

THE ROLE OF CATHOLIC SOCIAL THEORY IN ECONOMIC POLICY

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# THE ROLE OF CATHOLIC SOCIAL THEORY IN ECONOMIC POLICY

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## ABSTRACT

This dissertation examines Catholic Social Theory (CST) in the context of its relationship to and impact on economic policy. CST emerged formally in the latter part of the nineteenth century in response to social changes and movements that were dividing the world, particularly in Western Europe and the United States. These movements included the emergence of both capitalism and socialism.

To address the conflict that inevitably developed in this changing world, economic policies were instituted. These policies were intended, at least the argument goes to serve the common good and were based on theoretical concepts and perceptions. One question, from the perspective of CST is: are the policies in agreement with CST? The purpose of this study is to establish what relationship there is, if any, between selected U.S. economic policies and CST. Perhaps nowhere can this question be more fully addressed than in an examination of two important economic policy movements of the last century, New Deal economic policies and recent health care reform proposals in the U.S.

Thus, this dissertation will examine the relationship between CST and these two areas of socio-economic policy. In particular, this dissertation examines the question: are the economic policies in question consistent with CST? If so, in what ways do they agree? If not, in what ways do they differ? The answers to these questions have importance not only

from an economic theory and policy perspective, but from a social and religious perspective as well. There are nearly 70 million Catholics in the United States and approximately 1 billion worldwide. Thus, whether or not public policy is in agreement with CST is of consequence to a significantly large community of people.

## APPROVAL PAGE

The faculty listed below, appointed by the Dean of the College of Arts and Sciences have examined a dissertation title “The Role of Catholic Social Theory in Economic Policy,” presented by Jeremy J. O’Connor, candidate for Doctor of Philosophy degree, and certify that in their opinion it is worthy of acceptance.

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## CHAPTER 1

### PROBLEM STATEMENT AND METHOD

The purpose of this study is to examine specific economic policies, i.e. selected New Deal policies and health care reform, in order to establish whether or not they are consistent with CST. In the process of this examination, the standard approach to economic theory and policy (defined below) is used for comparative purposes with CST.

As one can imagine, the development of policy is as complex and varied as the differing theoretical perspectives one can take when rendering an opinion on the direction of policy. The Catholic Church seeks to provide guidance to individuals and society in a world of conflict. This is reflected in the body of work known as CST. At the same time, standard economic theory also provides theoretical guidance on how to achieve socio-economic order. However, the path to harmony is very different in CST than it is in standard economic theory. Since the theoretical path one chooses has an influence over the decisions one makes regarding economic policy, the policy itself is affected by the theory one uses.

One way to describe standard economic theory is as a consensus social theory. That is, standard economic theory seeks to provide a consensus understanding and explanation of the capitalist system. One way to describe consensus social theory is to discuss the opposite perspective, social conflict theory. Social conflict theory is based primarily in Marxian theory, which argues that individuals and groups of individuals fall into essentially two different social classes, those who own property and capital and those who do not. Those who own property use their power to exploit the lower classes. This is clearly a social relationship wrought with conflict between the upper class and the lower class.

Consensus social theory, i.e., standard economic theory, is concerned with removing this conflict and explicitly or implicitly assembling an argument that justifies and maintains the prevailing capitalist order. Through its models and theories, standard economic theory demonstrates that the capitalist social order is harmonious and in the best interest of society as a whole. The major tenets of standard economic theory, i.e., individual self-interest, private property rights, unlimited accumulation and social stratification, are derived from several schools of thought including classical liberal social and political philosophy, the positivist philosophy of social science, neoclassical economics, functionalist sociology and pluralist political science. As mentioned, the theory that develops out of this can be described as representing the conventional wisdom that dominates a large part of the global socio-economic and political structure.

CST is different from standard economic theory. Theologians, such as St. Thomas Aquinas, began directly addressing social issues from a Catholic perspective at a time when patriarchal societies and monarchies ruled large parts of the world. It was not until the industrial revolution, the expansion of capitalism and the development of socialism that the Catholic Church once again began to address socio-economic issues and their ramifications.

The reasons for the 500 year hiatus between Aquinas's work and CST of the late nineteenth century are largely the result of the economic, social and technological structures that existed during this period of time. As argued by Rosser Melton, the feudal world formed the basis of social, economic and religious thought of the canonists. The canonists included authors of early Roman Catholic theology including St. Augustine and St. Thomas Aquinas, whose ideas developed Greek philosophers, including Aristotle (Melton, 1940). In canonists thought during this period, the status of individuals defined social, economic and religious relationships. Thus,

the top ranking lord of the manor ruled by divine right over their subjects and this relationship defined social and economic interaction.

The canonists' conception of the just price and the theory of value supported the feudal structure. As usury had been condemned by Christ, the just price must be determined without the exploitation of any individual. Therefore, the just price in canonists teaching came to represent a formula of equal value for equal value as determined by labor. As a result, no participant in the exchange can gain from the exchange. As argued by Melton:

This process of justification was managed by identifying the “one true value” of an object with the just price. No independent identification of the “value of objects was ever attempted. “Values” and “prices” were no doubt interchangeable terms for the canonists—for the very good reason that they were the same thing (Melton, 1940, p. 103).

When no one can gain or lose from trade, trade does not advantage any one individual over another. However, with the vast growth of commercial life during the nineteenth century, economic and social relationships began to change more rapidly than in the previous 500 years. As argued by Melton, prior to this industrial expansion, standards of consumption were relatively well defined and practiced among the various social groups. However, with expanded productivity and,

the increasing flexibility of the theory of just price and the softening of the canons of cost...the old ideas no longer were sufficient to enable comprehension of what should be and should not be consumed by specific groups (Melton, 1940, p. 111, 112).

As a result, the tightly woven fabric of just price and value began to fray. The economic world had changed and was changing quickly. However, the social structure had not adapted and neither had the canonist theory.

The economic and social changes stemming from the industrial revolution were the impetus for the development of CST during the nineteenth and twentieth centuries. No longer was the equal value for equal value explanation of just price sufficient to explain the vast discrepancies in wealth between the owners of the means of production and the workers. The developments in CST, which are addressed by Melton, are vast and address issues from just price and canons of cost to the subsistence wage and the charging of interest. For the 500 years between Aquinas and Leo XIII, Aquinas's theory was sufficient, or at least was considered as much. However, Aquinas's doctrine alone was not sufficient to address the technological, productive, consumptive and social changes that took place during the nineteenth and twentieth centuries. As a result, CST experienced a period of new development that sought to address the issues of the time.

Breaking away from the traditional practice of remaining isolated from the people, Pope Pius XI's reign from 1846-1878 led the way to bringing the Papacy closer to people. His audiences with individual Catholics, coupled with his informal interactions and chats with the people led to Catholics experiencing a more personal devotion to the Pope. This proved to be a valuable step as the Church and its people were moving out of the "medieval state of siege" and were beginning to grapple with the problems of the twentieth century (Bokenkotter, 1977, p. 320). The latter part of the twentieth century witnessed a movement towards more self-awareness and active involvement by the people in political and social decision making that had not been experienced during the rule of monarchists. This was marked with the loss of the Papal

States in 1871, which changed the Papacy from a political head of state to serving as an advocate for the people. In addition, the extensive mechanization of production and concentration of wealth that began in Great Britain quickly spread throughout Western Europe and the U.S. This came with a revolution in modes of travel and communication, which further fed the industrial process. As a result of expansive industrialization and the necessity of individuals to be more politically informed and involved, a more direct line of communication between the Vatican and the people was necessary for the Church to share its message with the people.

Pope Pius IX's deliberate efforts to reach the people came with his condemnation of liberal teachings and practices, i.e. "freedom of the press, democratic constitutions, separation of Church and state, civil liberties, including freedom of religion and trade unions" (Bokenkotter, 1977, p. 333). Pope Pius IX's opposition to liberalism, coupled with his retreat from politics as a result of the loss of the Papal States, was such that it prevented him from more fully leveraging the advantages of mass communication in order to advocate for the people. It was Pope Pius IX's successor, Pope Leo XIII, who made distinctions between the teachings of liberalism that were not consistent with the teachings of the Catholic Church and the practices of liberalism that enabled the Church to more effectively communicate with and advocate for the people.

The *Rerum Novarum* is the "Magna Carta of Social Catholicism" both because of its ability to reach the people and because of its direct handling of the problems of modern society that had come to the forefront during the industrial revolution (Bokenkotter, 1977, p. 333). These problems included industrialization, fair wages, poverty, workers rights, capitalist ideology, socialist ideology, and numerous other social questions. The *Rerum Novarum* not only formulated theoretical and practical proposals to these problems, but it encouraged Catholics to

become actively involved in development of social justice and reform of the social order. The elements of CST discussed in the *Rerum Novarum* are the basis for CST as it is written today.

While the teachings of the Catholic Church are not accepted by all, it is a religion of significance. An examination of the relationship between CST and economic policy is important as it will show if economic policy is in accord with the teachings of the Catholic Church, which is the religion for approximately one-sixth of the world's population.

Chapter two of this dissertation presents a summary of the literature used to analyze the relationship between CST and economic policy. Following the literature survey, chapter three provides an analysis of the relationship between CST and New Deal Policy. Additional analysis of the relationship between CST and economic policy is provided in chapter four in which the relationship between CST and health care reform is examined. Chapter five presents the conclusions drawn from the analysis of the relationship between CST and economic policy.

## CHAPTER 2

### SURVEY OF THE LITERATURE

#### **Introduction**

In this chapter four strands of literature that bear on the relationship of CST and economic policy are surveyed. These are found in both primary and secondary works in standard economic theory, CST, as well as literature that examine the relationship between CST and economic policy. The works have been divided into four major categories, CST, Standard Economic Theory, CST vs. Standard Economic Theory, and finally, CST and Economic Policy. What follows is a synopsis of the primary literature utilized in this dissertation.

#### **The Literature of Catholic Social Theory: A Survey**

St. Thomas Aquinas is credited with providing some of the earliest writings in CST. The most famous of Aquinas's work, the *Summa Theologica*, written from 1225 to 1274, serves as a compilation of the main theological teachings of the time. It summarizes the reasons for almost all points of Christian theology in the West, which, before the Protestant Reformation, existed solely in the Roman Catholic Church. The *Summa's* topics follow a cycle: the existence of God, God's creation, Man, Man's purpose, Christ, the Sacraments, and back to God. It is famous for its five arguments for the existence of God, the *Quinque viae*. This work is referenced often and serves as a basis for CST.

Pope Leo XIII observed the social conflict associated with the industrial revolution and was not indifferent to the issues at a hand. As a result, a series of encyclicals were published starting in the late part of the nineteenth century that sought to provide guidance to both

capitalists and workers in the midst of economic change. These encyclicals address a wide range of issues relevant to the industrial revolution, “rigid” capitalism and socialism (Pope John Paul II, 1981, Sec. 14). These encyclicals also serve as the basis for CST, which became more fully developed during the twentieth century.

The Catholic Church’s first official statement on the social effects of the industrial revolution was presented in Pope Leo XIII’s 1891, *Rerum Novarum*. This encyclical explains the Catholic Church's response to the social instability and labor conflict that arose in the wake of industrialization, which led to the rise of socialism. Pope Leo XIII restated the Church's long-standing teaching regarding the crucial importance of private property rights, but recognized that the self-regulation of market forces must be tempered by moral considerations. The encyclical discusses the relationships and mutual duties among labor, the government and its citizens. Of primary concern was the need for addressing:

the misery and wretchedness pressing so unjustly on the majority of the working class (Leo XIII, 1891).

The *Rerum Novarum* supports the rights of labor to form unions, but at the same time it rejects communism and capitalism. Yet, the *Rerum Novarum* also supports private property, which is a fundamental institution of capitalism. The *Rerum Novarum* was included in this study because the issues addressed in the encyclical, i.e., social instability and worker rights, are critically important to an analysis of the role of CST in economic policy. In addition, the *Rerum Novarum* serves as a basis for subsequent encyclicals addressing social issues and theory from a Catholic perspective.

Pope Pius XI’s 1931, *Quadragesimo Anno*, unlike the *Rerum Novarum*, which addressed the condition of workers, addresses more directly the ethical implications of the social and



economic order. The encyclical discusses the dangers associated with both capitalism and communism. The problems associated with industrialization, evident in the 1930s, were affecting not only factory workers, but society as a whole.

Free competition, kept within definite and due limits, and still more economic dictatorship, must be effectively brought under public authority in these matters which pertain to the latter's function. The public institutions themselves, of peoples, moreover, ought to make all human society conform to the needs of the common good; that is, to the norm of social justice (Pius XI, 1931, Sec. 110).

While it is argued that private property is essential to development and freedom, Pius argues that the possession of private property must serve the common good to be moral. Therefore, the government has the obligation to expropriate and distribute private property. This position is important in analyzing the role of CST in economic policy and is the reason that the *Quadragesimo Anno* has been included in this dissertation.

Pope John XXIII's *Pacem in Terris* (1963) is divided into four sections. The first section discusses the relationship between individuals and society as a whole, including the issues of human rights and moral duties. The second section addresses the relationship between man and state, speaking directly to the collective authority of the state.

Human society can be neither well-ordered nor prosperous without the presence of those who, invested with legal authority, preserve its institutions and do all that is necessary to sponsor actively the interests of all its members (Pope John XXIII, 1963, Sec. 46).

The third section establishes the need for equality between nations and the need for the state to be subject to rights and duties that the individual must abide by. The final section

presents the need for better relations between nations. The encyclical ends with the urging of Catholics to assist non-Christians and non-Catholics in political and social aspects. The *Pacem in Terris* has been included in this dissertation because of Pope John XXIII's discussion on moral duty and the relationship between individuals and society as a whole. A discussion of the CST perspective on moral duty and the relationship between individuals and society as a whole is important to the analysis of the role of CST in economic policy.

The *Mater et Magistra*, published by Pope John XXIII in 1961, also deals with the relationship between man and state. As Pope John XXIII states,

It should be stated at the outset that in the economic order first place must be given to the personal initiative of private citizens working either as individuals or in association with each other in various ways for the furtherance of common interests. But—for reasons explained by Our predecessors—the civil power must also have a hand in the economy. It has to promote production in a way best calculated to achieve social progress and the well-being of all citizens (Pope John XXIII, 1961, Sec. 51-52).

However, the *Mater et Magistra* deals in a more depth way with the power of science and technology and its ability to not only raise the standard of living, but its ability to challenge the freedom of individuals. Pope John XXIII further treatment of the relationship between man and the state as well as his discussion on the role and impact of science and technology are crucial to analyzing the role of CST in economic policy. This is because economic policy, as demonstrated in forthcoming discussions on the New Deal and health care reform, are affected by technology directly and inevitably deal with the relationship between man and the state.

The *Laborem Exercens*, completed by Pope John Paul II in 1981 is a continuation of the larger body of CST. In this encyclical, Pope John Paul II discusses man's dignity in work, structuring it into four points: The subordination of work to man; the primacy of the worker over the whole of instruments; the rights of individuals as the determining factor of socio-economic, technological and productive process, which must be recognized; and finally, elements that can help everyone identify with Christ through their work. The theme of the encyclical is set with the opening statement,

THROUGH WORK man must earn his daily bread and contribute to the continual advance of science and technology and, above all, to elevating unceasingly the cultural and moral level of the society within which he lives in community with those who belong to the same family (Pope John Paul II, 1981, Opening Blessing).

The encyclical is then divided into four chapters: "Work and Man," "Conflict Between Labor and Capital in the Present Phase of History," "Rights of Workers," and "Elements for a Spirituality of Work." The *Laborem Exercens* has been included in and is important to this dissertation because deals directly with the CST perspective on work and the worker. More specifically, it discusses the importance of work to the worker, worker rights, and how one is to relate their work to their spiritual existence. This understanding of the CST perspective of work is critical to analyzing the relationship between CST and economic policy.

The *Caritas in Veritate* published by Pope Benedict XVI in 2009 addresses the major social issues of today's world. The first part of the encyclical discusses the contributions of Popes Paul VI and John Paul II to Catholic social teaching. More specifically, the *Caritas in Veritate* begins with a discussion of Pope's Paul VI's and Paul II's rejection of simplistic

conservative-liberal categories and their use of natural moral law. The second part outlines the moral principles necessary to address current social issues, including the abuse of human dignity and life, poverty, war, peace, terrorism, environmental issues, and globalization. Pope Benedict summarizes his message with,

Since love of God leads to participation in the justice and generosity of God toward others, the practice of Christianity lead naturally to solidarity with one's fellow citizens and indeed with the whole of the human family...It leads to a determination to serve the common good and to take responsibility for the weaker members of society, and it curbs the desire to amass wealth for oneself alone. Our society needs to rise above the allure for material goods and to focus instead upon values that truly promote the good of the human person (Pope Benedict XVI, 2009).

The statements made by Pope Benedict XVI illustrate the importance in CST of the serving the common good rather than individual self interest. Pope Benedict also points out that society must put aside the emphasis on material wealth and focus attention on promoting the well being of people. More specifically, similarly to Pope Leo XIII, Pope Benedict XVI questions relying on the "commercial logic" of the economic system to reach a socially optimal outcome. Questioning the "commercial logic" of the economic system supports the idea that CST does not support a laissez-fair approach to economic policy.

## Standard Economic Theory

The industrial expansion that took place in Western Europe and the United States during the nineteenth and twentieth centuries was accompanied by significant social change. These social changes manifested themselves notably in the strife felt by workers resulting from the change from a rural, feudal society to one of ever increasing urban industrialization. The harsh working conditions and growing disparity between social classes eventually spurred social movements and protests. The issues that propagated these movements were clearly economic in nature and include not only vast differences in wealth, but low wages, poor working conditions and high food prices, among others. In the years leading up to the industrial revolution and the years following, significant works that serve as the foundation for standard economic theory were published. Many of these works were developed to provide a theoretical justification for the laissez-faire approach to economic policy.

For instance, Locke's and Hume's writing on property, interest, trade, and the accumulation of wealth, notably in Locke's *Two Treatise on Government* (1690), are critical to standard economic theory and were precursors to Adam Smith's *Wealth of Nations* (1776) from which the concept of the invisible hand of the market developed. Standard economic theory was further developed in the nineteenth century writings of Malthus including, *Inquiry into the Nature and Progress of Rent* (1815), and Ricardo's *On the Principles of Political Economy and Taxation* (1821). The development of standard economic theory continued into modern analysis including Cournot and the Historical School, Jevons and Menger and the Marginal Revolution, the Walrasian auctioneer, Pareto optimality, and Marshall's *Principles of Economics* (1890). While not an exhaustive list of the primary works in standard economic theory, these works are

significant to the foundation of standard economic theory and are important to the theoretical justification of laissez-faire approach to economic policy.

More specifically, the dismantling of the feudal society and the establishment of an economic order enabling capitalists to accumulate material wealth required a theoretical justification. This justification serves as a basis for the standard economic theory that largely guides the conventional wisdom and economic policy of today. For example, John Locke's *Two Treatises of Government* provides a theoretical justification that still resonates in mainstream economics textbooks. The *First Treatise* is essentially an argument against the feudal order. The *Second Treatise* outlines a theory of a civil society. It begins with a depiction of the state of nature in which individuals are under no obligation to obey one another but who are each themselves the judge of what the law of nature requires. The work covers conquest, slavery, property, representative government, and the right of revolution. Locke argues that all men are created equal in the state of nature by God. He then goes on to give a hypothetical explanation of the rise of property and civilization all the while arguing that the only legitimate governments are those that have the consent of the people.

As much land as a man tills, plants, improves, cultivates, and can use the product of, so much is his property... therefore he can not appropriate, he can not inclose, without the consent of all his fellow commoners, all mankind (Locke, 1689, Sec. 32).

Rousseau's, *The Social Contract*, discusses the development of society and the simultaneous development of laws necessary to maintain the division of labor and private property. By joining together in a social contract, a civil and free society can be formed.

The Sovereign, having no force other than the legislative power, acts only by means of the laws; and the laws being solely the authentic acts of the general will, the Sovereign cannot act save when the people is assembled (Rousseau, 1762, Bk. 3 Ch. 12).

In other words, by submitting to the authority of society's general will, the individual is protected against the will of other individuals. Individuals are therefore only required to follow the very laws which they themselves authored as a collective.

Much of standard economic theory stands in support of the capitalist system. However, there is disagreement within standard economic theory regarding the social implications of capitalist ideology. Adam Smith's work is no exception. For example, *The Theory of Moral Sentiments* goes well beyond capitalism and addresses Smith's overall ethical, philosophical, psychological and methodological approaches. *The Wealth of Nations*, however, discusses economics at the beginning of the industrial revolution. More specifically, it addresses capitalism pointing out not only the benefits of the self-regulating market economy as more productive and beneficial to society as a whole, but it also identifies many problems and contradictions that come with the capitalist system.

The mainstream view is that Smith is an advocate of capitalism. However, whether or not Smith's view is truly pro-capitalism depends, in part, on how one reads him. As described by Heilbroner, Smith's was a "baggy" system, in which while good emerges as the byproduct of selfishness,

And yet, for all its eighteenth-century flavor, its belief in rationality, natural law, and the mechanized chain of human action and reaction, the world of Adam Smith is not without its warmer values. Do not forget the great intended beneficiary of

the system is the consumer—not the producer. For the first time in the philosophy of everyday life, consumer is the king (Heilbroner, 1953, pp. 71-72).

Thus, while it is true that Smith makes arguments that would put him into a standard economic theory position. However, he also makes arguments that would take him out of the standard economic theory position. His work is important to this dissertation because it shows that there is conflict regarding capitalist ideology even within mainstream economic theory.

One of the most famous illustrations of the benefits of the capitalist market made by Smith is in his discussion of the division of labor in a pin factory. What Smith argues is that one person making pins alone could hardly make one pin in a day and certainly not twenty had they not been educated in that line of business. However, through the division of labor and the associated increase in efficiency,

Ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day (Smith, 1776, Bk. I Ch. 1 Paragraph 3).

Smith further notes that the increase in commercial and manufacturing activity contributes to the improvement and development of nations in the three following ways. First, the advancement of markets for the products of a country contributes to the advancement of the nation. Second, the wealth gained by the people is used in purchasing land for sale, which would otherwise go uncultivated. Third, the development of manufacturing and trade ushered in an orderly government, which provides security and liberty to everyone of the nation (Smith, 1776).

However, further examination into Smith's work can lead one to the conclusion that while he makes arguments in favor of capitalism, he also makes many arguments that point out what he sees as the inevitable problems that develop in the capitalist order. As evident in *The*



*Theory of Moral Sentiments* and *The Wealth of Nations*, Smith is wrestling with problems he notices with the capitalist system.

Power and riches appear to be, what they are, enormous and operose machines contrived to produce a few trifling conveniences (Smith, 1759, Part IV Sec. I Paragraph 8).

In addition, power and riches, leave [their processor] always as much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death (Smith, 1759, Part IV Sec. I Paragraph 8).

This statement indicates that early on in his general examination of economics that Smith sees problems, conflict and ill effects stemming from capitalism. While these statements represent more of a general criticism of capitalism, more specific statements and points are made in Smith's closer examination of the capitalist system in *The Wealth of Nations*.

Though conflicted as Smith was in his view of "capitalism", his contributions to explaining the benefits of the capitalist system still serve as a foundation of standard economic theory. One must note that economics was not alone in its endeavor to provide a theoretical justification for the prevailing capitalist order. Mainstream social science as a whole also sought to provide a theoretical justification for capitalist ideology. A scientific approach to the study of societies and economics was believed to strengthen the legitimacy of the discipline as a whole and pull it out of a metaphysical state of pure theory. This movement towards establishing scientifically grounded theories and disciplines is a reflection of the larger social movement away from religion and to a more secular approach as a guidepost for explaining the world.

## **Catholic Social Theory vs. Standard Economic Theory**

The relationship between CST and standard economic theory is multifaceted and while the relationship shows many similarities, it also shows differences that are equally fundamental and significant. It would be untrue to say that CST is simply another variation of standard economic theory. However, it is also untrue to say that CST entirely rejects all of the theoretical foundations of standard economic theory or that CST argues against capitalism in its entirety. The same can be said of the relationship between CST and socialism. While CST does clearly reject a purely socialist society, there are critical elements of CST that share commonalities with socialism. This complicated and conflicted relationship among capitalism, socialism and CST is evident throughout the literature that examines the relationship among CST, standard economic theory and socialism.

Dissertations recently completed by Douglas Meador and David Harris make a significant contribution to this project from the perspective of providing a basis of CST in contrast to standard economic theory. Harris's work *Adam Smith, Karl Marx, Thorstein Veblen, Peter Kropotkin, and Catholic Social Teaching on Work, Wages and the Role of Technology* examines CST's perspective on work, wages and technology. As a basis of comparison, the neoclassical treatment of work, wages and technology is also examined. With the analysis of these competing schools of thought, Harris examines how other economic theorists, i.e., Adam Smith, Karl Marx, Thorstein Veblen and Peter Kropotkin view these issues. This dissertation is important to this project as it contributes to the theoretical understanding of issues key to examining the role CST plays in policy formation.

Along similar lines, Meador's dissertation, *Examining The Economic Foundations of Catholic Social Thought*, refutes the argument made by standard economic theorists that CST is

not a substantial or valid construct through which one can examine economic issues. To make the argument, Meador begins by explaining how CST and standard economic theory both view natural law differently and that as a result of this different view, standard economic theory and CST take entirely different theoretical paths. With this foundation, Meador is able to discuss how CST and standard economic theory differ in how they view the economic environment. Meador deals with the issues of free choice and rationality and their affect on social consequences in the context of CST and standard economic theory. Similarly to Harris, Meador discusses wages from a CST and standard economic theory perspective. Meador's dissertation is important to this project as it also examines issues critical to the foundation of CST, i.e. natural law, free choice, rationality and their role in the expected social consequences.

Since CST is the framework used to examine policy issues here, an in-depth understanding of CST is essential. Both Meador's and Harris's dissertations make significant contributions to this understanding.

Unlike standard economic theory which holds the position that self-interested individual action leads to optimal social outcomes, CST recognizes that the social outcome resulting from such behavior is not necessarily optimal or positive. This suboptimal outcome is evident in the inequality and often harsh conditions under which the disadvantaged in the capitalist system work and live.

The papal encyclicals analyzed by Meador recognize and are critical of the often callous treatment of workers by their employers. The official phrase, "inhumanitati dominorum", shows that CST clearly recognizes that workers are treated inhumanely and that this can happen because the master has a position of dominance over the worker (Meador, 2007, p. 122). What this amounts to is that the worker and their work are synonymous and interchangeable with

machines in their contribution to the capitalist production process. This conception of work and the worker is significant as it is the basis on which the standard economic theory's ideas on wages are built.

As argued by Meador, in order to fully understand the differences between how CST and standard economic theory view wages, one must first understand the differences between how CST and standard economic theory view work. Unlike standard economic theory, which views work and therefore the worker as one component part in the production process, CST views work and therefore the worker as the central cause of production.

In CST, work is not simply an activity one engages in to earn a wage equal to monetary value of the additional output added by the worker. Work is a means by which one can use their talents and gifts in creative ways not simply to maintain one's very existence, but to reach a higher level of fulfillment. Work can therefore be viewed as fulfilling both the utilitarian requirements of life and as a divine act in which one creates and contributes to the common good.

As Meador presented in his discussion of wages and work, Harris's dissertation also addresses standard economic theory's approach to work. There are many similarities between what Meador and Harris present regarding the standard economic theory perspective of work. These similarities are evident in that both researchers point out that in standard economic theory, the worker is a part of the production process rather than being the subject of the production process.

Harris, like Meador, shows how CST's view of work is different from standard economic theory. Similarly to Meador, Harris notes that in CST,

Work is more than a means to an end (Harris, 2008, p. 42).

Work, in CST, is done to provide more than just income. Rather, work contributes to the dignity and fulfillment of the individual worker and the right to work is a necessity for all. Thus, in comparison to the standard economic theory approach to work, CST reverses the means and the ends. Rather than productivity being the primary subject, it is the worker that is primary subject of work.

As a person, man is therefore the subject of work. As a person he works, he performs various actions belonging to the work process; independently of their objective content, these actions must all serve to realize his humanity, to fulfill the calling to be a person is his by reason of his very humanity (Pope John Paul II, 1981, cited in Harris, 2008, p. 44).

Thus, work serves the well being of the individual and the community as whole not only by providing for the physical needs of the individual and society, but by contributing to the intellectual growth of the individual and society as a whole. Again, relating to the CST concept that work is intended to serve the common good.

With the requirement to serve the common good and contributing to the intellectual growth of the individual, it is not work alone, but it is the type of work done by the individual that is important from a CST perspective. Though not discussed by Harris or Meador, this is unique in comparison to standard economic theory which makes no distinction between, for example, the teacher engaged in daily tangible work and the money lender who collects interest, but is not engaged in any other aspect of the business. Veblen deals extensively with this topic in his 1919, *The Vested Interests and the Common Man*. Part of what Veblen does in this work, notably in Chapter 3, *Free Income*, is draw the distinction between income that is earned through the operation and management of “tangible assets” and the income that is derived through the

manipulation of “intangible assets” (Veblen, 1919, p. 67). With tangible assets essentially representing the actual physical property, plant and equipment engaged in the production of goods and services, it is not difficult for one to see that work associated with this type of production can serve the common good. Not to mention that this type of work requires mental and physical exertion, thereby, contributing the intellectual and physical development of the worker.

However, with the advent of *haute finance*, especially corporate finance, Veblen notes that there has been a “blurring” of the distinction between intangible and tangible assets, with intangible assets representing capitalized value that is unaccounted for in any physical sense, i.e., “good-will” (Veblen, 1919, pp. 67, 71). It is from this good-will that the owners of the capital are able to earn additional income without being engaged in any work that contributes to well being of the community as a whole. It is a game of salesmanship and “corporation finance” in which stock prices and perceived future returns of the company are manipulated and traded among those whose ownership enables them to do so (Veblen, 1919, p. 65). In fact, Veblen argues that the activities of high finance can ultimately result in a net loss to the community as a whole. This net loss is evident in the profit earned through high finance being used for the purposes of conspicuous consumption.

further pursuit of the same profitable line of traffic, -- all this, it is believed, does not in any degree benefit the rest of the community (Veblen, 1919, p.77).

The distinction between the types of work being performed to earn income is important from a CST Perspective. What one can conclude from this is that the manipulation of intangible assets and the activities of high finance do not fall in line with the CST conception of work that

contributes to the growth of the individual or work that serves the best interest of society as a whole.

### **Catholic Social Theory and Economic Policy**

The theoretical relationship between standard economic theory and CST is a well researched area. One area, however, that has not been researched as extensively is the relationship between CST and contemporary economic policy. The relationship between CST and economic policy is historically grounded in the relationship between CST and the economic policies of the New Deal. However, CST's position on the current health care debate in the United States is one area that has not yet been seriously explored. This dissertation seeks to demonstrate CST's relevance in contemporary economic policy by analyzing the relationship between CST and health care reform in the United States.

The tie between CST and economic policy issues is as complicated as the policies themselves. This complication is perhaps most evident in an examination of policies associated with the New Deal instituted during the administration of Franklin D. Roosevelt. David Woolner's work, *FDR, the Vatican, and the Roman Catholic Church in America, 1933 – 1945*, is a collection of scholarly essays examining the relationship between Franklin D. Roosevelt, the Vatican, and the Roman Catholic Church in America. In the midst of the Great Depression and with an impending war, Catholics faced a weighty conflict between political allegiance and their religious beliefs. In the midst of this conflict, many Catholics chose to elect FDR, who was a Protestant. This book addresses politics, religion, economics and war leading to an analysis of the multiplicity of Catholic responses to the New Deal.

Continuing the investigation into the tie between CST and economic policy as evidenced in the New Deal policy initiatives, *The Defining Moment: FDR's Hundred Days and the Triumph of Hope* by Jonathan Alter, focuses on the programs of economic relief, recovery and reform instituted during the first one-hundred days of his presidency. Along with this, details into Roosevelt's life leading up to his presidency are presented. This includes information on the interactions between Roosevelt and Al Smith, a Catholic who served as governor of New York and was Roosevelt's adversary in the presidential election. This relationship, while one that was certainly tumultuous at times, inevitably affected Roosevelt and the decisions he made both during and following his campaign for presidency.

A more general explanation of New Deal policy utilized in this dissertation is given by Eric Rauchway in his work, *The Great Depression and The New Deal: A Very Short Introduction*. In this work, Rauchway provides detailed descriptions of the policies instituted in The New Deal and how these policies developed. Detail on the policies associated with the New Deal provides the information necessary to identify where the possible links are between CST and New Deal policy.

The question of health care reform gained momentum in the United States in 2009 as reflected the *Affordable Health care for America Act* and the *Patient Protection and Affordable Care Act*. While the Affordable Health Care for America Act was ultimately not enacted, the final reform bill, *The Health Care and Education Reconciliation Act of 2010*, that was signed into law by President Barack Obama on March 30, 2010, was based on the *Patient Protection and Affordable Care Act* that was signed into law seven days earlier on March 23, 2010. The *Health Care and Education Reconciliation Act* served two purposes. One purpose was to overhaul the student loan system in the U.S. The second purpose was to amend the *Patient*



*Protection and Affordable Care Act.* While the *Patient Protection and Affordable Care Act* remained largely in-tact after the passage of the *Health Care and Education Reconciliation Act*, the amendments include, increasing tax credits to buy insurance, slightly lowers penalties for not buying insurance, 100 percent reimbursement for doctors who treat Medicare patients, higher subsidies for low income families, and further government assistance in providing Medicare services.

In order to examine health care reform more thoroughly, both the Affordable Health Care for America Act and the Patient Protection and Affordable Care Acts as proposed to congress are examined directly for this dissertation. The results of this examination will then be reconciled with CST in order to establish in what ways the bills converge towards and in what ways the bills diverge from CST.

The above mentioned works are included in this dissertation to deal directly with the New Deal and health care policy initiatives. However, CST and its relationship with economic policy are often discussed more broadly as evidenced in Craig Prentiss's, *Debating God's Economy: Social Justice in America on the Eve of Vatican II*. This book seeks to explain what God says about the "correct" social teaching of the Catholic Church in light of the development of both "socialist" and "capitalist" ideology.

The Roman Catholic ideology was not distinctive for its rejection of both socialism and laissez-fair economics, because many if not most in the Western world refused to identify themselves wholeheartedly with either system and positioned themselves somewhere "in between." Its distinction, instead, lay in its taxonomy of the social order that placed the authority of the Church, through the teachings of the papacy, in the seat of primacy. Within the natural-law

framework of this taxonomy, true social justice on a global or national scale could never be achieved as long as the Church's authority to interpret nature, define social roles, and mediate the grace of God were rejected (Prentiss, 2008, pp. 238-239).

The debate between Pre and Post-Vatican II Catholics, including archbishops, theologians, Catholic union workers and laborers has continued for more than four decades. Prentiss's work presents a history of American Catholic economic debates preceding Vatican II. The debates centered largely on the theoretical and moral merits of capitalism, Marxism, socialism; labor unions, class consciousness, and economic power.

Along similar lines as Prentiss's work and also supporting this dissertation is *Catholic Social Justice: Theological and Practical Explorations* by Philomena Cullen. This book brings together notable academics and practitioners involved in the area of social justice in order to explore the issues facing the Catholic Church relative to its role in today's society. More specifically, the relationship between theology, social justice and social spirituality is explored from a CST perspective.

## **Summary**

This dissertation brings together the elements of economic theory and policy necessary to establish the role of CST in economic policy. To achieve this, an explanation of CST is presented. Part of this explanation includes a comparison and contrast between CST and standard economic theory. The relationship between CST and standard economic theory is a topic that has been well addressed in previous dissertations. However, there are several additional points not addressed in previous works that this dissertation brings to light regarding

the relationship between CST and standard economic theory. From this foundation of CST, an analysis of the relationship between CST and New Deal policy is presented. An examination of this relationship is not an entirely new body of work. However, the elements of CST identified for analysis in this dissertation contributes to analysis of the relationship between CST and the New Deal. Perhaps the most significant and certainly the most time relevant contribution this dissertation makes is an analysis of the role CST has in the recent health care reform movement in the U.S. As previously stated, there are nearly 70 million Catholics in the United States alone. Thus, whether or not CST is in agreement with recent health care policy movements is of consequence to large portion of the U.S. population.

## CHAPTER 3

### CATHOLIC SOCIAL THEORY AND THE NEW DEAL

#### **Introduction**

In order to examine the relationship between CST and New Deal policy, we begin with a brief discussion of the historical context and the major policies associated with The New Deal. With unemployment over 25 percent, falling farm prices and ever increasing mortgage foreclosures, action needed to be taken to fight the grip the Great Depression had on the United States in 1932. Roosevelt's willingness to take swift action is evident in the following quote.

This country needs and, unless I mistake its temper, the country demands bold, persistent experimentation...It is common sense to take a method and try it: If it fails, admit it frankly and try another. But above all, try something (Franklin D. Roosevelt, cited in Alter, 2006, pp. 92-93).

The New Deal, as it was termed by Roosevelt, was a package of economic and social policy programs developed and implemented in the midst of the Great Depression. These programs were intended to help pull the United States out of the Great Depression by providing relief and employment to workers as well as reforming business and financial laws and practices.

When Franklin Delano Roosevelt took the oath of office as president for the first time on March 4, 1933, every moving part in the machinery of the American economy had evidently broken. Banks farms, factories, and trade had all failed (Rauchway, 2008, p. 56).

There are many other policies associated with the New Deal, including both banking and industrial reform programs. However, work relief and agricultural programs as well as the

Social Security Act have been selected for analysis due their long term impact and relevance. What follows is a description of the work relief programs, agricultural programs as well as the Social Security Act, implemented with the purpose of facilitating economic recovery from the Great Depression. These programs lend themselves well to an analysis of the role of CST in New Deal policy.

## **Overview of New Deal Policies**

### **Working Standards and Conditions Programs**

The Wagner Act, which passed Congress in July 1935, developed out of the National Labor Relations Board (NLRB), which required companies to bargain with worker elected union representatives. The board also put into law that a union would have the power to represent a whole shop when a majority of the workers at a shop voted for unionization. To quote Senator Robert Wagner,

The National Labor Relations Board is the only key to the problem of economic stability if we intend to rely upon democratic self-help by industry and labor instead of courting the pitfalls of an arbitrary or totalitarian state (Wager, cited in Rauchway, 2008, p. 95).

With conservatives moving against government interference and liberals moving toward government action, the Wagner Act can be seen as an attempt to work towards a more equitable distribution of wealth without totalitarian state control. In a similar way to the NLRB, the Wagner act acted as a counterweight to the unbalanced power corporations and business management had over workers, their wages, benefits and working conditions.

The inequality of bargaining power between employees who do not possess full freedom of association...and employers who are organized in the corporate or other forms of ownership association...tends to aggravate recurring business depressions by depressing wage rates and reducing the purchasing power of wage earners...It is hereby declared to the policy of the United States to...eliminate these obstructions...by encouraging the practice and procedure of collective bargaining (U.S. Congress, 1935, cited in Rauchway, 2008, p. 95).

The Wagner Act met its objective by increasing unionization among manufactures from less than one-tenth of the workforce in 1930 to more than one third by 1940. This legislation was intended not only to fight unemployment by giving workers the necessary legal authority to organize and act to protect their jobs, but the legislation also gave workers the ability to negotiate fair wage, benefits and improved working conditions that has previously been under the inequitable control of businesses and management. Along similar lines, the Fair Labor Standards Act of 1938 sought to improve working conditions by banning child labor and establishing a federal minimum wage. This legislation was passed during Roosevelt's administration after a long campaign strongly supported by labor unions and the National Consumer's League.

The National Industrial Recovery Act (NIRA) of 1933 had two primary sections. Title I focused on industrial recovery through the promotion of fair competition. Title II established and served as an outline for the Works Progress Administration (WPA). Essentially, Title I gave the President the authority to regulate industry with more closely managed industrial policy implemented through various boards charged with determining and implementing a basis for fair competition. Antitrust policies were temporarily lifted, permitting monopolies and cartels to continue in order to stimulate economic activity and recovery (Rauchway, 2008). Title I also

sought to protect workers interest by guaranteeing trade union rights and regulating working standards. In fact, Title I, section 7a states that,

employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid protection (U.S. Congress, cited in Rauchway, 2008, p. 83).

When examining this legislation, one can observe that there is a contradictory nature within the legislation itself. That is, the legislation seeks to protect large corporations by allowing for the continuation of monopolistic practices. At the same time, the legislation also seeks to protect the worker by enabling the worker to more easily unionize. One can argue that simultaneously facilitating both monopolistic and union activity could aggravate any conflict that exists between corporations and their employees. Thus, the legislation can be seen as contradictory in the action it takes.

As previously noted, Title II of the NIRA established the WPA, which provided grants and loans to states and other localities to help reduce unemployment. Under Title II, the use of eminent domain to seize land or materials to engage in public works was granted. The materials and land granted was used for the construction of public highways, roads, bridges, railroad crossing and other transportation projects.

## **Agricultural Programs**

In the same way the Works Progress Administration and other New Deal policies sought to provide employment and relief to workers, several New Deal policies were developed with the intention of supporting struggling farmers. The first major farm legislation associated with the New Deal was the Agricultural Adjustment Act (AAA) of 1933, which sought to resolve the, severe and increasing disparity between the prices of agriculture and other commodities, which disparity has largely destroyed the purchasing power of farmers (Roosevelt, cited in Rauchway, 2008, p. 77).

This plan provided the president with authoritative powers that were previously unheard of. In agriculture, this act gave the President the authority to reduce the number of acres of land in production by paying benefits for desirable harvests, and taxing the processors of crops. In addition, farmers were protected against antitrust legislation.

The AAA was instituted in the spring of 1933 and was essentially a production control policy designed to regulate prices in order to better support farmers. Under the act, farmers who had already planted their cotton crop, for example, were paid to plow up portions of it in exchange for a payment. The purpose of this was to prevent already low cotton prices from falling farther. Along the same lines, millions of pigs were slaughtered in order to protect the future prices of pork. An inevitable problem or question arises from this action. How does one reconcile the destruction of food and fiber during a time when more than one quarter of the working force was without employment and living with inadequate access of food and clothing? As one Missouri farmer claimed,

That we should have...idle and hungry and ill-clad millions on one hand, and so much food and wool and cotton upon the other that we don't know what to do



with it, this is an utterly idiotic situation, and one that makes a laughing stock of our genius as a people (Roosevelt, cited in Rauchway, 2008, p. 79).

While the problems associated with this agricultural legislation existed, the purpose of this legislation was not to resolve poverty and hunger, but to protect agricultural prices.

### **Social Security Act**

In an effort by the Roosevelt administration to provide individual American workers greater security and independence not only during temporary unemployment, but also retirement, disability or old age, the Committee on Economic Security (CES) was created. The task of this committee was to draft a plan for social insurance. An initial report of the CES called for providing financial security to all elderly Americans. This program was to be paid for, in part, out of the contributions made by the workers themselves. The rest was to be covered out of U.S. Treasury revenues. This initial plan was not what Roosevelt had in mind. What Roosevelt wanted was essentially a self-sustaining savings plan for each elderly American in which workers and employers would make deposits that would later be used to supply the retired worker with a steady stream of income.

The Social Security Act addressed, in part, an overriding social issue that faced the United States. That is, the United States had an expanding population of retired workers who were unable to support themselves financially. Part of this problem is clearly the result of a collapsed financial market and expanding unemployment. However, another element to this problem is that society had not yet adjusted to the expanded productive capacity and material wealth following the industrial revolution. Thus, there was a problem of distribution that manifested itself during the Great Depression. It is true that the material conditions in the United

States, as in many other industrialized nations in the nineteenth and eighteenth century, had grown significantly. However, distribution had not kept pace and there were many in need regardless of the fact that the aggregate wealth had increased. The Social Security Act addressed part of this problem by directly providing for retired workers in need of income.

Signed into law on August 14, 1935, the Social Security Act provided social insurance to not only the elderly, but others considered by the government to be in need and deserving.

Popularly known as an old age contributory social insurance program,

Since its inception, Social Security arguably has been the most popular government program ever adopted, and clearly it is the best and most efficient large-scale income maintenance program in the world...Because of Social Security, the elderly by-and-large have been lifted from poverty (Skidmore, 2004, p. 235).

The Act consisted of eleven titles, including: Title I-Grants to State for Old-age Assistance, Title II-Federal Old-age Benefits, Title III-Grants to States for Unemployment Compensation Administration, Title IV-Grants to States for Aid to Dependent Children, Title V-Grants to States for Maternal and Child Welfare, Title VI Public Health Work, Title VII-Social Security Board, Title VIII-Taxes with Respect to Employment, Title IX-Tax on Employers of Eight or More, Title X-Grants to States for Aid to the Blind, and Title XI-General Provisions.

As described in titles I, II, III, IV, and X of the Social Security Act, states were provided with grant money for the maintenance and the elderly, unemployed, dependent children, widows, and the blind. In addition to providing grants to financially support those in need, the Social Security Act, as discussed in Title VI, provided funds to states for the training and provision of adequate health care for those in need.

The Social Security Act was funded through payroll taxes controlled by the Federal Insurance Contributions Act (FICA). Titles VII, VIII, and IX discuss in detail the rates and rules associated with the collection of payroll taxes from individuals and companies for Social Security. Roosevelt's plan was steeped in gold standard ideology and was riddled with problems not the least of which being the heavy burden such a plan would place on workers with low incomes who would find it nearly impossible to save enough and still support themselves. All this not to mention that this approach, while argued to be fiscally sound, did not adequately address the retirement needs of workers who were irregularly employed or unpaid parents whose work involves the family, home and local community service. Segments of the American workforce ignored by this approach included farm workers, domestic servants and African Americans.

However, a program providing direct assistance to those who had already reached retirement age was implemented. For example, to support the elderly who were no longer working and therefore could not contribute, federal funds were matched with state funds in order to provide relief. Also included in this plan were the blind and needy dependent children, particularly those of widowed mothers. In fact, the proposed Social Security plan required providing a standard of "decency and health" to those who qualify (Rauchway, 2008, p.100).

The unemployment provisions of the Social Security plan were very similar to the other parts of the plan in that the federal portion of the unemployment insurance would come from payroll taxes and states would have the ability to determine the unemployment benefits. Once unemployment benefits rules were established by the states, employers could deduct what they paid the state government for the benefit from what they owed the federal government.

It can be argued that Social Security served as a basis for American welfare reform and expansion. However, when looking at Roosevelt's position on running a fiscally sound pay-in and take-out system, one can argue that the intention was not to provide welfare in the sense that one receives something for nothing. Rather, the intention was to provide income to those who work and those who were deemed deserving, but were unable to work. The Roosevelt administration was not oblivious to the reality that this self-sustaining contributory system would not last on its own. It was clear that the coverage provided by Social Security would need to be expanded to include those left out of the initial version of Social Security. Nonetheless, Roosevelt's keen interest in not providing an entirely government supported Social Security system is well represented in the following quote,

Not one nickel more...Not one solitary nickel. Once you get off the matching basis the sky's the limit, and before you know it, we'll be paying the whole bill (Roosevelt, cited in Rauchway, 2008, p.101).

Many of the benefits to Social Security are clear and require little abstract reasoning to see. For example, the benefits of providing income to a retired worker or a needy child hardly need to be explained. However, there are other benefits to Social Security that are more difficult to identify, but are nonetheless there. For instance, Social Security provides independence and additional power to workers. That is, since Social Security provides a guaranteed income to workers after retirement, workers can be seen as having future independence from their employers. This future independence contributes to the balancing of power between workers and employers throughout the United States. However, the Committee on Economic Security believed that to give employees independence from employers, the federal government needed a

national health insurance system. This particular point is important and is addressed in the analysis of CST and health care reform presented in the following chapter.

### **Summary**

The wide variety of economic programs implemented during the early part of Roosevelt's administration were all intended, primarily, to help pull the U.S. economy out of the greatest depression the U.S. had ever experienced. The implementation of such a broad spectrum of programs funded largely by the government is a departure from the conventional wisdom supported by standard economic theory that clings tightly to the idea that economy, even in the midst of a terrible depression, operates most efficiently and in society's best interest when left alone. This departure from the conventional wisdom of economic theory can be seen as a reflection of Roosevelt's willingness to undertake multiple projects that could work regardless of whether or not the ideas are popular.

The wisdom lies not in the perfection of any particular program, because none of the programs is perfect. Rather, the wisdom lies in the continual development of new programs that seek to address economic problems that had either not already been addressed or problems that develop as a result of the newly implemented programs. This is evident across many of the programs implemented as a part of the New Deal. For example, the Agricultural Adjustment Act sought to and was successful at preventing agricultural prices from falling in order to serve the interests of struggling farmers. As previously stated, the program provided incentives for farmers to reduce production in certain cases and in other cases destroy viable crops and livestock. One problem with this is that while there were crops and livestock essentially going to waste, there were countless individuals going hungry without the means to purchase or produce

their own food. Hence, while the Agricultural Adjustment Act helped farmers, it did nothing to help those living in poverty and may have made life more difficult. Keeping with the theme of developing multiple solutions to solve essentially the same problem, the TVA and REA directly sought to aid those living in poverty, particularly in the southern U.S. where poverty, hunger and lack of education was widespread.

The Tennessee Valley Authority, or TVA, grew out of the federal government's buildup during the first World War. It had constructed the Wilson Dam at Muscle Shoals, Alabama, on the Tennessee River to supply electricity for two plants that it had built to provide nitrates for explosives. After the war, efforts to sell the facilities to private companies found none interested in paying what they were worth – although Henry Ford briefly considered developing the area—and private power companies purchased the dam's electricity at give-away rates to re-sell at great profit.

FDR recognized that they were “valuable installations capable of producing electric power and fertilizer on a large scale” that were not being utilized. He saw no reason why they should not be, and every reason why they should. This illustrates the stark contrast between the practical Roosevelt and Hoover the ideologue. FDR journeyed along with Senator Norris and other dignitaries to inspect the installation. “As Roosevelt stood by the roaring spillways, almost within sight of farmhouses still lit with kerosene lamps, he avowed he would put power to work as a part of a program to develop the entire Tennessee Valley.” Later he spoke at the Alabama State Capital in Montgomery, and said that TVA should serve as an example to future generations. It would tie industry,

agriculture, and flood prevention into a “unified whole over a distance of a thousand miles so that we can afford better opportunities and better places for millions of yet unborn to live in the days to come.” Where FDR looked, he saw possibilities for government to provide a brighter future (Skidmore, 2004, pp. 233-234).

Regarding the REA,

The REA brought electricity to vast section of rural America that private power companies for economic reasons has refused to service (Skidmore, 2004, p. 234).

By building infrastructure in the form of dams, bridges, etc. and providing electricity, those living in the rural areas of the south would better be able to pull themselves out of poverty. This solution, however, did not work in all cases. To this end, another program that sought to directly address poverty was the RA, which assisted in the relocation of those living in rural areas where economic recovery was not a practical expectation.

The development of the AAA and RA is one example of how the New Deal programs individually did not address the Great Depression in its entirety. Rather, each of these programs made particular contributions and came with its own set of pitfalls. However, taken together the programs made great strides in addressing the mass unemployment and lack of economic growth experienced during the Great Depression. In this sense, the New Deal itself can be seen as taking a multiparadigmatic approach to solving the Great Depression. This is evident in that the New Deal instituted multiple programs that evolved and changed overtime to address the economic problems at hand.

The idea that New Deal policy was multiparadigmatic in its approach to the Great Depression is very relevant to the following discussion of the New Deal and CST. In fact, one

can argue that CST can be seen as multiparadigmatic in the same way that the New Deal can be seen as multiparidigmatic.

## **The New Deal and Catholic Social Theory**

### **Work**

As indicated in the following quote from Pope John Paul II, work in CST is more than a means to an end. It should contribute to the overall dignity of the person.

In these present reflections devoted to human work we have tried to emphasize everything that seemed essential to it, since it is through man's labor that not only "the fruits of our activity" but also "human dignity, brotherhood and freedom" must increase on earth (Pope John Paul II, 1981, Sec. 24).

Regardless of whether or not the Roosevelt administration intended to adopt a CST view of work, many of the New Deal programs instituted reflected the CST idea that the type of work being done is important as the work itself has an impact on the individual worker and society as a whole.

For example, the working standards and conditions programs associated with the New Deal furthers the CST view that work should be the subject of the worker rather than the worker being the subject of the work (Pope Leo XIII, 1891). This is particularly the case in the NIRA provisions that guarantee trade union rights, which improves the workers' ability to regulate their working conditions, benefits and wages. CST is a strong advocate of worker unions' ability to have a positive effect on the condition and dignity of the worker.



It is always to be hoped that, thanks to the work of their unions, workers will not only *have* more, but above all *be* more: in other words, that they will realize their humanity more fully in every respect (Pope John Paul II, 1981, Sec. 20).

Title II of the NIRA also supports the CST emphasis on the importance of work to the worker by providing an outline for the Public Works Administration (PWA), which provided employment to many of the unemployed during the Great Depression. Establishing jobs for the unemployed and supporting unions in order to improve the working conditions provides evidence that the New Deal is representative of policy that falls in line with CST.

In similar way, the Wagner Act is reflective of the CST view of work as it established laws requiring companies to negotiate with elected union officials. Thus, the Wagner Act, like the NIRA, sought to equalize, or at least improve, the balance of power between employers and the workers. CST advocates for such a balance of power,

The experience of history teaches that organizations of this type are an indispensable *element of social life*, especially in modern industrialized societies (Pope John Paul II, 1981, Sec. 20).

Unionization, however, is not the only issue addressed by New Deal working standards and conditions programs that is reflective of CST. The Fair Labor Standards Act is also in agreement with CST as it includes polices prohibiting child labor as well as establishing maximum working hours and minimum wages. Specifically regarding child labor, the Catholic Church says,

And, in regard to children, great care should be taken not to place them in workshops and factories until their bodies and minds are sufficiently developed. For, just as very rough weather destroys the buds of spring, so does too early an

experience of life's hard toil blight the young promise of a child's faculties, and render any true education impossible (Pope Leo XIII, 1891, Sec. 42).

What this demonstrates is the psychological and developmental impact that sub-standard working conditions have not only on children, but all workers. The development of New Deal programs that protect children and workers from such conditions is in consistent with CST's notion of work providing not only income, but dignity and fulfillment to the worker.

The problems associated with working conditions and labor practices did not exceed the unprecedented unemployment problem that emerged during the Great Depression. New Deal agricultural programs including the Rural Electrification Administration (REA) and the Tennessee Valley Authority (TVA) were all developed to help maintain and expand employment in the agricultural sector, particularly in the South. These two particular programs demonstrate CST ideals in that the programs target directly the poverty stricken areas of U. S. where economic development was deficient even prior to the emergence of the Great Depression. CST advocates a more equitable distribution of economic wealth throughout society, which would include more equitable economic development throughout the United States.

The disproportionate distribution of wealth and poverty and the existence of some countries and continents that are developed and of others that are not call for a leveling out and for a search for ways to ensure just development for all. This is the direction of the teaching in John XXIII's Encyclical *Mater et Magistra*, in the Pastoral Constitution *Gaudium et Spes* of the Second Vatican Council, and in Paul VI's Encyclical *Populorum Progressio* (Pope, John Paul II, 1981, Sec. 2).

Thus, the channeling of economic resources towards the struggling rural areas of the South is reflective of CST. It is also clear that the Roosevelt administration recognized that while

getting people working again provided income and increased the flow of money throughout the economy, the benefits did not stop there. The larger benefit is that increasing employment strengthened the psyche of not only the unemployed, but the nation as a whole.

In the end, FDR's seemingly impractical brainstorm not only protected the country from unrest and eased suffering, it symbolized the spirit of rebirth and regeneration that he hoped to convey in his early days in office (Alter, 2006, p. 298).

The psychological relief provided by the New Deal is also very much in-line with the CST conception that work must only provide a way for workers to support themselves, but must also contribute to the development and well being of the whole person, which would include psychological well being. Thus, this further illustrates the agreement between CST and New Deal policy.

### **Wages**

Work and wages are inexorably tied together throughout CST and standard economic theory. As previously discussed, in standard economic theory, the worker is an interchangeable part of the production process. Just as raw material and machinery can be injected into or removed from the production process, the worker and their labor can be added to or removed from the production process. In this sense, the worker is an object of production. This conception of the worker carries over into the standard economic theory view of wages. The objectification of the labor is evident in the standard theory view of the marginal productivity of labor. That is, the wage paid in standard economic theory is equal to the additional productivity that the worker adds to the production process. This objectification is further demonstrated in

the marginal disutility of labor. In other words, standard economic theory holds the position that workers have a disutility for labor. In order for workers to overcome this disutility, the wage must be sufficient to motivate them to choose labor over leisure. To interfere with the natural operations of the market that bring the marginal product of labor and the marginal disutility of labor together, thereby producing a wage acceptable to both the employer and the worker, runs counter to standard economic theory. This is because the market equilibrium wage in standard economic theory is justifiable, equitable and agreeable to both the employer and the worker.

Wages in the CST conception are, however, much more complicated and less deterministic. It is true that CST argues that the wage paid to the worker must be agreeable to not only the worker, but the employer. However, CST explicitly recognizes that the employer is at a clear advantage in the determination of wages with worker being at a clear disadvantage.

Still, when there is question of defending the rights of individuals, the poor and badly off have a claim to especial consideration. The richer class have many ways of shielding themselves, and stand less in need of help from the State; whereas the mass of the poor have no resources of their own to fall back upon, and must chiefly depend upon the assistance of the State. And it is for this reason that wage-earners, since they mostly belong in the mass of the needy, should be specially cared for and protected by the government (Pope Leo XIII, 1891, Sec. 37).

To deal with this disadvantage, CST requires that wages not only be agreeable to the employer and the worker, but that the wage be sufficient for the worker to maintain themselves, their dignity and that of their family.

Just remuneration for the work of an adult who is responsible for a family means remuneration which will suffice for establishing and properly maintaining a family and for providing security for its future. (Pope John Paul II, 1981, Sec. 19).

Similar to that of Aquinas's just price doctrine, Pope John Paul II presented a just wage doctrine in which the wage that is just must meet certain moral considerations. As argued by Pope John Paul II, a wage is just only if it is sufficient to maintain a family at the present time and provide future security. If the necessary moral considerations are not met, as is the case in just price doctrine, the wages are not justifiable in CST.

The CST view of wages is well represented throughout New Deal policy. To begin, the legislation included in the NIRA that supported trade unionization rights is clearly in accordance with the CST conception of wages. By supporting trade union rights, the NIRA enabled workers to more easily organize in order to negotiate higher wages that enable workers to maintain a sufficient standard of living for themselves and their family. As argued by Pope Leo XIII in his *Rerum Novarum*, without union support, workers are subject to the wage setting practices of the employer and the marketplace, which often provides insufficient wage standards for one to maintain personal dignity and stability. Quoting Pope Leo XIII,

Wages, as we are told, are regulated by free consent, and therefore the employer, when he pays what was agreed upon, has done his part and seemingly is not called upon to do anything beyond... To this kind of argument a fair-minded man will not easily or entirely assent; it is not complete... If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice... We shall mention presently, or to some other mode of safeguarding the interests

of the wage-earners; the State being appealed to, should circumstances require, for its sanction and protection (Pope Leo XIII, 1891, Sec. 43, 44, & 45).

The same basic argument can be made to show how the New Deal work standards and conditions programs, including The Wagner Act, are in agreement with the CST perspective of wages. The Wagner Act, like the NIRA, provided legislation that facilitated unionization, which enabled worker to enter into collective wage bargaining. However, The Wagner Act went one step beyond the CST perspective by instituting minimum wage laws. Regardless of the fact that minimum wages are often too low, the laws are at least a step in the direction of a living wage and are in agreement with CST.

In addition to Wagner act, work relief programs from the Civilization and Conservation Corps to the Federal Emergency Relief Act, to the Public Works Administration, and to the Civil Works Administration all endeavored to provide employment and income to the unemployed. One problem, however, from a CST perspective, is that these wages were often very low. While it is true that a low wage is better than no wage, wages that are insufficient to maintain the dignity of the worker are not in agreement with CST. The Secretary of Labor in Franklin Roosevelt's administration, Frances Perkins, expressed her concerns over the wages being paid to workers in the Civilian Conservation Corps.

Frances Perkins was appalled by FDR's idea of paying the men only a dollar a day. Her constituency at the Labor Department, the unions argued that this would bring down wages and that work camps amounted to "forced labor" (Alter, 2006, p. 293).

One can conclude from this that while programs that reduce unemployment can and, on the surface, do agree with CST, this agreement is qualified based, in part, on whether or not the

wage being paid is sufficient. For example, a program that increases employment, but at the same time pays a sufficient wage to the worker, is in agreement with CST. However, a program that increases employment without consistently paying a sufficient wage to the worker is not in agreement with CST. Thus, one can argue that while the New Deal programs did successfully reduce unemployment, which is in agreement with CST, the wages paid workers were often insufficient, which is not in agreement with CST.

### **Social Security**

The Social Security program implemented during the New Deal was also attuned to CST in that it directly addresses those in society who have insufficient means of income. It is arguably one of the most important and enduring of the New Deal programs and the one that perhaps best reflects the CST perspective of wages. The financial security and independence provided by Social Security to those in need is entirely reflective of the CST ideal of the social responsibility that the state has to provide for the needs of the entire community.

the Church improves and betters the condition of the working man by means of numerous organizations; does her best to enlist the services of all classes in discussing and endeavoring to further in the most practical way, the interests of the working classes; and considers that for this purpose recourse should be had, in due measure and degree, to the intervention of the law and of State authority (Pope Leo XIII, 1891, Sec. 16).

Prior to the Social Security Act, retirees were dependent on whatever money they had managed to save, the liquidation of assets, or family and friends to provide the income necessary for retirees to sustain themselves. In the midst of the Great Depression with unemployment

above 25 percent, the conventional means of supporting oneself into the future were collapsing. Thus, government support was required. In fact, the committee on Economic Security estimated that during September and October of 1934 18,500,000 persons were receiving government emergency relief funds (McKinley, 1970, p. 9). Even if one had managed to save enough to support themselves for an extended retirement, this could have involved the liquidation of assets that could no longer be used by future generations. One problem, from a CST perspective, with retirees being required to go through all of their savings and liquidate assets in order to support themselves is that it did not allow for any sort of provision for future generations. The ability to do so is argued for in CST.

It is a most sacred law of nature that a father should provide food and all necessaries for those whom he has begotten; and, similarly, it is natural that he should wish that his children, who carry on, so to speak, and continue his personality, should be by him provided with all that is needful to enable them to keep themselves decently from want and misery amid the uncertainties of this mortal life. Now, in no other way can a father effect this except by the ownership of productive property, which he can transmit to his children by inheritance (Pope Leo XIII, 1891, Sec. 13).

The Social Security Act sought to solve not only the immediate financial problem facing retirees and others in need, but it took a long term approach addressing the problem not simply for one period of time, but into the future.

It is also true that more and more people today, through belonging to insurance groups and systems of Social Security, find that they can face the future with



confidence—the sort of confidence which formerly resulted from their possession of a certain amount of property (Pope John XXIII, 1961, Sec. 105).

This long-term perspective is reflective of CST, which seeks to take a long-term position on social issues. Take for instance how Social Security sought to protect not only retirees who had worked steadily for an entire career, but also farm workers, who were sporadically employed, and domestic servants. In short, the breadth, depth, as well as the effectiveness and long-term perspective provided by Social Security makes it one of the New Deal policies that accurately reflects CST.

### **Technology**

Technology in CST is not viewed as negative in and of itself. In fact, CST recognizes the positive benefits technological advancements have on not only the individual, but on society as a whole. These benefits are evident not in just the small conveniences technology can offer, but in the positive effect that advancing technology has on the collective knowledge of society and the vast increases in productive capabilities. In fact, CST very directly advocates for technological advancements and increasing the collective knowledge of society.

THROUGH WORK man must earn his daily bread and contribute to the continual advance of science and technology and, above all, to elevating unceasingly the cultural and moral level of the society within which he lives in community with those who belong to the same family (Pope John Paul II, 1981, Sec. 1).

The positive outlook CST takes on technological advancements is, however, tempered by the effects that technological advancements have on the individual person and society as a whole.

The present advance in scientific knowledge and productive technology clearly puts it within the power of the public authority to a much greater degree than ever before to reduce imbalances which may exist between different branches of the economy or between different regions within the same country or even between the different peoples of the world. It also puts into the hands of public authority a greater means for limiting fluctuations in the economy and for providing effective measures to prevent the recurrence of mass unemployment. Hence the insistent demands on those in authority—since they are responsible for the common good—to increase the degree and scope of their activities in the economic sphere, and to devise ways and means and set the necessary machinery in motion for the attainment of this end (Pope John XXIII, 1961, Sec. 54).

In this sense, it is not the technology or the discovery of knowledge itself that is problematic from a CST perspective, but it is the application of the technology and the effect that is problematic. Advancements in technology must also meet moral considerations from a CST perspective. Take for example technological advancements in the area of birth control. For instance, CST is supportive of natural family planning methods, including the Creighton method. However, CST is not supportive of technological advancement including birth control pills and prophylactics because these forms of birth control violate the moral considerations of CST.

One area of particular concern from a CST theory perspective is the impact that technological advancements have on the worker. CST recognizes that while technological advancements can have a positive impact on the worker and their quality of life, CST also recognizes that technological advancements can also have adverse effects on the worker. For instance, while the mechanization of the production process can increase productivity, for

instance, it can also lead to the mental dulling of the worker or the elimination of jobs altogether. In short, while CST takes a positive view of technological advancements, it is the application of the technology and the effect that is subject to scrutiny.

It leads to an increase in the quantity of things produced by work, and in many cases improves their quality. However, it is also a fact that, in some instances, technology can cease to be man's ally and become almost his enemy, as when the mechanization of work "supplants" him, taking away all personal satisfaction and the incentive to creativity and responsibility, when it deprives many workers of their previous employment, or when, through exalting the machine, it reduces man to the status of its slave (Pope John Paul II, 1981, Sec. 5).

In order to deal with the broad concept of technology, a more nuanced discussion of the relationship between the CST view of technology and New Deal policy is required. For the purposes of this discussion, the CST view of technology will be analyzed in the context of the development and distribution of technology as evidenced in NIRA, the Wagner Act, the TVA and the REA. These Acts will be specifically examined from a CST perspective to determine if the Acts are in agreement with CST from the perspective of developing technology that serves the interest of society as a whole. Included in this analysis will be issues such as fair competition and monopolistic activity.

In analyzing the relationship between the CST view of technology and New Deal policy, one can observe that New Deal policy is rather mixed in the similarities it shares with CST. For instance, it is true that the intention of NIRA was to facilitate fair competition in the marketplace. From this, one can argue that the promotion of fair competition is an indirect promotion of technological advancements as competition in the marketplace facilitates technological

innovation. Thus, one can argue that that NIRA is in agreement with the CST perspective through its promotion of technological innovation.

This argument, while correct on the surface, does not take into consideration how fair competition is promoted and whether or not it actually facilitates innovation. One problem is that the NIRA sought to promote fair competition through the temporary lifting of antitrust laws thereby promoting monopolistic activities. As a result of these monopolistic activities, one can argue that innovation is more limited than promoted.

When one takes the NIRA promotion of monopolistic activity and the effect that this monopolistic activity has on technological innovation, one can see that these New Deal policies conflict with certain areas of CST. The conflict is evident in the gap that exists between the intention of the NIRA to facilitate fair competition and the implementation of the act, which can be argued to have dampened competition.

On the other hand, there are New Deal programs that demonstrate much more direct agreement with CST. This agreement shows itself through the laws implemented to protect workers including men, women and children from being subject to the often cruel working conditions that were amplified by the infusion of machines into manufacturing. These laws included the creation of child labor laws and the mandating a maximum number of working hours. The prevalence of child labor abuses and extended working hours were, in part, the result of advances in technology that enabled children to perform tasks and work that they were previously incapable of performing. These conditions are contrary to the CST conception of the proper application of technology. CST argues that while these technological advancements can and do benefit society in many ways, the detrimental impacts should be dealt with.

The elements of the conflict now raging are unmistakable, in the vast expansion of industrial pursuits and the marvelous discoveries of science; in the changed relations between masters and workmen; in the enormous fortunes of some few individuals, and the utter poverty of the masses; the increased self reliance and closer mutual combination of the working classes; as also, finally, in the prevailing moral degeneracy (Pope Leo XIII, 1891, Sec. 1).

It was the Wagner Act of the New Deal that specifically sought to address these problems by essentially making illegal child labor and working to liberate the worker from being forced to work extended working hours with no legal recourse. It is these provisions that put the Wagner Act into agreement with CST.

In addition to The Wagner Act, which addressed working standards and conditions in a manner consistent with the CST view of technology, many of the agricultural programs instituted as a part of the New Deal address technology in a way consistent with CST. The TVA and the REA are two programs that promote the disbursement of existing technology and the implementation of new technology in order to improve conditions in impoverished rural areas. These programs were responsible for many projects designed to dissolve poverty in the rural south by funding infrastructure projects that made it possible for economic development to reach and expand in the south, which had lagged behind many northern states. One of the most fundamental problems with economic development in southern U.S. was the fact that private industry had not provided many of basic elements required for development. The REA sought to resolve this issue through the building of electricity generating dams and other projects for the purpose of providing electric power to rural areas that had previously been untouched by private industry.

The TVA the REA are prime examples of government funded projects that expand the reach and application in technology in such a way that society as whole benefits not just over a short period of time, but into the future. This application of technology and foresight is one area that is in agreement with CST's view that the social impetus of technology lies in the application of the technology.

Despite persisting fears of socialism, Catholics endorsed Roosevelt's program for the Tennessee Valley almost without reservation. *Catholic Action* regarded TVA as "a vast experiment in Christian sociology" (O'Brian, 1968, p. 53).

Based on the evidence presented above, one reaches the conclusion that the New Deal programs, are in agreement with CST. This is evident in programs' support of technological advancements that serve the interests of society as a whole.

### **Social Consequences**

In the analysis of CST presented by Meador, the social consequences of individual self-interested behavior were discussed from the perspective of standard economic theory as well as from the perspective of contemporary CST. To reiterate, standard economic theory regards self-interested behavior in a free market society as ultimately leading to a positive social outcome for individuals as well as society as a whole. While CST also recognizes that individuals working to improve their situation is positive for the individual and can lead to a positive outcome for society as a whole, CST also realizes that unbridled self-interested behavior can and often does have negative social consequences.

Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of

unchecked competition. The mischief has been increased by rapacious usury, which, although more than once condemned by the Church, is nevertheless, under a different guise, but with like injustice, still practiced by covetous and grasping men. To this must be added that the hiring of labor and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself (Pope Leo XIII, 1891, Sec. 3).

The overriding direction of New Deal policy steered away from protecting individual self-interest and moved policy towards putting first the best interest of society as a whole. This is evident throughout New Deal policies ranging from agricultural programs to Social Security. In examining the social consequences of these actions, it is important from a CST perspective to establish if the policy that was implemented follows the movement towards social interests above the protection of individual self-interest.

There are several instances in New Deal policy in which social interests were brought to the forefront. Consider, for example, the NIRA's support of unionization, which contributed to growth in union membership and power. The New Deal work standards and conditions programs are also consistent in many respects with the CST conception of social consequences. More specifically, the counterbalancing of corporate and labor power provided in The Wagner Act and the NIRA puts the interest of society as a whole above the interests of corporations by granting workers the legal authority to organize and negotiate improved wages, benefits and working conditions.

Not to be excluded are the New Deal agricultural programs, which show that the interests of society as a whole is of greater importance than the protection of the free market conception

of self-interest. This is evident throughout agricultural programs, including programs that seek to protect struggling farmers as well as programs that expand economic development in previously undeveloped parts of the country. The TVA and the REA contributed immensely to the much needed economic development of the rural south. More specifically, the purpose of the Tennessee Valley Authority program was,

to conserve and safeguard the prudent use of waters, water-power, soils, forests, and other resources (Rauch, 1944, p. 289).

The REA contributed by providing low interest loans and WPA labor to extend power lines to farm homes that did not have electricity. This was done regardless of the fact that private industry had failed up to that point in time to bring economic development to much of the rural south. Hence, the TVA and the REA further exemplifies New Deal policies that share the CST ideal of putting the interest of the community as a whole first, regardless of what is dictated by conventional wisdom of standard economic theory.

There is one New Deal agricultural program, however, in which the intention of the program is consistent with CST, but in which the implementation and following social consequence falls short from a CST Perspective. This program was the AAA in which farmers were provided subsidies to destroy crops before they were harvested, to dispose of livestock before it hits the market, or to simply not produce what farmers were capable of. There were other aspects to the AAA, including soil conservation efforts, market price fixing, crop storage, as well as the establishment of a Federal Crop Insurance Corporation that would accept wheat in payment of insurance premiums for struggling farmers. The purpose of this program was to protect farmers from falling prices. However, in this case, the end does not justify the means from a CST perspective. This is because crops and livestock that could have been used to feed



and clothe needy persons during the Great Depression were destroyed in order to protect agricultural prices. True, that the government needed to do something to protect farmers from the ill effects of falling prices. However, the process of waste that it took to prevent the falling prices bypassed an opportunity to develop a government coordinated redistribution process in which crops and livestock that would have been destroyed would be redistributed to support the community as a whole. Such action would have brought the AAA into more consistent agreement with CST in intention and practice.

While Social Security continues to be a regularly debated topic, particularly the financing of the program, the social benefits of this program in terms of its contribution to retirees and other Americans in need are in agreement with CST. The benefits of this program have been mentioned above and range from directly providing income to retirees, widows, orphans and other needy Americans, to helping provide workers greater independence from their employer by providing retirement income separate from that of the employer. This independence also has social benefit from a CST perspective as it gives workers options that may not have previously existed because workers are not tied to one particular employer in order to maintain a retirement benefit. In fact, John C. Ryan singled out three pieces of legislation that he believed represented “great gains for social justice” (John C. Ryan, cited in Woolner, 2003, p. 49). These programs included the National Labor Relations Act, the Social Security Act, and the Fair Labor Standards Act. Independence for workers is critical as it can help decrease the dependence many workers have on their employer not only during their most vigorous working years, but perhaps also well into their retirement.

As one can see from the above discussion, the movement of New Deal policy towards being social conscious as a priority, rather than focusing primarily on protecting the individual

self-interest of a free market economy, is consistent with CST. The consistency with CST is evident in the 1919 plan *The Bishops' Program of Social Reconstruction*, which was developed by the Social Action Department, which was an arm of the National Catholic Welfare Conference. Similarly to the New Deal, this plan,

called for a wide range of social legislation, including minimum wage laws...safety regulations in the workplace, public insurance for the sick and elderly, controls on monopolies, and an end to child labor. In part because the Bishops' program followed many of the same ideological currents as Franklin Roosevelt...nearly all of what the bishops proposed in 1919 had become law in some form by the end of the 1930s (Prentiss, 2008, p. 91).

While the Bishops' plan was originally developed in 1919, it was between 1934 and 1944 that the plan was expressed, at least partially, in legislative action. This included; (1) minimum wage legislation; (2) insurance for the unemployed, elderly, sick and others in need; (3) a minimum age limit of 16 for working children; (4) legal enforcement of the right of labor to organize; (5) continuation of the National Labor Board; (6) a national unemployment service program; (7) public housing; (8) no general reduction of wartime wages; (9) regulation of public utility profits; (9) effective control of monopoly control through government regulation; (10) participation of labor in management and wider distribution of ownership (Ryan, 1944, pp. 26-27).

One can clearly see from this that the actions proposed by the Bishops' plan are well represented throughout New Deal policy. This is evident at a detailed level with specific programs, such as Social Security and the Fair Labor Standards Acts, which are designed to address specific problems in ways that lead to positive social outcomes. This includes providing

steady income for retirees and others in need as well as improving working conditions. CST's agreement with this form of legislation is perhaps most evident in the development of *The Bishops' Program of Social Reconstruction*, which was developed by Catholic leaders as a part of the New Deal program.

### **Summary of New Deal Policy and Catholic Social Theory**

What can be gathered from the above analysis is that there is a wide range of New Deal policies that fit within the theoretical framework of CST. There are, of course, exceptions in which New Deal policies stray from the CST perspective.

In terms of the relationship between the CST conception of work and New Deal policy, there is much agreement as New Deal policies related to working conditions sought to address directly the problems of employed workers who were faced with poor working conditions as well as substandard pay and benefits. In addition, the CST conception of work is reflected in that the New Deal policies instituted promote the type of work that contributes not only the development of the individual person, but society as a whole. More specifically, the jobs promoted the REA and other such programs are ones that make tangible contributions to the individual worker and society as a whole. The focus of the New Deal work policies is not on the maximization of profits for businesses, but on giving people honest work that has a positive impact on the community.

Along similar lines, the CST view of wages is also present in many New Deal policy initiatives. Each of the New Deal policies that demonstrate the CST perspective of wages either improves the workers ability to negotiate a fitting wage or directly provides income to those without another means of income. The Wagner Act and the NIRA both support unionization. At

the same time, the Social Security Act sought to address the issue of wages for retirees by providing a steady stream of income to those retirees. From a CST perspective, one can look at both the Wagner Act and the Social Security Act as helping to bridge the gap between the increased ability of the U.S. to be productive and the problem of distribution in both the short and the long run.

One needs to dig a little more deeply to examine the relationship between the CST conception of technology and New Deal policy. Thus, a more nuanced discussion of the relationship between the CST view of technology and New Deal policy was presented. What one finds is that the CST view of technology is present in New Deal economic policy. Take for example the REA's and the TVA's contributions to the development of the rural south, which had previously lagged behind other segments of the country even in the most basic technological advancements including access to electricity. However, with this agreement there is also a departure between CST and New Deal policy regarding innovation and technology. This departure is there regardless of the fact that it is the result of particular legislation and not reflective of the intention of the policy itself. The disparity shows itself in the protection provided to businesses through the lifting of antitrust laws, which, while perhaps unintentional, nonetheless resulted in increased monopolistic activity. This monopolistic activity directly affects the development and disbursement of technology through diminished competition from developing businesses, which inevitably drowns out innovation and technological advancements that would have been made by these new businesses. Thus, while these New Deal policies largely agree with the CST through their support of expanding access to technology in rural areas, New Deal policy does conflict with CST's view of technology by indirectly facilitating monopolistic activity that reduces technological advancement.

All of these New Deal policies and their relationship to CST help to illustrate several important points. One point is that CST, like the vast majority of New Deal policies, recognizes that in reality the economy itself exists in a complex and ever evolving social context. As a result, the economy, the market system as well as social consequences are not deterministic in nature. Rather, the operation of the economy is viewed as fluid, socially embedded and subject to constant change that is often unpredictable. Therefore, policies must be instituted that address the economy not as a deterministic system controlled by the natural laws of the market, but as a system that is as complex as the behavior as the people that constitute it. New Deal policies recognize this as demonstrated through the breadth, depth and developmental nature of the policies that changed and evolved in order to address the problems at hand. Another point that comes to light in this analysis is that New Deal policy in several respects, like CST, takes a long-term view of the well being of society as a whole and of its own existence as an institution. The adoption of a non-deterministic conception of the economy and actions that take a long-term view of the well being of society are central to agreement between CST and New Deal policy.

The conception of the economy as complex, non-deterministic and socially embedded is evident in the implementation of New Deal policies that are in-line with The Bishops' Program, as discussed above. Take for example The Bishops' Program proposal for minimum wage legislation and insurance for the unemployed and how these proposals are represented in the Fair Labor Standards Act and the Social Security Act, respectively. This serves as evidence that CST can and has been a force of social change. Thus, one reaches the conclusion that CST has a role in economic and social policy.

## CHAPTER 4

### CATHOLIC SOCIAL THEORY AND HEALTH CARE REFORM

#### **Introduction**

The question of whether or not health care coverage is a right that should be guaranteed to all U.S. citizens has been and continues to be one of the most debated economic policy issues in the U.S. On one side of the debate, there is an argument that access to health care is a fundamental right that should be denied to no one and that the provision of universal health care coverage serves the best interest of society as a whole. On the other side of the debate, there are those who argue that providing universal health care coverage is not in the best interest of society as a whole as it interferes with the natural operations of the market. The argument goes on to say that this interference ultimately has a negative impact on society. The conviction on each side of the argument is so great that the issue of health care reform is almost continually proposed, but at the same time is continually blocked and modified to such a degree that not much movement is made in either direction.

While the debate over health care coverage is of particular interest in the United States in 2010 with health care reform legislation recently passed by Congress, the debate is certainly not a new one. The question of whether or not the government should take an active role in the provision of health care and guarantee coverage for all was argued as a part of the New Deal policy movement. The argument over universal health care coverage in the New Deal policy went hand in hand with the arguments surrounding the Social Security Act. That is, the reasoning behind the Social Security Act was not limited to serving social justice by providing

income to retirees and others in need. The motivation behind the Social Security Act had much broader social implications.

In addition to providing income, it was thought that Social Security would give workers greater independence from their employers in the future. In other words, by providing workers with the security of some level of future income, the financial security of the worker rested not entirely on themselves and their dependence on their employer. The same line of reasoning was applied to arguments in support of health care reform during the New Deal. In fact, the Committee on Economic Security held the opinion that in order to truly make workers independent, the United States needed to provide health insurance to everyone. This idea was supported by Roosevelt, who favored what we described as, “cradle to grave” coverage, which included national health insurance (Alter, 2008, p. 166). However, the force behind the call for reform was clearly not sufficient to overcome the resistance to sweeping changes in the provision of health care. As a result, the idea of national health care coverage as a part of the New Deal was dropped.

Regardless of the fact that providing universal health care coverage is an idea that has not become a reality, the debate over health care reform continues. Most recently, the health care reform debate has centered around two pieces of legislation that came before Congress during 2009. Namely, the Affordable Health Care for America Act and the Patient Protection and Affordable Care Act, which were both intended to put into law policies that will expand and improve health care coverage in the U.S.

This chapter analyzes these acts in the context of CST. First, a summary of the legislation included in the Affordable Health Care for America Act and the Patient Protection and Affordable Care Act is presented. Following this explanation, the same aspects of CST that

were used to analyze the relationship between CST and the New Deal are used to analyze the relationship between CST and recent health care reform initiatives.

## **Current Health care Policy Initiatives**

### **Affordable Health Care for America Act**

The Affordable Health Care for America Act (H.R. 3962) (AHCAA) introduced to U.S. Congress on October 29, 2009 was sponsored by U.S. House of Representatives member John Dingel of Michigan. A revision of the earlier America's Affordable Health Choices Act of 2009 (H.R. 3200) and abandoned in favor of the Patient Protection and Affordable Care Act, the AHCAA includes revisions designed to meet the objectives concerning health care reform that were outlined in President Obama's Congressional address on September 9, 2009.

The key provisions of the AHCAA would have impacted all segments of the health care industry including insurance companies, employers who provide insurance, health care providers, patients and the unborn. There are a number of legislative proposals in the AHCAA targeted directly at the provision of health insurance. For example, one problem faced by many individuals seeking health care coverage is the denial of coverage based on a preexisting condition documented in the patient's medical history. This problem is not restricted to the chronically ill, disabled or elderly, but is a problem that impacts a wide range of the U.S. population. Individuals seeking health coverage can be and are denied coverage for a variety of conditions ranging from cancer to high cholesterol levels or hypertension. The reason for this is simple: insurance companies constantly striving to maximize their profitability seek to provide coverage to those least likely to require extensive medical attention.



The AHCAA sought to address this issue by prohibiting health insurers from denying coverage based on medical histories. The legislation goes further by prohibiting insurers from charging different rates based on medical histories or gender. The intention of these two pieces of legislation is to enable those who are seeking health care coverage to obtain it, regardless of preexisting medical conditions, without paying a higher rate. Another change aimed directly at health insurance in this legislation is the repeal of the exemption insurance companies have from anti-trust laws. The repeal of anti-trust legislation is designed to address the problems associated with the ability, in some cases, for insurance companies to fix prices, divide territory, and effectively create monopolies in particular markets. More specifically, the bill states,

(1) Except as provided in paragraph (2), nothing contained in this Act shall modify, impair, or supersede the operation of any of the antitrust laws with respect to the business of health insurance or the business of medical malpractice insurance...(2) Paragraph (1) shall not apply to- (A) collecting, compiling, classifying, or disseminating historical loss data; (B) determining a loss development factor applicable to historical loss data; or (C) performing actuarial service if doing so does not involve a restraint of trade (Cong. H.R. 3962, 2009, p. 156).

What one can gather from this segment of the legislation is that it seeks to repeal health insurance companies' exemption from antitrust immunity. However, as noted in paragraph 2, there are exceptions. These exceptions are related to data collection, mining and analysis, as well as actuarial services. Nonetheless, the legislation does attempt to address the issue of preventing the development of some monopolistic activity in the market for health care coverage.

The AHCAA that was proposed also sought to address the issue of monopolistic activity in the health insurance market through the development of the national Health Insurance Exchange, which was designed to create a transparent and functional marketplace for individual consumers and small businesses to shop for private or public health insurance. The proposed Exchange included a new health insurance co-op operated by through the state. Paired up with this legislation was a proposed public health insurance option. Administered by the Secretary of Health and Human Services, terms and rates of the public health care option would be negotiated with providers that participate in the public option. This legislation was intended to increase competition in the market for health care coverage by providing a public option and an open marketplace where individuals and businesses could evaluate both private and public health insurance options in order to make informed decisions. Under this legislation, most Americans would have been required to obtain some form of health insurance coverage or pay a surtax, as will employers who fail to provide adequate coverage. While both the Exchange and the public health insurance option were dropped from the final bill, the original bill did include these legislative proposals.

In addition to legislation that seeks to facilitate a more competitive market for health insurance, the AHCAA also has legislation that seeks to directly affect the type of coverage that must be provided. The minimum standards include, (1) Hospitalization, (2) Outpatient hospital and outpatient client services including emergency department services, (3) Professional services of physicians and other health professionals, (4) Services, equipment, and supplies related to the services of a physician's or a health professional's delivery of care, (5) Prescription drugs, (6) Rehabilitative and habilitative services, (7) Mental health and substance use disorder services, (8) Preventative services, (9) Maternity care, (10) Well-baby and well-child care including

health, vision, and hearing services, as well as equipment and supplies for children under the age of 21. The coverage and payment for such services operates on tiered bases with tiers ranging from 70 percent to 90 percent. Thus, the proposed legislation maintains a structure in which insurance companies and patients have a shared responsibility in the payment of medical expenses.

Along with legislation that seeks to expand and address issues related to health coverage as provided by the insurance companies and employers, there are a number of other provisions in the AHCAA that seek to expand and address issues related to Medicaid coverage. For example, the existing Medicaid program would be modified to include more low-income Americans by increasing eligibility levels to 150 percent of the federal poverty level and by covering adults without dependents. In order to address the issue of provider participation, reimbursement rates would be increased through federal funds for primary care services for low-income children, individuals with disabilities and people with mental illnesses. In addition to the expansion of Medicaid being provided by this legislation, government funded subsidies will also be provided to low-income and middle-income American families.

One of the most widely debated issues regarding health care reform revolves around how the program affects government spending on health care and what impact this spending has on the government deficit. An argument that is made against health care reform is that government funded health care reform will increase the national deficit. There is a great deal of disagreement among legislators and economists regarding whether or not government funded health care would actually increase the national deficit and if so, what the short and long term effect would be on the economy as a whole. Nonetheless, the AHCAA seeks to address concerns regarding the national debt through the introduction of taxes and Medicare spending projections that are

supposed not only to keep the national deficit from growing, but reduce or ultimately eliminate the national deficit.

For instance, a 5.4 percent surtax would be applied to individuals with an income that exceeds \$500,000.00 annually and couples with an income in excess of \$1,000,000.00 annually. In addition, a 2.5 percent sales tax would be applied to medical devices and tax deductions would be eliminated for employers who receive a government subsidy for providing retiree prescription drug coverage. The tax measures also impact health care flexible spending accounts (FSAs), by limiting annual FSA contributions to \$2,500.00 and increasing the penalty for non-health related distributions from FSAs from 10 percent to 20 percent.

The issue that arguably induces the strongest responses and positions from a CST perspective is what effect the proposed AHCAA would have on laws concerning abortion. The issue of abortion is of particular interest from a CST perspective as the legislative position on abortion can change the Church's position from one of acceptance to one of opposition. This topic is discussed in detail throughout the following analysis. However, some of the specific provisions included in the legislation are discussed here.

In short, while the coverage of abortion procedures is not altogether banned in the AHCAA, there are restrictions that are applied to abortion coverage when federal funds are used. The CST position on this issue is clear. That is, any legislation that supports abortion in any way or does not actively prevent abortion goes against CST. From this perspective, CST's position is to reject legislation that supports abortion in all its forms. This position is spelled out in statements made by the U.S. Conference of Catholic Bishops (USCCB). In fact, Catholics were encouraged to send the following statements to their Senate and House representatives.

Please support the Stupak Amendment that addresses essential pro-life concerns on abortion funding and conscience rights in the health care reform bill. Help ensure that the rule for the bill allows a vote on this amendment. If these serious concerns are not addressed, the final bill should be opposed... During floor debate on the health care reform bill, please support an amendment to incorporate longstanding policies against abortion funding and in favor of conscience rights. If these serious concerns are not addressed, the final bill should be opposed (U.S. Conference of Catholic Bishops, 2009e, p.2).

The strong position of the Catholic Church on the issue of abortion is the reason for the Stupak-Pitts Amendment, which was included in the amended AHCAA that was narrowly passed by the House of Representatives on November 7, 2009. Specifically, the legislation says that any federal agency or program that receives Federal funds may not pay for abortions except in the cases of rape, incest or danger to the life of the mother. While the AHCAA was not passed into law, the inclusion of the Stupak-Pitts Amendment is of particular significance from a CST perspective. An analysis of the relationship between the AHCAA that was proposed and CST will seek to shed light on the relevance of CST in health care reform policy.

### **Patient Protection and Affordable Care Act**

Passed into law on March 23, 2010, and amended on March 30, 2010, as previously discussed, the legislation included in the Patient Protection and Affordable Care Act (H.R. 3590) (PPACA) has many similarities with the legislation included in the AHCAA. To begin with, the PPACA includes legislation aimed directly at health insurance companies themselves. One part of the legislation is designed to eliminate discriminatory practices in the provision of health care

insurance by making illegal the denial of coverage due to a preexisting condition. The language in the bill in this regard is direct.

A group health plan and a health insurance issuer offering group or individual health insurance coverage may not impose any preexisting condition exclusion with respect to such plan or coverage (Cong. H.R. 3590, 2009, p. 36).

Along the same lines, the PPACA will eliminate lifetime and annual limits on benefits, prohibit rescissions of health insurance policies except in the case of fraud, as well as place a cap on non-medical and administrative expenditures.

The PPACA's establishment of the American Health Benefit Exchange is intended to create the same transparent and accessible marketplace for individuals and small businesses as the proposed Exchange in the AHCAA. There are, however, additional legislative steps along this line that are not included in the AHCAA. For example, the PPACA requires states to create one or more reinsurance programs. These reinsurance programs will be made available to health insurance companies to help reduce the financial risk of extending coverage to individuals who might have previously been denied health care coverage. That is, the reinsurance serves as insurance for the insurance companies making it more feasible for them to cover higher risk individuals.

Other elements of the legislation that directly affect health insurance companies include requiring insurance companies to cover preventative services and immunizations. The idea is that it is less costly to pay for immunization in order to prevent disease than it is later to pay for the treatment of illness. With this preventative measure, the PPACA seeks further to expand health care coverage by extending the dependent care coverage to individuals up to 26 years of age. The expansion of coverage included in the PPACA is further evident in the maintenance of

Children's Health Insurance Program and in the expansion of Medicaid to low income individuals less than 65 years of age. Medicaid is further modified by expanding prescription drug coverage for seniors.

Large and midsize businesses are faced with a penalty if minimum coverage is not made available to their employees, with midsize businesses facing a \$750 tax per employee. Small businesses, however, are not penalized, but provided a 50 percent tax credit for money spent providing health care plans to their employees. Individuals are also required to maintain minimal health care coverage by the year 2014 or face a tax penalty. Excluded from this penalty are low income individuals, Indian tribes, and objectors based on religious grounds. Exemption requires submission of all necessary information about the individual applying for exemption and approval of exemption by the Secretary. The information required includes name, date of birth, social security number and verification of citizenship. Inconsistencies and denial of application can be appealed and corrected, as deemed necessary and appropriate by the Secretary. Low income individuals seeking exemption must have an income below 100 percent of the poverty level to receive exemption. Exemption due to religious belief is much more complicated as the individual seeking exemption must provide evidence that the individual is a member of a "health care sharing ministry" (U.S. Congress, 2010a, p. 36). A member of a health care sharing ministry is an individual who is the member of a group that shares common ethical and religious beliefs and shares medical expenses among members in accordance with those beliefs. Thus, the PPACA includes legislative action that gives individuals who either cannot afford or who, based on religious beliefs, do not wish to obtain health insurance coverage, the opportunity to exempt themselves from tax penalty

The PPACA also includes legislation relevant at the individual and community level. For example, the PPACA includes legislation that provides expanded funding for the establishment of community health centers as well as expanding health care training programs, which would include additional government loans being made to individuals entering the allied health fields. This training is designed to provide more comprehensive health care in underserved areas, particularly minority areas.

Another area addressed in the PPACA is related to the development and licensing of generic biological products, i.e. generic biologics. What the Act does in this regard is create a Food and Drug Administration pathway for generic biologics to be licensed and sold on the market. More specifically, the generic medication must have no clinically meaningful difference in safety, purity or potency from the original and may not be licensed until at least 12 years after the date that the brand-name product was licensed. Allowing for generic biologics would result in the development of more affordable biological medicines, while still retaining the incentive to continually develop new biological medicines. There are at the same time other, non monopoly creating ways to reward the development of medicines that are not addressed in the PPACA. For instance, implementing legislation that provided a royalty to the developer(s) of a new medicine rather than issuing a patent would provide incentive for creativity and innovation. At the same time, the payment of a royalty helps to prevent monopolistic activity in the development and sale of medicine.

The provisions discussed above are all intended to provide better health care coverage to those who currently have it in addition to expanding health care coverage to those who are currently uninsured. Along with these reforms, the PPACA includes several pieces of legislation that aid in the dissemination of relevant health care and coverage information to consumers and



providers. From the perspective of the health care consumer, uniform coverage documents would be provided enabling customers to compare health care coverage options in order to make more informed coverage decisions. The establishment of an internet portal to assist Americans in identifying coverage options supports this direction. However, what this part of the legislation does not address is how this will benefit individuals who do not have access to the internet. Based on a statement made by the Commissioner of the Federal Communications Commission, 14 to 24 million Americans are without access to broadband internet (Copps, 2010). This lack of access to broadband internet limits these individuals from taking advantage of health care insurance information provided through the internet. Thus, the legislation misses the portion of the population without internet access.

To help consumers deal with the red tape and bureaucracy of health insurance coverage, a streamlined appeals process and a place for customers to turn to for assistance navigating the appeals process would be made available to the public. In addition to providing information to assist consumers, the PPACA seeks to lower health system costs through the facilitation of administrative tasks. In other words, the government will assist hospitals, health care professionals as well as insurance companies in improving the efficiency of administrative paperwork and processes to help reduce health care costs.

The PPACA also works to diminish the concerns of those who believe that expansive health care reform will increase the national deficit and therefore increase the financial burden on the nation. The general position of the PPACA, as supported by the Congressional Budget Office (CBO), is that the legislation will not only expand health care coverage, but is fully paid for and will reduce rather than increase the national deficit over the next ten years and

beyond. As shown in Table 1, the CBO estimates that the federal deficit will see a net reduction of 143 billion dollars between 2010 and 2019 (Congressional Budget Office, 2010).

<b>Table 1. Estimate of the Effects of Health Care Reform on the Deficit</b>												
<b>By Fiscal Year, in Billions of Dollars</b>												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
NET CHANGES IN THE DEFICIT FROM INSURANCE COVERAGE PROVISIONS												
Effects on the Deficit	3	7	9	10	49	87	132	154	164	172	78	788
NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING DIRECT SPENDING												
Effects on the Deficit of Changes in Outlays	3	3	-7	-28	-50	-60	-70	-86	-101	-116	-79	-511
NET CHANGES IN THE DEFICIT FROM OTHER PROVISIONS AFFECTING REVENUES												
Effects on the Deficit of Changes in Revenues	*	-9	-12	-38	-50	-48	-59	-65	-69	-71	-109	-420
NET CHANGES IN THE DEFICIT												
Net Increase or Decrease (-) in the Budget Deficit	6	1	-10	-56	-51	-20	3	4	-5	-16	-109	-143

While the outcome remains to be seen, it is clear that the authors of the legislation and the CBO recognize the concerns surrounding costs of health care reform. To address health care costs, the PPACA places caps on FSA contributions, which would decrease the amount of money that consumers can save, pre-tax, specifically for medical expenses. The supporting argument is that if consumers have fewer tax-free dollars set aside for medical expenses, they will be thrifter in terms of their health care choices and as a result, health care costs can be reduced.

As is the case in the AHCAA, the PPACA includes legislation that addresses the issue of federal funds being used for abortion procedures. In short, the legislation does not mandate that any plan cover abortion procedures. At the same time, the bill does permit the use of federal funds appropriated from the Department of Health and Human Services for abortion procedures. In addition, the Exchange established in each state must provide at least one plan that does cover abortion procedures and one plan that does not cover abortion procedures. As previously stated, this issue is of particular importance from a CST perspective.

What follows is an analysis of both the AHCAA and the PPACA in the Context of CST. What this analysis intends to draw out is what, if any, the relationship is between CST and the proposed health care reform. That is, in what ways does CST agree with the proposed health care reform and in what ways does the proposed health care reform depart from CST?

## **Current Health Care Reform and Catholic Social Theory**

### **Work**

The purpose and meaning of work in CST goes well beyond the labor that is undertaken to earn income. It is true that CST recognizes that one must earn income to support their daily

life and that work is done to earn this income. However, this is not the only reason one undertakes their occupation. Work, in CST, has a much deeper meaning and purpose. Beyond providing the income necessary for one to support themselves and their dependents, work must also contribute to the dignity and fulfillment of the individual. This idea of dignity and fulfillment is not isolated to the positive feeling one carries around or the sense of accomplishment one gets from a productive day of work. Dignity and fulfillment also includes tangible and practical needs, which includes access to health care insurance. In fact, the U.S. Council of Catholic Bishops, seeks to “unite Catholics around a common message: it is unacceptable that so many people in this, the most wealthy of nations, go without access to affordable health care” (U.S. Conference of Catholic Bishops, 2005, p.1). From this, one might jump to the conclusion that CST holds the position that only those who work, earn income and can pay for health care coverage are entitled to health care. This is not true. In fact, CST argues that access to health care coverage is a social necessity that should be made available not only to those who work, but the whole society, which includes the unemployed. The USCCB states,

The Catholic bishop’s conference wrote numerous letters to Congress in 2009, reaffirming the Church’s strong support for expanding access to health care coverage in ways that respect the life, dignity, health and consciences of all. Such authentic health care reform, the bishops have said, is “a public good, moral imperative and urgent national priority (U.S. Conference of Catholic Bishops, 2009a, p.1).

Both the AHCAA and the PPACA propose specific action that is designed to expand health care coverage. However, when one examines statements made by Catholic leaders on this topic, one observes variation in how health care reform is interpreted and conveyed in CST. This

variation comes to light in statements released by the Kansas City, Kansas and the Kansas City, Missouri Archbishops regarding health care reform. A pastoral statement posted on the Catholic Key's website and made jointly by Archbishop Joseph Naumann of Kansas City, Kansas and Bishop Robert Finn of Kansas City, Missouri, stated that,

The right of every individual to access health care does not necessarily suppose an obligation on the part of the government to provide it.” In addition, “When the individual has a personal, monetary stake or financial obligation to pay even a portion of the cost of medical care, prudence comes to bear – with greater consistency – on such decisions, and unnecessary costs are minimized (Finn and Naumann cited in Helling, 2009, p.1).

One can take from the above statements that the bishops hold the position that the ideal situation is when one's health care coverage is tied directly to the individuals' ability to pay at least some portion of the costs. This, of course, supposes that every individual who is in need of health care has some means of paying for health care coverage. While this may indeed be the situation for many, there are also many who have the need for health care insurance, but truly do not have the means to pay for it. Children, the working poor or those with a chronic illness that leaves them bedridden are examples. These situations may indeed be the exception rather than the rule. Nonetheless, individual consumers holding a financial obligation to the cost of health care almost invariably tie the provision of health care to one's ability to work, which is not possible for everyone who needs health care. In addition, there are those who earn wages at or below the poverty line, making the direction of any income towards anything beyond food, clothing and shelter a difficult task.

The statements on health care reform released by Bishops Naumann and Finn in many ways conflict with statements made by other Catholic leaders. For instance, while Kathy Saile of the U.S. Conference of Catholic Bishops would not comment directly on the statements released by Bishops Naumann and Finn, the following statement was made:

The Bishops can do whatever they want in their dioceses...Our position is that we are supportive of health care reform that affirms life and the dignity of all people, and that health care is a right that should be available to everyone (Saile, cited in Helling, 2009, p.1).

What further complicates the matter is another statement sent by Bishop Naumann in an e-mail regarding his and Bishop Finn's statement.

Our purpose...is to help inform the Catholic community of our dioceses about the importance of applying the principles of Catholic social teaching considering the important issue of health care reform (Naumann cited in Helling, 2009, p.1).

This situation brings to light the complexity that exists throughout CST, its interpretation and also its practical application in the world. What this shows is that there are leaders within the Catholic community who disagree not only on the specifics of the proposed health care reform, but who disagree on the fundamental CST position on the provision of health care. With this said, it is just as difficult for a practicing Catholic to reject the guidance of their diocesan leader as it is to argue against the points made by the USCCB regarding health care reform. Thus, whether or not the AHCAA or the PPACA are in agreement with CST is a very complicated analysis that requires looking at a broad scope of issues and perspectives, including conflicting perspectives within the Catholic Church itself. In one respect, one can see based on the position of the USCCB that the AHCAA and the PPACA are in agreement with CST as they

both attempt to provide workers with adequate health care coverage, but still provide health care to those who are unable to work. However, there is nonetheless what appears to be an irreconcilable difference between the message sent by the USCCB in 2005 and the message of the Bishops of Kansas City in 2009. While both support expanded health care coverage, the message of the USCCB is one that much more universally supports the provision of health care to everyone, regardless of the ability to pay, while the Kansas City Bishops' message ties the provision of health care much more closely to the ability to pay. Thus, there is an unresolved conflict within CST itself regarding the provision of health care.

However, evidence of the CST conception of work being reflected in health care reform is in the PPACA's expansion of training programs in the health care fields as well as legislation that seeks to improve the availability of health care providers in underserved areas. Providing additional federal funds for the training of physicians, nurses, physical therapists and other health care providers is very much in line with the CST conception of work because supporting these training programs prepares individuals for careers in which the work that is being done contributes to the well being of society as a whole. This further illustrates the New Deal's agreement with the idea that the type of work one engages in is of primary importance in CST. In other words, providing training for individuals in productive occupations, in and of itself, contributes to dignity and well being of society as a whole, not to mention that it contributes to the dignity and well being of the individual worker.

Similarly to many programs that were a part of the New Deal, such as the REA and the TVA, the PPACA contains legislation designed to help the underserved areas, particularly ethnic minority areas. The expansion in training goes beyond internal medicine and general pediatrics, but includes funding in geriatric education and training, advanced nursing education grants,

dental health and mental health. In addition, specific grants will be awarded by the Director of the Centers for Disease Control and Prevention, in collaboration with the Secretary, to promote positive health behaviors and outcomes in medically underserved communities. The AHCAA states,

Grants awarded shall...educate, guide, and provide outreach in a community setting regarding health problems prevalent in the medically underserved communities, particularly racial and ethnic minority populations (Cong. H.R. 3962, 2009, p. 516).

What this legislation does is directly target segments of the population least able to pay for health insurance coverage, but who are nonetheless in need of health care services.

Identifying and serving segments of the population in need of health care is in line with CST for the same reason that the New Deal's REA and TVA are reflective of CST. Serving those most in need, particularly the poor, is a constant direction throughout CST. As stated by the USCCB, there are three specific moral criteria that must met by health care reform. These criteria include,

Affordability of health coverage, especially for those most in need; fairness to immigrants regarding access to health care; and respect for human life (from conception to natural death) and for rights of conscience (U.S. Conference of Catholic Bishops, 2009a, p. 1).

Providing affordable health care coverage to those most in need includes providing health care coverage to all low income individuals and families. In addition to providing health care coverage to low income individuals, addressing the fairness of the provision of health care for immigrants is also required in CST. What CST is arguing is that all residents of the U.S., regardless of immigration status, are entitled to adequate health care coverage. Addressing



health care coverage for both legal and illegal immigrants is a national political issue. However, as argued by the USCCB, it is also a moral issue because, as indicated earlier, CST requires that the well being and dignity of all members of society be maintained. Supporting the well being and the dignity of all individuals includes citizens as well as both legal and illegal immigrants. CST support of all of the aforementioned legislation is predicated on idea that the respect for human life is maintained in the provision of health care. Respect for human life includes not only the issue of abortion, but also birth control, euthanasia and other health care related issues. A detailed discussion of each of these issues from a CST perspective is beyond the scope of this project. However, one can argue that the position of the Catholic Church against birth control, euthanasia and abortion maintains the Church's position regarding respect for human life.

As discussed above, the relationship between CST's view of work and health care reform is a complex analysis. Rather, it requires the consideration of many issues that relate to the CST conception of work to the provision of health care. When looking at these issues from a Catholic perspective, one can quickly recognize that there are clear similarities between CST's view of work and health care reform. However, one can also see that there are several points of contrast and even conflict within the Church itself regarding the provision of health care and its tie to the worker.

### **Wages**

As was the case in the analysis of the CST view of work, the relationship between the CST conception of wages and the proposed health care reform is complicated. Part of the complication is due to the fact that while particular elements of the legislation are not intended to directly impact wages, nearly each piece of legislation has the potential to impact wages in one

way or another. Both the direct and indirect ways in which the AHCAA and the PPACA can impact wages are examined in the following analysis.

As illustrated by popes, theologians and scholars of CST, the basic requirement of wages is that they must be sufficient for the worker to maintain the dignity of themselves and that of their dependants. Maintaining the dignity of the worker and the family requires access to affordable and adequate health care coverage. CST's requirement for affordable and adequate health care coverage is evident in an earlier statement referenced from the USCCB that argues that it is unacceptable for individuals in the U.S., one of the wealthiest of all nations, to go without affordable health care. By logical conclusion, one can argue that this means that the balance between the wages paid to the worker and the cost of health care coverage should be such that worker is able maintain themselves and their family, while still affording health care coverage.

Both the AHCAA and the PPACA propose legislation that imposes taxes on both employers and health care consumers in order to support both encourage and financially the expansion of health care coverage. These taxes include penalties charged to employers who fail to provide adequate health care coverage to their workers. While taxes imposed on employers who do provide health insurance to their workers do not address the larger issue of high premiums, which also clearly impacts wages, the legislation nonetheless is step in the right direction from a CST perspective relative to wages.

In addition to taxing employers who do not provide health care coverage, the legislation also imposes surtaxes on high income individuals in order to help provide funding for public health care coverage. Those who oppose health care reform argue that health care reform as a

whole is too expensive for the nation and an imposition on individual liberty. For example as argued by Republican Senator Chuck Grassley:

From a new health-choices commissioner to a center for comparative-effectiveness research, these bills create dozens of new bureaucracies, increasing the federal role in health care. All of this amounts to a lot of power over people's lives... a government-run system would guarantee U.S. taxpayers a staggering tax burden for generations to come (Grassley, 2009, p.1).

Nonetheless, the imposition of surtaxes on the wealthy to support the provision of health care is in line with CST. While CST never directly defines what constitutes wages sufficient to maintain the dignity of oneself and their family, it is clear that a sufficient wage would include the ability to pay for food, clothing, housing, health care, and maintain an adequate quality of life. Incomes of \$500,000.00 for an individual and \$1,000,000.00 for a couple provide more than an adequate amount of money to meet and even exceed these basic needs. Thus, imposing a tax on these individuals is not in violation of the CST notion of maintaining a sufficient wage.

At the same time, CST argues that while individuals have the right to earn a high wage, the right to earn this high wages comes with the social responsibility to serve the interest of the community as a whole. As previously argued, the Catholic Church leaves room for the state to take a more active role in assuring that the best interest of society as a whole is served. The taxing of high income earners included in the AHCAA and PPACA is one way in which the state is taking a more active role.

A more complicated analysis from a CST perspective is the impact of taxes on businesses that do not provide adequate health care coverage. The prices that insurance companies charge employers for covering their employees become the driving force behind whether or not

employers can truly afford to provide health care coverage and also whether or not employees are able to afford the health care coverage. If the cost of insuring employees is cost effective for the employer, the policy has reached its goal by motivating employers to provide health care coverage. However, if the cost of insuring employees is too high, employers may have a set of choices that are not in the best interest of the worker or the community. These choices could include reducing staff so that the company can afford to provide coverage for the employees who are kept, closing shop, paying the surtax and not providing coverage, or reducing wages. Any of these situations could very well result in increased unemployment, reduced health care coverage or reduced wages, all of which run counter to CST. In other words, while the taxes on employers and employees are designed to expand health care coverage, these legislative actions do not directly address the problem of premium affordability from the perspective of the worker or the employee.

It is true that the health care Exchanges proposed in both acts were intended to address the issue of affordability by creating a more competitive market in which the sellers and buyers of health insurance can come together and reach market efficiencies in the provision of health care coverage. In theory, the idea is that this competitive market will reduce the existing monopoly power of insurance companies and create an environment in which the consumer is more informed and empowered to evaluate and make health care coverage choices. The problem with this is that the legislation could perhaps only indirectly address the affordability issue that is critical to the CST conception of wages.

The closest any proposed legislation comes to directly addressing the cost of health care is evident in the PPACA, Sec. 2718 - Bringing Down the Cost of Health Care Coverage. This section of the legislation takes what can be described as administrative steps that are intended to

verify that, at an aggregate level, the value received by consumers for health care coverage is equal to the amount consumers are paying in premiums. If the amount of value received by the consumer is not equal to the premium paid by the consumer, the insurer will be required to issue a rebate to the consumer for the difference (U.S. Congress, 2009a). The theory behind this idea is that on individual basis, consumers will be motivated to minimize their health care costs.

While on the surface, this may seem like a proposal that is in line with the CST conception of wages and work, the legislation still does not directly address the problem of high insurance premiums.

In addition to not addressing the issue of premiums as they impact the affordability and the wages of workers, both the AHCAA the PPACA further complicate the problem of wages from a CST perspective by putting a cap on the amount of money that individuals can contribute into and withdraw from health care FSA accounts. Under the current system, employers have the ability to place a cap on health care FSA accounts. However, both the AHCAA and the PPACA propose a \$2,500 cap on contributions made to individual medical FSA accounts. What this means is that those with continuously high medical expenses from year to year or those who may encounter a year with an unusually high level of medical expenses will be required to pay more in taxes. One can argue that those with unusually medical expenses in a given year or those with high medical expenses from year to year are, in fact, those who are in most need of healthcare. One practice that has aided in helping to make these expenses more affordable is allowing individuals to contribute pre-tax money into a FSA account. Thus, the individual is able to pay for medical expense with income that has not been taxed. These savings, particularly for low income individuals, are significant. Lowering the amount that individuals can deposit in

their FSA accounts makes health care more expensive, particularly for those who need it the most.

As previously stated, the affordability of health care is the first of the three criteria for acceptable health care reform set by the USCCB. Requiring affordable health care supports the idea that from a CST perspective, those in most need of health care coverage and those least able to afford it require more direct action that addresses the issue of affordability by controlling and regulating insurance premium rates. Maintaining programs like the health care FSAs that help make health care more affordable is another way that the legislation can address the issue of health care affordability.

### **Technology**

Analyzing the relationship between the CST conception of technology and health care reform requires looking not only at how the legislation affects the use of existing and emerging technology, but also requires looking at what the legislation does to facilitate innovation. As previously discussed, CST does recognize the benefits of selected technologies and continuous innovation, including benefits at both the individual and social level. However, this support of technology and innovation is balanced with the recognition that technological innovation can have a negative impact at the individual and the social level. Therefore, it is the application and use of technology that is subject to the most scrutiny from the CST perspective.

To begin with, the PPACA includes legislation that leverages existing technology in order to facilitate the dissemination of relevant health care and coverage information to consumers and providers. The internet is one tool that will be used to enable consumers and providers to share and access this information. Providing health care coverage information to

consumers through the internet is one way that the legislation brings in and makes use of existing technology in a way that is intended to improve the provision of health care and serve the best interest of the community as a whole. More specifically, the PPACA states that no later than twelve months after the enactment of the Act, standards for the documentation of health insurance coverage and plan information are required to be developed.

In addition to leveraging existing technology, the AHCAA and the PPACA propose several pieces of legislation that promote innovation through the development of new technology. As discussed, the legislation included in the PPACA creates a Food and Drug Administration pathway for generic biologics to be sold on the market. In addition to the establishment of an internet portal and changes in legislation concerning biologics, there is also legislative proposals in the AHCAA and the PPACA that impacts health care insurance companies themselves relative to their use of technology. The impact is evident in the legislation that lifts the protection that health insurance providers have from anti-trust legislation. What this means is that while insurance companies may not be protected from anti-trust legislation, they still have the legal right to collect and probably most importantly share and sell health care information. The legal right to collect and sell health care information is important to the CST perspective on technology because it raises the question, how will this information be used? There are clearly potential benefits and problems from a CST perspective in terms of how this information can and will be used. For instance, the information could be used to facilitate more efficient and better health care coverage. However, the information could also be used systematically to deny coverage or raise rates on individuals or groups of individuals that the health insurance companies are able to define as higher risk. With this said, the stated purpose of the data mining legislation included in the PPACA is to,

collect and aggregate consistent data on quality and resource use measures from information systems used to support health care delivery to implement the public reporting of performance information...The Secretary shall ensure that such collection, aggregation, and analysis systems span an increasingly broad range of patient populations, providers, and geographic areas over time (Cong. H.R. 3590, 2009, p. 270).

Again, from a CST perspective, the most important issue here is how the technology is being used and what impact that has on individual consumers and on society. One can therefore conclude that technology in the area of data mining and storage coupled with protecting insurance providers' legal right to retain and sell this information are not counter to CST. However, just because the legislation does not run counter to CST does not mean that the legislation is in agreement with CST. The answer to the question of whether or not this application of technology is in agreement with CST can only be found once one can evaluate the outcome. If data mining technology and rights are used in such a way that they serve the best interest of the individual consumer and society as a whole, then one can argue that this legislation is in agreement with the CST conception of technology. However, if data mining technology and rights are used in a way that does not serve the best interest of the individual consumer and society as a whole, then one can argue that this legislation is not in agreement with the CST conception of technology. As argued by Harris,

Catholic Social Teaching does not condemn technology. In fact, technology plays an important role in the eyes of Catholic Social Teaching...technology is an important component of the economic and social landscape, but it is certainly not the most important (Harris, 2008, p. 111).



One can argue from this that the legislation could be modified to promote the proper use of technology from a CST perspective. Such legislation would need to address the issue of data mining activity that denies coverage to consumers who are considered high risk. One way to address this issue is to make it illegal for insurance companies to use patient medical information in determining any current or future health care coverage decisions. While the current legislation is a step in the right direction in making it illegal to deny coverage based on a preexisting condition, it does not address the issue of charging higher rates to higher risk consumers. Legislation that prevents higher rates being charged to higher risk consumer would allow data mining practices to be used more exclusively for the development of new treatments and medications. This promotion of innovation is in agreement with the CST conception of technology.

Another area in which the PPACA promotes innovation in a way that is intended to serve the best interest of not only individual consumers, but also health insurance providers themselves is in legislation that is designed to streamline and simplify the paperwork and processing associated with health care insurance. The streamlining and simplification includes not only the enrollment and benefit definition process, but also the claims and appeals process. Some of the primary reasons for addressing the administrative issues of health care are to reduce the costs of health care coverage and to make the process more efficient. However, the legislation goes one step further from the perspective of the consumer by establishing a government administered entity that consumers can turn to for assistance when appealing the denial of a health care claim as specified in the PPACA.

A conclusion that one can draw from the above analysis is that the CST view of technology is represented in the proposed health care legislation. At the very least, the

legislation is a step in the right direction from a CST perspective. Consider for example, the use of existing technology to provide an internet portal that will enable health care providers, insurers, and consumers to share and access information that will aid in the consumers ability to make more informed health care decisions. In addition, health care reform seeks to streamline and simplify the administrative process associated with health insurance. While there may be benefits to a streamlined administrative process in health insurance, there is a potential problem from a CST perspective. The problem comes to light when the increased efficiencies of a streamlined administrative process results in fewer people needing to be involved in the process. With fewer people needed in the administration of health care insurance, some people would inevitably lose their jobs. Thus, from the CST perspective, the increased efficiency gained from the streamlining of the administration process would not justify the potential loss of jobs.

The promotion of innovation in biologics is, however, one area of legislation that is well in line with the CST conception of technology. The overall agreement with CST is also present in legislation concerning data mining. However, this agreement is more qualified because it is not yet clear exactly how this information will be used and what effect that it will have on the individual consumer. Nonetheless, the legislation as it stands does not run counter to the CST conception of technology.

### **Social Consequences**

There is a dual relationship between CST and health care reform in terms of the effects the health care initiatives have on freedom of choice and the associated social consequences. From the perspective of freedom of choice, the legislation does a great deal to improve the individual consumer's ability to make health care choices. For instance, both the AHCAA and

the PPACA propose legislation that establishes a centralized health care Exchange in which private health care coverage will be available and can be compared with government provided health care coverage. The intended social consequence of this legislation is to reduce the monopoly power of health care insurance providers, which, in theory, should help to reduce health care costs for consumers and thus, make health care more widely available to the public. Reducing monopoly power and lowering the cost of health care insurance a social consequence that falls in line with CST as it benefits not only the individual consumer, but promotes the well being and health of the community as a whole.

Discriminatory coverage practices leave Americans in need of health care in a position where their health care choices are limited. The actions proposed in the AHCAA and the PPACA help to provide these Americans with health care coverage choices by making it illegal to deny of coverage based on a preexisting condition. Providing this choice to consumers is in line with the teachings of CST because CST does not resign itself to the assumption that individual self-interested behavior in a self-adjusting market system is in the best interest of the community as a whole. Rather, CST holds the position that the denial of health care coverage to those in need based on a preexisting condition ignores the responsibility that health insurance providers have to serve the interests of society as whole. Having the freedom to choose in CST comes with a responsibility to make decisions that serve the best interest of society as a whole, regardless of the impact to the bottom line. Thus, the overriding tension between the interest of the individual and the interest of society is present within CST itself. Looking at freedom of choice and social consequences from the perspective the health insurance providers themselves, one can argue that the AHCAA and the PPACA could inhibit the freedom of choice of health insurance providers by requiring them to provide coverage to individuals they would normally

deny. The reason, from a CST perspective, that this truly is not a violation of the insurance providers' freedom of choice is because by not addressing the social responsibility that these providers have to those whom they deny coverage, the insurance providers ignore their obligation to the community. The following quote from Pope John XXIII illustrates the CST position that the right of one man, woman or business has a corresponding duty to others.

Once this is admitted, it follows that in human society one man's natural right gives rise to a corresponding duty in other men; the duty, that is, of recognizing and respecting that right. Every basic human right draws its authoritative force from the natural law, which confers it and attaches to it its respective duty. Hence, to claim one's rights and ignore one's duties, or only half fulfill them, is like building a house with one hand and tearing it down with the other (Pope John XXIII, 1963, Sec. 30).

When health insurance providers ignore their obligation to the community as a whole, the state is put in a position where it is required to take action that requires health insurance companies to provide coverage to those who are need. In other words, CST argues that freedom of choice cannot be separated from social responsibility. That is, while health insurance providers do have the freedom to supply or deny coverage to individuals, they also have a moral obligation to the community. From the perspective of CST, this obligation is to provide health care coverage to the community in such a way that it serves the best interest of the community as a whole.

An insurance company could argue that serving the best interest of the community as a whole includes maximizing profits because the insurer will be able to provide better and more broadly reaching health care coverage. However, the argument that profit maximization in the

provision of health care insurance serves the best interest of the community as a whole does not stand when one reaches the conclusion that there is virtually no way for an insurance company to maximize profits by covering the most ill of health care consumers, i.e. cancer patients and others with terminal diseases. Thus, profit maximization in the realm of health care coverage diverts away from social interest. CST argues that it is the role of state to become involved and insure that the best interest of the community is served. Thus, CST calls for the government to engage with insurance companies to insure that those in need of coverage receive coverage, regardless of whether or not it is profitable.

In addition to preventing the denial of coverage based on a patient's medical history or current medical condition, the health care reform bills specify what constitutes minimum coverage standards. The purpose of this is to ensure that health care insurance is sufficient and serves the needs of the individual consumer and the community as whole. By mandating standards of health care coverage, the legislation requires that insurance providers give sufficient coverage to consumers, including preventative care coverage, dependent care coverage and prescription drug coverage. It is true that even with minimum standards met, not all of the health care needs of every patient will be met in every circumstance. However, this legislative action is another step in the right direction, from a CST perspective, toward assembling a health care system that has positive social consequences and serves the interest of the community.

A more complicated issue related to social consequences from a CST perspective is the effect these policies have on use of public funds to pay for abortions. The CST view is that any health care legislation that is implemented must, at the very least, maintain existing legislation that prevents federal funds from being used to pay for abortions. However, an important question is, does the legislation go far enough to prevent abortion from a CST perspective? The answer to

this question can be found in detailed legislative analysis performed by the USCCB on both the AHCAA and the PPACA. What the analysis shows is that while the AHCAA does more to preserve the Church's position against abortion than the PPACA, the legislation still falls short in several areas of concern. More specifically, the AHCAA, through the Stupak-Pitts Amendment Act, seeks to provide a permanent ban on federal funding for elective abortion, except for specific reasons, as well as prohibiting federal funds from being used to pay for health coverage plans that cover abortions (U.S. Conference of Bishops, 2009c).

In addition, the bill takes other measures that support the CST position on abortion, including preventing government organizations funded by the Act from discriminating against pro-life health care providers (U.S. Conference of Bishops, 2009c). This provision is of particular importance as there are many Catholic owned and operated hospitals that will not provide abortion services. Requiring institutions and physicians to perform abortions in order to receive federal funds would put Catholic hospitals and many of their physicians in a very difficult financial situation. Many Catholic hospitals depend on federal money to operate. However, Catholic hospitals face a moral dilemma when federal funds depend on the hospital providing abortion services. At the same time, the federal government is also in a difficult position because it is faced with the problem of funding hospitals that would deny legal services to patients. Thus, there is an unresolved conflict between the position of Catholic hospitals and the government.

The Stupak-Pitts Amendment Act was proposed, but excluded by executive order from the AHCAA in 2010. The purpose of the Stupak-Pitts Amendment was to address the many concerns surrounding the use of federal funds to pay for abortions. Along the same line, the Nelson/Hatch/Casey Amendment endeavors to provide the same restrictions on federally-funded

abortions for the PPACA, which, at least initially, lacked legislation that falls in line with the CST position on abortion and its social consequences (U.S. Conference of Bishops, 2009d).

The Catholic Church's stance is that any health care reform policy must include legislation that prevents federal funds or any funds from supporting abortion. As the U.S. bishops October 8, 2009 letter states,

No one should be required to pay for or participate in abortion. It is essential that the legislation clearly apply to this new program longstanding and widely supported federal restrictions on abortion funding and mandates, and protections for rights of conscience. No current bill meets this test...If acceptable language in these areas cannot be found, we will have to oppose the health care bill vigorously (U.S. Conference of Catholic Bishops, 2009e, p.2).

While the point of this statement is relatively clear and does fall in line with the CST position on the sanctity of the unborn life, the argument made by the USCCB misses some fundamental points. It is obvious to argue that Catholic taxpayers should oppose any legislation where federal funds are used to pay for abortions since tax dollars would provide the federal funds to pay for the abortions. However, one must also consider the law of increasing costs which argues that all activities, including abortions, have a cost and that cost shows up in prices of other goods and since using resources to perform one activity, including abortions, prevents those resources from doing other things, the cost of goods and services continues to go up. What this means is that even if the USCCB were successful in preventing tax dollars from being used to pay for abortions, the cost of abortions would be passed on and paid for in the cost of other goods. Thus, the bigger issue from the CST perspective is therefore the legality of abortion to begin with.

One must keep in mind that the above statement was made prior to the proposal of the Stupak-Pitts Amendment Act in the AHCAA or the proposal of the Nelson/Hatch/Casey Amendment that is slated for the PPACA. The Catholic Church's position was strong enough in this regard that an insert was included in the weekly bulletin of every Catholic Church in October of 2009. In the bulletin, individuals were encouraged to write the senators and representatives requesting the rejection of any legislation that does not prevent federal funds from being used for abortions. The approach adopted by the Church in addressing the policy clearly demonstrates that CST is concerned with how health care reform legislation affects abortion. At the same time, it also demonstrates that the Catholic Church does have an interest in promoting health care reform. The Catholic Church's interest in promoting health care reform is evident in the fact that the Church does not entirely reject either the AHCAA or the PPACA. Rather, the Church seeks to contribute to positive social outcomes by advocating for legislative change to the proposed health care reform bills that does improve health care affordability and access.

The above discussion of CST's position on social consequences and health care reform policy reveals several points. First, in many ways, the proposed health care reform policy is in agreement with the CST conception that the positive social consequences in health care reform are not reached strictly through a freely operating market system. Second, the recognition that more should be done from a CST perspective in terms of how health care reform addresses the issue that arguably receives the most attention from the Catholic Church in the United States: federal funds being used for abortion procedures.

From the perspective of social consequences, the actual outcome of the PPACA remains to be seen. However, one can still recognize that both Acts have the potential to generate positive social consequences that fall in line with CST. Perhaps the most obvious potential is in



the legislation that sets coverage standards and prevents the denial of coverage due a preexisting condition. In addition, the establishment of a health care Exchange has the potential to help consumers make more informed health care insurance decisions. From this, the conclusion can be made that the proposed healthcare reform policies help to address the issue of distribution. At the same time, in order to be in agreement with CST, health care reform must, at the very least, maintain existing legislation that prevents federal funds from being used to pay for abortions. Health care reform that achieves this would more thoroughly reach the CST ideal of an optimal social outcome.

### **A Catholic Social Theory Perspective on Criticisms of Health Care Reform**

Health care reform is subject to criticism from both the conservative and the liberal political spectrum. The criticisms are largely ideological in nature and center largely around two major themes. The focus of the first theme is the impact that expanded health care has on the government budget and the national deficit. That is, it is argued that health care reform will burden the U.S. with an increased national deficit. The second theme is a debate over whether or not health care reform fits with capitalist ideology. In other words, many opponents of health care reform view it as a movement towards socialism in the U.S., which is antithetical to the capitalist ideology.

One of the first arguments one is likely to hear against healthcare reform is “our nation cannot afford it”, or “it will increase the national deficit.” These positions are based largely on the politically conservative, Deficit Hawk to use political slang, ideology that the government should achieve or at least work towards a balanced budget. From this perspective, an increasing national deficit is irresponsible, dangerous to the nation’s stability, a burden on future

generations, and is even viewed as immoral. Many opponents of health care reform adopt this perspective. Therefore, these opponents argue that health care reform will increase the national deficit, which is irresponsible, a burden to future generations, and dangerous to our nation's stability.

To be sure, CST has a strong sense of fiscal responsibility. This is evident in statements made by Catholic officials concerning the responsibility individual consumers have in sharing the cost of health care, as previously discussed. That is, the Church's position is that prudence comes to bear when individuals have a financial stake in their health care. One might initially think that this prudence translates directly into a Deficit Hawk view of the government budget and the national deficit. However, Catholic Social Theory does not speak directly to government budgets or deficit spending at a national level. CST does, however, speak of the responsibility the state has to all individuals.

Hereby, then, it lies in the power of a ruler to benefit every class in the State, and amongst the rest to promote to the utmost the interests of the poor; and this in virtue of his office, and without being open to suspicion of undue interference - since it is the province of the commonwealth to serve the common good. And the more that is done for the benefit of the working classes by the general laws of the country, the less need will there be to seek for special means to relieve them  
(Pope Leo XIII, 1890, Sec. 32).

One can see from this that the responsibility of the state to serve the interest of the individual is of the utmost importance in CST. However, the question is, how does one balance the interplay between financial prudence and social responsibility? One answer that CST could look to is the Functional Finance view in which financial prudence, from a government budget

perspective, takes on a new light in comparison to the Deficit Hawk view. It is beyond the scope of this dissertation to provide the full range of the Functional Finance perspective. However, as it relates to this point, the Functional Finance position is that the government should seek to balance supply and demand at the full employment level of output rather than trying to balance the federal budget. In addition, the argument goes on to say as long as individuals are willing to own government debt, there is no problem running a deficit.

The reason for this is simply that for every dollar of debt owned by the government, there is a private creditor who owns the government obligation (possibly through a corporation in which he has shares) and who regard the obligations as part of his private fortune (Lerner, 1943, p. 49).

The above quote supports the argument that the power of the state gives money value because if it did not, why would anyone regard a government debt a part of their own personal fortune. When one views the government budget and national deficit from the Functional Finance perspective, one can examine the social benefit of a policy first without focusing on the impact that the policy has on the deficit. Thus, the social benefit of providing a government funded health care system can be examined as a priority, without the focus being on how much it will increase the national deficit. Therefore, one can argue that the Functional Finance view is in-line with the CST position that the well being of society should be the primary focus. What one can conclude from this is that CST does not support the argument that since health care reform could increase the national deficit, it should be avoided. Rather, CST can be seen as supportive of health care reform, regardless of whether or not it will increase the national deficit.

Another very common set of arguments against health care reform is “it does not allow market forces to control costs”, or “government controlled health care is a movement towards

socialism and we are a capitalist nation.” CST deals extensively with the concept of market forces and the debate between capitalist and socialist ideology. The landing point in CST is, in fact, a middle-ground between capitalist and socialist ideology.

Economic activity cannot solve all social problems through the simple application of *commercial logic*. This needs to be *directed towards the pursuit of the common good*, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution (Pope Benedict XVI, 2009, Sec. 36).

As one can see, the same theme in CST presented in the debate between a balanced government budget and social responsibility carries through in the debate between capitalist and socialist ideology as it relates to health care reform. That is, CST does not hold the laissez-fair ideology that the market mechanism, left uninhibited, will bring the market for health care insurance to a socially optimal outcome. As argued by Pope Benedict XVI, the “commercial logic” of the market is inadequate to address the complex and extensive economic and social problems faced by society, including the provision health care coverage. Thus, CST rejects the idea that the “commercial logic” of the market left uninhibited or unguided by a government entity will bring society to a place that serves the interest of society as a whole. Rather, CST argues very specifically, as Presented by Pope Benedict XVI, that the political community must take responsibility and collective action to correct for social and economic imbalances in the society it serves.

One can therefore conclude that CST does not support the anti-health care reform argument that health care reform does not allow market forces to control costs, or that health care reform is a movement towards socialism and should therefore be avoided. In fact, CST rejects the whole basis of these arguments. That is, CST not only calls into question the ability of the market mechanism to allocate resources, it moves the focus away from a pecuniary end, i.e., “controlling costs,” and moves to a social end, i.e., “pursuit of the common good.” In addition, CST, as previously discussed, is critical of both capitalism and both socialism. Evidence of CST’s criticism of capitalism as presented by Pope Leo XIII has already been presented and discussed. However, he is also critical of socialism.

To remedy these wrongs the socialists, working on the poor man's envy of the rich, are striving to do away with private property, and contend that individual possessions should become the common property of all, to be administered by the State or by municipal bodies. They hold that by thus transferring property from private individuals to the community, the present mischievous state of things will be set to rights, inasmuch as each citizen will then get his fair share of whatever there is to enjoy. But their contentions are so clearly powerless to end the controversy that were they carried into effect the working man himself would be among the first to suffer. They are, moreover, emphatically unjust, for they would rob the lawful possessor, distort the functions of the State, and create utter confusion in the community (Pope Leo XIII, 1890, Sec. 3-4).

Since CST is critical of both capitalist and socialist ideology, the focus from a CST perspective moves away from what ideological label one can give a policy movement. Thus, whether or not health care reform brings the U.S. closer or further away from capitalism or

socialism is really inconsequential from a CST perspective. The important question from the CST perspective is, does health care reform serve the common good?

### **Summary**

The relationship between CST and the AHCAA and the PPACA is evident in that they all recognize that the current market for health care insurance does not serve the best interest of society as a whole. This recognition is evident in the recently passed health care reform with legislation that seeks to develop a market place Exchange for health care in which consumers are able to make informed choices between private and public health care coverage options, thereby diminishing monopolistic practices by insurance companies. The development of the Exchange, along with other legislation, including minimum coverage standards and Medicaid expansion, is intended to expand the reach of health care coverage in the U.S. While expanding health care coverage is very much in agreement with CST, expansion in and of itself does not cover the range of issues from a CST perspective. To begin with, the legislation should thoroughly address the health care needs of the poor and working poor who are unable to afford health care coverage, but who do not qualify for Medicaid. In addition, the legislation should address the overriding emphasis that CST places on the issue of abortion as it relates to health care reform. While not complete, this legislation is at least a step in the right direction toward providing health care coverage to all those in need.

The social responsibility individuals, organizations and corporations have to one another takes precedence in CST. As the dignity and well being of every individual is required to be maintained in CST, legislative actions that tax high income earners in order help provide insurance to those least able to afford it is in accord with CST. On the surface, it may appear that many of these proposals run counter to the CST defense of private property and the rights of

businesses to operate profitably. However, an argument can be made that the proposed legislation does not run counter to CST's teachings on the social responsibility. CST is also supportive of a high level of government coordination and leadership in this effort.

Yet when the State brings private ownership into harmony with the needs of the common good, it does not commit a hostile act against private owners but rather does them a friendly service; for it thereby effectively prevents the private possession of goods, which the Author of nature in His most wise providence ordained for the support of human life, from causing intolerable evils and thus rushing to its own destruction; it does not destroy private possessions, but safeguards them; and it does not weaken private property rights, but strengthens them (Pope Pius XI, 1941, Sec. 49).

As argued by Pope Pius XI, the redistribution of private property to serve the common good does not weaken private property, but strengthens private property. This is because, as argued by Pope Pius XI, private property that causes "intolerable evils" leads to its own ultimate demise. By preventing misuse of private property through redistribution, the state, in effect, protects private property from itself.

As discussed, there is disagreement among Church leaders on the role of government in providing health care coverage. The disagreement is evident in statements made the Bishops of Kansas City, Missouri and Kansas City, Kansas in comparison to statements released by the USCCB. The statements made by the Bishops argue, in essence, that the government should not necessarily have a major role in the coordination and provisioning of health care. Rather, the Bishops put a large portion of the responsibility on the individual consumer. Placing the financial responsibility on the consumer does in many ways run counter to the collective

message being sent by the USCCB who see the importance of the government actively being involved in the provision of health care coverage. The variation in message among the leadership of the Catholic Church itself further demonstrates the complexity of the application of CST to health care reform policy.

Disagreement over the proper role of the government in health care reform among Church leaders, while critically important, is not the issue that can, will or perhaps already has driven a wedge between CST and health care reform policy. The issue that drives this divisive wedge is if health care reform maintains legislation that prevents the use of federal funds in paying for abortion. The initial absence of such policy from the proposed AHCAA and the PPACA resulted in opposition to both bills on the part of the Catholic Church. It was only after the submission of amendments that would prohibit the use of federal funds to pay for abortion that the Church would take a supportive position on health care reform. From a CST perspective, legislation that improves the condition and reach of health care coverage in the U.S. is supported only if the legislation that is implemented thoroughly addresses the key issue of abortion. In fact, almost regardless of how many other legislative acts included in the bills are representative of the CST, health care legislation is rejected by the Catholic community if it is not viewed as thoroughly addressing the key issue of abortion.

Regarding opposition to health care reform, while popular arguments against healthcare reform may seem to be in agreement with CST on the surface, there are, in-fact, major points of disagreement between CST and the common anti-health care reform arguments. This is because CST puts the well being of society as a whole above any fiscal or socio-economic ideology. The important issue from a CST perspective is whether or not health care reform truly serves the common good.



## CHAPTER 5

### CONCLUSION

The relationship between CST and economic policy is complex and multifaceted, as are the theological and philosophical elements that constitute CST. The relationship is further complicated by the economic and social changes leading up to the Great Depression and the current healthcare crisis, both of which are centered largely on expanded technology and productivity, as well as insufficient distribution within society. The complexity of this relationship is represented in the policy initiatives associated with the New Deal as well as the legislation associated with the current health care reform laws.

This research has endeavored to take the CST conceptions of work, wages, technology, and social consequences and reconcile them with New Deal and health care reform policies. At one level, the analysis reveals that while there are points of difference between CST and the policies of the New Deal, the collective direction of the New Deal is in agreement with CST. The collective agreement is evident in that the New Deal implemented programs that did not rely solely on the operations of an unfettered market to reach an optional social outcome. Rather, the programs sought to address directly the various economic and social problems at hand, including unemployment, poverty, the plight of farmers as well as retirees unable to support themselves. Addressing such a wide variety of economic issues required those who developed New Deal programs to move away from the laissez-faire ideology of mainstream economic theory and adopt a non-deterministic view of the economy and recognize that extensive government support is needed to restore economic stability. The idea that extensive government support can help restore economic stability is consistent with the basic insight of Keynes who recognized that it is possible for the economy to suffer a failure of internal coordination such that an exogenous

force, i.e., the government, is needed to restore balance. In addition to adopting the idea that extensive government intervention is needed, New Deal reformers were also required to develop creatively and quickly programs that would address real socio-economic problems in a practical way. Understanding that the problems of the Great Depression were complicated and constantly evolving, the New Deal programs themselves were under continuous revision. This perspective and approach is very much in line with the CST perspective that the social, political and economic environment that drives society is the result of individual choices that can be, and are, conflicting and subject to change. As a result, CST is evolving and adapting to address the social and economic issues relevant for the time. While the central message remains consistent in CST, the application develops within the context of a particular time and place.

The fact that the application develops within the context of a particular time and place is evident in the arguments made by Pope Leo XIII in his *Rerum Novarum*, in which he addresses the conflict between capitalism and communism. This conflict was new at the time the *Rerum Novarum* was written and required Pope Leo XIII to apply CST to the context of the time. The same spirit of innovative thinking and theoretical application to address difficult issues is evident throughout the New Deal policies examined in this study.

The historical precedence for the relationship between economic policy and CST provides a theoretical foundation for an analysis of the relationship between CST and health care reform in the U.S. This research reveals that from a CST perspective, the health care reform bills are a step in the same direction that CST would support as moving toward a more socially responsible provision of health care coverage. For example, the PPACA and the AHCAA both include legislation that requires insurance companies to provide coverage to those who need it,

regardless of any preexisting condition. The legislation also requires that employers provide health care coverage as a benefit or face a tax penalty.

While there is agreement between health care reform legislation and CST, there are several critical areas where the legislation could be adjusted to be more in line with a CST perspective. The issue that gets the highest and most immediate level of attention is the effect that the legislative changes will have on existing legislation preventing federal funds from paying for abortion. There is arguably no issue more igniting than abortion from a CST perspective and no issue that could more quickly bring opposition on the part of the Catholic Church. The issue is sufficiently important to CST that amendments preserving existing legislation concerning federal funds being used for abortions were proposed with the health care reform laws.

Yet, it is not on the issue of abortion alone that one should weigh the representation of CST in the legislation. The issue of abortion, while critical, is only one area of the proposed health care reform policy. Another critical issue is the affordability of health care coverage from both the perspective of the employer and the worker. Mandating insurance companies and employers to provide coverage is only beneficial if those who are eligible to receive it can afford it. The proposed health care reform bills do not fully address the issue of affordability. An argument is made that the facilitation of administrative tasks through the government will help reduce the cost of health care and that the establishment of a health care Exchange will make health care more affordable. However, whether or not government facilitation of administrative tasks will reduce health care costs remains to be seen and provides no immediate relief to individuals and employers faced with increasing health care costs. Thus, from a CST perspective, more direct action needs to be taken to address health care costs.

As previously discussed, a critical issue from a CST perspective is the appropriate level of government involvement in providing health insurance to those in need. Opponents of health care reform hold the position that low government involvement in the provision of health insurance will enable the market mechanism to control cost and justly distribute health care coverage. However, CST, in-fact, takes the opposite position arguing that the state has a responsibility to ensure that the common good is served. Thus, CST is supportive of a more active role of the government in health care reform. Based on the evidence provided in the previous chapters, one can argue that the current health care reform legislation improves the centralization and coordination of health care coverage. However, the highest degree of control is still in the hands of health insurance providers whose motivation remains the same, to maximize profits. What this ultimately leads to is health insurance companies continuing to take steps to insure that profits are protected and as high as possible, which is not in agreement with CST.

From a CST perspective, this situation calls for the state to take a more active role in the provision of health care coverage. Such coverage is necessary to maintain the well being and dignity of individuals in need of health care. One can therefore argue that CST dictates that the state intervene and, if necessary, become the central coordinator of health care coverage.

Such action requires a shift in mindset in terms of how the United States views health care coverage. That is, resolving the problem requires health care coverage to be viewed not as a privilege, but as a right that should be provided to everyone in need. However, a shift in mindset is not enough. The motivating factor behind the provision of health care needs to be addressed. More specifically, the provision of health care must move away from a model that is motivated by profits to one that is motivated by serving the best interest of individuals in need of health

care. From a CST perspective, the priority should be patient care before profits, even if that requires government funded and operated health care coverage.

Continuing in the same analytical mode, it is suggested that the direction of future research in CST should expand the analysis beyond New Deal policy and health care reform. That is, as policies are proposed and debated, analysis should be performed that examines the ways that policy initiatives agree and disagree with CST. For instance, one area that has not been thoroughly addressed from a CST perspective is the recent collapse of the financial markets in the United States and abroad. There are significant issues there from a CST perspective regarding the practices in the financial system leading to the current recession. Just as significant from a CST perspective are the actions taken by U.S. and foreign leaders to address the recession. Virtually the same questions that served as the basis of analysis between CST and health care reform can be used to examine the position of CST regarding the collapse of the financial system and what CST prescribes to address the issues. What is most important to future research and study in CST is taking CST and examining how it can be applied in a real and practical way.

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## VITA

Jeremy Joseph O'Connor was born on May 25, 1977, at St. Luke's Hospital in Kansas City, Missouri. He grew up in Kansas City, Missouri and graduated from St. Peter's School in 1991 and St. Thomas Aquinas High School in 1995. Following high school graduation, he attended Rockhurst College. He majored in biology and minored in business administration, graduating in 1999.

The summer after his graduation, Mr. O'Connor accepted a position at Cerner Corporation. During his two years at Cerner, he worked on health care information system implementation projects. In 2000, Mr. O'Connor began his M.B.A. studies at Rockhurst University. In 2001, he accepted a position at DST Systems Inc. working on mutual fund information systems development projects. Mr. O'Connor continued to work at DST Systems Inc. for nine years.

Following the completion of his M.B.A. in 2002, Mr. O'Connor taught his first college courses at Park University. In 2004, Mr. O'Connor began his doctoral studies in economics at the University of Missouri-Kansas City. While pursuing his doctoral degree, he continued to work full-time at DST Systems Inc. and teach as an adjunct at Rockhurst University, Avila University, Park University, and Kansas City Kansas Community College. In the fall of 2010, Mr. O'Connor began his academic career at Rockhurst University as an Assistant Professor of Business. Upon completion of his degree requirements, Mr. O'Connor plans to continue teaching and pursue research interests.