

# Work as Key to the Social Question

The Great Social and Economic Transformations and the Subjective Dimension of Work



## The Priority of Labor Over Capital: Some Needed Extensions

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Pope John Paul II has two quite different ways of analyzing the difference between capital and labor. The first, which he introduces through a retrospective view of history, describes “capital” as “the small but highly influential group of entrepreneurs, owners or holders of the means of production.” Here, “capital” means the capitalists. The other term, “labor,” is “the broad multitude of people who lacked these means and who shared in the process of production solely by their labor.” [LE 11] In this first description of the difference between capital and labor, it is quite clear that they both represent groups of persons.

The second -- the encyclical's more frequently employed distinction between capital and labor -- describes capital as “not only the natural resources placed at man's disposal, but also the whole collection of means by which man appropriates natural resources and transforms them in accordance with his needs.” [LE 12] Here “capital” is not the capitalists but is the machines and natural resources that the capitalists own and use in production. In this second rendition of difference between capital and labor, capital is “only a mere instrument,” and it is in this context that the pope asserts the “priority” of labor over capital. [LE 12]

Having two conflicting definitions of “capital” causes a serious problem in interpreting this principle of the priority of labor over capital. John Paul does not directly relate the earlier distinction -- between those who own capital and those who expend their labor -- to this issue of priority. This has led to a wide divergence in the interpretation of the pope's work by scholars left and right. For example, Gregory Baum explains that “the economic system proposed by *Laborem exercens* is a form of socialism.” [Baum, p.80-81] This Baum founds on his interpretation of the priority of capital over labor: “Justice means that capital is made to serve labor.” It includes “the right of the people who do the work to participate in decisions regarding production, distribution and the use of capital.” [Baum, p.

30] Others farther to the right, however, interpret the document differently. As Robert A. Destro sees it, employees' stock ownership and company or union pension funds which own lots of corporate stock already represent the way in which capital serves labor in the United States. In addition, he argues that in case of small business, "the physical, emotion, and professional proximity of the 'capitalist' to the persons who are 'the workforce' virtually obliterate the distinction between them." Far from Baum's conception of worker participation in management, Destro interprets John Paul to be endorsing "a vision of the common good of the enterprise, as defined by the management or ownership and agreed to by those who participate in it." [Destro, pp. 172-173].

On the one hand, the pope is openly critical of the existing economic system, even if in general terms. As he puts it, "there is something wrong with the organization of work and employment, precisely at the most critical and socially most important points." [LE 18] Here he refers to the existence of unemployment, underemployment, and hunger. He objects to allowing "the criterion of maximum profit" to be the chief guide for any economic system's decision concerning whether to expand or contract employment. [LE 17] "Respect for the objective rights of the worker...must constitute the adequate and fundamental criterion for shaping the whole economy." [LE 17]

The fundamental connection that John Paul makes between his analysis of capital as the instruments of production and capital's rightful subordination to labor is based most fundamentally on the church's view of property, which itself is rooted in the doctrine of creation.

Even in the Hebrew Scriptures, ownership was always a limited claim, because Yahweh was Lord of all creation and the only true owner. The standard insight of the early church remains at the core of John Paul II's view: God has given the world to all of humanity so that the needs of everyone can be met. As Ambrose of Milan put it, private property "is not according to nature, for nature has brought forth all things for all in common. Thus God created everything in such a way that all things be possessed in common." [Ambrose of Milan, 128 *PL* 16: 61-62] Humans are free to create systems of property ownership in order to more efficiently organize interactions between people, but it would be a moral evil if any system of property ownership were to contravene the fundamental intention of God that all peoples' needs be met through access to the goods of the earth. Thus the traditional patristic formulation was that if I have more than I need and you have less than you need, I have an obligation to share with you from that surplus, even if I have rightful ownership under human law.

Thomas Aquinas continued this tradition and, incorporating an Aristotelian approach in addition, distinguished between, on the one hand, procuring and dispensing material goods and, on the other hand, using them. [ST, II-II, Q.66, a.2] Thomas argued that procuring and dispensing can, and with considerable wisdom typically ought to be, done by the individual. Use, however, should be common. It is this formulation of "common use" that John Paul II heavily relies on. As he puts it, "the right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone." [LE 14] Elsewhere he says that the principle of common use of goods can be "put in another and still simpler

way: The right to life and subsistence.” [LE 18] In a similar vein, John Paul frequently speaks of “a social mortgage” on all property. [SRA 42]

Clearly, the way that John Paul intends to relate his two different definitions of capital and labor is through the doctrine of property. In both definitions, labor represents the work of ordinary employees throughout the economy. But the relationship of “capital” as a physical instrument to “capital” as the group of persons who own those instruments is based in the character of ownership, which is rooted in the right of all humans to “life and subsistence.” John Paul insists that the requirements of the market must not contradict the right of everyone to have work. [Academy, 3, p.43]

This intellectual move certainly sharpens the focus, but it still leaves many questions unanswered. And the primary evidence of its ambiguity is represented by the conflicting interpretations of John Paul’s encyclical on human work. At the same time, our purpose here is not to focus on of the ambiguity in John Paul’s encyclical. Rather, the purpose of this presentation is to outline areas for development of the very helpful work contained in this encyclical tradition.

The first area where work needs to be done concerns a theme that has been central to the moral defense of capitalism for the past 400 years but which is almost completely overlooked in the Pope’s encyclical writings on the economy: self interest. It is, of course, understandable why Christians have a hard time participating in the moral rehabilitation of the notion of self-interest in the modern world. It was Jesus, after all, who said that greater love than this no one has than to lay down one’s life for a friend. Christian spirituality has focused heavily on the importance of self-denial and humility and even today, of course, no one can deny that many inhumane actions can be traced to self-interest.

Nonetheless, at least since the writings of Bernard Mandeville in the early 16<sup>th</sup> century, the consequentialist argument has been made that self-interest often conduces to the common good. In its more naïve form, the assertion is sometimes made that self-interest always so conduces. But a more careful reading of the more careful authors arguing for self-interest uncovers the argument that under proper conditions, self-interested actions of individuals can lead to a general benefit for most, if not all, others. Given constraints of time, I will not go into detail demonstrating this widely known claim. The point here, however, is that it is surprising that for all the importance of the moral claims in favor of self-interest on the part of those who defend capitalism, Pope John Paul II does not address these in his encyclical writings.

At the same time, it is clear that contemporary Christian anthropology has recognized this important modern insight into an appropriate level of self-interest that was often absent from the great spiritual treatises on humility and self-denial in the past. Here too, I will not go into detail on the rehabilitation of an appropriate self-interest within Christian anthropology. We might simply note one change in the life of nearly all religious congregations over the past century or so. Unlike the past, there are today very few religious superiors who will assign a career to a member of that religious order without inquiring carefully into not only that individual’s abilities but his or her interests as well. Turning to

the moral analysis of economic life, it is clear that the prosperity of the prosperous nations of the world is due, at least in large part, to the free interaction of a multitude of individuals employing their talents and seeking their goals in the market. We cannot say that self-interest is always a morally bad thing; nor can we say that it always conduces to the well being of others. One guesses that this very ambivalence is what has led the Holy Father to a stance of silence on the issue, but sorting through the meaning of the priority of labor over capital requires that such an inquiry be undertaken.

Put more concretely, the question becomes whether the owners of capital are ever morally justified in acting in their own interests when that will cause direct harm to laborers. John Paul has said that the underlying purpose of capital – in the sense of the material instruments of production – is a service to labor. At times in his writing, John Paul seems to indicate that any layoff of workers based on an interest in increasing profit would be morally unjustifiable. [Newfoundland, 3, p. 229] Still, almost everyone beyond the most severe critics of capitalism recognizes that an essential part of economic dynamism is the shrinking of industries tied to older technologies as new technologies come on line. The defenders of capitalism, of course, argue that the prosperity which workers today enjoy would not have been possible had there earlier been a rule that firms could not shut down plants or lay off workers when “market conditions” called for it.

What is involved, of course, is a prudential judgment about the extent of harm caused to workers when owners of capital act in their self-interest. This then requires a broader analysis than Pope John Paul II has yet provided. It requires a systemic analysis that includes several elements already present in John Paul’s work but not yet carefully applied to the relation of capital and labor.

### **The Moral Context of the Relation of Capital and Labor**

The thesis of this paper is that there should be no independent analysis of the relation of capital and labor that does not take into consideration the moral context of the economic situation. Putting that another way, differing contexts will require different responses if we are to achieve a just relationship between the owners of capital and laborers.

There are four separate dimensions to every context that need to be reckoned with. The first is what John Paul calls “the juridical framework” of any economic system. This would be the set of rules of the game enforced by governmental sanction. As we know, these rules vary significantly from nation to nation, and in many cases from region to region within a nation. The legal specification of a corporation and its rights and duties affects both the form of its governance and the negotiating power it has in relating to workers and their trade unions. Similarly the legal definition of the rights and responsibilities of trade unions varies dramatically from nation to nation, and can change over time in any one nation. For example, in the United States over the last two or three decades, the rules of the game have consistently changed to undermine the status of labor unions. The legally constructed power owners of capital and working people have in the negotiations between labor unions and

firms has a tremendous impact. More broadly, there are many laws and regulations in every nation that together define what can occur in markets. One cannot morally assess the relation of capital and labor without assessing the moral adequacy of these laws and regulations.

But these legal definitions represent only the first of four elements in the moral context of the relation of capital and labor. The second element concerns the extent of provision of essential goods and services, whether by government or the private sector. At times, some essential goods and services, such as health care, retirement benefits, and unemployment benefits, are directly negotiated between workers and management. Beyond these, however, every nation has a system of provision for those who are unable to provide basic necessities themselves. Although John Paul has been critical of excessive social provision by the state, he has also quite clearly argued that an essential function of the state is “to protect the poor from the arrogance of the power.” [Latvia, 5, p.257] This systemic provision is a critical backdrop to the negotiations between capitalists and labor and it represents the “back stop” or “safety net” for those workers and their families who may not find employment.

The Holy Father’s principle of the priority of labor over capital would seem to argue that in nations where both governmental and private provision for the needy are weak, there ought to be a corresponding strengthening of the hand of working people in negotiations with their employers. That is to say, the weaker are the provisions for the needs of the unemployed, the stronger ought to be the strength of the preferential priority given to labor in negotiations with the owners of capital.

The third element in the moral context of the relation of labor and capital is the level of every day morality in the workplace. In every nation and culture, the law can only legislate a minimum level of morality. Everyone from left to right politically understands that personal moral convictions are essential to the economic realm. Individuals, whether they are factory workers or upper level managers, recognize the advantage and moral richness provided when co-workers and others regularly tell the truth, respond to request for help, offer unsolicited assistance, and exhibit a host of other behaviors that make the workplace a more humane place.

Here again, the standards of morality vary from nation to nation and from firm to firm. Many large corporations spend sizeable resources trying to cultivate a “corporate culture” that will breed a more cooperative work environment. Here, too, wide panoply of Christian virtues is immediately relevant to the relation of labor and capital. Different cultural traditions about such things as corruption, the extent of hierarchy in economic organizations, the degree of antagonism between labor and management, and a number of other issues importantly influence the moral character of the relation of labor and management. As John Paul has put it, business leaders should be open to the demands of the common good [Durango, 7, p.20] To the extent that moral virtues characterize that relationship, as with “good” employers and public-spirited labor unions, less of the relation between labor and the owners of capital has to be mediated through the legal definitions of the rights and duties of the two parties. In every case, John Paul understands moral integrity

as a requisite condition for the health of society. [Lima, 4, p. 36] John Paul has been quite clear that business leaders have the responsibility “to permeate the realities of labor and economic life with the Gospel ideal as proposed by the total teachings of the church.” [Lima, 8, p.37] Thus, the Pope calls for “making room for the Democratic participation of those who are still on the fringes of society and strengthening the role of intermediate bodies.” [Bolivia, 8, p. 29]

The fourth element in the moral context of the relation of capital and labor is civil society, that panoply of voluntary groups in society, larger than the family but smaller than the national state. The existence of civil society depends to some extent on the legal structure of the nation, but it seems more fundamentally oriented by the nation’s cultural traditions. Some nations, such as the United States, have long been characterized by a myriad of such organizations, whether related to education or commerce or recreation or public service or scholarly research. In a society with a vibrant civil society, working people have numerous avenues for pursuing a just relation with the owners of capital. As John Paul has put it, “society can not be conceived as a shapeless mass which ends up being absorbed by the state, but must be recognized a complex organism. [Latvia, 4, p. 257] Thus, civil society is “realized in various intermediary groups beginning with the family and including economic, social, political, and cultural groups which stem from human nature itself and have their own autonomy, always with a view to the common good.” [CA, 13]

## **The Importance of Context**

Once we recognize that the principle of the priority of labor over capital can only be applied in the midst of a particular moral context of the market in a specific nation, it becomes clear that concrete proposals deduced from the principle of the priority of labor over capital should be dependent upon an analysis of that context. It is unfortunate that this complicates the analysis. However, it does not help if we present a simplistic approach to complicated matters. Let us consider three examples.

### **1. Plant closings**

There is probably no other time when workers feel more helpless in the face of the power of the owners of capital than when a firm decides to close a plant and move its operations to another part of the nation or the world. The day after the plant finally closes, there stands empty a factory, filled with machines that had just previously been producing goods and providing jobs. John Paul’s principle of the priority of labor over capital asks whether those capital goods, now standing idle, are fulfilling their God-given function, namely to serve human work. As John Paul has put it, ownership justifies itself morally in the creation of employment. [LE 14, CA 43]

At the same time, however, the firm may well have been under immense market pressures to produce these goods at lower prices than were possible with the combination of capital goods and labor present at the plant. John Paul has on occasion criticized plant

closings but he has also expressed appreciation for the broader market system in which at any one time there are some industries contracting while others expand.

Both labor and the owners of capital tend to oversimplify the situation. Labor representatives in the developed world who criticize plant closings often fail to acknowledge that the investment of resources and the creation of jobs in the developing world is an essential part of any attempt to address the international inequities today. For their part, the owners of capital often overlook the degree of responsibility that they have for working people and too often attempt to close a plant in the least costly way rather than in the morally most responsible manner.

While there will be wide spread divergences of opinion on how to balance the interests involved, it seems clear that John Paul's principle of the priority of capital over labor would call on a context-dependent analysis not simply of the laws affecting firms but of the other elements in the moral context of these markets as well. Thus, if the support systems for the unemployed that are provided by the government tend to be weak, than the restrictions placed on corporations when they close a plant ought to be stronger. Similarly, if a nation has a tradition of corporations voluntarily offering severance pay and retraining resources for terminated employees, there would be less need for national legislation requiring such actions. In any case, as John Paul II sees it, the first priority of any societal organization through government is full employment. [Buenos Aires, 4, p.797]

## **2. Labor Unions and the law**

Earlier Catholic social teaching, at least from Leo XIII through Pious XI, proposed "corporatism" as a solution to the conflict between labor and owners of capital. Under this proposal, every industry would have an organization in which owners, managers, and workers would gather regularly to work out their problems. There are examples of this sort of cooperative activity, even in the United States [O'Boyle]. Still, one must say in general that the corporatist's solution has been largely bypassed by the forces of history. That is, labor and the owners of capital negotiate with one another in the marketplace through labor contracts, under the rules established by the national government.

This juridical framework is an essential element in any interpretation of the priority of labor over capital. The very definition of a labor union as an organization – along with its rights and responsibilities – is dependent upon the legal formulation that the national government provides. History shows, of course, that those with political power, often those with the most economic power, have regularly attempted to prevent the formation of labor unions at their origin and then to weaken their power after they are legalized. The principle of the priority of labor over capital clearly applies not only in the moral decision implicit in that negotiation between labor and management but also in the halls of the parliament where limits are defined for the influence of labor unions. Labor unions must not be selfish [Guayana 6, p. 586: LE 20], but workers do enjoy inviolable human rights and should legally have the right to strike when conditions warrant it. [LE 20: Bolivia, 8, p.29] John Paul's own notion of the government as "indirect employer," directs that the legal framework should leave neither labor nor management with an excessive amount of power.

[CA 15] Here too, the interplay of the relative power of labor and the owners of capital in both economic and political spheres must be analyzed in the light of the other elements of the national moral context for markets

### **3. Corporations and the Law**

Although it is far less noticed, the legal institution of the corporation is equally as important as the legal institution of the labor union. The definition of limited liability corporations varies, of course, from nation to nation and that definition is a key part of the moral context within which the priority of labor over capital must be worked out. The granting of limited liability and legal personhood to economic organizations that we call corporations has undoubtedly had a positive impact on the economic growth of the world. At the same time, however, the very definition of and responsibilities born by the board of directors of any corporation should, according to John Paul, fall under the principle of the priority of labor over capital.

The conference of Latin American Bishops in its statement in Medellin, like other bishops around the world, have reminded us that the corporation is a social organization that includes far more than simply those who own it. John Paul himself has argued that a business ought not be considered simply a society of capital goods but rather a society of persons. [CA 35, 43] Thus, the very definition of a corporation ought to include those other parties or “stake holders,” as they have come to be called. I will leave it to my European colleagues to analyze the overall effect of the policy of co-determination, the requirement that larger corporations include a sizeable proportion of labor worker representatives on their boards of directors. In the United States, where the Catholic doctrine of property is almost completely foreign to public consciousness, such talk hardly ever enters public dialogue. John Paul’s principle of the priority of labor over capital founded as it is in the doctrine of property and beyond that in the doctrine of creation, would require a rethinking of the legal definitions of corporations along with their rights and responsibilities.

### **Summary**

Pope John Paul II has proposed a helpful, if ambiguous principle in his statement of the priority of labor over capital. He quite helpfully founds this principle on the doctrine of property ownership, and thus implicitly links his two separate definitions of capital: either as the machines and resources used in production or as the owners of those material things. He argues that owners of capital must respect the priority of labor over those instruments which they own. As we have seen, one of the great difficulties of applying this principle is that it is often done without reference to the moral context within which economic actors operate. This moral context, it is argued here, includes the legal definition of markets, the provision of essential goods and services in the nation, the level of morality of individuals and groups, and civil society. No economic system can be judged to be just – or unjust – by looking only at economic actions or even the legal definition of markets in themselves. This broader

context must be taken into consideration.

The principle of priority of labor over capital, therefore, must be applied concretely in each nation with a careful eye to the moral context of markets.. While this complicates conversations about the meaning of that principle, it can in the end strengthen its impact.

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