

An Economic White Paper:

Reclaiming Capitalism Through Principles
of
Distributive Justice

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A few timid people, who fear progress, will try to give you new and strange names for what we are doing. Sometimes they will call it "Fascism", sometimes "Communism", sometimes "Regimentation", sometimes "Socialism". But, in so doing, they are trying to make very complex and theoretical something that is really very simple and very practical.

I believe in practical explanations and in practical policies. I believe that what we are doing today is a necessary fulfillment of what Americans have always been doing -- a fulfillment of old and tested American ideals.

FDR, Fireside Chat, June 28, 1934

The great tragedy of Spain [leading to the civil war of 1936-1939] was that in the nineteenth century the working masses apostatized from the Church, as Pope Plus X once remarked. And, it is well to remember; it was poverty, destitution and injustice which made them apostatize. They got to hate the Church because they hated the friends of the Church, who exploited them and whom the Church did nothing to rebuke or correct. The words of Pope Leo XIII 45 years ago went unheeded and his great encyclical Rerum Novarum was neglected.

The lesson of all this for us is that we should meet the evil of Communism not merely by denouncing it, and not at all by stigmatizing as communistic all fundamental reforms. We must attack the main causes of Communism. Among these are poverty, insecurity and inequitable distribution of wealth and income. Failure to remove these evils will do more to strengthen Communism than all the propaganda and all the "boring-in" methods of the organized Communist movement.

Rev. Wilfrid Parsons, S.J., circa 1936

The Issue

Is it possible to support a market-based economic model while being a progressive Christian? The answer is yes, because economics is as moral or immoral as anything else.

Addressing matters of morality and the marketplace is a rich tradition that stands at the center of how Americans have resolved - and sought to prevent - the problems wrought by *reckless* profit-driven factions. Indeed, significant portions of New Deal economics coming out of the Great Depression were influenced by the then-ascendant Social Gospel of mainline Protestantism; Catholic notions of Distributive Justice; and religious Jewish intellectuals inspired by the tradition of *tikkun olam* –making the world whole.

It is important for religious progressives therefore, to reconnect with our tradition and accomplishments in the arena of economic justice: in order to rebut the neoconservative argument that economics is inherently amoral, and to contend with the economic challenges of our time, that are in many ways analogous to those of the 1930s.

Accordingly, this White Paper argues for two main ideas: capitalism based upon reciprocity between contribution and benefits received, and legislation to curb and deflect the destructive effects of arbitrary economic power. To do this we draw upon the works of 20th century economist (and Catholic priest) Monsignor John A. Ryan who emphasized six canons of Distributive Justice; and on the post World War II writings of Protestant theologian Reinhold Niebuhr.

The principle of reciprocity espoused by Monsignor Ryan makes allowances for creativity, risk, productivity and special talents as well as a living wage. Ryan's contribution addresses monetary questions that require a sturdy government to enable fairness both in the distribution *of profit* and each individual's contribution to the common good. Niebuhr's approach is more institutional in nature; calling for a system that deflects and curbs the deleterious effects of greed – all too often the harbinger of the abuses of arbitrary power -- provides one of the most realistic methods of ensuring a more just form of capitalism.

Contemporary liberal, as distinct from Marxist or libertarian versions of economics, offers the best path to economic security for the greatest number of people. This is because liberal economics presumes that government works to prevent non-meritorious inequity -- by which we mean wealth that is acquired either by either bad behavior (*i.e.*, embezzlement, insider trader coupled with stock manipulation, fraud, environmental crimes) or accumulated without providing less powerful contributors their just share of the profit. This is accomplished by several means, but primarily by “deflecting” arbitrary economic power through the defensive ownership of property by which we mean the increased ability *of the many* to be able to acquire private property through the meritorious distribution of profit to workers. There is dignity in labor. And it is through earned profit – not by the tenuous reliance upon credit – that a sound capitalist system

exists.

The just distribution of profit is buttressed by legislation that respects workers' rights (unionization and collective bargaining) and a fair, progressive form of taxation; the last by taxing passive income at a higher rate than earned income (save certain exceptions such as retirement accounts for the middle and working class).

Introduction

We are not economists, but we see ourselves as helping to fill a gap on the mainstream left which has often failed to argue *the morality* of contemporary liberal economics – what we believe should be the primary liberal battlefield of choice.

Why should this be so? Consider that, there are profound economic aspects to many of contemporary liberalism's key causes. For example, Civil Rights in the broadest sense ultimately depend up the right to of each individual to earn enough, without barriers of bigotry, to obtain food, clothing and shelter. Universal healthcare means the ability pay for a doctor's services without fearing bankruptcy and ruin. Likewise, LGBT civil rights (including marriage equality) have economic dimensions such as the arbitrary denial of employment and the rights of citizenship.

For liberals, religious or secular, economic justice should be the hub and not a spoke.

We have mostly focused on the spokes -- such as reproductive rights, free speech, LGBT civil rights, and freedom of conscience matters. While White Americans may not understand civil rights from say, an Hispanic or African American point of view, or men may not entirely understand reproductive rights from a woman's point of view -- almost everyone can understand the universal need for economic security. Therefore, economic justice can serve as the unifying hub to allow us to move forward on all of these matters simultaneously -- just as it did in the 1930's.

Franklin Delano Roosevelt's hub of New Deal economic policies set the stage for a plethora of progressive legislation by establishing a sturdy economic foundation. The building blocks of that foundation included safeguards against the excesses of economic self-interest. For example, the *Glass-Steagall Act of 1933* that created the Federal Deposit Insurance Corporation separated individual deposit banking from speculative investment banking; in 1935 labor was finally given a seat at the economic table with the passage of the National Labor Relations Act; the Securities Exchange Commission was created to umpire the Wall Street playing field, particularly with regard to conflicts of interest, and of course the Social Security Act provided basic retirement insurance.

Nobel Prize-winning economist Paul Krugman adroitly observed that, "...[the] middle-class America didn't emerge by accident. It was created by what has been called the Great Compression of incomes that took place during World War II, and sustained for a generation by social norms that favored equality, strong labor unions and progressive taxation. Since the 1970's, all of those sustaining forces have lost their power."¹ By this

line of reasoning, it was the liberal economic platform of the New Deal that made the Civil Right movement, for example, possible.ⁱⁱ

Although rightwing cranks then and now argue that the New Deal was about socialism or destroying capitalism – it was clearly about *saving capitalism* from the bad apples that would – and had-- abused it. Seventy-five years later we find ourselves in a similar situation. Workers have not reaped the financial benefits of the steady rise in “worker productivity” of the past twenty-plus years. Instead, financial benefits are unjustly funneled to CEOs, senior managers and large stockholders.ⁱⁱⁱ One of the consequences of this has been that workers increasingly rely upon credit as down-payment for housing as capital has become more difficult to accumulate. This is one of the factors in the sub-prime mortgage crisis.

Affordable home ownership is a vital precondition to entry into the middle class. To that end, Distributive Justice concerns itself with providing individual workers with the capital to save for a down payment that would allow a buyer to acquire a reasonable mortgage. A buyer who can afford a twenty percent down-payment is less likely to default than a buyer who is only able to afford a ten or even five percent down-payment. In the former scenario there is less risk to be spread around than in the latter.

A house is *active* property. Besides providing families with shelter the accumulating equity can be used as leverage for loans for higher education or for business investment. And unlike owning 500 shares of stock in IBM or Google (which is passive in nature) home ownership adds the important dimension of *control*. Shares of stock very rarely can be used to leverage student or business loans, and they certainly do not provide shelter. Their sole value lies in their resale value and perhaps a yearly dividend. What’s more, only those with significant amounts of shares have any say in the activities of the corporation.

There is wisdom in scripture and our religious traditions to guide religious progressives in these matters. Matthew 19: 23-24, for example, famously reads, “Again I tell you, it is easier for a camel to squeeze through the eye of a needle than for a rich person to get into the kingdom of God.” This passage is not, contrary to popular misconceptions, a condemnation of wealth, per se, but is a warning about the abuse of wealth. As St. Thomas Aquinas noted in the 13th century - wealth is neutral. The central point of this passage is when God asks us to choose between wealth and His Law we must not hesitate to choose the latter over the former. A closely related point is made in Luke 12:48, “To whom much is given, much is expected.”

The issue is not the ownership of property, but how we use it. “Property’s social character,” writes Catholic theologian Christine Firer Hinze, “requires that owners not only take into account not only their advantage but the common good.”^{iv} Returning righteousness to capitalism is what this White Paper is about.

Reclaiming Capitalism

The first thing we need to do is to reclaim capitalism - an economic system that has unleashed creative forces, generated unimagined wealth and vastly improved living standards in many, many societies. But we also have to acknowledge capitalism has often been dominated by buccaneers in business suits who have used market-based economics as an excuse to satisfy greed under the guise “economic freedom.” Clearly, there is no freedom for their victims. Our challenge, therefore, is to make capitalism more democratic and more just. And the primary means that we have to do this is via government.

This is where liberals and conservatives usually part company. For example, socially neoconservative but economic libertarian writer Michael Novak believes in letting the chips fall where they may. Both libertarians (or as Novak likes to be called, a “Whig”) and contemporary liberals both believe in private property. But libertarians seem incapable of acknowledging that the concentration of private property and the means of production in the hands of a few often results in arbitrary power which is used not only to dominate but to domineer. The result is a *de facto* plutocracy, in which economic and political rights of others are easily trampled.

Liberal economist Robert Reich presciently warned in March 2008:

“We’re reaping the whirlwind of three decades during which Americans have spent beyond their means and most of the benefits of an expanding economy have gone to a small group at the very top. The nation’s median hourly wage is barely higher than it was 35 years ago. The income of a man in his 30s is now 12 percent below that of a man his age three decades ago. The rich can’t keep the economy going because they devote a smaller percentage of their earnings to buying things than the rest of us: They already have most of what they want. Instead of buying, they’re more likely to invest their earnings wherever around the world they can get the highest return.”^v

Reich went on to cite FDR’s Fed Chairman, Marriner S. Eccles who likened an economy lacking distributive justice to a poker game where one or two of the players hold all the chips:

“As mass production has to be accompanied by mass consumption, mass consumption, in turn, implies a distribution of wealth -- not of existing wealth, but of wealth as it is currently produced -- to provide men with buying power equal to the amount of goods and services offered by the nation’s economic machinery. Instead of achieving that kind of distribution, a giant suction pump had by 1929-30 drawn into a few hands an increasing portion of currently produced wealth. This served them as capital accumulations. But

by taking purchasing power out of the hands of mass consumers, the savers denied to themselves the kind of effective demand for their products that would justify a reinvestment of their capital accumulations in new plants. In consequence, as in a poker game where the chips were concentrated in fewer and fewer hands, the other fellows could stay in the game only by borrowing. When their credit ran out, the game stopped.”^{vi}

Six months after Reich wondered whether the game was about to stop, it did.

A series of presidential administrations and Congresses beginning in 1981 succeeded in dismantling much of the industrial and financial regulatory infrastructure of the New Deal. This was done under the rubric of laissez-faire economic dogma. This has led directly to the decline in the economic security of the American worker, as compensation and job security decreased over time in the name of maximization of profits.

Although the political consequences of the concentration of wealth in the hands of a few have been well-understood for millennia; less well-understood are the ways to prevent such anti-democratic configurations, the abuses that go with them, and how to undo them if they occur. It may be that one of the very definitions of what it means to be a liberal and a Christian in our time is to get it right this time, and in a way that is lasting, so that reform cannot be easily undone by latter day buccaneers. Fortunately, we are not without precedents and models from which we can learn. The New Deal and its legacy lifted untold millions out of poverty and protected countless others from falling out of the middle-class.

The Laissez-faire Beliefs of the Catholic Right

As liberals, we believe that capitalism functions best when its engine is kept efficient by the mechanics of a democratic government. One of the obstacles we face in pursuit of a just form of capitalism is that public discourse on these things often gets muddled because many on the Religious Right, especially among the Catholic Right, deceptively seek to debase the term “liberal.” They point to a series of papal damnations of liberalism dating back to the French Revolution, charging the great philosophy with “nihilism” and “moral relativism” and warning of its supposed “corrosive nature.” Pope Pius IX’s 1864 *Syllabus of Errors* is one famous example.^{vii}

But terms, like times, change. The liberalism denounced by popes of the past is not the liberalism of today. In fact, the liberalism they condemned was actually the laissez-faire capitalism of the day -- which was called liberalism. What was called liberalism in the 19th century is now generally called “libertarianism.” Contrary to Novak *et al*, the popes of the 19th century and since were not condemning the New Deal, modern economics or political liberalism.^{viii} Indeed, the economic liberalism of the New Deal was considerably shaped and informed, as we will see by Catholic notions of Distributive Justice, and a leading Catholic thinker (Monsignor Ryan) served as one of FDR’s economic advisors.

Indeed, the Catholic neoconservative economic model is the successor to the very movement that the Catholic Church has repeatedly condemned. This economic model has shaken off all the reforms of the Progressive and urban liberal movements - particularly those of the Protestant Social Gospel movement; the 1919 Program of Catholic Bishops and the work of Monsignor Ryan (more on Ryan and the Bishops' Plan, below). The goal of the neoconservative Catholics, or "theocons" (as Damon Linker aptly termed them), is essentially to return the Catholic Church's economic stance to the early 19th Century when industrial capital went unchecked by the moral vision of the Church and the practical power of the state. One way they hope to accomplish this task is by having Catholicism again refocus on personal, rather than industrial virtues.

At the forefront of the revisionist movement are Robert Sirico, a Catholic priest and founder of the economically libertarian Acton Institute for the Study of Religion & Liberty and Michael Novak, the former Christian Socialist turned Catholic neoconservative and a resident scholar at the American Enterprise Institute. (Novak also serves on the Acton Institute's board of advisors and was a founder of the neoconservative Institute on Religion and Democracy.)

Together Novak and Sirico lead a movement they call "Catholic Whiggism" which is built upon a bipolar notion of liberty. On one hand they call for the absolute minimal amount of restraint upon business, a throwback to the pre-New Deal definition of "freedom of contract" principles. Yet, in matters of personal morality they define liberty as "the freedom to do as one ought to do." (Of course, this means what conservative Catholic authoritarians define as ought.) But all-too-conveniently economic behavior, both individual and institutional, is exempted from their moral universe.

An illustrative comparison is called for to demonstrate the absurdity of this position. Many on the Religious Right strongly opine, with no empirical basis, that marriage equality for LGBT couples will destroy the institution of marriage. But they ignore the actual threats to marriage, such as the economic ruin that often results from long-term illness.

Here is an all-too-common illustration.

A private-practice attorney is afflicted with a progressive neuromuscular condition that has left him a virtual quadriplegic. And although he earns a decent income, increasingly more of his money goes to home-aides and medical devices, most of which is designed to keep him working. His disposable income has become a hostage to his affliction.

Then in a recent visit with his doctor he is given some shocking advice: to think about divorcing his wife and giving her all the marital assets so that he would be able to qualify for Medicare. Clearly, the lack of universal healthcare and not marriage equality is the truer destroyer of family structure.

This is but one of numerous shortcomings of many Religious Right economic apologists. However, for purposes of brevity, we will focus primarily on the body of work of Michael Novak.

Anyone who comes to Novak's books on Catholic economic ethics without knowing that he is a theorist of Catholic neoconservatism, may be misled. Novak pays lip service, for example, to labor laws, but when the rubber meets the road he excuses the sins of the rich and powerful at the expense of the common man.

Novak's premier books on capitalism, *The Spirit of Democratic Capitalism* (1982) and *The Catholic Ethic and the Spirit of Capitalism* (1993) present a highly tortured version of the Catholic concept of Social Justice. For the Catholic neocon, ethics are up to the individual and should not be incorporated into government action, but no one should be concerned because laissez-faire capitalism ensures liberty for all. Throughout *The Spirit of Democratic Capitalism* Novak praises the virtues of "liberalism." But when he does, he is actually referring to 19th century Neoclassical liberalism (as mentioned above) the variety that was yet to be humanized by either the Protestant Social Gospel movement or its Neo-Thomist Catholic variation, Distributive Justice.

Rather than anything remotely like Catholic social teaching on economics, Novak embraces the libertarian F.A. Hayek's (1899-1992) view of a very limited role for government. Like Hayek, Novak describes himself as a "Whig" on economics, (referring to the British and American conservative parties that went extinct in the mid 19th century). The only concern of government, he believes, should be the rule of law while letting a "free market" correct itself when recessions and depressions occur. Hayek and Novak believe that the only appropriate corrective measure in the marketplace is loss of profit -- and fail to acknowledge that property concentrated in the hands of a powerful few can, and has often, been used to domineer the many. Beyond that, Novak and "Whig-minded" others of the Catholic Right offer no mechanism for extending property ownership to the population at large.^{ix}

Hayek advocated a *laissez-faire* approach to business, equating it with freedom and liberty. "The planning against which all our criticism is directed," he wrote, "is solely the planning against competition." In this, the Austrian-born economist feared that New Dealism in America as well as the mixed center-Left economy advocated by Britain's Labour Party would fall short of a promised "utopia" which in turn would cause unrest and a ultimately a slide into strongman tyranny -- "Caesarism" that would refuse to give up the reigns of elected power. History, of course, has proven him wrong. In Great Britain, Labour governments have peaceably handed off control to Tories as have liberal Democratic administrations to incoming Republican administrations.

But Novak's embrace of Hayek fails to acknowledge the imperfections of the marketplace. But perhaps more importantly his embrace of Hayek, gives moral, even Catholic cover, to those who invoke the free market to justify bad, even unconscionable behavior - specifically, the use of property to unjustly dominate others. As we noted above, contrary to Novak's fear of collectivism or centralized state power, the real issue is *arbitrary power* -- whether it is derived from the state or power economic interests.

Arbitrary economic power can and often does cause hardship for the middle, working and poor classes by denying them the economic security that is found in the form of a home ownership and meaningful employment. It can also be closely linked to political persecution and governmental authoritarianism. But, the lack of an activist government creates a power vacuum which powerful economic interests are ever-eager to occupy. “Hayek’s theories” Angus Sibley observed in the Catholic journal *Commonweal*, “underlie the economic policies that have allowed income inequalities in the United States to revert to levels not seen since the 1920s, while similar policies in Latin America have provoked widespread leftward reactions.”^x

The theocons oppose family planning, stem cell research and LGTB rights – from the standpoint of a Thirteenth Century view of natural law. At the same time, they cloak the arbitrariness of laissez-faire capitalism in moral, even religious terms.

How does it work? Simply by having the effect of working and middle classes voting against their economic interests, partly by invoking wedge issues wrapped in the dogmatic directives of the Catholic hierarchy while ignoring or distorting unambiguous church teaching on economics. Many Religious Right think tanks are in fact funded by wealthy libertarian-minded individuals such as brothers Charles and David Koch as well as Richard Mellon Scaife. They understand that the threat of eternal damnation can be a very effective tool in taking votes away from liberals running for elected office. Many of these candidates will simultaneously maintain forward-thinking economic policies (popular) as well as forward-thinking policies on issues such as abortion, LGBT rights and church-state separation (not very popular in certain parts of the country).

To that end, the think tanks they fund, institutions such as the Institute on Religion and Democracy (Scaife) and the Ethics & Public Policy Center (Koch), wage a war on progressive religious thought as well as Social Justice theology within the mainline Protestant churches. Part and parcel of their strategy to sow such discord is the use of ultra-traditionalist Catholic versions of natural law which they falsely claim are carbon copies of the beliefs of the American Founders.

But in doing so, they also - and erroneously - claim that the natural law principles of the Framers of the Constitution (derived from English philosopher John Locke) were a mirror image of those of St. Thomas Aquinas. Such revisionism ignores the influence of Anglican theologian Richard Hooker who, paving the way for the Christian rationalism of Locke, downplayed the importance of religious hierarchies - an anathema to the Vatican. While both Catholic and Lockean natural law teachings share a common heritage in Aristotle and Aquinas, to claim that they are one in the same is as ludicrous as claiming that French and Italian are identical languages simply because they are both rooted in Latin.

More importantly however, is the way that theocons such as Michael Novak ignore the Catholic concept of Distributive Justice -- the key component of natural law-based ethics when it comes to economics. They do this for good reason: Distributive Justice throws a

monkey-wrench into their entire argument. Consider this 2003 screed on progressive taxation by Novak:

“From President Jefferson to President Theodore Roosevelt there was no income tax in America, and it never entered into the heads of the Democratic or any other party that a limited government should confiscate money from some Americans on the pretext of giving it to others. Nor that in so doing government should pry relentlessly into every item of income. (Where are today’s civil libertarians on this massive invasion of privacy? What reasons could possibly justify this massive governmental intrusion into the most basic liberties?).”^{xi}

Whatever one may think of Novak’s economic views – they are not rooted in natural law nor are they supported by the facts of American history. Contrary to Novak’s slippery assertion above, for example, during the American Civil War our government instituted an income tax system as a means to finance the costs of the conflict. (Obviously, the idea of an income tax “entered into the head” of Abraham Lincoln.)

Contrast Novak with quotes from Ryan’s natural law ethics-based view that suggests that rather than opposing an income tax, Aquinas would probably have been for it. In the first quote Ryan is citing Aquinas’s Magnus opus on natural law, *Summa Theologica*, 2a. 2ae., q. 66, a. 3.):

“The principle that ownership is stewardship, that the man who possesses superfluous goods must regard himself as a trustee for the needy, is fundamental and all-pervasive in the teaching of Christianity. No more clear or concise statement of it has ever been given than that of St. Thomas Aquinas: ‘As regards the power of acquiring and dispensing material goods, man may lawfully possess them as his own; as regards their use, however, a man ought not to look upon them as his own, but as common, so that he may readily minister to the needs of others.’”

“The great systematiser of theology in the thirteenth century, St. Thomas Aquinas, who is universally recognized as the most authoritative private teacher in the Church, stated the obligation of distribution in less extreme and more scientific terms: “According to the order of nature instituted by Divine Providence, the goods of the earth are designed to supply the needs of men. The division of goods and their appropriation through human law do not thwart this purpose. Therefore, the goods which a man has in superfluity are due by the natural law to the sustenance of the poor.”^{xii}

But Novak is not the only theocon whose views defy Catholic teaching on economics. Consider rejected U.S. Supreme Court Justice nominee and American Enterprise Institute Scholar Robert H. Bork (a convert to orthodox Catholicism in later life), who declared in his book, *Slouching Toward Gomorrah*:

“The great political upsurge of equality occurred with Franklin

Delano Roosevelt's New Deal and Harry Truman's Fair Deal. The names suggest that the cards have been unfairly stacked, and there are inequalities which must be rectified. Since these suggestions were made in the political arena, the message was that inequality must be cured by government. No other institution is sufficiently comprehensive in its jurisdiction to undertake this task which means egalitarian passion must always lead to greater centralized power and coercion. Lyndon Johnson's Great Society carried forward what Roosevelt and Truman had begun and accomplished the most thorough-going redistribution of wealth and status in the name of equality that the country ever experienced. Whether the political movements produced the passion for equality or reflected it – probably the two reinforced one another – is, for the moment unimportant. The fact is that antihierarchical, egalitarian sentiments were on the rise in political movements, whose tendencies were, therefore, collectivism and centralization, with a concomitant decline in the freedoms of business organizations, private associations, families, and individuals. We have come further along that path since the Great Society.”^{xiii}

Of course “the cards have been unfairly stacked.” But not in the way that Bork suggests. Before FDR's New Deal both the middle class and working poor did not yet have safety nets such as Social Security or the National Labor Relations Board: unlike the very wealthy whose superfluous assets provided every possible cushion for the economic downturns in life. The New Deal was far more in line with Catholic teaching than *laissez-faire* economics that had been rejected, by then, by several generations of Catholic leaders in the U.S. and in Rome.

Today's Right - religious or otherwise - does not think in terms of commutative justice - (the reciprocity of contribution and receipt), but of unrestrained self-interest. For all their bravado about determined individualism, they do not savor new challenges, but actually seek to avoid them. They often find it easier to blame victims of poor economic policies rather than rolling up their sleeves and exert any effort on a solution. They have pretended there is no health care crisis while citizens go uninsured; and they have falsely claimed that Social Security is near collapse when they see an opportunity for their powerful friends on Wall Street to benefit from “privatization” schemes drafted by those who would benefit from them. They do not tackle the tough and complex issues of our time. Instead they tend to find a way for cronies to profit from them – and then walk away, all while proclaiming success.

To this day, the economic theory of the Right is premised on a myth that American society is essentially unchanged since Jefferson's time. That was the gist, for example, of the agrarian imagery of Ronald Reagan's “morning in America” campaign theme. The Right would have us believe that each one of us deals with employers, merchants and media outlets as fellow individuals on a more or less equal footing, with equal powers of persuasion. If we accept that, then it becomes a lot easier to sell us on the idea that all

America needs to do to solve its problems is to apply yesterday's solutions.

But obviously, this yesterday has long since passed away, if it ever existed at all. By the time of the election of Woodrow Wilson in 1912, America was already well on the way from being a mostly agrarian society where self-sufficiency was a greater possibility to a more urban and industrial society where the specialization of employment opportunities made individuals more dependent upon each other as a community. Indeed, an aristocracy of Goulds, Morgans and Vanderbilts had sprung up and used their wealth being to restrain the peoples' political power.

As Wilson then observed, the industrialization of post-Civil War America had already swallowed up the individual and unless an employee worked for a smaller business such as a trucking company or produce distributor he rarely, if ever, communicated with his ultimate employer. Then as now, he reports to supervisors or perhaps a vice-president. Above these managers and lower-level corporate officers are CEOs and owners - often anonymous citizens of great wealth and power who are well-insulated from those who toil under their authority. Orders usually come from a corporate headquarters in another city or possibly offshore. The corporation's personhood is not only artificial, but too often impersonal.

The emergence of the modern corporation has dramatically altered our understanding of capitalism. This was not lost on the liberal economists Adolf A. Berle and Gardiner C. Means who astutely observed in their 1932 work, *The Modern Corporation & Private Property* how such entities not only enabled the concentration of power into the hands of fewer individuals, but often changed the very nature of some forms of property:

In its new aspect the corporation is a means whereby the wealth of innumerable individuals has been concentrated into huge aggregates and whereby control over this wealth has been surrendered to a unified direction. The power attendant upon such concentration has brought forth princes of industry, whose position in the community is yet to be defined. The surrender of control over their wealth by investors has effectively broken the old property relationships and has raised the problem of defining these relationships anew. The direction of industry by persons other than those who have ventured their wealth has raised the question of the motive force back of such direction and the effective distribution of the returns from business enterprise.^{xiv}

Berle and Means also pointed out that “[t]o Adam Smith and to his followers, private property was a unity involving possession.” Continuing directly, they put their finger on a critical distinction between Jefferson's day and ours'; “He [Adam Smith] assumed that ownership and control were combined.” And with pinpoint accuracy, they concluded; “Today, in the modern corporation, this unity has been broken. *Passive property*, - specifically shares of stocks or bonds -- gives its possessors an interest in an enterprise but gives them practically no control over it, and involve no responsibility.”^{xv}

Many of Berle's and Means' policy proposals formed the basis of New Deal legislation designed to curb and deflect lopsided wealth. And so their philosophy and the ideas that stem from it are of immediate relevance as economic relationships become lopsided once again. No small town agrarianism is apparent as we rely, even more than in Wilson's or FDR's time, upon groups of anonymous citizens for credit, for retirement benefits and medical research. What's more, the equalizing power of labor unions has been diminished by reduced membership, in turn due to ruthless anti-labor tactics by big business and a hostile regulatory environment.

This of course, requires considerable effort in packaging their defective and dangerous product. This makes self-proclaimed Orthodox religious leaders useful in lending a tinge of subjective morality in which to wrap their immoral philosophy and worse, the activities of the engines of avarice. They also draw on the mystique of the American frontier, the rugged individual, making his own way in the world. Reality is quite a bit different. But perhaps more importantly is the way that the economic policies promoted by Novak et al, tend to benefit only the wealthy including those who earn seven-figure salaries and the multi-international corporation that receives the benefits and protections funded by their fellow citizens. Yet many of these companies avoid contributing their fair share to the common good by incorporating offshore.

The Sins of Whiggish Capitalism

"The trouble with capitalism is capitalists," Herbert Hoover, (nobody's socialist) once said, "they're too damn greedy." But the claims of Novakian theocons notwithstanding, an orthodox practice of religion does not necessarily inoculate the one from the temptation of greedy business practices. A particularly good illustration is the business leadership of the late J. Peter Grace (1913-1995).

Grace, the CEO of W. R. Grace and Company, was constantly described as "devoutly Catholic." He was both a Knight of Malta (a lay Catholic religious order known for working with the poor that traces its origins back to the Knights Templar) as well as a founding member of Legatus, an organization of Catholic business leaders (On its web site Legatus describes its mission as "To study, live and spread the Faith in our business, professional and personal lives").

Under Grace's leadership the company improperly disposed of a highly toxic industrial solvent into the ground water of Woburn, Massachusetts.^{xvi} The substance, trichloroethylene, has been linked to an increase in local diagnoses of leukemia and cancer (the court battle over this incident was the subject of the best-selling book and film by the same name, *A Civil Action*). As *SeattlePI* reported, "Grace was indicted by the Department of Justice on two counts of lying to the EPA in 1982 about the amount of hazardous chemicals it used at its Woburn plant."^{xvii}

And then there was W.R. Grace's role in asbestos dumping in Libby, Montana. In

February 2006, the U.S. Department of Justice announced a 10-count criminal indictment against seven senior current and former Grace officials. *SeattlePI* reported that the charges: "...alleged conspiracy, knowing endangerment, obstruction of justice and wire fraud for endangering the people of Libby by concealing well-documented hazards of the tremolite asbestos." According to the indictment, as far back as the 1970s Grace and Company attempted to conceal information about the adverse health effects of the mining operation.^{xviii}

Consider as well the case of another Legatus co-founder Tom Monaghan, icon and financier of Catholic Right causes. After building his Domino's Pizza empire he sold it in 1998 to Bain Capital (an investment company co-founded by Mitt Romney) for a price in excess of one billion dollars. Monaghan has since been investing his fortune in conservative Catholic causes such as the Thomas More Law Center, Ave Maria University, and the militant anti-abortion group Priests for Life, headed by Fr. Frank Pavone.

Monaghan has thwarted attempts by Ave Maria University employees to unionize, according to *The Wall Street Journal*. When asked if he saw a contradiction in his actions, since unionization is supported by the Catholic Church, Monaghan replied, "I think that [the church] hierarchy doesn't know as much about those things as they do about their theology."^{xix} Monaghan's personalized and paternalistic control of the university single handedly exposes the absurdity of Novak's contention that if business leaders merely become virtuous through faith, then government oversight of industry becomes unnecessary.

In his 1990 publication, *Towards a Theology of the Corporation* Novak expounds on why he believes theology is central to modern business ethics. "Finally, since most Americans are remarkably religious (and since most are of Jewish or Christian background), a truly realistic business ethic should have a theological dimension." Several lines later, he adds, "Thus, a theological investigation of the weaknesses and strengths of a capitalist system or a business corporation supplies a necessary bit of realism. A business ethic without a theology is doomed to being a thin sort of gruel, minimalist and unsatisfying to most religious persons."^{xx}

Novak and his cohorts acknowledge that capitalism is "for sinners" and as noted above, fail to provide any remedy for the collateral damage. Their remedy is to make society as a whole more virtuous, largely as an outgrowth of individual virtue, and little or no government is required. George Weigel, one of Novak's fellow theocons, elaborated in a 1996 interview:

"In *Centesimus Annus*, the pope writes that the temptation of wealthy societies (or developing societies, for that matter) is to confuse "having more" with "being more." Spend an hour looking at ads on prime-time television, and you'll see that temptation is omnipresent in America.

Capitalist economies only work when a critical mass of people are possessed by certain habits of the mind and heart (what some of us used to call “virtues”): self-command, the capacity for prudent risk-taking, the ability to form cooperative working relationships, and the willingness to defer gratification. Corporations need to be very careful that, in their marketing and advertising, they don’t promote attitudes and counter-values that will, eventually, cause the market system to implode. ‘Just do it’ is bad morals and bad economics.”^{xxi}

During the 2008 Presidential Campaign Republican presidential candidate John McCain and his running mate Sarah Palin made the oxymoronic claim that they would get government “out of our way” while simultaneously ending “the greed” on Wall Street. “If men were angels,” James Madison observed, “no government would be necessary.” This wisdom appears to be lost on the Whigs of the Religious Right and their favored candidates for public office.

While hope springs eternal for a more virtuous humanity, history teaches us that such virtue is usually in short supply in the business world no matter what professions of faith are put forth by our captains of industry. It is probably safe to assume that the financial captains of 1929 tended to be more church-going than those of today. Still, their recklessness and greed, combined with a complete failure of government oversight resulted in both the Crash of October 1929 and the subsequent Great Depression. More often than not, business leaders, regardless of their professed faith, suspend the Golden Rule in their work. After all, as so many will say, “it’s nothing personal; it’s just business.” That is why we need a sturdy democratic government to curb and deflect such behavior, while also functioning as the guarantor of the liberty interests of business fairly conducted and property honestly obtained.

Neocons have much to say about the supposed evils of socialism, but glaringly ignore the evils of *laissez-faire* capitalism. Indeed, it can be argued that these very evils make socialism a viable option to more and more people. What Novak doesn’t seem to get (or more probably, and profitably, *does not want* to get) is what Monsignor Ryan and other social justice advocates have long understood: economic equity cannot be had on a purely voluntary basis; government needs some muscle to prevent bad behavior in the pursuit of wealth.

Restoring the New Deal

One of the resounding successes of New Deal liberal economics, and therefore a lesson for our time, was its approach to institutional reform. Regulatory agencies, notably the Securities and Exchange Commission, were created to discourage nefarious and reckless business activity or what Protestant theologian Reinhold Niebuhr described as “curbing and deflecting” greed.

However, this vital part of New Deal economics has been slowly eroded by a thirty-year process of deregulation. It began slowly in the Carter administration with deregulation of the Airline industry, but accelerated through the Reagan, both Bush and Clinton administrations. There is a direct link between this desire for deregulation and the current financial crises of the present day.

The *Gramm-Leach-Bliley Act* of 1999 was passed by the Republican Congress and signed into law by then-President Bill Clinton. This act repealed a cornerstone New Deal economic firewall, the *Glass-Steagall Act of 1933*, which as we discussed above, prohibited banks from engaging in both less managed deposit-based investing and riskier securities-based investing. It was obvious to the legislators at the time of the Great Depression, that if financial institutions engaged in both activities, conflicts of interest could arise. Banks at the time that dealt in both deposit-based and securities-based investing would often pursue financial courses of action that would benefit the bank as an institution (and its major shareholders) as opposed to the benefit of its individual depositors.

After the repeal of *Glass-Steagall* the same old problems resurfaced and we see the results in the recent financial collapse.

The classic example concerned convicted Worldcom CEO Bernie Ebbers and his relationship to Citigroup, the newly minted entity of resulting from the merger of Travelers Insurance and Citibank. As the PBS series *Frontline* documented:

Over the years, Ebbers had accumulated a private business empire, which included a luxury yacht named Aquasitions, a lumber mill, a ranch in Canada and a half million acres of timberland across Mississippi, Tennessee, and Alabama. Records of the 1999 timberlands purchase show that a \$499 million loan, later folded into a billion dollar mortgage, was arranged by Travelers, a Citigroup subsidiary, and backed by WorldCom stock. Critics argue that Citigroup should have disclosed its interest in keeping WorldCom shares high in order to guarantee the loans, and note that Grubman kept a “buy” rating on the stock, even as shares were plummeting.^{xxii}

The *Forbes*-run *Investopedia* web site defines derivatives as follows:

In finance, a security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, [interest rates](#). Most derivatives are characterized by high leverage.^{xxiii}

The site goes on to state, “Derivatives are generally used to hedge risk, but can also be

used for speculative purposes.”

Writing in 2008, but before the stock market crash and credit crunch, former Morgan Stanley investment banker Paul B. Farrell cited a 2002 letter from Warren Buffett to Berkshire Hathaway shareholders in which he warned:

“We try to be alert to any sort of mega-catastrophe risk, and that posture may make us unduly appreciative about the burgeoning quantities of long-term derivatives contracts and the massive amount of uncollateralized receivables that are growing alongside. In our view, however, derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal.”^{xxiv}

Then Farrell added his own soon-to-be-true prognostication:

The fact is, derivatives have become the world’s biggest “black market,” exceeding the illicit traffic in stuff like arms, drugs, alcohol, gambling, cigarettes, stolen art and pirated movies. Why? Because like all black markets, derivatives are a perfect way of getting rich while avoiding taxes and government regulations. And in today’s slowdown, plus a volatile global market, Wall Street knows derivatives remain a lucrative business.

Recently Pimco’s bond fund king Bill Gross said “What we are witnessing is essentially the breakdown of our modern-day banking system, a complex of leveraged lending so hard to understand that Federal Reserve Chairman Ben Bernanke required a face-to-face refresher course from hedge fund managers in mid-August.” In short, not only Warren Buffett, but Bond King Bill Gross, our Fed Chairman Ben Bernanke, the Treasury Secretary Henry Paulson and the rest of America’s leaders can’t “figure out” the world’s \$516 trillion derivatives.

Why? Gross says we are creating a new “shadow banking system.” Derivatives are now not just risk management tools. As Gross and others see it, the real problem is that derivatives are now a new way of creating money outside the normal central bank liquidity rules. How? Because they’re private contracts between two companies or institutions.^{xxv}

Glass-Steagall would have curbed the abuse of derivatives. The restoration of this cornerstone of the New Deal might once again, save capitalism.

Marxist Shortcomings

Socialism can provide Distributive Justice capitalism with a wealth of ideas, but its most extreme form, Marxism does not. For purposes of this paper we define Marxism as an economic program combined with the philosophical goals of ending profit and privately-held property (The Soviet model as opposed the Western European, mixed economy model). Thus Marxism is susceptible to abuses of arbitrary power that Distributive Justice seeks to curb. Marxism does this by failing to acknowledge that human egotism, not wealth per se, is the source of injustice.^{xxvi} And it fails to acknowledge that bureaucracies that control property can limit and endanger individual liberty.

As the liberal economist Adolf A. Berle, Jr. observed in the years immediately preceding the New Deal that arbitrary power of elites, no matter its philosophical orientation, is perhaps *the* obstacle to true economic liberty to the many. “There is no great difference,” Berle reasoned almost a generation before Niebuhr did in 1944, “between having all industry run by a committee of Commissars and by a small group of directors.”

In addition to the obvious extinguishing of entrepreneurial creativity due to state control of profit and property, Marxism ignores the empathy factor of reasonable private property ownership. By this we mean that when most people are property owners, this tends to breed respect for the property of others as well that property that should be held in common by the state – national parks, for example.

As author Harlan Beckley observed of Reinhold Niebuhr beliefs in his later years, both Marxist and libertarian economic models share a common fault – the unchecked ambition to control others:

“This freedom would not be destructive if humans were actually free from their own creaturely finitude, but all human interests are contingent. The absence of natural or rational limits on the assertion of those interests leads to highly destructive conflicts of finite interests. In some cases, it permits the total subjection of one group’s interests. In some cases, it permits the total subjection of one group’s interest to another’s. For Niebuhr, a conception of justice that falls into the account for this inordinate ambition of humans to dominate others will provide for the checks on concentrations of power that can prevent the terrible injustices of which humans are capable.”^{xxvii}

Niebuhr’s insight is the result of a personal evolution in his search for an approximation of economic justice. In the early 1930s he described himself as a Christian socialist and he railed against FDR’s economic prescriptions. But after World War II, he came to acknowledge that the New Deal had done much to alleviate economic injustice. He also came to understand that the government control of a given property, resource or industry should not be applied across the board, but instead upon a case-by-case basis.

Niebuhr’s “ad hoc” approach to state regulation contradicts the theocons and their

ideological allies who nevertheless seek to press him into service, citing his opposition to socialism. This is consistent with their historical revisionism in other areas. He was not the Marxist-turned-proto-neoconservative that Michael Novak and like-minded neoconservatives make him out to be.

A Role For Socialism

For us to appreciate how socialist ideas can inform contemporary thinking for Distributive Justice in the United States, we need to not get ensnared by Manichean dichotomies that pit socialism against capitalism, as the neocons and rightwing talk radio show hosts would frame it. For example, the democratic socialism of Finland and Sweden is clearly nothing like the megalomania of Soviet Marxism. Finish and Swedish socialism is only an economic system based upon a democratic political system while the latter was a socialist economic system superimposed upon an authoritarian political model. More importantly, the former makes allowances for the creative instinct.

History has shown that American democratic socialists such as the late author Michael Harrington, longtime United Farm Workers leader Dolores Huerta, Princeton University Professor Cornell West, former Rep. Ron Dellums (D-CA) who chaired the House Armed Services Committee, and current U.S. Senator Bernard Sanders, (I-VT) are committed to individual freedom and have often acted as the nation's conscience in seeking a just economic paradigm.

Ideas originating in socialism informed religious approaches to liberal capitalism in the past. The 1919 the U.S. Catholics Bishops borrowed heavily from Great Britain's Fabian Socialists in creating *The Bishop's Plan for Reconstruction* - ideas from which found its way into the New Deal less than a generation later.

Many in the Protestant Social Gospel movement of the early 20th century, notably the Baptist Walter Rauschenbusch, believed that while socialistic principles were outside of the church, they still had a "Christianizing" effect upon society by making the well-being of the weak and poor a priority. But Monsignor Ryan and the American bishops approached socialism differently. While their brand of distributive justice would borrow from and be influenced by socialism they never intended to nationalize industry nor replace both the profit motive and the private ownership of property with a communal system espoused by Rauschenbusch. Ryan nevertheless borrowed socialist ideas when they could be adapted to humanize and thus save capitalism. (He also throughout his life defended the rights of socialists to speak out and was friendly with several, including Morris Hillquit, one of the founding members of what would become the Socialist Party of America).

Economics based on Distributive Justice still centers on private property ownership and profit motive. And it advocates a democratic form of government that acts as the umpire to assure that laws and mechanisms exist to allow workers to better bargain for a fairer share of private profits and otherwise ensure a fair and just economy.

Productive conversation in this area require us not to demonize socialism and capitalism, but to surface complementary ideas that can generate the greatest common good. This is such common sense that we often forget or take for granted our own history in this regard. All societies socialize to a certain extent. Police departments, parks and a military are good examples – as are public roads and water supplies -- and far from being Kafkaesque totalitarian bureaucracies, they are often models of efficiency. Indeed, rightwing propaganda notwithstanding, the truth is that most government projects actually function according to plan and as well as the private sector. Some viable examples are the Coast Guard, the National Institutes of Health, (NIH), and the GI Bill. NASA successfully put twelve men on the moon. Taxes, along with savings bonds, paid for the defense of our civilization during the Second World War and for the Marshall Plan that rebuilt Europe.

Contemporary Liberal Notions of Capitalism

This brings us to the role of historic social justice heritage of our major religious traditions in the development and sustaining of a just economy. Catholic and Protestant principles of economic justice are in far greater harmony with an evolved Lockean notion of natural law (see below) than with the often dubious issues of personal virtue on which the theocons would have us obsess.

Consider this statement by Locke in *Two Treatises of Government*:

“It will, perhaps, be objected to this, that if gathering the acorns or other fruits of the earth, etc., makes a right to them, then any one may engross as much as he will. To which I answer, Not so. The same law of Nature that does by this means give us property, does also bound that property too. “God has given us all things richly.” Is the voice of reason confirmed by inspiration? But how far has He given it us --”to enjoy”? As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in. Whatever is beyond this is more than his share, and belongs to others.”^{xxviii}

If anything were ever a tip-off that theocons are using orthodoxy to conceal an inequitable economic system, this is it.

It is important to be able to rebut the theocons and to be able to describe their profound deviation from mainstream Christianity, especially the Catholic teaching on economics; their outrageous historical revisionism; and their misplaced loyalty to economic elites. Monsignor John A. Ryan once noted, the economically powerful often use the pretext of liberty in order to exploit the weaker members of our society in the pursuit of wealth.

Ryan’s paradigm offers the possibility of a fresh approach to liberal economics for religious progressives. It embraces a reform of capitalism that does away with many of the harms and inequities that result from buccaneer capitalism, replacing it with - if you will - “Golden Rule Capitalism.”

Thus, religious progressives can truly claim that they offer a system that rewards merit, special talents and risk while reigning in bad economic behavior. Beyond that, it frees us from the false charge that liberals are Marxists. And when married to Niebuhr's idea of a system that curbs and deflects greed we believe that this results in a coherent economic moral philosophy.

As we observed previously, Niebuhr often goes beyond Ryan by addressing institutional economic injustice. Beginning in 1944 Niebuhr increasingly focused on abuses of aggregate power – corporations and bureaucracies. Ryan's focus on the distribution of profits and is thus more upon monetary in nature. When Ryan addressed institutional reform he tended to focus on the collective power and rights of labor. To pursue either one in a vacuum does not fully address the issues of buccaneer capitalism. A just form of capitalism requires the complimentary use of both Ryan's and Niebuhr's approaches.

The idea that the Left speaks "truth to power" because of innate purity must be replaced by a liberalism that is not only prepared to democratically acquire power but also be mindful of the potential of internal corruption of its own policies and mechanisms.

This is where contemporary liberalism has fallen short and made itself vulnerable to charges of hypocrisy. In order to have the credibility to successfully democratize capitalism, liberalism must also carefully preserve and protect the integrity of the economic programs it creates to protect the common good.

Monsignor Ryan argued that government exists to safeguard the common good so that each individual will be able to lead a reasonable life through self-development. As such, liberalism recognizes the authority of *legitimate, uncorrupted* power. This requires universal contribution and reasonable behavior by all of its citizens. In return for such behavior, the government provides an infrastructure that serves the underpinnings for overall wealth creation while setting policy to ensure that those enterprises capable of doing so provide at the very least, a living wage

The Social Gospel and Distributive Justice

Modern Distributive Justice was first enunciated by Catholic progressives during the early 1890s and more clearly articulated in *The Bishops' Program of 1919*. Led by Monsignor Ryan many in the Church were beginning to embrace the reformist ideas of the protestant Social Gospel movement.

However while the early Catholics and Protestant social justice advocates advocated similar ideals, they also had important differences in both means and ends. Both advocated strict child labor laws, better working conditions for women, at least one day off during the week, and the right of every worker to a living wage.

For example, Catholic Distributive Justice advocates, such as Ryan, believed that just

allowing workers to organize would not, by itself, bring about sufficient reforms. They sought incremental reforms for the working-class, and increases in their standard of living, never expecting to solve all of society's ills in the course of a natural lifetime. The child labor, worker safety and minimum wage reforms they helped achieve in coalition with unions and others required legislation by an activist government.

In the very late nineteenth and early twentieth centuries a difference between the Protestant and Catholic views on Social Justice concerned the question of salvation. While early Social Gospel advocates such as Rauschenbusch tied economic justice to a greater plan of a Christian regeneration of the greater society, Catholic Distributive Justice advocates such as Ryan viewed approximations of economic justice as not being part and parcel of any such spiritual transformation. With the advent of New Deal era Social Gospelers such as Frances Perkins, Harry Hopkins this difference gradually disappeared.

More importantly Catholic notions of Distributive Justice never required a belief in "a temporal Kingdom of God" on earth nor did it ever proselytize the need for a "Christian redemption. Ryan's brand of Distributive Justice encompasses the secular notion that all people of reason, regardless of personal creed understand that natural law requires government to promote the health and welfare of each individual. Economic rights are not the ends, but the means to personal self-development, *i.e.*, the freedom to create wealth and self-sufficiency. In turn, each individual can then contribute to the common good and liberty of all.

Our concept of "self development" builds on, but differs from Ryan's original formula. Ryan used the term in a purely Thomistic interpretation of Natural Law principles. His understanding of an individual's "self-development" was according to plan for one's proper purpose ("*telos*") in a universe well ordered by God. We have a more secular view of this concept, relying more upon the liberal ideal of the pursuit of reasonable self-interest. While Monsignor Ryan's vision stems from Catholic natural law principles with the Church acting as the sole determiner of what is or what is not moral, we expand that determination to one more based upon liberal philosopher John Rawls' overlapping consensus of morality; and on the values of democratic pluralism.

Most of us are born with latent talents and abilities that can be developed into skills which lead to self-sufficiency and even excellence. The element necessary to transform latency into accomplishment is opportunity, something distributive justice is meant to encourage. When more opportunity is made available and then combined with self-motivation the greater potential exists for an individual's self-development. Either interpretation, however, achieves the same purpose.

While we are arguing here for the adoption of broad principles of Distributive Justice, we also have a few caveats.

First, we are not trying to substitute Roman Catholic theology for secular policies. *Instead, Distributive Justice is a point where liberal and religious economic thought*

converges and overlaps. Liberal theorist Stephen Holmes, citing John Locke, observed that ‘a person’s exclusive property rights are valid only “where there is enough, and as good left in common for others.” Our duty “to preserve mankind” requires that we abstain from invading our “neighbor’s share,” reveling in superfluities while others lack necessities.’^{xxix}

We differ from the original Distributive Justice advocates on certain personal sphere issues, especially where political hybrids predominate (federal funding of embryonic stem cell research, abortion on military installations, etc.). This disagreement arises because even among those who adhere to natural law principles, there is disagreement on issues of conscience. For example, a Baptist or a Catholic may disagree with a Methodist or a Muslim on when human life begins, yet all four religions have natural law-influenced beliefs. Where such disagreement occurs the state must use great care not to favor one good faith belief over that of another. Indeed, the U.S. Constitution requires it.

However on most other issues of basic liberty such as freedom of speech and freedom from involuntary servitude there is overall agreement that these liberties flow from the natural social contract that exists between the state and its citizens. In such matters, rights are ends in of themselves. They are inviolable unless there is a state interest so compelling that the common good will become imperiled. This flexible, dualistic form of liberalism allows for the complete self-development of the individual within both the private and public spheres.

This convergence is what Rawls described as a morality’s “original position.” It is a sound concept that can advance the freedom from both want and fear through secular democratic processes. It explodes the neoconservative myth advanced by Irving Kristol, Michael Novak and others that modern Christian economic thought detaches wage distribution from business profits. More importantly, it gives liberalism a powerful weapon to challenge the “morality” of the Religious Right’s advocacy of unilateral self-interest economics.

What motivated Social Gospel Protestants and Distributive Justice Catholics a century ago motivates us today: Working towards an economic system that is just; one that meritoriously rewards contribution, risk and talent while addressing an individual’s minimum standards for self-support.

A Moral Basis for Progressive Taxation

Monsignor Ryan writes that liberalism’s goal is “to promote the kind of social institutions that would advance and preserve the long-term means for self-development, the purposes of human welfare or social justice.”

One important mechanism for achieving this is progressive taxation – which is basically the idea that the wealthy tend to receive a greater benefit from government.

The concept behind a progressive tax system is based on the firm goal *that everyone wins by having a safer, more secure nation*. A fair and progressive tax system is not about having your pocket picked and receiving nothing in return: it is about contributing financial value in exchange for the value of the benefits and protections provided by our government. And what is government but the expression of our collective will towards a society organized towards some vision of a common good?

The benefits of progressive taxation are all around us. As mentioned above, the police department, fire department and military forces that protect us not to mention more mundane things like local, state and federal roads are basic public services that we often take for granted and are good examples of taxation being used to further the common good.

The conservative argument that our present tax system is one based upon “the envy of wealth” or “is a redistributer of wealth” is a fraud. Let’s look for example at the situation at the end of Bill Clinton’s presidency. The tax system was a *quid pro quo* equation; a value for value transaction—especially for the very wealthy. If the rich want to argue that a 90% or 70% top tax bracket is onerous, they may have a point. But looking at it from a Distributive Justice point of view, having billionaire Bill Gates pay a federal tax rate of about 41% will not put a crimp in his lifestyle; he will not be denied self-development. Indeed, the greater proportion of the tax burden of the wealthy does not come from income going primarily for basic necessities, but from overabundant, superfluous income. How can we bemoan their inability to buy a third or fourth vacation home when many hard-working Americans do not even have basic health care, let alone have the ability to purchase private property?

In the early 1960s when the highest tax bracket was 90%, the conservative writer Wilmoore Kendall proclaimed that if the top bracket were to be lowered to 40%, it would allow anyone to become “smacking rich.” Warren Buffet – nobody’s Marxist -- has made a very similar argument in testimony given before Congress.

If tax money is put to work, for example on curing disease and disability thanks to research directed by the National Institutes of Health -- that too is truly an investment. A nation of more healthy citizens ultimately will translate into lower taxes, lower healthcare costs, higher productivity and the general high morale that comes from being healthy. A set tax payment that saves citizens from spending three-to-five times that amount on an unforeseen catastrophe is an excellent return. In other words, tax payments can be seen and in fact, function as, preemptive savings.

Similarly, progressive taxation has nothing to do with, as conservatives would have it, “the confiscation of wealth.” Such an interpretation is based upon a seriously reductionist view of economics. As we shall see below, viewed from the standpoint of Monsignor Ryan’s six interdependent canons of distributive justice, this argument addresses only one, “arithmetic equality.” Progressive taxation seeks to maintain the wealth of those who succeed by playing by the rules. This means helping the middle class maintain a standard of living for which many of its members struggle every day to

maintain. Thus programs such as Project Headstart and Medicare enable the poor and working classes to better create wealth, by providing the financial resources to those who need help lifting themselves up while protecting the most vulnerable among us.

The fairest means of accomplishing this task is still found within the progressive system of income taxation. The original arguments in support of progressive taxation are as valid today as they were almost a century ago. As Monsignor Ryan observed in 1916:

“The reasonableness of the principle of progression has been well stated by Professor [Edwin R. A.] Seligman: ‘All individual wants vary in intensity, from the absolutely necessary wants of mere subsistence to the less pressing wants which can be satisfied by pure luxuries. Taxes in so far as they rob us of the means of satisfying our wants, impose a sacrifice upon us. But the sacrifice involved in giving up a portion of what enables us to satisfy our necessary wants is very different from the sacrifice involved in giving up what is necessary to satisfy our less urgent wants.’”

It is not merely the percentage of taxes paid that defines justice, but the payment in proportion to wealth created by each individual after which the basic necessities of life have been first satisfied. The working poor and the lower echelons of the middle classes should not be forced to pay a “flat tax” rate equivalent to wealthier members of our society; the overwhelming majority of the former’s income goes to basic needs such as food, clothing and shelter. They have little or no superfluous income. Thus, their tax burden should be the lightest.

Middle-class workers have a bit more superfluous income, but in light of their decreasing power in this area, care should be given to their tax burden. Yes, they should pay proportionately more than the poor, but always with the caveat that they fund many of our government programs.

If the middle-class or even lower echelon wealthy have some superfluous wealth by the dint of operating a small business that, too must be taken into account. The owner of a small trucking company or a produce distributor is more prone to suffer financial hardship than the CEO of a Fortune 500 company. Furthermore, small business owners generally reinvest a greater proportion of their personally created wealth into their endeavors than does the hired executive. Because they are in the middle of the economic spectrum and reap the fewest benefits from the government, they naturally have a greater resentment of the abuse of tax revenue. They are the ones who, more and more, are struggling to maintain their measure of hard-earned wealth that they have created for themselves.

But the effective use of progressive taxation requires some basic rules and a lot of self-discipline.

First and foremost, taxation should reward income derived from self-discipline and hard work more than it does from investment income. It also should cast an especially skeptical eye upon liquidated inheritance. Wealth that is the direct result of disciplined

hard work is honorable, whereas wealth acquired by a beneficiary who had no hand in its creation is merely the particular fortune of birthright. Our taxation process must always honor the former over the latter. And as Paul Krugman pointed out in 2002, the GOP argument on eliminating the Estate Tax is a sham:

“The estate tax is, overwhelmingly, a tax on the wealthy. In 1999, only the top 2 percent of estates paid any tax at all, and half the estate tax was paid by only 3,300 estates, 0.16 percent of the total, with a minimum value of \$5 million and an average value of \$17 million. A quarter of the tax was paid by just 467 estates worth more than \$20 million. Tales of family farms and businesses broken up to pay the estate tax are basically rural legends; hardly any real examples have been found, despite diligent searching.”^{xxx}

Secondly, we reaffirm the validity of a progressive system of taxation that is just, but not arbitrary in nature. Those citizens who usually receive the most benefits and protections from our government tend to have superfluous wealth. Justice and equity require that because they usually receive a greater return of benefits and protection from our government, their investment share must be proportionately greater. As Cass R. Sunstein observes, it is the wealthier members of our society who most rely upon a sound government:

“In fact, the government is “implicated” in everything people own. If rich people have a great deal of wealth, it is because the government furnishes a system in which they are entitled to have and to keep that wealth. When a company owns a broadcasting station or a series of broadcasting stations, this is possible only because the government creates a right of ownership and is prepared to back up that right with the law. People work very hard for what they earn. But without government, people would face a free-for-all, a kind of test of strength. Who knows what would emerge from that test? The people who most loudly object to “government intervention” depend on it every day of every year; they have the most to lose if government really got “off their backs.”^{xxxi}

Thirdly, we believe that the progressive taxation of large business enterprises, specifically those with multi-state and multinational contacts, should be taxed based on the concepts of distributive justice. Those businesses that provide their employees with a living wage and basic healthcare are contributing to an objective sense of a common good and should receive preferential taxation. Treating workers in such a dignified manner results in individual wealth creation that encourages the acquisition of private property—a desired goal of liberalism. Conversely, those enterprises that disregard their employees’ right to such self-development in favor of greater salaries for top-tier corporate executives and larger stock dividends, must be treated more severely. Society has a moral right to tax these entities at a higher rate in order to provide for the self-development of their

employees.

Fourth, waste and abuse of government funds make people suspicious of government and less inclined to support progressive taxation. Taxpayers have every right to complain when government becomes a slush fund for cheats and the politically connected instead of furthering the common good. Both rich and poor cheat the system.

The doctor who inflates a patient's bill for a greater Medicare payment is just as guilty of stealing from the common good as is the proverbial welfare cheater - perhaps more so because of his better economic position. The fellow at the Pentagon who buys a \$500.00 hammer from a salesman who served with him in the military is just as vile as the piker in the mink coat buying dinner with food stamps. Reckless or corrupt spending is at least as much of a tendency in conservative as it is in liberal governments -- as the Bush era just past has certainly demonstrated. If government rightly employs progressive taxation to achieve economic justice, it must also prosecute those who abuse its benefits.

Protecting wealth means paying for military and homeland defense, as well as for "first providers" such as police, fire fighters and EMS workers. Protecting wealth means having enough funds to ensure that the Justice Department and the Securities and Exchange Commission can go after those who would engage in fraud and stock manipulation in an effort to unjustly separate the wealthy from their money. Protecting wealth means sufficiently funding the F.D.I.C. to protect citizens against bank failure.

As we discussed in the introduction, there is nothing inherently wrong with being a millionaire. We should not discourage wealth creation, *but encourage it*. However, where we differ from the right is that wealth must be gathered and maintained more fairly. Does this mean an utterly egalitarian redistribution of wealth? No -- but, it does mean adhering to the principle that our tax contributions fairly correlate with the benefits we receive from the government.

Writing in 1914 Adolf A. Berle, Sr. (the New Deal economist's father) rhetorically asked, how is progressive taxation a Christian ideal? More so than one might think:

But why call this a religious matter? What has this to do with religion? Just this, that it is proving and accepting to the degree that no man liveth to himself. That is the essence of religion. Expand that idea logically and you will come to a brotherhood which is Christianity. Apply it to every human concern and you will get the Kingdom of God. Develop the fundamental idea upon which tax rests, as accepted by the civilized world to-day, and you will get Christianity, which while not the Christianity of money, is nevertheless a Christianity which includes both miracle and money. No man liveth to himself that is the message of taxation... That is simply what all comes to in the end. And if taxation means that no man liveth to himself then the subject of taxation is one of the most seriously religious themes that can engage the mind of the

thinking man. ^{xxxii}

A few pages later Berle got to the heart of the matter:

Appropriately too at least, in theory, the New Testament motive is carried out in the division of taxation. From him that hath much, much is required. Nobody thinks of requiring much from him who has nothing. But again, theoretically, we do not exempt the possessor of little. We exact his little with the same regularity and rigor that we exact from the possessor his larger contribution. ^{xxxiii}

Berle's words still stand as a devastating rebuke to the likes of a Novak or a Sirico. But that should be no surprise. Many of those who inspired and influenced New Deal economics were profoundly religious. Christian beliefs informed the liberalism of, among others, Monsignor Ryan, Marriner S. Eccles, FDR's Fed Chairman, a Mormon; and Frances Perkins, FDR's Secretary of Labor, an Episcopalian and of course, Adolf A. Berle, Jr., the son of the aforesaid Congregationalist minister.

Freedom Versus Dependence

Liberalism has repeatedly proved that it is not about destroying capitalism, but instead concerned with making it fairer so that individuals and smaller groups of individuals could also achieve wealth through work and investment. This has meant protecting smaller investors against unscrupulous stock manipulators who artificially drove up stock values to make ill-gotten fortunes. The Federal Exchange Commission is not a pillar of socialism; instead it exists to ensure that wealth derives from honest initiative and merit and not from deception and inefficiency. In fact the FEC is a perfect example of an institution designed to safeguard the common good. Liberalism means creating a fairer playing field to thwart unjustified inequity.

Today's Right needs an authoritatively imposed inequity to succeed. For example they wish to seize the not-for-profit guaranteed retirement benefit program we call Social Security and Medicare and largely turn it over to private brokerage houses whose only motive is profit. Economist Paul Krugman warns that if successful, they would also seek to significantly cut the retirement benefits of workers now in their thirties, forties and early fifties by as much as forty-six percent.

Privatized Social Security accounts have other built-in inequities. As the January 16, 2005 *New York Times* article on former President Bush's plans for "an ownership society" noted, "With 401(k)'s, we've had an experiment in handing over to families the responsibility of saving and planning for retirement, and what we have found is that they make mistakes at each step along the way... It's not because they're stupid," 'she [Alicia H. Munnell, a former Clinton administration economic advisor, and director of the Center for Retirement Research at Boston College] added'. "It's because people live very busy, very complicated lives. They're working. They're getting their kids educated. They

really do not have time to become financial experts.”

Similarly, via recent legislation, Medicare has lost the power to compete with private health plans. This weakens the prior not-for-profit government plan while strengthening powerful interests whose bottom line is again, only profit. The power of those who control price will be greatly enhanced while those individuals who will require prescriptions will have less purchasing power. Thus, wealth is redistributed upwards.

Such policy is not freedom, but dependence. This dependence has an adverse effect upon the poor, the working poor and the middle economic classes (including the upper middle-class wage earner or business person). This unfairly favors an elite investor class. It favors larger businesses over smaller businesses. And it rewards selfishness over necessity.

A Tale of Two CEOs

The principle of Distributive Justice provides the moral basis for fairer wages. The individual is entitled to a reasonable standard of living and questions vast discrepancies between worker and executive compensation as well as shabby treatment of employees by impersonal, bottom-line management practices. For example, can Wal-Mart CEO Lee Scott justify limited healthcare coverage for workers earning an average of \$16,000 per year while he is compensated at \$17.5 million per year...and the cashier's annual \$16,000 does not even begin to provide for decent food, clothing and shelter and his or her self-development?^{xxxiv}

On its face, there may be nothing inherently unjust about CEOs earning multi-million dollar salaries. Executives of joint ventures and business owners are entitled to a greater wage than their employees -- but not to acquire luxuries while workers lack basic needs -- let alone any hope of the possibility of being able to purchase property.

Then consider Jim Sinegal, Costco's Chief Executive. He is also well compensated, (According to *Business Week*, a salary of \$430,000 plus stock options in 2007) but Costco's employees are better paid and receive better benefits than those who work at Wal-Mart. For example, while less than half Wal-Mart's employees have healthcare coverage, eighty-five percent of Costco workers are covered. Unions are respected and retirement plans are also provided. For example, while Costco has maintained a cooperative relationship with the Teamsters Union, during the 2008 election season, it was widely reported that Wal-Mart executives were holding employee meetings in which management would tell their workers not to vote for Democratic candidate because they would enact the pro-labor Employee Free Choice Act. *The New York Times* reported, "Costco's average pay, for example, is \$17 an hour, 42 percent higher than its fiercest rival, Sam's Club -- which is part of Wal-Mart. And Costco's health plan makes those at many other retailers look Scroogish. One analyst, Bill Dreher of Deutsche Bank, complained last year that at Costco "it's better to be an employee or a customer than a

shareholder.”^{xxxv}

In other words, Costco’s management does not treat its employees as commodities. As the *Times* further noted, “Good wages and benefits are why Costco has extremely low rates of turnover and theft by employees, he said. And Costco’s customers, who are more affluent than other warehouse store shoppers, stay loyal because they like that low prices do not come at the workers’ expense.” The *Times* continued:

“Despite Costco’s impressive record, Mr. (Jim) Sinegal’s salary is just \$350,000, although he also received a \$200,000 bonus last year. That puts him at less than 10 percent of many other chief executives, though Costco ranks 29th in revenue among all American companies.

“I’ve been very well rewarded,” said Mr. Sinegal, who is worth more than \$150 million thanks to his Costco stock holdings. “I just think that if you’re going to try to run an organization that’s very cost-conscious, then you can’t have those disparities. Having an individual who is making 100 or 200 or 300 times more than the average person working on the floor is wrong.”^{xxxvi}

Sinegal shows that Distributive Justice capitalism can be more profitable than arbitrary self-interest capitalism. (It is worth noting that Sinegal’s father worked as both a coalminer and a steel worker.)

There is nothing particularly complicated about any of this. Moral authorities from Aristotle to Monsignor John A. Ryan have maintained government has the moral obligation to use the powers of regulation and taxation to rectify the abuses of economic elites.

One possible course of action might be to use deductions and tax credits to reward companies like Costco that treat their workers with decency; while using penalties and higher tax rates to discourage companies from engaging in excessive compensation and stock dividends. This would allow for the government to provide the workers of professional plunderers - with basic healthcare and low-rate, federally guaranteed mortgages.

Ryan’s Six Canons for Distributive Justice of Wages, Applied

John A. Ryan grew-up in Minnesota among immigrant Irish Catholics in Minnesota during the age of Robber Barons who had amassed their fortunes on unregulated speculation and exploitation of labor. He was greatly influenced by the Midwestern populism of the era and as a young Catholic seminarian in the 1890s he fused these

influences with the pro-labor message of Pope Leo VIII's groundbreaking encyclical, *Rerum novarum*.

Thus Ryan was well equipped with solutions in the face of worldwide economic depression - and the run up to the New Deal. The economic landscape that surrounded Ryan during the first few editions of his classic work of 1916, *Distributive Justice: The Right and Wrong of Our Present Distribution of Wealth* is remarkably similar to that of the last twenty-five years or so.

In this book, Ryan outlined what he called “six canons” for the distributive justice of wages. Written at the height of the Progressive era, Ryan revised it several times before his death in 1945. It formed the core of his thought on a Catholic approach to economics.

Taken together and in balance, we can apply these canons today as we face an analogous economic crisis. Below we use some brief quotations from the six canons and some initial thoughts about their contemporary application.

I The Canon of Equality

Ryan writes:

“According to the rule of arithmetical equality, all persons who contribute to the product should receive the same amount of remuneration. However, he adds that few defend this idea anymore, because it is obvious that it would treat people who are unequal in terms of their contributions and their needs for self development, equally, and therefore would be unjust.” Ryan stresses that everyone has moral equality, which is addressed not in terms of “external goods” but in terms of human “welfare.”^{xxxvii}

Neoconservatives opportunistically seize on this idea to falsely claim that liberals are “levelers” or “egalitarians.” Our opponents erroneously claim that liberalism is about taking hard-earned income out of wealthier taxpayers’ pockets and redistributing it to the poor solely for the sake of soaking the rich. The canons of distributive economic justice only apply when the owner of the employer enterprise can first provide his family with their basic needs.

II The Canon of Needs

Ryan writes:

“It would require each person to be rewarded in accordance with his capacity to use goods reasonably... it would treat people as equal in those areas in which they are equal, and treat people unequally in those respects in which they are unequal, namely in their capacity as beings endowed with the dignity and potencies of personality; that is, in their desires and capacities.”^{xxxviii}

He cautions however, that “Like arithmetic equality, the rule of proportional needs is not only incomplete ethically, but impossible socially. Men’s needs vary so widely and so imperceptibly that no human authority could use them as the basis of even an approximately accurate distribution.”^{xxxix}

Nevertheless, what we can draw from this canon is the idea that profit is to be distributed with consideration given to the basic needs of each contributor. By this Ryan means, what is necessary to lead a reasonable life. For example, what salary would the average worker’s family need to afford basic, but decent housing, a nutritious amount of food and clothing for that worker’s family? It is a minimum standard to be measured against the other canons.

So for example, a reasonable percentage of profits should go to the needs of increasingly productive workers instead disproportionately going to upper management and shareholders. Ryan describes this canon as one of “proportional needs.”

III The Canon of Efforts and Sacrifice

Ryan writes:

“We cannot think it just to reward two equally two men who have expended the same quantity of painful exertion, but who differ in their needs and in their capacities of self-development. To do so, would be to treat them unequally in the matter of welfare, which is the end and all reason of distribution. Consequently, the principle of efforts and sacrifice must be modified by the principle of needs. Apparently it must also give way in some degree to the principle of comparative productivity.”^{xl}

Along with a strong federal government, organized labor is one of the two pillars of liberalism. However, labor unions must be much more just about distributing pay scales. Labor must also carefully consider the canons of productivity and scarcity as well as arithmetic equality in parceling out hard fought-for wage and benefit increases. The worker who glides through his job responsibilities should not be rewarded in the same exact manner as the worker who displays more initiative, more creativity and more commitment to the production effort. While a baseline level of pay is necessary, so is the recognition of extra effort. For example, highly meritorious individual employee efforts can be rewarded with bonuses or compensation time determined by committees formed from both labor and management. Enterprises that treat their workers with dignity are entitled to the exertion of their workers’ best efforts. Such a commutative exchange is within the contemplated reciprocity of distributive justice liberalism.

The failure to recognize diligent production effort is the very sustenance of the conservative backlash. “Moreover,” Ryan keenly observed, “any attempt to distribute rewards on this basis alone (arithmetic equality) would be injurious to social welfare. It would lead to a great diminution in the productivity of the more honest, the more

energetic, and the more efficient among the agents of production.”

IV The Canon of Productivity

Ryan writes:

“...men should be rewarded in proportion to their contributions to the product. It is open to the obvious objection that it ignores the moral claims of needs and efforts. The needs and use-capacities of men do, indeed, bear some relation to their productive capacities, and the man who can produce more usually needs more; but the differences between the two elements are so great that distribution based solely upon productivity would fall far short of satisfying the demands of the fundamentally valid principles of distribution.”^{xli}

By balancing the canon of productivity against the canon of efforts the value of wages is given a degree of required flexibility. The economic aspects of innate talent are more accurately judged against the ethical aspects of a laborer’s attitude. Thus, the amount of a laborer’s production is given a truer value by the intensity of the laborer’s desire and creativity. Who might show more promise and leadership potential: the worker who through no additional effort produces ten widgets an hour or the worker who produces the same amount of widgets but does so by exerting more sweat and a bit employing a bit more ingenuity? Both deserve a minimum dignified salary, but clearly the latter merits higher value as his contribution is greater.

The canon of productivity has special significance in light of incredible increases in both executive compensation as well as the ever-increasing emphasis upon providing corporate shareholders with greater and greater dividends. In the case of either the upper level executive seven and eight figure salaries and bonuses cannot be justified by their participation in the creation of profit. Yes, because of their specialized skills they should be rewarded at a rate higher than a forty-hour a week worker. Yet, compensation that has no commutative relationship to the executive’s own productivity cannot be justified. Our earlier comparison of between Costco’s Jim Sinegal and Wal-Mart’s Lee Scott bore this out.

But if upper echelon corporate executives such as Lee Scott receive morally unjustifiable salaries, then what of the shareholders? Since 1981, corporations have given increasingly greater emphasis on shareholder dividends. Yet it is objectively clear that shareholders do not contribute to profit creation on par with most of the workers of the corporation. According to its own web site, Wal-Mart has gone from its first dividend payment of five cents per share in March 1974 – eleven “two-for-one” stock splits later – to the last one tendered in August 2008 for nearly twenty-four cents per share. This profit share was at least partly accomplished by aggressive efforts by management to frustrate worker attempts to organize unions and to engage in collective bargaining.

In this age of bankrupt mega-companies the concept of “acting in the interest of the shareholders” should by any reasonable standard of justice include the proper compensation of its work force.

Similarly, the canon of productivity by itself may end up basing wages solely upon natural abilities such as raw strength or unusually high intelligence instead of actual effort.

V The Canon of Scarcity

Ryan writes:

“It frequently happens that men attribute their larger rewards to larger productivity, when the true determining element is scarcity. The immediate reason why the engine driver receives more than the track repairer, the general manager more than the section foreman, the floorwalker more than the salesgirl, lies in the fact that the former kinds of labour are not so plentiful as the latter.”^{xlii}

The canon of scarcity, like the others needs to be balanced against the others in order to achieve just wages for individuals who perform unusual tasks requiring great courage--sandhogs or high-rise construction workers. More often than not, however, Ryan noted that scarcity has more to do with unequal opportunities such the ability to obtain a higher education. At the same time, obtaining higher education also usually requires some considerable degree of sacrifice.

VI The Canon of Human Welfare

Ryan writes:

“The canon of human welfare includes and summarizes all that is implied in the five other canons. This is its individual aspect. It recognizes that all human beings be treated as persons, as possessed of natural rights: this is equality. It demands that all industrial persons receive at least the amount of income which is necessary for decent living and reasonable self-development: this is a recognition of needs. The canon of human welfare declares that some consideration must be afforded to manifestations of good will by those who take part in the processes of industry: this is a recognition of efforts and sacrifices. And it gives reasonable recognition to the canons of productivity and scarcity.”

“Under its social aspect, the canon of human welfare authorizes the payment to every producer of that amount which is necessary to evoke his *net* product. This is not necessarily the *absolute* maximum. The latter is not always worth the price demanded. In such a case human welfare may dictate an amount of compensation which is insufficient to call forth the absolute maximum”...”When the natural rights and the essential needs of the individual have been safeguarded, all additional compensation should be determined by the rule of maximum net results.”^{xliii}

Some liberal thinkers have reservations about the effectiveness of either the minimum or living wage. Cass R. Sunstein for one favors Earned Income Tax Credits claiming that living and minimum wage legislation actually leads to unemployment. We respectfully disagree. Some sort of wage floor is necessary especially for more powerful business entities that would be given a golden excuse to cheapen labor. One such scheme is the hiring of many part-time workers with little or no health or retirement benefits instead of fewer but more secure fulltime employees with a wider range of benefits. Yes, flexibility should be exercised when determining wages to be paid by the neighborhood fruit stand as opposed to Wal-Mart, but to decrease wage rates is to further make labor more of a commodity and less of an achievement.

Finally, for those service industry workers who cannot support a family on \$9.68 an hour while working for an international retailer, government must guarantee the right to organize without fear of retaliation. Only a union with collective strength can more effectively bargain for fairer wages and health insurance. But the ability to organize often relies on legislation and the will of the National Labor Relations Board, analogous state agencies and state and federal courts to enforce the laws. But the reality of the political marketplace means that Labor has to continuously renew its muscle through a focus on both organizing and political action. Liberalism must be the philosophy of that action.

In a limited number of cases Sunstein is correct in his evaluation. However, as a general rule we believe otherwise. Depending upon either the specific industrial sector or a specific economic condition perhaps a hybrid is necessary. A living wage can be modified from being designed to benefit a family of four to benefiting a family of three if certain demographics were to apply to certain regions or group of employees. Even Ryan took certain special prerequisites into account before he believed an employer must pay a living wage. This is where liberalism's flexibility comes into play.

Ryan himself stated that "It is not contended here that this canon ought never to undergo modification or exception." This is almost as important a point as the canons themselves. These are guiding principles to be applied and themselves developed over time to meet the needs and circumstances of our time.

That said, we must talk and act in terms of our responsibilities and not only our rights as citizens. We must transcend economic class, race and gender by applying our diversity to making our nation greater as an indivisible whole. The goal of public assistance must now be recast as the means to help impoverished Americans become self-sufficient. We must never confuse charity with justice. Both are essential, but a state of permanent charity would never pass the test of the application of Ryan's canons. Governmental assistance should help lead to independence. Work is honor. Our goal must always be good jobs for our citizens.

FDR stated: "I don't think anybody can go on year after year, month after month accepting relief without affecting his character in some way unfavorably. It is probably

going to undermine the independence of hundreds of thousands of families... I look upon this as a great national disaster.”^{xliv}

Conclusion

The roots of the social justice principles of distributive justice reach back to Richard Hooker, Aquinas and then to Maimonides and finally to Aristotle, and more recently from John Locke to John Rawls. They have been obviously present in the policies and programs of Woodrow Wilson’s New Freedom doctrine, which called for society to focus its resources not upon the wealthy, but upon “the man on the make,” as well as in the New Deal.

It was the philosophical muscle behind child labor laws, minimum wage statutes, the Wagner Act of 1935 as well as FDR’s Executive Order that established the National Labor Relations Board. Even today, it still serves as the moral basis for paying each and every worker a dignified wage, such as via the proposed Employee Free Choice Act, which would automatically recognize a bargaining unit if a majority of employees sign a card.

Wealth creation that leads to self-reliance is desirable. To that end, capitalism, practiced within the parameters of fairness, is an expression of liberal values. An individual’s pursuit of economic advantage is justified, provided that it is tempered by fairness and equity. Such behavior requires reason and cool calculation. That, in turn is designed to encourage cooperation among different ethnicities and religious beliefs. It is a far better alternative than civil strife based upon heated emotions and unchecked prejudices.

The ongoing omission of economic justice from the public discourse facilitates the looting of the economy by corporate buccaneers. For example, business indicators for much of 2005, if left incompletely translated, paint a misleading picture of an all inclusive booming economy. That is the direct result of the disproportionate emphasis placed upon large corporate profits and the lack of focus on wages.

Corporate earnings, *per se* are not a reliable indication of overall economic well-being. They alone do not account for how equitably profits are being translated into workers’ wages and purchasing power. Indeed, individual standards of living can decrease even as corporate profits increase. If a given business directs a disproportionate percentage of profit to upper management salaries and bonuses or dividend payments to investors while neglecting the employees who helped make it happen, then poverty can thrive in the midst of wealth.

Likewise official statistics about “job creation” tell an incomplete story. The overall standard of living will still decrease if an increasing amount of new jobs pay a decreasing amount of wages and benefits. “Nearly half of workers displaced between 2001 and 2003,” Gene Sperling observed, “who found new full-time work by February 2004 agreed to take lower pay, according to the Department of Labor’s Displaced Worker

Survey.”^{xiv} Distributive Justice considerations would present a clearer, more accurate economic picture.

Today’s conservative-designed economy, based in considerable part on dismantling large parts of the New Deal, fails the test of Distributive Justice because much is given to the wealth few, of whom little is asked.

Thus we return to our original question. What should be the premise of modern liberal economics? The answer is as short and simple as its implications are large and complex:

A sense of individual security that arises from opportunity and self-sufficiency, strengthened and ensured by justice and contribution.

This is the social justice vision of Monsignor John A. Ryan, the economist who called for a living wage and leading a reasonable life. It is a vision where creativity and productivity are rewarded and where the contributions of all who produce a given product are fairly measured toward that given reward. This is the guiding principle of a healthy vibrant American liberalism. It is a foundation to build a new economic security where individual self-development and the just accumulation of wealth are duly honored.

Clearly Distributive Justice is based upon sound ethical principles. By framing our arguments in this way are acknowledging the influence of faith but unlike the Religious Right, we do not seek to impose subjective creeds on anyone. This powerful and compassionate philosophy is designed to preserve the institutions of common good while soundly refuting the apostles of inflated self-interest of both Catholic neoconservatism and the evangelical protestant-led Religious Right. Once again, liberalism is the proven means to the resurrection of the human spirit.

Our liberalism draws on the moral strength and direction of the great religious traditions and is animated by what Martin Luther King Jr. in his letter from the Birmingham Jail termed the “fierce urgency of now.” But many of our fellow liberals seem to be disconnected from our heritage. Unaware of our common history and how and why the New Deal came to be, based directly and profoundly, if imperfectly on principles of Distributive Justice and attendant commutative principles (the reciprocal relationship between benefits received and exchanged contribution), they flounder unnecessarily in the political arena. We have nothing to fear from reconnecting with our own history and its profound moral principles. When we do we will be better able to make a powerful case to our fellow Americans that economic liberalism is a natural complement and ultimately a bulwark of our rights and freedoms, (rather than one that erodes them as the neocons and theocons would have everyone believe). Our liberalism is based on a profound moral vision, and rooted in the best of the Protestant and Catholic traditions that have stood the test of time as moral philosophies underpinning economics that works.

Thanks to Frederick Clarkson for editorial contributions.

Endnotes

ⁱ Krugman, Paul, "Losing Our Country," *New York Times*, June 10, 2005, Page A 21 Link: <http://select.nytimes.com/search/restricted/article?res=F20D16F73B5C0C738DDDAF0894DD404482>

ⁱⁱ *New York Times* op-ed columnist Paul Krugman observed, "Working families have seen little if any progress over the past 30 years. Adjusted for inflation, the income of the median family doubled between 1947 and 1973. But it rose only 22 percent from 1973 to 2003, and much of that gain was the result of wives' entering the paid labor force or working longer hours, not rising wages." He further noted that, "But the wealthy have done very well indeed. Since 1973 the average income of the top 1 percent of Americans has doubled, and the income of the top 0.1 percent has tripled." See, "Losing Our Country," June 10, 2005, Page A 21 Link: HYPERLINK "<http://select.nytimes.com/search/restricted/article?res=F20D16F73B5C0C738DDDAF0894DD404482>" <http://select.nytimes.com/search/restricted/article?res=F20D16F73B5C0C738DDDAF0894DD404482>. For an independent verification of much of Krugman's claim, see the U.S. Census Bureau's calculations for 1967 through 2001. Link: HYPERLINK "<http://www.census.gov/hhes/income/histinc/ineqtoc.html>" \o "<http://www.census.gov/hhes/income/histinc/ineqtoc.html>" <http://www.census.gov/hhes/income/histinc/ineqtoc.html>. See also, Paul Krugman's December 5, 2005 *New York Times* column, "The Joyless Economy;" Link: <http://select.nytimes.com/2005/12/05/opinion/05krugman.html>

ⁱⁱⁱ History does indeed repeat itself. Consider this passage from page 66 of Arthur M. Schlesinger Jr.'s *Crisis of the Old Order 1919-1933* (Houghton, Mifflin, Hartcourt, New York, 1957), an historical account of the United States from the end of World War One to FDR's first inauguration:

By the rules of orthodox economics, the reduction in production costs should have brought about either a reduction in prices or a rise in wages, or both. But the rigidities in the economy, in part the result of the process of concentration, seemed to have anaesthetized the market. The price system, so exquisitely sensitive in classical theory, was turning out to be sluggish in practice.

Denied outlet in lower prices because of accumulating rigidities, the gains of technological efficiency were equally denied outlet in higher wages or in higher farm prices because of the bargaining feebleness of the of the labor movement and of the farm bloc. As a result, the businessmen themselves in the form of profits captured these gains increasingly. Through the decade, profits rose over 80 per cent as a whole, or twice as much as productivity; the profits of financial institutions rose a fantastic 150 per cent.

Astonishingly, Schlesinger – for the most part – could have been writing about worker productivity-to-wage growth ratios for the last thirty years instead of the 1920s.

^{iv} Kenneth R. Himes, Lisa Sowle Cahill, Charles E. Curran, Christine Firer Hinze, David Hollenbach, Thomas A. Shannon, *Modern Catholic Social Teaching: Commentaries and Interpretations*; Georgetown University Press, 2005, "Commentary on Quadregismo Anno," page 157.

^v "Is the Game About to Stop?," *The American Prospect*, March 24, 2008.

^{vi} Ibid.

^{vii} See for example, Andrew Weaver, "Neocon Catholics Target Mainline Protestants," *Media Transparency*, August 11, 2006. <http://www.mediatransparency.org/storyprinterfriendly.php?storyID=142>

^{viii} See Frank L. Coccozzelli, "How Roman Catholic Neocons Peddle Natural Law into Debates about Life and Death," *The Public Eye*, Summer 2008.

^{ix} While Novak briefly touches upon Hayek in *The Spirit of Democratic Capitalism*, he leans heavily upon the Austrian-born economist in other works. For example, at pages 15-16, of his 1990 tome *Towards a Theology of the Corporation*, in footnote 22 he cites Hayek's 1954 work, *Capitalism and the Historians*, specifically when claims "Given the anticapitalist bias of the Roman Catholic Church, of major American and Protestant theologians of the century, and of the Pronouncements of Protestant churches, church leaders are susceptible to systematic misconceptions about the nature of democratic capitalism." In *The Catholic Ethic and the Spirit of Capitalism*, ironically at pages 64-67 in the chapter entitled "Social Justice Redefined: Pius XI." Novak, while seemingly criticizing Hayek's criticism of the concept of social justice is clearly echoing him. He does by declaring that social justice is often improperly thought of as a being guided by the state. Instead, Novak attempts to redefine it as a matter of personal virtual, hence the role of religious faith in making citizens virtuous.

There are two immediate problems with Novak's assertion. First and foremost, he fails to explain away Leo's demand in *Rerum Novarum* that change be brought about by state legislation. Secondly, Hayek who was an agnostic is cited several times over by Novak for his personal ethics. It appears lost on Novak the theorem that fact flies in the face of his supposition that only a society that follows orthodox religion can produce virtuous citizens.

^x Sibley, Angus, "Hayek, Novak & the Limits of Laissez Faire", *Commonwealth*; posted April 25, 2008; Link: http://www.commonwealmagazine.org/article.php3?id_article=2205

^{xi} "The Liberal Game Made Obvious." *The National Review Online*, September 30, 2003; Link: <http://www.nationalreview.com/novak/novak200309300823.asp>

^{xii} Ryan, John A., *Distributive Justice*, Macmillan, New York, Toronto 1916, page 304

^{xiii} Bork, Robert H., *Slouching Toward Gomorrah: Modern Liberalism and American Decline*; ReganBooks, New York 1997 at page 67

^{xiv} Berle Jr., Adolf A. and Means, Gardiner C.; *The Modern Corporation & Private Property* 1932, 1967; Fifth printing (2003) Transaction Publishers, New Brunswick, New Jersey, page 4.

^{xv} Ibid, page 304.

^{xvi} "The History of W.R. Grace & Co.", *SeattlePI* Thursday, November 18, 1999

^{xvii} Schneider, Andrew, "W.R. Grace to Pay Record Superfund Fine"; *SeattlePI* March 12, 2008.

^{xviii} Schneider, Andrew, "W.R. Grace to Pay Record Superfund Fine"; *SeattlePI* March 12, 2008.

^{xix} Susan Hansen, "Our Lady of Discord", *New York Times*, July 30, 2006. Link: HYPERLINK "http://select.nytimes.com/search/restricted/article?res=F30916F6395B0C738FDDAE0894DE404482" <http://select.nytimes.com/search/restricted/article?res=F30916F6395B0C738FDDAE0894DE404482>

^{xx} Novak, Michael. *Theology of the Corporation*, page 4, AEI Press, 1990.

^{xxi} Interview with George Weigel, "Faith Essential Ingredient of Democratic Capitalism" *Reason & Liberty*, March and April 1996, Volume 6, Number 2.

^{xxii} *Frontline*, "The Wall Street Fix."

^{xxiii} Link: <http://www.investopedia.com/terms/d/derivative.asp>

^{xxiv} "Derivatives the new 'ticking bomb' Buffett and Gross warn: \$516 trillion bubble is a disaster waiting to happen" Link: <http://www.marketwatch.com/news/story/derivatives-new-ticking-time-bomb/story.aspx?guid=%7BB9E54A5D-4796-4D0D-AC9E-D9124B59D436%7D>

^{xxv} Ibid.

^{xxvi} For example, American Communists have consistently misread the anger of American minorities, workers as and farmers as the desire to replace the capitalist system with a Soviet-style Marxist model. Instead, the vast majority of such agitated Americans are more truly seeking a fair opportunity to achieve at least a modest form of wealth within a system of capitalism where the liberty interests of the community are more equitably balanced against the liberty interests of economically powerful individuals. Again, as Arthur M. Schlesinger, Jr. noted at page 460 in *Crisis of the Old Order 1919-1933* (Ibid) of the mood of farmers in 1932 Iowa:

"The rumblings reached Washington. Ed O'Neal told Congress that unless something were done there would be a revolution in the countryside in twelve months. "Gentlemen of the Committee," John A. Simpson of the Farmer's Union said before the Senate Agricultural Committee, "the biggest and finest crop of little revolutions I ever saw is ripe all over this country right now." And in New York, Mother Bloor, the veteran communist agitator, back from the Middle West, said with professional admiration, "I never saw anything like the militancy of those farmers."

But it was not Bolshevism that was moving the men of the middle border. They were rather defending rights of property, especially the right of men to keep the homes they

have carved out of the prairie by years of labor and self denial – a right to be affirmed, by force if necessary, against all the banks and insurance companies in the world. Theirs, as they saw it, was the way not of revolution but of patriotism. The foreclosure riots at Primghar, Iowa thus came to an end when a deputy sheriff sank to his knees before a crowd of angry farmers and obediently kissed the American flag.

^{xxvii} Beckley, Harlan, *Passion for Justice: Retrieving the Legacies of Walter Rauschenbusch, John A. Ryan, and Reinhold Niebuhr*, Westminster John Knox Press, 1992 page 277, citing Niebuhr's, *Why the Christian Church Isn't Pacifist*, page 150-153

^{xxviii} Locke, John, *Two Treatises of Government*, Volume 5, Essay II, V, 30, page 117

^{xxix} Holmes, *Passions and Constraint*, page 247

^{xxx} *For Richer*, October 20, 2002, *Sunday New York Times Magazine*.

^{xxxi} Sunstein, Cass, R. *The Second Bill of Rights: Franklin Delano Roosevelt's Unfinished Revolution and Why We Need It More Than Ever*, Basic Books, New York 2004, page 199.

^{xxxii} Berle, Adolf, A., *Christianity and the Social Rage*, McBride, Nast & Company, New York 1914, page 69.

^{xxxiii} *Ibid.*, page 73.

^{xxxiv} *See-Steefy*, Loren, *Pay Scale for CEOs Unjustified*, Houston Chronicle April 23, 2005

^{xxxv} Greenhouse, Steven, *How Costco Became the Anti-Wal-Mart*, New York Times Sunday Magazine, July 17, 2005.

^{xxxvi} *Ibid.*

^{xxxvii} *Ibid.* Ryan, John A., *Distributive Justice: The Right and Wrong of Our Present Distribution of Wealth*, McMillan & Company, New York 1916, page 243

^{xxxviii} *Ibid.*, page 244-245

^{xxxix} *Ibid.* page 244-245

^{xl} *Ibid.* page 246

^{xli} *Ibid.* page 247

^{xlii} *Ibid.*, page 250

^{xliii} *Ibid.*, pages 252-253

^{xliv} *Citing, The Achievements of American Liberalism: The New Deal And Its Legacies*, edited by William H. Chafe, chapter one, page 5, Alan Brinkley, "The New Deal Experiments," in turn citing, Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 267; Samuel I. Rosenman, ed., *Public Papers of Franklin D. Roosevelt*, 13 vols. (New York; Random House, 1938), 3:420

Robert F. Kennedy shared this view. As former RFK speechwriter Jeff Greenfield noted in a Fall 2008 remembrance on the CBS Evening News, "He was a Democrat who hated welfare, not just for the anger it stirred among taxpayers, but mostly because of what it did to the poor." Greenfield further noted that RFK declared of recipients, "They might have wanted fathers and they might have wanted husbands. We have given them instead checks and a dole."

^{xlv} *See-Gene Sperling*, "The Early Warning Economy," *Washington Monthly*, December 2005. Sperling also noted, "A recent study by Princeton professor Henry Farber found that as a group, these workers faced a 17 percent decline in wages due to displacement, more than double the 7.8 percent decline similar workers experienced between 1997 and 1999. Perhaps even more troubling, as family finances have become more volatile, the median decline in income for families that do fall has increased from about 25 percent in the 1970s to more than 40 percent today, according to research by Yale professor Jacob Hacker and Nigar Nargis of the University of Dhaka." Page 11, Link: <http://www.washingtonmonthly.com/features/2005/0512.sperling.html>