstream economics the economic agent is perceived as a “rational, self-interested, calculating *machine*” (Blinder 2000, pp. 18, 24; emphasis added).

Calling to mind Aristotle on virtue, we propose instead that human beings routinely maximize personalist capital in which certain good habits or virtues such as justice and love are learned and practiced by which a human being develops more fully as a human person. Further, as human beings develop more fully as persons, they become more effective and more highly valued as economic agents. It should be added that human beings become less fully human persons by learning and practicing certain vices such as injustice and hatred and become less effective and less highly valued as economic agents. This proposition rests on the premise that the economic agent is inseparable from the human person. Maximizing personalist capital rests on the assertion that the good inheres in *being* more.

A human being is not an automaton. A disposition to act one way or the other does not program a person to act in any predetermined manner. Otherwise that person would not be truly free for integral human development. Because the economic agent is a complex union of individuality and sociality he/she is free to act in a self-centered or other-centered manner, in a rational or emotional way, a benevolent or mean fashion, a generous or greedy mode, among many other behavioral options. This process of human development certainly is one of the profound mysteries of human nature and one of the reasons that predicting the behavior of economic agents is so weighed down with uncertainty.

### **Final Remarks**

At the end of his professional work in employment security, in which field he was recognized as a leading researcher, Becker who for many years served on the staff of the Institute of Social Order, reminisced on the reasons that prompted him into that line of work. His ultimate motive was “a vision

of Judgment Day and of the Judge saying: ‘I was unemployed, Joseph, and you supported me’” (Becker 1991, p. 56). In private Becker offered this advice to one of his graduate students: “If you’re really serious about this kind of research, you must roll up your sleeves and get your hands dirty in the information available only at the state employment security agency.”

Good advice then and good advice now because it underscores the importance of (1) keeping in mind why Catholic social economists do what they do and (2) doing the ditch-digging work necessary to develop an accurate description of the significant characteristics of a personalist economy. Without that kind of work, CST will never be seriously re-examined in terms of everyday economic affairs, and in the worst case it is in danger of wasting away.

Orthodox economics of the kind espoused by Thomas Divine, who studied under Lionel Robbins at the London School of Economics, informs the thinking of economic faculties across the United States, including those at Catholic colleges and universities. In that sense, there is very little difference between economics faculties at Catholic institutions of higher learning and other private or state institutions. A survey of the textbooks used to teach the principles courses would demonstrate that in general the same ones are used in Catholic colleges and universities as in private or state institutions. The personalist economics espoused years ago by Bernard Dempsey, a student of Joseph Schumpeter at Harvard, is barely visible. Even so, Dempsey’s perspective is the key to a re-invigoration and re-establishment of Catholic social economics because, unlike orthodox economics, it is constructed on a concept of the economic agent and a philosophy that are drawn directly from CST.

Eventually the differences between Jesuit colleagues Dempsey and Divine, who were largely responsible for establishing the Catholic Economics Association in the early 1940s and who wrote on social justice, the just wage, human perfection as the primary goal of society, and business ethics were reconciled. Divine noted as a graduate student that the French Catholic social movement involving individualists and corporatists were characterized as “divided on theory but united on social action.” In effect Dempsey and Divine were *divided on theory but united on social action* (O’Boyle 2014, p.5).

Putting Catholic social economics back into the economics curriculum and supporting rigorous research along those lines, notably though not exclusively applied to real-world problems such as employment security, discrimination, market failure, and non-collusive cooperation, will take a huge commitment on the part of Catholic university administrators who somehow must convince their economics faculties that the mainstream paradigm based on the autonomous, entirely rational, self-interested, utility and profit-maximizing individual and strict individualism do not square with CST, notably John Paul II’s writings on person and personalism. There is much work to be done in re-thinking economics, re-constituting the economic agent as the *person of action*, and applying this thinking to current economic affairs and problems -- a worthy undertaking for any economics faculty free to explore beyond the boundaries of mainstream economic thought.

Our own reflections on these matters led us to re-think economic affairs in terms of a personalist economy that is based on private property, the market mechanism, private enterprise, the common

good, economic freedom, subsidiarity, solidarity, worker participation in enterprise decision-making, the universal destination of the world's goods, the legitimacy of profit, personalist capital, and the *person of action*. A personalist economy represents a viable option to both a market economy and a command economy because it is organized around private groups positioned between the individual person and the more powerful State, groups that emerge due to the suffocating influence of the State and the marketplace on the human person. These private intermediary groups reconcile the individual good of the market system and the common good of the command economy, and are the distinguishing characteristic of a personalist economy.

If such a recovery at Catholic universities is not forthcoming, the work will be left to men and women acting alone without the benefit of mentors who would have seen to it that they were thoroughly grounded in the rights and principles of CST and would have been willing to undertake the work of arriving at an accurate description of the significant characteristics of a economic order that is consistent with those rights and principles. A website constructed and maintained possibly by a generous Catholic university, which identifies or better yet provides access to the full range of CST materials already published and relating either to its philosophical base or empirical observations, would be most useful in pointing to what has been done to date and what remains for the interested CST scholar to do. Once that work has been completed, a coherent and effective social economic policy is more likely to emerge.



## REFERENCES

- Becker, Joseph M. (1991). "Looking Back From the Last Turn of the Road," *Forum for Social Economics*, Volume 20, Number 2, pp. 50-56, available at <http://www.tandfonline.com/doi/pdf/10.1007/BF02788526> accessed June 20, 2017.
- Becker, Joseph M. (1959). *Shared Government in Employment Security*," New York: Columbia University Press.
- Blinder, Alan S. (2000). "How the Economy Came to Resemble the Market," *Business Economics*, Volume 35, Number 1, pp. 16-25, available at <http://www.freepatentsonline.com/article/Business-Economics/59964456.html> accessed June 19, 2017.
- Community-Wealth Organization (c.2017). "Cooperatives -- Key Facts and Figures," available at <http://community-wealth.org/strategies/panel/coops/index.html> accessed June 19, 2017.
- Dempsey, Bernard (1958). *The Functional Economy*, Englewood Cliffs: Prentice-Hall.
- Divine, Thomas (c.1960). *Economic Principles and Social Policy*, Milwaukee: Raynor Memorial Libraries, Marquette University.
- Divine, Thomas (1942). "The Origin of the Catholic Economic Association," *Review of Social Economy*, Volume 1, Number 1, pp. 102-103.
- John Paul II (1991). *Centesimus Annus*, May 1, available at [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html) accessed June 20, 2017.
- John Paul II (1987). *Sollicitudo Rei Socialis*, December 30, available at [http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html) accessed June 20, 2017.
- Koller, F. (2016). "2016 Ends at Lincoln Electric, No Layoffs for, now, 68 Years and 83 Years of Amazing of Profit-Sharing Bonuses," December 9, available at <http://www.frankkoller.com/2016/12/2016-ends-at-lincoln-electric-no-layoffs-for-now-68-years-and-83-years-of-amazing-profit-sharing-bonuses/> accessed June 19, 2017.
- Land O'Lakes (2015). "Welcome to Land O'Lakes, Inc.," "Philosophy," "Members," and "Investors," available at <http://www.landolakesinc.com> accessed June 19, 2017.
- Land O'Lakes (2017). 2016 Annual Report and 2016 Financial Results, available at <https://www.landolakesinc.com/Investors> accessed June 19, 2017.

- Leo XIII (1891). *Rerum Novarum*, May 15, available at [http://w2.vatican.va/content/leo-xiii/en/encyclicals/documents/hf\\_1-xiii\\_enc\\_15051891\\_rerum-novarum.html](http://w2.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_1-xiii_enc_15051891_rerum-novarum.html) accessed June 20, 2017
- Marshall, Alfred (1948). *Principles of Economics: An Introductory Volume*, eighth edition, New York: The MacMillan Company.
- Matheny, Ken (2013). “The Disappearance of Labor Unions and the Social Encyclicals of Popes John Paul II and Benedict XVI,” *Southern California Interdisciplinary Law Journal*, Volume 23, Number 1, pp. 1-35, available at <http://weblaw.usc.edu/why/students/orgs/ilj/assets/docs/6%20-%20Matheny.pdf> accessed June 19, 2017.
- O’Boyle, Edward J. (2014). “The Dempsey/Divine Divide,” available at <http://www.mayoresearch.org/files/DEMPSEY%20DIVINE%20DIVIDE.pdf> accessed June 19, 2017.
- Ocean Spray (2015). “Ocean Spray Celebrates the 2015 North American Cranberry Harvest,” available at <http://www.oceanspray.coop/News/Press-Releases/2015/Ocean-Spray-Celebrates-the-2015-Cranberry-Harvest.aspx>, accessed June 20, 2017.
- Ocean Spray (2017). “Our History,” “OurPeople,” “Retail Products,” available at <http://www.oceanspray.coop/> accessed June 19, 2017
- United Way (2015). “2015 Annual Report,” available at <https://www.unitedway.org/annual-report/2015> accessed June 20, 2017.