

THE PONTIFICAL  
ACADEMY OF  
SOCIAL SCIENCES

Miscellanea

4

Forum on **The Meaning of the Priority of Labour**



VATICAN CITY  
2004

ARCHER • DONATI • FUMAGALLI CARULLI • KIRCHHOF • LEHMANN • LLACH  
MALINVAUD • MARTIN • MINNERATH • POSSENTI • RAGA GIL • RAMIREZ  
SABOURIN • SCHAMBECK • SCOLA • SKUBISZEWSKI • SUCHOCKA • VYMĚTALÍK

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# The Meaning of the Priority of Labour



5 MAY 2003

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OF THE PRIORITY OF LABOUR

*Address*

THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES  
CASINA PIO IV, 00120 VATICAN CITY

THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES

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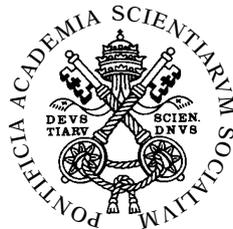
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The opinions expressed with absolute freedom during this forum, although published by the Academy, represent only the points of view of the participants and not those of the Academy.

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THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES  
VATICAN CITY



*John Paul II*



The Pontifical Academy of Social Sciences, Casina Pio IV



The Participants of the Ninth Plenary Session of 2 May 2003



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MONDAY MAY 5<sup>TH</sup>, 2003

Closed Session for the members of the Academy

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H.Em. Card. Karl LEHMANN, Archbishop of Mainz

H.Em. Card. Angelo SCOLA, Patriarch of Venice

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Interventions of Academicians

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## INTRODUCTION

EDMOND MALINVAUD

This is a brief presentation of the exchanges here published. They took place at the seat of the Academy on Monday, 5 May 2003 between three high prelates<sup>1</sup> of the Church and the general assembly of academicians. They were meant as a dialogue of the kind required by Article 1 of the statutes of the Academy, which stipulates: 'The Academy, through an appropriate dialogue, offers the Church the elements which she can use in the development of her social doctrine and reflects on the application of that doctrine in contemporary society'.

Since the beginning of their activity, academicians have paid a great deal of attention to the organization of the dialogue with the Church, beyond that which would naturally take place as a result of regular publication of the works of the Academy and the addresses of the Holy Father. Broad agreement seemed to emerge in favour of the idea of a 'forum' where high figures of the Church could meet with our general assembly in order to discuss some of the conclusions drawn from the academic scientific interchange. It was decided that a forum could be held when the Academy was sufficiently advanced in the study of a subject to have reached well formulated conclusions on matters of interest to the Church.

This first forum will remain an essential part in the programme devoted by the Academy to the broad theme of Work and Employment, which was first discussed in its second plenary session, being introduced on 20

<sup>1</sup> H.Em. Cardinal Karl Lehmann, Bishop of Mainz, Germany.

H.E. Msgr. Angelo Scola, Patriarch of Venice, now Cardinal Angelo Scola.

H.E. Msgr. Diarmuid Martin, Archbishop of Dublin, Ireland. Acting as Secretary of the Pontifical Council for Justice and Peace, he belonged to the Council of the Academy from its institution in 1994 to January 2001.

March 1996 by a lecture of academician Father Johannes Schasching, S.J., on *Catholic social teaching on labour, work and employment*. Two other plenary sessions were devoted to the programme in 1997 and 1999. Following the publication of the contributions in our proceedings (*Pontifical Academy of Social Sciences Acta 2, 3, 5*), a book was prepared and issued in order to present the content of the programme and some synthetic elements to readers in universities throughout the world (Edmond Malinvaud and Margaret Archer, eds., *Work and Human Fulfillment*, Sapientia Press, Ypsilanti, 2003, 329 pages).

For its best relevance the forum had to focus on a specific subject selected among all those which had been discussed in the programme. After surveying various other questions raised by the realization of a first forum and considering a number of possible topics, the Council of the Academy proposed to the 2001 general assembly: 'The meaning of the priority of labour over capital in the present world', which was accepted. The following two years turned out to be necessary for a serious planning and preparation of the forum.

This publication in English aims at being as faithful as possible to actual oral exchanges. Given such a purpose it has the form of minutes following the course of the meeting. However, it begins with the translation of a full written text that Cardinal Lehmann was so kind to prepare, especially as a background document for his initial presentation of the subject. Academicians are, and readers will be, very thankful to him for this highly valuable and thorough analysis of the subject examined in the forum.

The text of the booklet is divided into the same four parts as applied to the tempo of the forum. First come the three presentations respectively made by Cardinal Lehmann, Cardinal Scola and Archbishop Martin. The second part reproduces the oral contributions of academicians who had announced in advance that they would stand ready to speak on such or such aspect of the subject. The third part is devoted to a second round of contributions made by academicians after the mid-morning break. The floor was first given to the two colleagues who had written notes<sup>2</sup> circulated in advance to all participants in the forum: Professor Archer, who from 1994 on accepted the heavy responsibility of organizing the activities of the whole programme on Work and Employment, and myself. Then six other academicians also took part in the exchanges. The fourth part reproduces

<sup>2</sup> These notes are published here as appendices.

the conclusions of the forum as drawn respectively by Archbishop Martin, Cardinal Scola and Cardinal Lehmann.

It would be too bold of me to pretend to give here even a brief personal summary of these conclusions. But I may be excused to formulate answers that I found to three questions which the prospect of this forum had naturally raised in my mind.

What could be expected from a forum in which high prelates of the Church would meet us academicians? How could that make our other activities more effective? Probably only through a real dialogue will the two parties, the Academy in particular, 'at least come to ask the right questions' (Martin). At the end of a forum we should be in the position of identifying 'a number of topics' on which 'a more focused dialogue' could bear (Scola).

What kind of contributions from the Academy would the Church most value? Those in which we would 'try and apply the perennial principles of the Catholic social teaching in a concrete way to the reality that is there' (Martin). Those in which we would draw the implications of changes in historical conditions and so help in a critical revision of the texts in order to make them more relevant to the present reality, particularly to the reality as lived by the young (Lehmann). The Academy is well placed to adjust the concepts and principles of the social doctrine to the new language now being used in the teaching of social sciences (Lehmann).

In which major respect should the knowledge conveyed by my discipline, economics, be developed to better serve the Magisterium, especially if and when it will want to reformulate the principle of the primacy of labour over capital? Here I note: 'What specifically matters to the Pope ... are the human beings involved' (Lehmann); 'Economics not only requires ethics but also anthropology' (Scola); 'Economy requires anthropology and the social teaching of the Church springs from a particular vision of the human person which marks it out as different from other social visions' (Martin).

## SPEECH OF WELCOME

EDMOND MALINVAUD

Your Eminence, Your Excellencies, it is with a deep feeling of gratitude that the Academy is welcoming you today. You have drawn on the time available for your heavy responsibilities, this in order to take part in the concrete implementation of the dialogue between the Church and our young Academy. We thank you warmly. I please ask you not to consider the seating arrangements that we have adopted in this Conference Hall as a face to face between the Church authorities and the *francs-tireurs* that academics and researchers necessarily are.

I do not need to make an introduction to state the goals of our forum because I was able to speak about them with you and because the majority of the academicians are familiar with the project that is beginning this morning.

For those whom the Holy Father has recently appointed I will only give three brief clarifications: first of all, this forum is a follow-up that the Academy is experimenting after its exchanges on its first scientific programme. This concerned the general topic of work and employment, which was examined especially in the Plenary Sessions of 1996, 1997 and 1999. Secondly, a more specific subject has been chosen for the forum, the priority of labour over capital, one of the main tenets of the social doctrine of the Church. Thirdly, our forum is a working meeting aimed at enabling the Academy to better guide the future meetings that it will organise on Work and Employment.

Your Eminence, Cardinal Lehmann, I give you the floor.



## PART I

*Presentations of the subject*

## ON THE PRIMACY OF LABOUR OVER CAPITAL

H.E. CARDINAL KARL LEHMANN

### I

The title addresses a central message of the Church's social teaching, which is found in a concise and no doubt most well developed form in the Encyclical *Laborem Exercens* (= LE) by Pope John Paul II on Human Work, dated 14 September 1981.<sup>1</sup> The principle concerns the relationship between capital and labour. Pope John Paul II sets forth that labour and capital should by no means be placed in opposition to each other, this having largely occurred in the economic order of the industrial age. 'This principle directly concerns the production process: in this process labour is always a primary efficient cause, while capital, the whole collection of means of production, remains a mere instrument or instrumental cause' (LE 12,1). The concept of capital thus includes not only the natural resources at our disposal, but 'the whole collection of means by which man appropriates natural resources and transforms them in accordance with his needs (and thus in a sense humanizes them)' (LE 12,4). This led to the invention not only of the more simple human instruments, but also of modern and complex technologies, from machines to laboratories and computers. The Pope very strictly relates this to work: 'Thus everything that is at the service of work, everything that in the present state of technology constitutes its ever more highly perfected "instrument", is the result of work' (LE 12,4).

Everything depends on the fact that man is the real efficient subject in the production process, while the instruments, regardless of how per-

<sup>1</sup> For the texts on Catholic social teaching, cf. R. Spiazzi (ed.), *I Documenti sociali della Chiesa*, 2 volumes, 2nd edition, Milan 1988; R. Iannarone (ed.), *Grandi Encicliche sociali*, 8th edition, Naples 1983 (with Latin text).

fect they may be, are subordinate to human labour (LE 12,5). The Pope stresses in a manner of heightened anthropological pointedness: 'We must emphasize and give prominence to the primacy of man in the production process, the primacy of man over things. Everything contained in the concept of capital in the strict sense is only a collection of things. Man, as the subject of work, and independently of the work that he does – man alone is a person' (LE 12,6).

Finally, the Pope fundamentally holds that capital and labour may not only not be set in opposition to each other; it is moreover necessary to avoid giving the impression 'as though they were two impersonal forces, two production factors juxtaposed in the same "economistic" perspective' (LE 13,3). Human labour may not be regarded exclusively according to its economic purpose, for this would ultimately signify the primacy of the material and thus an inadmissible form of economism (cf. LE 13,3). A labour system can only be factually right and morally legitimate if it 'overcomes the opposition between labour and capital through an effort at being shaped in accordance with the principle put forward above: the principle of the substantial and real priority of labour, of the subjectivity of human labour and its effective participation in the whole production process, independently of the nature of the services provided by the worker' (LE 13,1).

## II

Pope John Paul II thereby remains aware of the fact that the opposition between capital and labour was increasingly influenced by the philosophy and economic theories of the 18th century, on the one hand, and by economic and social circumstances and practice at the time of the birth and rapid development of industrialization, on the other. As a result of this dichotomy, neither capitalism nor liberalism have been sufficiently able to grasp the essence of human labour. Both in their own way fail to recognize man as the subject of work.

Indeed, the theoretical bases underlying this separation should not be overlooked. With a view to the factors of production, there is the classic theory of the three production factors in the narrower sense, namely labour, capital and (real) property. Such a theory will postulate that the persons representing these factors are to be given an appropriate share in the distribution of the product, these persons being workers, and owners of capi-

tal and property in the concrete case. Marxism<sup>2</sup> proceeds from the single production factor of labour, representing the sole source of values. On this basis, it is consistent to set forth that all commodities should belong to the workers. The banker D. Ricardo, who together with A. Smith laid the foundations for the labour theory of value, which was also adopted by Marx, declared capital to be the essential production factor. Real property hardly appeared to him as an independent factor, and labour basically constituted a mere addendum to capital in his view. Thus Ricardo defended high capital returns, low wages and the abolition of basic pensions. Conversely, Marx declared capital to be more or less an addendum to labour. In fact he regarded capital itself as ‘accumulated’ or ‘materialized’ labour. The capitalist – only thus does he mainly refer to the employer or the owner of capital – has arrogated this work to himself (actually wrongfully). It is in this context, obviously enough, that the ‘theory of exploitation’, the ‘theory of pauperization’, and the doctrine relating to the falling rate of profits and the ultimate collapse of capitalism were developed. Accordingly, the workers were to be entrusted with the sole rule over labour and its returns.<sup>3</sup>

In the Encyclical<sup>4</sup> the Pope attaches great importance to the fact that the principle of the priority of labour over capital ‘emerges from the whole

<sup>2</sup> Cf. K. Marx/F. Engels, total edition, Moscow 1927 et seq.; of relevance to the statements made here: *Die Frühschriften*, Stuttgart 1953, *Der Mensch in Arbeit und Kooperation* (Aus den Grundrissen der Kritik der politischen Ökonomie), 1857/58; *Lohn, Preis, Profit*, 1865; *Das Kapital*, 1st edition 1867, 1st book, chapter 1. Regarding the situation from the viewpoint of social and economic history, above all in German perspective, cf. F. Jonas, *Sozialphilosophie der industriellen Arbeitswelt*, 2nd edition, Stuttgart 1974; H.-U. Wehler, *Deutsche Gesellschaftsgeschichte*, vol. I: 1700-1815, Munich 1987, 59 ff., 370 ff.; Th. Nipperdey, *Deutsche Geschichte 1866-1918*, vol. I: Arbeitswelt und Bürgergeist, Munich 1990, 226 ff., 252 ff., 268 ff., 279 ff., 291 ff., 335 ff., 414 ff., 812 ff.; F.-W. Henning, *Handbuch der Wirtschafts- und Sozialgeschichte Deutschlands*, vol. 2: 19. Jahrhundert, Paderborn 1996.

<sup>3</sup> Cf. in terms of a brief analysis: W. Theimer, *Der Marxismus. Lehre – Wirkung – Kritik*, 7th revised and supplemented edition, Munich 1976, 158 ff.

<sup>4</sup> For an analysis on *Laborem Exercens*, cf. E. Brüggemann, *Die menschliche Person als Subjekt der Arbeit*. Das ‘Prinzip des Vorrangs der Arbeit vor dem Kapital’ und seine Umsetzung in der heutigen Gesellschaft = Abhandlungen zur Sozialethik 33, Paderborn 1994; O. v. Nell-Breuning, *Arbeit vor Kapital*. Kommentar zur Enzyklika *Laborem Exercens* von Johannes Pauls II., edited by Katholische Sozialakademie Österreichs, Vienna 1983, concerning nos. 12 and 13, particularly 33-39; *Der Wert der Arbeit und der Weg der Gerechtigkeit*. Die Enzyklika “Über die menschliche Arbeit” Papst Johannes Pauls II. Mit einem Kommentar von O. von Nell-Breuning, Freiburg 1981, 103-127; *Die Würde des Menschen*. Die theologisch-anthropologischen Grundlagen der Lehre Papst Johannes

of man's historical experience' (LE 12,1), applies to all historical epochs and human situations, and decisively co-determines the form of the labour system and the entire socio-ecological system. He therefore demands that this principle be adopted as a 'definite conviction' (LE 13,5). Similarly, he is convinced that the Church has always taught this principle (LE 12,1) and that it is part of the abiding heritage of the Church's teaching and has important and decisive consequences (cf. LE 12,6).

### III

For this reason it is appropriate to enquire, at least in brief, where and how this principle has been expressed in the remaining areas of the Church's social teaching, it being thoroughly clear that here, too, there have been developments in substance and language. There can moreover be no doubt that the Pope's proclamations, in their inner pointedness, were moulded on the one hand by his own experience in dealing with workers in dependent wage employment and, on the other, by his own philosophical and theological anthropology.

We are able to cast merely a short glance at the history of the Church's social doctrine here.<sup>5</sup> Naturally, compared to the statements in *Laborem Exercens*, these references can only be regarded as early thoughts that still needed to be elaborated, but nonetheless already reflected a basic orientation. Thus we may call to mind the formulation adopted by Pope Leo XIII in the Encyclical *Rerum Novarum* (= RN) of 1891: 'Each needs the other: capital cannot do without labour, nor labour without capital'. (RN 19) This postulate is repeated in *Quadragesimo Anno* (= QA), in 1931, accompanied by the following comment: 'Wherefore it is wholly false to ascribe to property alone or to labour alone whatever has been obtained through the combined effort of both, and it is wholly unjust for either, denying the efficacy of the other, to arrogate to itself whatever has been produced' (QA 53).

Pauls II., edited by G. Höver *et al.* = *Entwicklung und Frieden* 41, Mainz 1986, including in particular O. Höffe and J. Sieg: 47-60, 61-73. Regarding the remaining texts, cf. O. v. Nell-Breuning, *Soziallehre der Kirche. Erläuterungen der lehramtlichen Dokumente*, 3rd edition, Vienna 1983, concerning LE: 239-265, notably 246-253; *Texte zur Katholischen Soziallehre*, edited by Bundesverband der KAB Deutschlands, 5th edition, Cologne 1982.

<sup>5</sup> Cf. in detail E. Brüggemann, *Die menschliche Person als Subjekt der Arbeit*, 81-206, notably 143 ff.

In the course of time an ever more differentiated perception ultimately evolved, so that both production factors have become more and more weighted in their reciprocal relationship. Thus Pope John XXIII writes about the essence of work in *Mater et Magistra* (= MM) in 1961: 'Work, which is the immediate expression of a human personality, must always be rated higher than the possession of external goods which of their very nature are merely instrumental. This view of work is certainly an indication of an advance that has been made in our civilization' (MM 107). Only a few years later the Pastoral Constitution of the Second Vatican Council, *Gaudium et Spes* (= GS), obviously inspired by these initial thoughts, clearly states: 'Human labour which is expended in the production and exchange of goods or in the performance of economic services is superior to the other elements of economic life, for the latter have only the nature of tools. – This labour, whether it is engaged in independently or hired by someone else, comes immediately from the person, who as it were stamps the things of nature with his seal and subdues them to his will' (GS 67). In very fundamental terms it is therefore also noted: 'Hence, the social order and its development must invariably work to the benefit of the human person if the disposition of affairs is to be subordinate to the personal realm and not contrariwise...' (GS 26).

These statements may well suffice here to show that John Paul II is fully in accord with his predecessors when he remarks in *Laborem Exercens* that the human person enjoys priority over any means of production. Behind the concepts of labour and capital the Pope sees human beings who are united through their work.<sup>6</sup> There can be no doubt that Pope John Paul II, by his pointed argumentation, has considerably clarified the entire concep-

<sup>6</sup> For a further analysis, also cf. J.-D. Rosche, *Katholische Soziallehre und Unternehmensordnung* = Abhandlungen zur Sozialethik 27, Paderborn 1988, 28 ff.; Th. Langner, *Sozialprinzipien im Betrieb*. Zur gestaltungstheoretischen Rezeption der Personalität, Solidarität und Subsidiarität in der neueren Betriebswirtschaftslehre = Abhandlungen zur Sozialethik 40, Paderborn 1976; W. Weber, *Laborismus* = Kirche und Gesellschaft 95, Cologne 1982; L. Roos, "Theologie und Ethik der Arbeit", in: *Internationale katholische Zeitschrift Communio* 13 (1984), 97-115; for more information on the concept of capital, as well as the relationship between labour and capital, cf. in particular B. Kuppler, *Kapital im Wandel*. Kontinuität und Wandel der kirchlichen Sozialverkündigung am Beispiel des gewandelten Verständnisses von "Kapital", Baden-Baden 1988, 71 ff., 112 ff. – Moreover, cf. Pope Paul VI in his speech to the International Labour Organization in Geneva on 10 June 1969, in: *Texte zur Katholische Soziallehre* (cf. note 4), 476.

tion. In this sense the Pope has above all elaborated and deepened the reasoning behind the primacy of labour over capital. In the process, the Pope was supported, in particular, by heightened philosophical-theological personalism and partially also by phenomenological analysis, both of which simultaneously exercised a lasting influence.<sup>7</sup>

It is superfluous to search for the roots of this principle in any kind of general socialism. One must, as it is, distinguish carefully between the general slogan 'capital *and* labour' and the principle of the priority of labour *over* capital. Moreover it is quite futile to seek a powerful influence of 'labourism' in *Laborem Exercens*, for this term at first remains highly ambiguous.<sup>8</sup> No doubt much more decisive is the fundamental origin of at least a certain primacy of work over all things, including capital, dating as far back as early modern times. Thus W. Weber comments on this priority of work: 'It [this priority] is factually indisputable and the common property of numerous scholars and schools of thought since the beginning of the modern age. It is found in St Thomas Moore's "Utopia" (1517) as well as with the English state philosopher, John Locke (1632-1704); in the physiocrats' school of political economics (18th century) as well as with the advocate of classic economics, David Ricardo (1772-1823) – upon whose ideas Karl Marx constructed his "labour theory of value" and his exploitation theory; it is found with the renowned French social theorist, Claude Henri de St. Simon (1760-1825), and others'.<sup>9</sup> Time and again reference has also been made here to the first social Encyclical of 1891, which states that 'it may be truly said that it is only by the labour of working men that States grow rich' (RN 34). Obviously, this largely expresses the self-understanding of modern-age man, at the latest since the Renaissance.

<sup>7</sup> Cf. the comprehensive substantiation by L. Roos, *Methodologie des Prinzips "Arbeit vor Kapital"*, in: *Jahrbuch für christliche Sozialwissenschaften* 29 (1988), 87-126 (including numerous references).

<sup>8</sup> In addition to the explications by W. Weber (cf. note 6) and L. Roos (cf. note 7), cf. E. Brüggemann, *Die menschliche Person als Subjekt der Arbeit*, 269 ff., and W. Weber, *Person in Gesellschaft. Aufsätze und Vorträge vor dem Hintergrund der christlichen Soziallehre*, 1967-1976, Paderborn 1978, 283 ff.; R. Kramer, *Arbeit = Kleine Vandenhoeck-Reihe* 1482, Göttingen 1982; W. Conze, "Arbeit", in: *Geschichtliche Grundbegriffe. Historisches Lexikon zur politisch-sozialen Sprache in Deutschland*, vol. 1, Stuttgart 1972, 154-215. Cf. in brief H. Ludwig, "Laborismus", in: *Lexikon für Theologie und Kirche*, 3rd edition, vol. VI, Freiburg i.Br. 1997, 578-579.

<sup>9</sup> *Laborismus*, 10.

## IV

In this context, it is important to examine the principle of 'labour over capital' more closely – that is, by contrasting it with the schematic differentiation of labour and capital in very general terms. The historical origin of this dichotomy has already been outlined briefly above. Now, of course, this phrase within its prevailing relational structure is ambiguous and open to differing interpretations, and thus also to misinterpretations.<sup>10</sup>

Not least due to such obvious improper use, the differentiation itself has often come to be discredited. Thus in 1982, Wilhelm Weber already declared that now, 'finally, leave (must) be taken from the much cherished, but meanwhile antiquated toy of the classic economic dualism between "capital and labour" in favour of the anthropological duality between man and work, in which the priority of the person is uncontested'.<sup>11</sup> A very fundamental criticism of the differentiation is expressed by Niklas Luhmann to the effect that it basically constitutes a suggestive distinction, which may be historically appropriate, but today has become unsuitable for a number of reasons. Thus, he argues, the distinction has increasingly evolved into an opposition, with the conceptual pair no longer suitable for the description of economic systems. Moreover, the distinction with its 'combative semantics' has meanwhile lost all bearings on reality.<sup>12</sup> He further writes: 'If one takes a closer look at the details, the inconsistencies increase. One scarcely encounters social problems that could be assessed by making this distinction and solved through a shifting of weights within this difference or through its neutralization. A struggle on this front does not really help us along anywhere'.<sup>13</sup>

<sup>10</sup> It is not necessary here to depict the diverse approaches, which largely have to do with various 'options' for formulating the Church's social teaching. By stressing the priority of labour over capital, new concepts of social teaching were to be substantiated. Cf. the comprehensive depiction by L. Roos, *Methodologie des Prinzips 'Arbeit vor Kapital'* (cf. note 5), 88-100; also cf. E. Brüggemann, *Die menschliche Person als Subjekt der Arbeit*, 288 ff. Also cf. notes 22 and 23 below.

<sup>11</sup> *Laborismus* (cf. note 6), 8.

<sup>12</sup> N. Luhmann, *Die Wirtschaft der Gesellschaft*, Frankfurt 1988, cf. 151-176, citation: 165. Cf. also *ibid.*, "Kapital und Arbeit", in: *Die Moderne: Kontinuitäten und Zäsuren, Soziale Welt*, special volume 4, Göttingen 1986, 57-78; regarding N. Luhmann's social theory: *Beobachter der Moderne*, edited by H.-J. Giegel *et al.* = stw 1612, Frankfurt 2003 (lit.).

<sup>13</sup> *Ibid.*, 169.

Even if we remain aware of such critical reflections and others, we must nevertheless bear in mind the inherent meaning of the set phrase ‘priority of labour over capital’ (LE 12,1). Moreover, perhaps it would be more appropriate to apply the wording of the ‘primacy of man over the capital instrument’ (LE 13,4) or the extended formulation of the ‘primacy of the person over things, and of human labour over capital as a whole collection of means of production’ (LE 13,5). Given that from the start the Pope seeks to prevent the conceptual pair from being set in incorrect opposition to each other, but very specifically within this principle holds on to the priority of the working person over capital as an instrument, a lasting criterion has in any case been created. So it is possible to register infringements of this principle, which constitutes an important value (labour over capital), and to formulate specific structural tasks aimed at achieving a *better* fulfilment of the value striven for.

Within this meaning, especially as regards the situation in developing countries and in the perspective of a globalized world, the principle remains valid – that is, as a primary criterion. With it, existing systems can at least be criticized, although it says nothing in social-ethical terms – and this is the borderline – about how a just economic system can be attained.<sup>14</sup>

## V

In particular, one must distinctly see that what very specifically matters to the Pope, over and above this general characterization, are the human beings involved. At first glance that would appear quite self-evident. Upon closer inspection, however, this aspect loses its apparent naivety: ‘In the light of the above truth we see clearly, first of all, that capital cannot be separated from labour; in no way can labour be opposed to capital or capital to labour, and still less can the actual people behind these concepts be opposed to each other...’ (LE 13,1) This has considerable consequences. The Pope thus demands that the production process be organized in such a way that the working person ‘can preserve his awareness of working “for himself”’ (LE 15,2). For in a system of excessive bureaucratic centralization the individual feels ‘that he is for more reasons than one a mere production

<sup>14</sup> Cf. L. Roos, *Methodologie des Prinzips “Arbeit vor Kapital”*, 110; E. Brüggemann, *Die menschliche Person als Subjekt der Arbeit*, 391-403.

instrument rather than a true subject of work with an initiative of his own' (LE 15,2).<sup>15</sup> Each person on the basis of his own work should be able 'to consider himself a part-owner of the great workbench at which he is working with everyone else' (LE 14,7). It is precisely for this reason that the integration of persons within the enterprise is at all times emphasized. Accordingly, the Church's social teaching stresses that this enterprise consists of all those working in it.

Such a person-oriented structure of work also comes to bear on the ranking of participation and partnership within this conception. In seeking to combine work as far as possible with the ownership of capital and to reduce the anonymity of capital, at least two courses of action are available for overcoming, or in any case mitigating, the opposition between capital and labour.

What matters is the genuine cooperation between unions and management. Their duty is to commit themselves to the welfare of their members, which nevertheless may not involve 'a struggle "against others", nor "group or class egoism"'. Rather the struggle among labour market parties must occur for 'the good of social justice, not for the sake of "struggle" in order to eliminate the opponent' (LE 20,3). Co-determination, profit-sharing and other methods of participation must be mentioned in this connection, without them being able or needing to be elaborated here (cf. QA 65, MM 91-92, GS 68, LE 13-15).

Thus a further course of action for overcoming the opposition between capital and labour has been addressed, namely the participation of workers in the national economic formation of capital, an old concern of Catholic social teaching that has been taken up time and again since the 19th century.<sup>16</sup> And at all times it has involved the recovery or the safeguarding of the subjective character of human labour (also cf. LE 18,4).

<sup>15</sup> Cf. the important explications by J. Cardinal Höffner regarding the centrally planned economy, in: *ibid.*, *Wirtschaftsordnung und Wirtschaftsethik. Richtlinien der Katholischen Soziallehre* = Der Vorsitzende der Deutschen Bischofskonferenz, 12, Bonn 1985, 34-44. For general information, cf. H. Lampert, *Lehrbuch der Sozialpolitik*, 3rd edition, Berlin 1994, 203 ff., 354 ff. Concerning LE 14-15, cf. in particular O. von Nell-Breuning, *Soziallehre der Kirche*, 249 ff. (participation in management and profit as a shareholder).

<sup>16</sup> An overview of the conception of participation in productive property is given in the anthology, *Beteiligung am Produktiveigentum*, edited by Kirchenamt der Evangelischen Kirche Deutschland and by Sekretariat der Deutschen Bischofskonferenz, Hannover-Bonn 1993. Also cf. A. Losinger, *Gerechte Vermögensverteilung* = Abhandlungen zur Sozialethik 34, Paderborn 1994; K.D. Schmidt, *Soziale Gerechtigkeit durch unternehmerische Initiative* = Abhandlungen zur Sozialethik 35, Paderborn 1994, 124 ff.

## VI

This should suffice to illustrate the possibilities of elaborating the principle 'labour over capital' in at least a few dimensions. I consider it very important, however, to point out the limits of the principle – at least within the conception outlined hitherto – so as to enable these limits to be overcome and the principle itself to be extended, if possible. The following aspects of the principle are addressed:

The conception of *Laborem Exercens* no doubt centres on the dominant role of a particular type of work. It is dependent work, dependent wage labour, that is placed in the foreground. 'Of course, this domain also includes independent self-employment and, of course, the Pope *knows* about it. But his thoughts and his heart are with dependent wage labour and it is *that* for which he very specially asserts the priority over capital'.<sup>17</sup> Today, work seems to be related much more closely to knowledge and capital, for example. Intellectual work requires a perspective of its own. However, I basically consider it possible to master the risk of falling prey to a certain narrowness in the concept of work, without the principle suffering any fundamental damage.<sup>18</sup> Here the Encyclical itself proves to be quite complex (cf. e.g. the concept of work in Parts I, II and V, and in III and IV).

For quite some time now it has become evident that the duality between labour and capital is an insufficient characterization. The two factors of production would also be constitutive in the sense of expressing the inevitably opposing interests of the two factors. Everything then depends on achieving a balance between these conflicting interests, one that is acceptable to both parties. This dichotomous notion of the enterprise is found in both the liberal and the Marxist camp, albeit in differing forms. It has been noted repeatedly that the entrepreneur was missing not only in Marxism, but also, for a long time, in Catholic social teaching. Although one must differentiate here,<sup>19</sup> because there have always been at least a few tendencies in that direction, and recent times have witnessed a truly substantial improvement, I nevertheless believe that the managerial function

<sup>17</sup> O. v. Nell-Breuning, *Arbeit vor Kapital*, 34.

<sup>18</sup> Cf. S. Müller, *Phänomenologie und philosophische Theorie der Arbeit*, 2 volumes, Freiburg 1992-94; in terms of a brief summary, also cf. the article 'Arbeit', in: *Staatslexikon*, edited by Görres-Gesellschaft, 7th edition, vol. I, Freiburg 1985, 198-220, notably 198-204.

<sup>19</sup> Cf. K. Lehmann, "Die Verantwortung des Unternehmers im Licht der katholischen Soziallehre", in: *ibid.*, Glauben bezeugen, Gesellschaft gestalten, Freiburg 1993, 422-436 (lit.).

has been insufficiently stressed with a view to entrepreneurial performance. Schematically, capital is always portrayed as 'idle' or 'barren' capital. 'Although indispensably dependent upon each other, the two basic or material factors of labour and capital do not by themselves find the way to each other and to something which they "undertake" with each other; they need someone to bring them together... It is he (the entrepreneur) who "neutralizes" the dichotomy of the interests brought in by the two material factors, labour and capital – interests that unavoidably diverge and, indeed, conflict in important aspects – in that he coordinates and integrates them to form a mutual task, and thus an overriding common interest'.<sup>20</sup> This marks the starting point for the entire issue of co-determination – which, however, cannot be discussed in detail in this context.

The conception of the 'primacy' or priority of labour over capital gives rise to problematic interpretations, which of course have to do with the openness of the phrase. One can easily arrive at utopian ideas if one upholds the distinction between labour and capital in such a way as to derive an opposition therefrom and, as it were, places the class struggle *within* that opposition. The principle 'capital organizes labour' is then confronted with the demand 'labour organizes the required capital', possibly in that the means of production are leased or rented from their owners. Injustice is done to no one if we declare that this idea as such has simply not been realized to date.

Another often encountered misunderstanding is revealed in mere linguistic terms. Labour, above all as represented by the dignity of the working individual, is perceived as a virtually absolute priority, placing capital in fundamental subordination to it. Capital is thus 'only' an instrument; viewed as such, a certain parity needed simply to avoid setting the one in incorrect opposition to the other already appears as a deviation from the 'ideal'. I consider this to be a fundamental undervaluation of capital, which especially under present-day production conditions is indispensable for starting up economic processes in the first place. All this, moreover, requires a high degree of readiness to take risks. As a result, tensions are bound to arise, for example as regards the question of profitability and the calculation of the financial utility of production.

The interpretation of the principle 'labour over capital' embodies an often hidden form of Gnosticism or idealism that underestimates the mate-

<sup>20</sup> O. v. Nell-Breuning, *Worauf es mir ankommt. Zur Sozialen Verantwortung*, 3rd edition, Freiburg 1984, 66.

rial framework conditions as such. Much as the discovery of personalism has been used for the benefit of social ethics and the Church's social teaching, one must nevertheless beware of overstating it platonistically and reducing it to the subjectivity of man as practically the only factor. It would be a mistaken anthropology to undervalue the fundamental importance of Nature, of general material conditions and, hence, of capital,<sup>21</sup> not to speak of the role of the entrepreneur. If these dangers are insufficiently perceived and, hence, devalued, the principle of 'labour over capital' gets into an ambivalent situation.<sup>22</sup> The personal conception of work must not make economically blind, much less be instrumentalized in a biased or even ideological manner, as has occasionally been attempted with *Laborem Exercens*.<sup>23</sup> It is also possible to overrate the human significance of work, or work alone.<sup>24</sup>

Thus I would like to bring these reflections to a temporary close. The principle 'labour over capital' certainly does not constitute a fixed dimension. It must be comprehended from the perspective of its genesis and its function. It then proves to be – like a good many things in Catholic social teaching – an open principle,<sup>25</sup> which above all assumes the function of a criterion. Indeed, especially upon further contemplation of the principle, this criterion seems to me to be thoroughly appropriate for its application within the scope of the globalization issue, notably with a view to the effects on the Third World.<sup>26</sup>

Like numerous other documents, the *Instruction on Christian freedom and liberation*, issued by the Congregation for the Doctrine of the Faith on

<sup>21</sup> Regarding the concept of capital, cf. M.-E. Hilger/L. Hölscher, "Kapital", in: *Geschichtliche Grundbegriffe*, vol. 3, Stuttgart 1982, 399-454; also cf. the sober reflections on the principle of 'labour over capital' by F. Furger, *Moral oder Kapital? Grundlagen der Wirtschaftsethik*, Zürich 1992, 157-180, 306 ff.

<sup>22</sup> For instance, cf. remarks by F. Hengsbach, *Strukturentgiftung. Kirchliche Soziallehre im Kontext von Arbeit, Umwelt, Weltwirtschaft*, Düsseldorf 1990.

<sup>23</sup> Regarding these dangers, cf. A. Berchtold, "Das Modell einer laboristischen Ordnung", in: E. Schröder et al., *Modell einer laboristischen Ordnung*, Düsseldorf 1980; F. Hengsbach, *Die Arbeit hat Vorrang*, Mainz 1982; W. Klein/W. Krämer, *Sinn und Zukunft der Arbeit*, Mainz 1982.

<sup>24</sup> See O. Höffe, in: *Die Würde des Menschen* (cf. note 4), 56-60.

<sup>25</sup> Regarding the subject of 'open principles' and the structure of social teaching, cf. H.-J. Wallraff, *Katholische Soziallehre – Leitideen der Entwicklung? Eigenart – Wege – Grenzen*, Cologne 1975, 26 ff.

<sup>26</sup> Cf. in this regard – without going into detail on the globalization issue – N. Brieskorn/J. Wallacher (eds.), *Arbeit im Umbruch. Sozialethische Maßstäbe für die Arbeitswelt von morgen*, Stuttgart 1999; O. v. Nell-Breuning, *Arbeitet der Mensch zuviel*, Freiburg 1985; K. Homann, *Moral in den Funktionszusammenhängen der modernen*

22 March 1986, takes up this basic thought expressed in the Encyclical *Laborem Exercens*, which the Pope himself has always estimated very highly,<sup>27</sup> by stating: ‘The priority of work over capital places an obligation in justice upon employers to consider the welfare of the workers before the increase of profits. They have a moral obligation not to keep capital unproductive and in making investments to think first of the common good. The latter requires a prior effort to consolidate jobs or create new ones in the production of goods that are really useful’.<sup>28</sup>

This applies in particular with a view to problems associated with human development. Hence, twenty years after the Encyclical *Populorum Progressio*, the Encyclical *Sollicitudo Rei Socialis* by Pope John Paul II, dated 30 December 1987, re-addresses the statements made in *Laborem Exercens*<sup>29</sup> and very expressly relates these to development. The Pope declares that in the Encyclical *Laborem Exercens* he ‘referred to man’s vocation to work, in order to emphasize the idea that it is always man who is the protagonist of development’.<sup>30</sup> Owing to its personal character, work is imperative for human development.<sup>31</sup> This exposition thus flows into the context of the Church’s entire social doctrine and notably that of Pope John Paul II.<sup>32</sup>

*Wirtschaft*, Stuttgart 1993; Th. Rusche, *Aspekte einer dialogbezogenen Unternehmensethik = Ethik und Wirtschaft im Dialog*, 4, Münster 2002.

For more details on the subject of globalization in the context of the question discussed here, cf. (U. Beck) U. Beck, *Was ist Globalisierung?*, Frankfurt 1997; W. Greider, *Endstation Globalisierung*, Munich 1998; *Politik der Globalisierung*, edited by U. Beck, Frankfurt 1998; W. Dettling, *Wirtschaftskummerland?*, Munich 1998; A. Giddens, *Der dritte Weg*, Frankfurt 1999; *Schattenseiten der Globalisierung*, edited by D. Loch/W. Heitmeyer, Frankfurt 2001; E. Rieger/St. Leibfried, *Grundlagen der Globalisierung*, Frankfurt 2001; A. Giddens, *Die Frage der sozialen Ungleichheit*, Frankfurt 2001; P.J. Opitz (ed.), *Weltprobleme im 21. Jahrhundert*, Munich 2001, 201-213; J. Mander/E. Goldsmith (eds.), *Schwarzbuch Globalisierung*, Munich 2002; J. Dürrschmidt, *Globalisierung*, Bielefeld 2002; J. Stiglitz, *Die Schatten der Globalisierung*, Berlin 2002.

<sup>27</sup> Cf. the speech held by the Pope at the International Conference on Labour in Geneva on 15 June 1982, in R. Spiazzi (cf. note 1), vol. II, 1409.

<sup>28</sup> *Verlautbarungen des Apostolischen Stuhls* 70, Bonn 1986, no. 87.

<sup>29</sup> *Verlautbarungen des Apostolischen Stuhls* 82, Bonn 1988, no. 18 (with reference to LE 18).

<sup>30</sup> *Ibid.*, no. 30 (with reference to LE 18).

<sup>31</sup> For more details, cf. P. Langhorst, *Kirche und Entwicklungsproblematik. Von der Hilfe zur Zusammenarbeit = Abhandlungen zur Sozialethik* 37, Paderborn 1996, 41 ff., 64-70, 217-221, 237, 348.

<sup>32</sup> Cf. Pope John Paul II, *Gewissen der Welt* [The Conscience of the World]. With an introduction by E.-W. Böckenförde, edited by U. Ruh, Freiburg 2002.

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EDMOND MALINVAUD

Thank you very much, Your Eminence. I will immediately pass the floor to Monsignor Patriarch Scola.

## REFLECTIONS ON THE PRIMACY OF LABOUR

H.E. PATRIARCH ANGELO SCOLA

Good morning, Mr Chairman, good morning to you all, I think my intervention is going to follow what His Eminence has just said. I would like to keep my presentation very short in order to have time for a discussion because it contains just a few ideas: these ideas have to be examined in depth and are going to be completed by me.

### *The issue*

First of all there are a few questions that we must ask. I think the two preparatory papers of this forum (Malinvaud's and Archer's), have singled out, in such clear terms that even a layman like me can understand them, the main changes that have occurred during these last few years in the capital/labour relationship. These are at the basis of the question that gave rise to this meeting. For my convenience, I shall repeat them: under the present change in circumstances, does it still make sense to talk about the primacy of labour over capital? And is it possible to do so in the terms indicated by *Laborem Exercens* (cf. 11-15)? Is the more complex vision of the economic system proposed by *Centesimus Annus* (cf. especially 32-35; 43) sufficient to reaffirm this primacy?

### *Critical attention*

In order to solve this cluster of problems in a necessarily schematic way we must, on the one hand, avoid becoming caught up in the reaffirmation of

the principle that is based on ethical and anthropological references proposed as purely 'extrinsic' to the economic terrain; on the other, we must be careful not to consider the economic field as an autonomous, absolute, self-absorbed world. We must therefore show that the economy, in its constitutive elements and in its current complex articulations, requires from within a continuing relation with ethics and anthropology. In brief, in order to be convincing, the primacy of labour over capital must appear convenient, *cum veniens* (in the strong sense) for the economic field itself and must be closely linked to it.

*Labour/capital relations: the changes*

I will not repeat the terms of the very complete analysis of the changes in the labour/capital relationship provided by Malinvaud and Archer. It is sufficient to recall that since economic activity is no longer based on the 'factory system', a balanced relationship between state, capital and labour at the level of human relations is no longer possible. In the so-called 'global market' the actors do not 'deal' directly with the people but with information and decisions concerning the allocation of capital. We therefore have to recognise that in societies as complex as ours economic dynamics are even more deeply connected with the social ones. Let us think for instance of the weight of the third sector or the importance of consumption behaviour for corporate activities and results.

Thus we can understand that, things being as they are, the movers of the economy are tempted not to abide by the *principles of reflection*, by the *judgement criteria* and by the *guidelines* (cf. *LC*, 72) sponsored by the social doctrine, among which we have the primacy of labour over capital.

*The grounds to reaffirm this principle*

Personally I am still convinced that, even under these conditions, there are good reasons to state that the principle that formed the basis for our reasoning is still valid. I would like to point out three reasons.

First of all, I would like to point out that demoting labour to a mere factor of the production process – as it used to happen in the old-fashioned system of factory work which, as we have seen, is completely obsolete – was already an ideological reduction of the proper conception of labour. The social doctrine of the Church has always rejected such an approach. According to the social doctrine of the Church, labour is one of the two pillars of basic human experience, the second pillar being emotional life. For

Christian anthropology, labour is a key form of participation – even under its more strenuous and contradictory aspects – to the creative and redemptive work of the God of Jesus Christ.

A confirmation of the anthropological value of labour – and this for me is the second reason according to which this principle is still valid – is given by the recent theoretical reflection on economic growth, according to which it is not only linked to production factors. Indeed, capital stock, even if necessary, can explain only part of economic growth. Economic growth depends much more on the efficiency with which human labour uses production and organisation tools. In my opinion, the insistence with which economists talk about learning and human capital as pivotal factors for growth is an explicit way of acknowledging the primacy of labour as belonging to strictly economic processes. Therefore it is economics itself which underlines the anthropological urgency.

Thirdly, in the last few decades, the importance of the institutional perspective has prevailed: the system of shared rules, norms and values under which the economic activity is carried out becomes more and more decisive in order to reach efficiency. Bad laws choke the economy. Cultural behaviours that are only redistributive in nature, not creative, determine the divergent fate of a country from the economic point of view.

Hence, within the economy, the ethical need emerges. The institutional configuration – which is made plain by the participation in the legislative process but, more in general, by the organisation of social life – is further undeniable proof that human ‘labour’ has a priority over capital.

However brief, all these remarks clearly highlight the primacy of labour over capital. Although this primacy has its roots in anthropology and ethics, it can also be seen within the economy itself.

#### *Which path should we follow?*

In order to support most effectively the primacy of labour over capital a global governance mainly centred on the reinforcement of general rules governing economic and social policies would be advisable. In a nutshell, we can affirm that this global governance should aim at ensuring the respect for human rights in the economic field. It is easy to understand that such a goal cannot simply be achieved through the work of the national governments but requires the establishment of a global order, which everyone should comply with.

This proposal certainly takes into consideration the complexity of the present economic life – which has no possible comparison in the past – and

also the institutional rules which are absolutely necessary for production processes and markets... From this point of view the various parties involved must envisage the creation of a new institutional setup within the economic framework.

However, this prospect will be feasible only if we have the courage to see it through and to examine all of its aspects. Economics not only requires ethics but also anthropology. Indeed, laws actually facilitate public life. Their task is to open new paths and to block others, indicating the direction to follow in order to ensure the necessary order for economic life. Nevertheless, especially within the framework of today's dominant legal positivism, it is necessary for this legal dimension to have an anthropological basis. Economic actors therefore must not confine themselves to building from the bottom up a conventional set of rules of behaviour, no matter how flexible and respectful of human and social freedoms, cultural sensitivities and religious peculiarities of human beings and peoples. Such an approach cannot avoid the inconvenience that afflicts all the ethical theories of our time: the impossibility of relying on a *cultural consensus* which is sufficiently aware of the main criteria of ethical evaluation itself and therefore capable of identifying those causes that are worthy of commitment at the level of personal and public life. Ethics alone cannot generate the interests and wishes of the human being. Only a well-planned anthropological proposal can influence the freedom of the individual, guiding it, by means of intermediate bodies, to the virtuous circle of the *good life*, which is at the same time personal and social.

And this is indeed the direct subject of the social doctrine of the Church. It teaches us that, *even before ethics, economics needs anthropology*. Economic life needs a conception of the human being and of the social community.

In order to ensure harmony and to achieve its goal the economic relation must be placed within this whole concept. Without an adequate anthropology, economics itself cannot be efficient! This is the cultural turning point that the social doctrine of the Church should update when recalling the validity of the principle of the primacy of labour over capital.

#### *Who needs what? Economic activity and quality of relations*

I think the social doctrine should make a further effort in this field. In the economic field the identification of moral good should not set aside the main goal of creating and distributing goods and services. However, the economic activity, which must produce wealth and profit, reducing

costs inasmuch as possible, cannot be confined to an abstract relation between means (goods and resources) and goals (needs). It is a polymorphous reality, not a purely technical one. Both at the level of production and at the level of distribution and consumption, it also always implies a meeting of people and a relationship of exchanges between them. It envisages a gamut of choices and decisions whose effects can impact on other people and the whole community. The ethical-economic activity is a way of structuring interpersonal relations which are mediated by things and performances. Because of the large number of factors involved two questions must be raised today.

The first: who needs what? How do we respond to these needs?

The second: what is the nature of the relations that economic activity should promote?

Within the complex economic framework it is a matter of safeguarding the human quality of the needs and the correct relationship between freedom and critical function for the good of individuals, intermediate bodies and the whole social community.

#### *Economics, education and politics*

In order to guarantee the proper ethical-anthropological characteristics required by the economy, social and economic analysts should underline the need for *education*. What sort of education is concretely possible today to fully enhance the type of work which is pivotal for social dynamics and for economic growth itself? In other words: how can we ensure the primacy of labour over capital?

The answer to this question, which calls into play the two main pillars of the social doctrine, *solidarity* and *subsidiarity*, must regard all the socially relevant actors: Church, civil society (and therefore even 'enterprise') and state. Thank you.

EDMOND MALINVAUD

Thank you very much, Your Excellency. Now, allow me a more, let us say, personal touch in giving the floor to Monsignor Martin who for a long time was one of us. We are extremely pleased to hear him speak today as a representative of the thinking of the Church. Monsignor.

## WHAT HAPPENS WHEN PEOPLE BECOME CAPITAL

H.E. MONSIGNOR DIARMUID MARTIN

Thank you Mr President, I am very pleased to be back in this familiar but much brighter room than it was in the days when this project was elaborated. I have put as the title of my reflections on the primacy of labour over capital: what happens when people become capital. The primary resource is human intelligence, the creativity and the innovative capacity of people themselves. Investment in people is a primary precondition for a strong knowledge-based economy and the unskilled are the most marginalized in any part of our economies. So today people speak of 'human capital' and of 'social capital' alongside capital in its traditional sense.

These concepts were in many ways summed up very simply by Pope John Paul II in the Encyclical *Centesimus Annus*. Whereas at one time the decisive factor of production was the land, and later capital understood as a total complex of the instruments of production, today the decisive factor is increasingly man himself, that is his knowledge, especially his scientific knowledge, his capacity for operating in interrelated and compact organisation, as well as his ability to perceive the needs of others and to satisfy them. In another paragraph of *Centesimus Annus* the Pope says there exists another form of ownership, talking of another form of capital, which is becoming no less important: the possession of know-how, technology and skill. The wealth of industrialised nations is based much more on this kind of ownership than on natural resources. Probably he should not have said industrialised nations at all, because the nations that are knowledge-based are post-industrial and are more and more service orientated. In this he should also probably have, if he were writing the Encyclical today, entered into the concept of intellectual property and the challenges that will appear regarding the ownership of this intellectual property which is capital, but also capital for humanity.

Does the fact that the human person has become the decisive subject for the success of a modern economy, does that mean that the person will be less objectified? It should work in that way, but I am not sure that we have made it work in that way. I was having a discussion about this recently with a well-known entrepreneur who interrupted me as we were speaking and he said, 'Monsignor, would you like somebody to say to you that you are a resource? You have to understand that business will be more successful the more it treats its people as people: it is only when they are treated as such that they will bring their real contribution; it is only when their full human capacity is enhanced that they will bring the contribution that a modern business enterprise needs'.

This being said there are various aspects to the question I raised. In the first place, innovations cannot be simply objectified and pre-packaged. In that sense a modern economy requires its anthropology, requires to look at the person in a different way. This means that people cannot simply be quantified but be looked upon in their integrity. The same principle bears on two other areas of application: for example, in the Encyclical *Centesimus Annus* where the Pope draws attention on the one hand to the idea of the 'community of work' and the 'community of persons' when describing a business enterprise, on the other hand to the relationship between profit and persons in an enterprise.

For all these aspects economy requires anthropology and the social teaching of the Church springs from a particular vision of the human person which marks it out as different from other social visions. Firstly the human person is created in the image of God. This places the human person in a totally different situation with regard to any other type of capital that might exist and with regard to his or her dignity which is inalienable. But for the Christian vision God is Trinity. So within the definition of human person comes the concept of relationship. The human person is never a closed individual but exists always in relationship. The person must transcend himself or herself in relationship and in love. Within this concept of relationship, and I will come back to this, there is a special significance in the relationship between man and woman. One particular area for example of the Church's social teaching about the person in his or her relationships is in the role of the worker and family. For example, traditionally the social teaching of the Church spoke about a family wage.

Such contributions of the Church's social teaching are widely recognised. It is interesting to recall that the Universal Declaration of Human Rights, in a number of areas, speaking for example about remuneration for

work, speaking about the right to an adequate standard of living, says 'for him and his family'. Clearly this is a reflection of the Catholic delegates who were present at the writing of the Declaration. Here I could refer and defer to the work of Professor Glendon which illustrates this very clearly. But both Catholic social teaching and human rights tradition are having great difficulty in addressing today these new dimensions. Rights are considered individually: equal pay for equal work is a valid principle when you are talking about equality between men and women. But when equality is mentioned you often lose the dimension of whom that person may be. Consider such questions as: should every worker be treated alike? Which family responsibilities should become either a private matter for the employee or in another way a public matter in which the cost is borne by the state or some other outside social insurance? You clearly have a tension there between the person and his relationships. And strangely there will be no equality between men and women in the workplace until the specificity of women as child-bearers and as child-carers is recognised and is brought into the equation alongside – naturally – with the changing roles of men and women in society which will provide an answer to that. So today it is very difficult for the Church, for example, practically speaking, to talk about a family wage.

Actually, we have an even deeper crisis. In many parts of the world today we do not have a subsistence wage. There is a growing number of what are called the 'working poor', that is of poor people who are fully employed but do not earn enough to come out of even extreme poverty, and this is accentuated by the precariousness of the type of employment that is available to the people we are talking about. It becomes again more difficult when the relationship between employer and employee changes through dislocation. Many even small enterprises no longer know who their workers are because they are not their employees, they may well live in another continent and are linked to their end employer only through a complex interconnection of sub-contracts.

Consideration of these problems brings us to the idea of finding ways to guarantee that the rights of workers are defended through the establishment of international labour standards, a process which is existing but in which there are now new tensions. The comparative advantage of a poor country is cheap labour costs and it becomes more and more difficult to see the correct mechanisms to encourage initiative and to maintain labour standards which are realistic. Watching the negotiations only last week in the UN Human Rights Commission I could witness problems with the

developed countries that are more and more rejecting the concept of strong social and economic rights because this concept conflicts with efficiency.

Then new questions come up: how is efficiency measured? Is efficiency the only criterion? Efficiency is easy to apply for example when you are talking about providing physical goods. You can count the number of cans of beans or beer that have been produced and you can count how many shoes or t-shirts have been produced and you can gauge productivity and efficiency. But when we move into the service sector, where success can at times be measured in the quality of human relations that are produced, it becomes more difficult and it is no longer just a tension between labour and capital, between employer and employee. The question now involves people serving people, and people producing human goods. How then do you measure productivity? There are examples of applying efficiency measures to the delivery of social goods, take for example the police force. If efficiency means finding guilty people responsible for crimes then this might suggest a mathematical definition of efficiency. If you arrest and convict 80% of the criminals in a reasonable period of time, your police force is more efficient than one which arrests only 40%. Or if your social service provider cuts the toenails of 60 elderly people in one day, then he or she is more efficient than the one who cuts only 35 in the same period at the same cost. But is that the only criterion of success? You may find for example that the more efficient police force in these terms also arrests more people who are not guilty, or you may find that the quality of foot care decreases and you may totally overlook the fact that the elderly person may want also to talk to somebody and not only get his or her feet cured. This applies even more so when you apply efficiency measures to doctors, or healthcare workers.

When success is measured in the quality of human relations then different criteria should apply. When purely economic criteria of measurement are applied, there is the danger that you quantify and objectify workers but also that the service in the terms of its human ability is less efficient, less innovative and that was the point of the whole operation in the beginning. Not to mention that at times, in crisis, some of these break down. However, efficiency and measurement, quantification and objectification of people is also important. Quantification can help coordinate personal contribution and talent with efficient outcome, focusing more effectively on the product that has to be produced. I think in terms of, in Britain, John Major's citizen's charter and I think of this very often when I stand for ten minutes in a passport line. It should be possible to find a

way in which human innovation and genius can match supply and demand in the services area and in the long term it is those service providers who offer an efficient, flexible and human service who will win economically. If a person offers basic services which are technically efficient, humanly good and gives a price advantage then I may be prepared even to go a distance to go to them.

When people become capital, education plays the most significant role. The higher the level of education, the more the person will be a participant. This is what an active person means. One of the most important studies, for example, about the economy of Latin America is that the average child in America attends school for two years less than a similar child in South-East Asia and even more depends on the quality of education and this means the quality of teaching and teachers. In many places the social profile of a teacher is low and the management of education is at times too centralised, too remote and away from the communities in which it works. You have got in many developing countries the problems of phantom schools, which exist only on paper, or phantom teachers who insist only on drawing a salary.

The management of education is extremely important. But the education system which is needed is one which encourages and produces creativity. The school system which I frequented encouraged conformity. Luckily, I knew how to be non-conformist and to survive and maybe even thrive in those conditions. But if poverty means the inability to realise human potential, fighting poverty means building a system that enables people to fully realise his or her potential and to embody that in structures and communities. As Pope John Paul II says you require not only the advancement of the individual through education and formation but also the subjectivity of society through the creation of structures of participation and shared responsibility. In this again another tension now arises: who pays for this education? Economic actors benefit from a well-educated, active population but they are not always prepared to pay for this.

Two other concrete factors: for me the most glaring conflict today between the centrality of the human person and the objectification of the human person is in the area of migration. People have been on the move since human society began and mobility will inevitably be a characteristic of the era of globalisation. However, alongside all the coming together through communication and commerce, there is at times almost an irrational reaction to the concept of freedom of movement of people, even if it is proposed in terms of managed migration. Migration can be a true

win/win solution: it releases employment pressure of the sending country, it responds to a need in the receiving country, it can build up different cultural relationships, remittances are a most significant part of the economy in many countries and it can result in a type of technological transfer on a low level when people return. But more and more it comes back to a concept of anthropology. The human person is not an isolated individual but belongs to a family of humankind. Obviously there can be losses, think of the brain drain in some developing countries, think of the dramatic loss, for example, of healthcare workers and teachers when education and healthcare are really essential to developing countries, but a market economy should also be able to cope with this. There is one example where it is done: in football, where the richer countries are required to pay to acquire the talent that has been cultivated back home.

My final comment in this area of anthropology and the type of anthropology you need when the person becomes capital, is: look at the place of the person within the integrity of creation. The creation narrative reminds us that every element in creation has its own special place and is good, and that humankind is entrusted with the task of maintaining the harmony that is placed into creation. The primacy of labour must also include certain qualitative dimensions regarding the environment of work, and I mean even the physical environment of work, and the role of work for the environment. And when you look at the creation narratives and, speaking of this harmony, when the integrity of creation is entrusted to humankind, it is done to humankind created as male and female. There is a certain sense in which getting the balance in the relationship between male and female is a key also to finding and to conserving the harmony that is in the rest of creation. This is again a dimension that has been overlooked in our reflection on work.

I will sum up again, returning to the Encyclical *Centesimus Annus* when the Pope says, 'Economic freedom is only one element of human freedom'. When it becomes autonomous man is seen more as a producer or a consumer of goods than as a subject who produces and consumes in order to live. And economic freedom loses its necessary relationship to the human person and ends up by alienating and oppressing him. Modern economy is such that it requires the integration of many other human dimensions than just the purely economic one. Thank you.



## PART II

*First series of interventions by academicians*



## EDMOND MALINVAUD

Our forum will now continue with interventions of academicians who put their names down in advance to talk about specific topics. Ten academicians had so registered but four of them, for different reasons, had to cancel their participation. We obviously regret it. Later I will tell you their names and what they wanted to talk about.

On the basis of the titles of their announced interventions, I had decided to divide the ten speakers into three groups: the first dealing with the meaning of work; the second with the relations between social partners; and the third with the international economic context. Regarding the first group, I will give the floor, one after the other, to my two colleagues Donati and Kirchhof. Professor Pierpaolo Donati is a sociologist who teaches at the University of Bologna and, like all the other lecturers, I will tell him not to exceed five minutes.

## PIERPAOLO DONATI

The basic idea I wish to put into the debate is that work becomes more and more a social relation, beyond being a functional performance, and this fact implies that the dualism between labour and capital be overcome.

What we are witnessing today is precisely a new global process of generalization and differentiation of *both* labour and capital, which implies the emergence of new economies. Therefore, although the priority of labour over capital remains a milestone, it must be re-elaborated both theoretically and practically in its applications to these new realities.

Work and capital change their meanings, and so it happens to the institutions designed to regulate and manage them. In this perspective I suggest that what we mostly need today is not the search for different balances of labour and capital within the compromise between the capitalist market and the political democracy, but a judgment on the building up of different economies which can be understood only if one assumes a new *societal* perspective.

We are going toward a kind of society in which a plurality of theoretical conceptions and practical cultures of work will co-exist competing with one another. They can be distinguished and classified on the basis of the meanings that they stress: work as a value of exchange (commodity), work as an activity that is legitimized for political purposes non-conditioned by

the market, work as a communicative relation of reciprocal service, work as a production of use values that responds to primary human needs.

In parallel, what we call 'capital' differentiates itself into many different meanings: instrumental capital, human capital, political capital, social capital. As an output of these processes of differentiation, also the economy comes to be differentiated into different economies: the market economies, the political economies, the social economies, the economies of free giving and simple sharing.

Present-day society emphasizes the importance which work has in the relations between the subject who acts and the one to whom he/she turns (employer, client or user in general) and the type of bond that exists between those who create the goods and those who make use of them. A new civil economy is born; cultures of *fair trade* are affirmed.

These new mediations and the relative changes in the processes of devaluing certain forms of work and of giving value to other forms of culture must be taken care of.

These processes have given rise to theories about the end of work (as employment) and a passage has been spoken of from the status of 'job' to the status of being 'active'. A shift of this kind seems to many to be impracticable. What seems correct and possible is to generalize the concept of work from employment to 'work activity' in the sense that *it refers to an action that is binding by contract*, whether this contract is taken on voluntarily or results from a social role that is binding for the person, thereby keeping the concept of work distinct from that of a simple activity which does not imply juridical obligations related to a contract.

When conceived and lived in this way, work becomes not only a '*merit want*', but also and above all a '*relational want*'. And this is so not only because the system of relations for the activity that is defined as work conditions its meaning, but because work comes to consist of (i.e. 'is made up of') social relations on which all those who are involved depend. We can then see work as an activity in exchange systems which are differentiated from one another, which have (or could have) different forms of 'money' (as a title of access), with different rules of equivalency, commutation and redistribution.

The ideas of the Citizen's Minimum Wage as well as of Family Wage are not only compatible with this viewpoint but they favor it. In fact, supposing that individuals and families can enjoy a minimum income in cash, they could add to this income the whole set of 'entitlements and instruments of credit' (other forms of money) which each one obtains

through his/her activity in various spheres of activities which have some social relevance, in the form of access to benefits, goods and services that are not and cannot be given monetary value (in terms of currency).

Of course, opening up to the relational discussion does not imply going back to an economy of barter or, in any case, to an economy of a pre-modern type. On the contrary, it means inventing post-modern forms of complex exchanges in which work itself is seen as a complex activity (management of one's own time in differentiated spheres). It means holding that work can be valued to the maximum degree as a relation with a *sui generis* meaning in each of the different social spheres where different concepts of capital are operating.

EDMOND MALINVAUD

Thank you. I will now give the floor to Professor Paul Kirchhof, who is a jurist and expert in tax law and constitutional law. He teaches at Heidelberg University.

PAUL KIRCHHOF

Thank you Mr Chairman. I think that this morning we have really listened to a very important discussion, because the social doctrine of the Church has proclaimed the primacy of labour over capital but it is to be understood as a new structure of the relationship between capital and labour and with the guarantee of human dignity. Labour has a certain importance because the relationship is between one human being who resorts to another human being to carry out a certain activity. Somebody who carries out a job has performed something and his or her performance has to be recognised. I can buy or I cannot buy what has been produced. If we see the function of labour in this way, it is understandable that we cannot solve this problem in the traditional outlook of the relations between capital and labour, because, in a closed economic system or even in the global economy, there are lots of people who want to work but do not have employment, and we also look at some forms of work which are not recognised, for instance all the work carried out within the family, all the work carried out by women. Women within the family carry out maybe the most important economic function ensuring the future generations, but this sort

of work is not recognised because it does not receive an economic retribution. For instance, a teacher gives lessons for four hours a day and he gets paid for doing that. Whereas a mother who looks after her children for twenty-four hours does not receive a salary. Therefore, we should look at labour not only as something which is done and generates income.

I would like to point out that the more modern our work will be, the more this sort of work will be carried out without capital. Let us think for instance of music, think of science, for which we need completely different criteria in order to be able to insert this sort of activities in our economic system. Let us think for instance of politicians who work carrying out a political activity. What is important is that in our democracies we have other ways to underline the worth of this sort of activities. Cardinal Lehmann has talked about intellectual work, the so-called intellectual capital, and this is particularly important. Here, we do not have the problem of scarcity of goods which has characterised the typical market so far. If I set up computer programmes I give society a great opportunity to earn through new activities. And so far this problem has not yet been solved in our present system.

MINA M. RAMIREZ (read by Edmond Malinvaud)

Thank you. I will in a moment give the floor to three colleagues who announced their intention to talk about the relations between social partners. But before doing so, I will permit you to hear the voice of our colleague Professor Mina Ramirez, who is a sociologist and President of the Asian Social Institute in Manila. She was unable to come to our meeting but sent a paper, of which I now give you a brief outline.

‘The situation of labour leads many non-governmental institutions to strive to undertake poverty-alleviating actions. They are in particular innovating on Grameen type micro-credit schemes for the small entrepreneurs. So, there is an encouragement for the monetarily poor to become small entrepreneurs instead of trying just to find a job, given the condition of wages that are frequently so low that they hardly suffice for the family.

However, entrepreneurship on this level depends on intangible capital which, in the context of developing countries, refers to moral and human qualities as well as to professional and technical competence in managing capital. The latter is highly wanting in countries where people are not that much aware of the discipline that is associated with a monetised economy.

These intangible capitals consist in a shift from a mentality of being dependent on government or on business for income, in understanding how the monetised economy works with all pertinent institutions, in knowledge of the interconnectedness of all elements of doing business, in competence for accounting, managing funds, marketing and other business practices, in access to information when it comes to supply and demand for the product or services, in the moral and human virtues needed when undertaking small entrepreneurship, as is mentioned in *Centesimus Annus*.

The Church should encourage assistance to the monetarily poor in economic self-empowerment, in fostering an entrepreneurial spirit in poor countries. This takes the mode of accompanying small enterprises from the start and of monitoring how to make these grow. Alternative trade organisations in Europe and North America strive to assist, for instance, in giving grants for product development. Various NGOs and educational institutions in developing countries get grounded in the complexity of the situation affecting the economically marginalised. It is in this sense that people's organisations, non-governmental institutions, Church-related development agencies that work for the total well-being especially of the economically marginalised, are in the task of facilitating the economic self-empowerment'. Such are the essentials of the contribution that Professor Ramirez would have liked to make. Now I will give the floor to Professors Raga, Vymětalík and Schambeck. Professor José Raga Gil is an expert in public finance and political economy. He teaches at San Pablo University in Madrid.

#### JOSÉ T. RAGA GIL

Thank you Mr Chairman, Eminency, Excellencies. In order to be very short, when one reads the words of our Pope John Paul II in *Sollicitudo Rei Socialis*, about sin and structures of sin, he or she will always find a unique solution: the solution is conversion. Then my question is, at the beginning of the third millennium, to see how, where and to whom exercise this conversion.

I see that most of the traditional actors in the economic life have eroded their clean shape, their traditional clean shape. The traditional conflict between labour and capital is based on a historical-technical relationship; it was the rate of substitution between labour and capital that could happen in the 19th century but that is over today at least in developed countries. I mean those processes, highly intensive in capital, whereby the work got stronger and stronger and labour plays a key role in that type of production. For that reason I think that the message we refer to, could be

applied to developing and to less developed countries but cannot be the applied to the rich countries.

Moreover, a question can be raised: who is the capitalist today? Is it the pensioner who owns some shares and suffers from stock exchange fluctuations? This retired worker who is furnishing capital to companies, to invest, is he still today that entrepreneur who is outlined in *Centesimus Annus* in section 32? Does he exist today? In the big corporations, is there a person who perceives where and to what end our activity must be addressed? Again, in the highly regulated field in which the economies are developing at present, can that entrepreneur exist? Is it not more efficient to have, in brackets, an entrepreneur who is a close friend of the minister who is going to handle the roles to protect that company or that type of industry?

For me there is now a new actor in the economic life: the manager. This is in my opinion how the conflict appears today. A new conflict between labour and managers. Managers today are the mercenaries of the economy. They have no special link with anybody, not even with themselves. They move up and down, right and left, looking for higher wages, higher wages for mismanagement, because most of the companies are bankrupt. Just three weeks ago, *Business Week* gave us the list of the highest-paid managers in the world. Most of them, or all of them, were above ten million dollars. What activity justifies such a great compensation? Only because they are noticeable and there are two ways, at the moment, to be noticeable. One is the size of the company, and then the aim to be bigger; that is, to take over so many companies, regardless of the resulting efficiency, regardless of what is the rationality of this acquisition; the only purpose is to be bigger; and the second one is, the ability to fire people. In the ranking, there is an outstanding criterion: that is how many people have you fired in your life. And this is the second noticeable point for managers. In my opinion, this is the new conflict at the beginning of the third millennium. And I think we need to devote time to explore quite deeply this new arena in which the relationship between managers and labourers is concerned. Thank you, Mr Chairman.

EDMOND MALINVAUD

Thank you very much. I will now give the floor to Doctor Iuris Vymětalík, a legal expert and doctor of Prague University. He has written about work legislation and played a major role in the Christian social movements in the Czech Republic.

BEDŘICH VYMĚTALÍK

In the world of today it seems to be quite exaggerated to speak about the priority of labour over capital. Working conditions are worsening, work is declared to be more and more superfluous and is supposed to be replaced by new technologies soon. It is more and more hopeless to fight for an ensured labour position or for better working conditions.

Besides there is nobody against whom to fight. Capital is getting less and less graspable and is not interested in any fight. If problems arise capital is simply transferred to another place where there are no problems whatsoever. The mobility of capital has become a decisive sign of uncertainty for others and a basis of its actual hegemony.

But this hegemony is going to be detrimental even for capital.

If it is just generally recognised that human knowledge is the decisive source of the growth of wealth in the present world, then work as the practical application of human knowledge is becoming a decisive factor of success even in world competition and must gain a new priority. Thus it is important even for capital to support activity, interest and appropriate living conditions for the world of labour. Uncertainty menacing even qualified specialists is contra productive.

If modern technologies decrease the need for a human labour force and if economic growth paradoxically increases the extent of poverty even in the highly developed countries, hence consumers' purchase power so urgently needed today for the existence of capital is decreasing more and more and thus further extends the growing gap between poverty and wealth.

Is there any possibility whatsoever to eliminate this danger?

If work as the practical application of human knowledge gains in importance, then it is more and more necessary to enable man to participate in the results of his work. Probably sooner or later he will enforce it.

If the growth of purchase power is of vital importance for capital, then it is in its own interest to enable other population strata to share the productive capital in appropriate forms and thus to support the purchase demand. Therefore the solution could be

- To seek appropriate forms of cooperation of capital and labour, where labour will get a priority position for which it is assigned,
- To look for broader citizens' participation in productive capital to promote a more balanced economic development.

These are also requirements of the Church's social teaching which nowadays get a new importance. To seek for effective ways of enforcing these ideas is thus very needful.

EDMOND MALINVAUD

Thank you very much. I will now give the floor to Professor Herbert Schambeck, who is a specialist in public law and political sciences. He teaches at Linz University in Austria. He worked very hard to push interest in the creation of the Academy before its actual establishment in 1994. The floor to you, Professor Schambeck.

HERBERT SCHAMBECK

Cardinal, Excellencies, Chairman, Ladies and Gentlemen, dear Colleagues!

It was very valuable to learn from the speeches of Eminence Lehmann and Excellency Scola how they have presented in a very impressive manner the relationship between the economic order and the social order and between state and humanity. Anthropology, ethics and social teachings have been brought into a special relationship thus creating a fundament for the relations between labour on the one side and capital on the other.

I also want to point at the remarks referring to the encyclical *Centesimus Annus* which demonstrated the relationship between labour and capital in connection with theology especially of the papal teachings of the last decades mostly of Pope John Paul II. What is important in this respect: labour and capital are not seen as a contradiction.

I also want to refer to another statement which accentuates the entrepreneurial activities of a manager in his function as a member of the board of directors; these activities are also labour which is being executed – and work being done by either a manual worker or an intellectual worker according to their respective abilities represent in any case a certain capital.

I also found the contribution of our Czech colleague very valuable. Just like him I also regret to see the development towards neocapitalistic characteristics in the economy and society in the process of globalisation raising market shares and capital gains at the expense of personnel increase.

As far as I am concerned I can refer to the fact that I know both sides: the one as an employer and the other one as an employee. My father was a factory manager for some decades and he always felt great concern for the social well-being of his employees and through him I got to know many employers. And when I was a young boy my father used to take me to the factory and I also used to go to many factories later as a student and as a politician because I was always interested in the social situation

of the working people. After graduating from gymnasium and before I started my law studies at the university I also worked for several months as an unskilled worker in a factory.

And I have always been interested in coming into direct contact with the people. This is also due to the fact that I have never learned to drive a car – a fact which I consider as my personal contribution to road safety. And certainly the need to use public transportation means has been for me a chance to get into closer contact with the people and their opinions.

In the course of my political activities which went parallel to my academic career I also had many opportunities to get acquainted with employment problems. My experiences as a member of parliament for many years helped me to gain insight into the attitudes of people responsible for securing jobs for the employees. In this respect I often found it very painful in our present situation of a globalized and technically perfected industrialized society to become aware of the indifferent attitudes of some managers towards problems of employment security and to see how uninvolved and unmoved these persons were when they decided upon the dismissal of employees as merely economically necessary requirement.

Besides the importance of job security I of course accept the importance of capital and in our more and more globalized world it should be provided where it is needed.

Catholic social teachings accept capital and labour as equally important. This fact can already be seen in the encyclical *Quadragesimo Anno* of Pope Pius XI of the year 1931, which recommended the introduction of a corporative organisation of society, which means a specific form of cooperation between employers and employees of the same branch. To this theory the German Jesuit Prof. Father Gustav Gundlach made an important contribution just like our academic colleague Prof. Father Johannes Schasching contributed to the understanding of the history and to the further development of this social encyclical.

We know that the recommendations of this encyclical were meant to reform the societal order but not the organisation of the state. Misunderstanding this difference however Catholic politicians like Engelbert Dollfuß in Austria and Antonio Salazar in Portugal formed corporate states in the thirties of the last century which unfortunately enough developed into authoritarian systems.

What certainly remains of these social teachings of a corporate order is the principle of partnership in social life. This concept has accompanied the development of Catholic social theory beginning with Pope John

XXIII and going on to Pope John Paul II. Several papal statements are of special importance in this respect. The Pope who especially pointed out the importance of this principle of partnership in society, namely Pope John Paul II, also founded nearly ten years ago this Papal Academy for the Social Sciences.

In the line of apostolic succession Pope John Paul II takes a special position because he is the only one of St Peter's successors in contemporary times who has been a factory worker himself. John Paul II in his career has not only talked and taught about labour but has also worked under very unfavourable and difficult conditions beginning in 1940 in the Solvay chemical plant at first in a quarry. And when he speaks of manual work he knows from his own experience of what he is talking. He knows both sides, manual work as well as, following these experiences until today, intellectual work.

He has been able to draw on this knowledge and these experiences in speeches and writings until the present day. This amounts to the fact that Pope John Paul II has made very important contributions to the development of Catholic social teaching. This experience seems also to take a prominent place in his memory. This can be also seen from the fact that during his last visit to Poland he also visited besides other places these places where he had been a working man in those early days.

When I was leading a delegation of Christian-Democratic parliamentarians of the Federal Chamber of the Austrian parliament to my first visit to Poland in 1989 we also visited Tschenstochau and the birthplace of Pope John Paul II in Wadowice.

In Austria after World War II beginning in 1945 until today the principle of social partnership has been of great importance in political and social and economic life. In a very special form of cooperation the four great representative organisations of capital and labour, the representatives of the Chamber of Commerce and the Chamber of Agriculture on the one side and the Chamber of Labour and the Association of Trade Unions on the other side have supported government and parliament in their work, however only recommending and advising but not deciding the respective matters.

Because the formal decision still remains with the constitutional organs, the government and parliament, many topics of this special social partnership were matters of social and economic policies in general and of price and wage decisions in special.

These practices have spared Austria many social and political disturbances like strikes, and they have contributed much to unify the country

which was especially important in the situation after World War II and during the time of occupation by the four Allied Powers between 1945 and 1955. And this social partnership has also contributed to prepare the participation of Austria in the process of European integration and membership in the European Union.

In this way the Catholic recommendation for partnership in forming a social order must be seen as a guideline for an economic partnership which is of great importance for the internal peace of a state.

EDMOND MALINVAUD

Thank you very much. I will now give the floor to the colleague who is going to end our first round, Professor Juan José Llach, an economist who has also had ministerial roles in Argentina.

JUAN JOSÉ LLACH

Thank you very much Mr Chairman and thank you very much, Eminences, for sharing with you this morning. Well, my statement is going to be very short and very simple too. Of course I think it is also relevant. It says the following. The world economy and society is perhaps the best framework to think about the priority of labour. At least it is essential to understand what are we speaking about.

It seems to me that we are still very influenced by Marx's approach, different, for instance, from David Ricardo's one. Marx modelised the capitalist society basically as a closed economy. The thinkers that reacted to Marx, for instance the classical sociologists, thought mostly in the same way. The social doctrine of the Church recognised early the importance of the world economy, particularly since that brilliant document that is *Mater et Magistra*. Some approaches of the social sciences later on did the same, but during the sixties and the seventies the hegemonic paradigm was the theory of dependence and its approach, implying that underdevelopment was caused by the development of rich societies, was wrong in spite of some valuable contributions. Then the nineties came, and with them new hopes in the potential of a new economic order that could allow the development of developing countries. However, the fact is

that only a few of the developing countries, mostly in East Asia, have converged to the income level of developed countries.

The reality now is one in which something like three quarters of pure labour in the world, that is to say, without considering formal human capital, belong to developing countries. At the same time, between 60% and 80% of the wealth of poor countries is just labour, not capital, not natural resources, not even formal human capital, but pure labour. Now, what can we do to give a real priority to this huge majority of human labour that lives in the developing countries? What can we do, without ignoring at the same time the rights of human labour in developed countries? We can do a lot of things but I will refer here to what is from my point of view, and I think from the point of view of economics, the most important and that is international trade.

As economists we know that trade and, on the other hand, factor movements like capital or labour, are, to a certain extent, substitutes. An increase in free trade will allow a better development of the comparative and competitive advantages of developing countries. Their exports and income will grow and the very probable outcome will be that instead of exporting labour through migration, they will rather export more and more labour embodied in the goods or services they will produce. The effects of increased trade on capital flows will perhaps not be as immediate but it seems clear that after a transition period the incentive of foreign capital to be invested in developing countries will gradually decrease too.

One specific type of free trade particularly relevant for poor people in developing countries is free trade in agriculture, food and other labour-intensive industries like textiles or garments. The issue of agriculture and food protection is not only relevant regarding international migration but to explain rural urban migration as well. And we all know how terrible is the life of poor people in the slums of developing countries' metropolitan areas, not only regarding subsistence but also exposure to drugs and crime. The dismantling of protectionist barriers and subsidies could be gradual, to allow at the same time the necessary adjustments in developed countries and clear investment signals in developing countries. Finally, this dismantling process will allow OECD countries to save four hundred billion US dollars per year, an amount of money that most of them will be badly needing in the near future to attend their almost bankrupt pension systems that, in the end, are part of the labour rights of people in developed countries. Thank you very much.

EDMOND MALINVAUD

Before adjourning, I would like to recall that, besides Professor Ramirez, three academicians had also registered for interventions in this initial round, but could not be here today. Professor Arrow, Nobel Prize for Economics, from the University of Stanford, wanted to speak about the roles of human capital and social capital. Professor Morandé Court, a sociologist who teaches at the Catholic University of Chile at Santiago, wanted to talk about the distinction between 'efficient cause' and 'instrumental cause' as made by Encyclical *Laborem Exercens* to justify the primacy of labour over capital. He has given me only a sketch of his argument, which I am not sure I can correctly interpret. He seems to think that this distinction between labour and capital is no longer relevant within the present-day societies, which are functionally differentiated. Finally, Professor Villacorta, a Filipino specialist of social sciences, who has just been appointed Deputy Secretary-General of the Association of the Southeast Asian Nations (ASEAN) in Jakarta, wanted to draw our attention to the rights of migrant workers coming from developing countries.

We will now adjourn for a few moments. After the break we will have a short report by Professor Archer and a short intervention by myself and then a number of academicians have put down their names to speak. I seize this opportunity to say to the two most recently appointed academicians, Professors Possenti and Fumagalli, that they will, of course, also have the opportunity to take the floor if they wish.



### PART III

*Second series of interventions by academicians*



EDMOND MALINVAUD

Your Eminence, Your Excellencies, I have taken the liberty of placing before you a copy of our book *Work and Human Fulfillment*, which is also a product of our programme on work and employment. It owes a lot to Professor Archer who did most of the tasks to achieve publication of this book. It has been a really laborious process. We initially intended to publish it for the Jubilee year but we are already in 2003. I am happy however to submit this book to your attention. Now I give the floor straight away to Professor Archer who is going to present her contribution.

MARGARET ARCHER

Thank you. I do not want to give a complicated speech making detailed points because I have written so much on this already. I would like to make four points, and the first one is to thank Your Eminences for being with us and looking at the work that we have undertaken – but I would like to ask you a question. We have devoted the activities of the Academy to this theme for three sessions, produced three sets of Proceedings on this subject, and have now published the synthesis, the book that you have in front of you. Since we seem to be completely agreed that there is a great deal of complementarity between the social teaching of the Church and the expertise that we can bring to help it, my question is a very simple one. In view of the work that we have done, I would very much appreciate it, I think all of us would, if you could give us some indications later of what you have found useful in this work and, because negative information is also information, where you think we are simply duplicating work which is not necessary for the elaboration of the social doctrine.

Now, to move on substantively – this accord that we have on the basic principles of social doctrine is something that seems to me to be crucial to sustain and necessary to develop. Such development is inevitable because the world is changing and therefore social doctrine is always having to run to keep up with changed circumstances. There are always and necessarily gaps in social teaching, which is not a criticism; it is simply because the nature of society is such that it has no fixed or preferred state. In that context, I thought it was very important that Cardinal Lehmann picked out Nicholas Luhmann and criticised his subjective concept of labour and of capital because I think this is the kind of social science contribution that is

non-constructive. Instead, we want to emphasise, which all three of you did, and most of us here would, the objective ontology of both labour, represented by workers of all kinds, and capital. These are not subjective social constructs, they have objective properties and powers: capital is predominant in determining the life chances of people; and people as workers, as Archbishop Martin said, are, through their objective creativity, the main contributors to social and economic development. But, if this is the case, and as various Encyclicals have underlined, if work is crucial to the making of a human person and if this is an objective ontological statement, then it must follow that participation in work should be available to everyone. Yet, one of the words that I found strangely missing this morning was the word 'unemployment'. The increasing number of people who are excluded worldwide, for different reasons, from having a job and that kind of exclusion from the employment market represents a much deeper social exclusion which has profound effects upon the anthropology of the human being. It ruins the relational development of the human being, by harming his or her sociality. It does so by initiating a vicious downward spiral of poor housing, poor nutrition, poor schooling, which transmits the disadvantages of the present unemployed to their children and through to the next generation. So I think we can never talk about work and employment without introducing the third term, unemployment.

Secondly, we have this problem which was signalled very clearly; changes in the nature of production/productivity, given the shift from the secondary sector to the tertiary sector, the move from manufacturing to services, introduces a new phenomenon that we cope with with great difficulty. We cannot in fact estimate the precise quantitative contribution of labour, work and creativity to the development of economy and society. What we have done instead, and Archbishop Martin made this beautifully clear, is we have tried to recycle the old indices of contributions to productivity to completely new situations in which those old indices are entirely inappropriate. As you very rightly said, the notion of talking about throughput in hospitals or output in universities, as something that one can measure, entails commodification – a new form of commodification of both the manual and the mental worker. There are many examples one can give of the vicious, ironic and manipulative commodification that this involves. For instance, in many of our universities there are innumerable new courses being laid on, which basically form a new episode in that whole trajectory running from Dale Carnegie, through Taylor, and right up to date – courses that simply disseminate more and more sophisticated techniques

for exploitation. This is destructive, it is not putting human needs first, either in terms of the worker or in terms of who receives the fruits of their labour. Like Professor Donati, I would much prefer us to shift to talking about a criterion of 'usefulness'. Such a criterion is very difficult to measure, but it would be based on the principle of reciprocity rather than the principle of market exchange – thus giving consideration to how our fellow human beings benefit from the work undertaken in society. 'Usefulness' is very, very difficult to conceptualise but it is very, very important to do so. Doing so probably involves a complete redefinition of the boundaries between work and employment and a new recognition for certain kinds of work which are often unpaid, as Professor Kirchhof noted. For example, women's work, women in the home, work in the voluntary sector, people who care for the dependent aged, the chronically sick, etc. but who receive very little social recognition for this indispensable contribution that they make to the human family and its well-being.

Fourthly and finally, I was very pleased that the global considerations came in towards the end of our considerations because it is surely a fallacy to discuss what happens in the West without discussing what happens in the rest of the world. Here, I think, there was just one topic that we did not dwell on, yet should have mentioned, although Professor Vymětalík did touch upon it. That is the huge amount of capital growth that has nothing whatsoever to do with productivity or human well-being. I am talking, for instance, about such things as purely speculative gains on the international finance exchange markets.

Here, I would just like to conclude with a suggestion for discussion. It is one that has come up in much of our work and many of our publications; we should not forget the importance of talking about the taxation of speculative gains via instruments that were first mooted by Professor Peter Tobin, commonly known as the Tobin Tax. From there, we should perhaps move on to a discussion of the modalities by which this taxed income could be used, as the UN has suggested, for directing these forms of taxed income towards the Third World. But, we all know the problems of doing this, specifically the problems of corruption and misappropriation of 'aid'. Therefore perhaps we could link this notion of an increased international taxed income on speculative gains to the promotion of educational projects in the developing world, because educational projects are less open to corruption, to the misdirection of resources than any other kind of aid that we can provide for developing countries. Thank you very much.

EDMOND MALINVAUD

Thank you. After having listened to you, Your Eminence and Excellencies, I have even more reasons to thank you for the attention with which you answered our request. What you have said and what you are going to say in your conclusions this morning will serve as a groundwork for our future activities. Now I would like to make just a few personal remarks coming from an economist. Let me begin with the statement of two convictions.

In the first place today it is still necessary to further develop the social doctrine of the Church as far as labour and capital relations are concerned. Our colleague, Mr Tietmeyer – who has just left the room because his former colleague, the President of the Italian Republic, wanted to meet him – said he did not believe there was any longer nowadays a clear-cut distinction between labour and capital. Well, I must admit that I do not agree with him, on the implications to be drawn from his remarks.

In the second place I think our Academy may modestly help the Church in trying to deepen this doctrine. Certainly, you made us understand this morning that the Church is well aware of the important changes which affected relations between capital and labour in the last century. This has been particularly clear for us. Therefore, our Academy should not further develop the examination of these changes, except for the case where some in-depth analysis of the doctrine is necessary. Similarly, you convinced us, if we still needed convincing, that the Church is competent for the knowledge of the human person with his or her complexity, weaknesses and richness. In all these speeches, we heard the implicit criticism voiced by the Church to economists who might have a too restricted interpretation of the human being. We know perfectly well this criticism, which is shared by several of our academicians, a fact which might lead us to devote some time to study its relevance and scope. I will not go on any longer on this point now.

The original note which I had prepared for this Forum would be too long to present here in full. Let me just recall that I raised seven issues which, in my opinion, should be dealt with in-depth by the doctrine. Four concern the context in which this doctrine should be applied today: the growing importance of intangible capital, which is particularly difficult to ascertain; the growing role of financial markets; the fragmentation and the anonymity of the shareholders of many large international corporations; the growing concern for the emergence of a sort of corporation ethics.

Three other issues deal more directly with the effects on labour of the new relations between capital and labour. I am thinking in particular, first of all, of the tensions which can impact income distribution in the relatively short-term – it is an old issue but it is certainly not outmoded – and the contradiction or, if you prefer, the confrontation between the real return to labour and the return to capital immobilised in production, but also more and more between the real return to savings and return to risk taking. A second issue in the same group concerns the reforms of the labour market: it is closely connected to the role of regulations and legislation, therefore involving a role for the states. Thirdly, a clearly important issue concerns the correct role which should be attributed today to trade unions.

As an example of what the Academy could do to help the Church develop its doctrine, I will try to explain why and how the Church could and should, in my opinion, express itself on financial operations, financial markets and the financial management of corporations. And I start from the premises that private finance and financial markets have become too important to be forgotten. But there is something more important: I do not think the Church should have major difficulties in recognising the usefulness of financial markets. These markets are useful on the one hand to channel savings towards investments and thus to facilitate and regulate intertemporal exchanges. They are also useful to facilitate and regulate the exchange and mutualisation of risks, thanks to insurance contracts for business or households.

However, the Church should be much more innovative in stating what is right and what is wrong in this sort of exchanges, being they intertemporal or risk management. I think there is a need for moral criteria to judge which contracts are right and which contracts are wrong when signed. Moreover, the need is felt for moral criteria to know what is right in the implementation of contracts, because by strictly applying the terms of contracts the result could lead to unfairness and injustice. After recognising and acknowledging the importance of financial markets, the Church should and could underline that this usefulness is in jeopardy when the markets are too unstable, hence the need for regulating financial markets in order to fence off possible negative results. And of course all this could give rise to further dialogue.

For the time being, I confine myself to these few remarks. I will now resume the role of Chairman of this meeting and tell you that some of our academicians will intervene. Before anyone else I would like to start by recalling the person of our oldest academician: Father Schasching. He

worked very hard on our programme dealing with labour and employment. In particular he gave the first paper in the programme: the one on the social doctrine of the Church concerning work and employment. Father Schasching had put down his name to speak in this session but he is not here. He informed us this morning that he could not take part in our meeting and he had already told us that he had been in poor health recently. It was my intention to give him the floor as the first speaker in this particular part of our Forum. But, as this cannot be, I will give it to Monsignor Minnerath who is and will long remain a very active academician also.

ROLAND MINNERATH

Chairman, Your Eminencies, the point I would wish to raise is the following. Both in the official documents of the social doctrine of the Church and in the discussions we had this morning, it seems to me that one point is often missing. Patriarch Scola and Professor Donati have alluded to it. It is the importance of the product, in other words the output of work and capital. We speak of work and capital but we do not stress enough what we are doing. To put an example: it is not indifferent if a corporation produces chemical weapons or food for everybody. The kind of thing for which I spend my energy and the capital used to produce it must have a sense in the final product, let it be an object or a service. So the whole thinking of the Catholic Church should integrate the question of the usefulness for society of what work and capital together are producing. For instance there are large human and financial capitals invested in producing luxury industry, which meets the comfort of a very small part of the population while huge parts of the same population do not enjoy the bare necessities of a dignified life. So we should not, I think, speak only of labour and capital. In a given corporation you may have a satisfying relationship between capital and labour, but the output may be destructive and devastating for society. Moreover it is in what you are doing that you find the motivation to work. The family mother at home or the artist or the intellectual who works countless time for an object that is creative, and makes sense, give little importance to the notion of capital. More important is the social benefit of the work done. So we should elaborate not only on the primacy of work over capital, but, deepening the question, on the primacy of humanly meaningful labour in accordance with socially meaningful outputs. Thank you.

EDMOND MALINVAUD

Thank you very much. Two further people had already put their names down for this part of our discussion. These are Professors Donati and Llach but both have already taken the floor this morning. We must not give them priority. The present list of coming speakers is made up of Ambassador Suchocka, Professor Sabourin, Professor Skubiszewski, Professor Possenti and Professor Fumagalli. Interventions of academicians must end at 12.15 when the floor will be given to Monsignor Martin, Patriarch Scola and Cardinal Lehmann in order for them to conclude this morning's proceedings. So, please, Professor Suchocka.

HANNA SUCHOCKA

Thank you Mr Chairman. I should like to express my satisfaction that today's discussion forum between representatives of the Holy See and the Pontifical Academy of Social Sciences on the mutual relations between labour and capital has been successfully convened. At the Academy, we have frequently discussed that subject, and the direction this forum has taken indicates that such a meeting was very necessary. Nine years have elapsed since the Academy was established. During the intervening period, the world has changed. The globalisation process has moved ahead, and with it, an increasingly potent anti-globalist movement has emerged. But, in the changing world, the relations between capital and labour have not achieved a new, positive dimension. The state of tension between those two categories is exceptionally pronounced and gives rise to populist movements encompassing not only developing countries but also the highly developed ones.

Without going into greater detail, I should like to limit my remarks to an extremely brief presentation of the evolution of attitudes towards mutual labour-capital relations during Poland's 15-year transformation period. In that respect, Poland is a good example showing how many misunderstandings exist in the general public consciousness regarding those two concepts and how difficult it is to come up with any clear-cut evaluations of ongoing processes.

Poland was one of the countries that had had so-called full employment. That form of employment has been called artificial employment, since it was not fully pegged to existing real job requirements. In social

categories, that was a situation in which the phenomenon of joblessness did not exist, although it did constitute a form of hidden unemployment, since employment was not linked to real job performance. Nevertheless, in the collective consciousness unemployment was regarded as a historical phenomenon linked to a system that had ceased to exist with the end of World War Two. The 'new system' created an ideology of labour, labour under a single, main state employer, based on the principle of common ownership. In the collective consciousness, the concept of capital became a negative concept, rooted in Marxist doctrine.

In view of that situation, amid conditions of an artificial economic system, tension between capital and labour did not exist prior to 1990. Unemployment was not even perceived as a threat. A lack of jobs was not a problem. The problem was the lack of proper working conditions. Hence the entire Polish transformation began with an employees' movement, a trade-union movement struggling for the dignity of labour, particularly decent wages and guarantees of trade-union freedoms. An attempt was thus made to change the existing situation, but the nature of the new system that would replace the existing one was never fully defined. There was a fairly widespread belief in the possibility of creating a system that would essentially be a modified version of socialism. It was supposed to be a political system retaining all the positive aspects of real socialism, including above all full employment, supplemented with the positive aspects of a market economy, such as higher pay and guaranteed trade-union rights.

It was in such an atmosphere in 1980 that Solidarity was born, a strong trade-union movement with the clear characteristics of a political movement. But, in the economic sphere, that movement's programme was exceptionally enigmatic. The principle of social ownership was not questioned, hence no broad discussion on labour-capital relations emerged. Emphasis was laid on guarantees of employee rights.

A solution to the worker's lack of self-worth and sovereignty was sought in the possibility of creating a system of economic self-management permitting extensive worker co-participation in running their enterprise. It was believed that through this specific form of participation one could create a system constituting a third road.

It was upon such soil in the early 1980s that the encyclical *Laborem Exercens* fell. That encyclical was obviously written under the influence of the Polish situation, under the influence of the Polish struggle for labour dignity and human dignity, for the right to create free trade unions. To a

considerable extent, that encyclical helped create in the Polish workers' consciousness a sense of labour dignity. It was that encyclical that emphasised the place of worker rights among human rights, but it also touched upon the problem of ownership and differentiated between collectivism and social ownership. In essence, this encyclical focused on one factor – labour. It addressed itself to the concrete situation of states deprived of basic worker rights. And it constituted a salient argument in the struggle for the creation of free trade unions. But it gave no prescription for the creation of a specific economic system, nor could it have done. It did not discuss to any great extent the problems of capital, for such had not been its intention. But that fact at times led to arguments using this encyclical against capital, arguments alleging the primacy of labour over capital.

That development could be seen and heard in the Polish discussions on the economic system conducted at the turn of the 1990s. At that time, following elections, it became necessary to openly pose the question as to the nature of new Poland's economic system. It became obvious that building a third road was a road leading nowhere. It became necessary to build a market economy, that is – a system based on capital. That required breaking down the negative stereotypes of capital rooted in a society, whose overwhelming majority of members were hired employees of state institutions and enterprises. That came as a shock to many trade unionists involved in the Solidarity movement. It undermined their concept of building a system based on economic self-management. In essence, that was when such clear tension between labour and capital first occurred within Polish reality. Society came into contact with a new phenomenon for which it had been totally unprepared, namely – unemployment. Amid a struggle for the dignity of labour, from which the entire Solidarity movement had sprung, society was suddenly faced with a threat to labour. That development was accompanied by new, extremely drastic social disproportions. In a society unprepared for such a situation, that led to a sense of confusion. The encyclical *Laborem Exercens* did not provide an answer to all the questions and doubts concerning relations between labour and capital. The encyclical *Centesimus Annus* did touch upon labour-capital tensions, but it was not issued until two years later, in 1991.

Poland's economic evolution has not ended. Tensions between labour and capital continue to be unusually prominent. The anti-capital stereotypes created during the several decades of real socialism remain quite entrenched. That is all the more pronounced in Poland, a country of what might be called fresh capitalism, an aggressive capitalism that frequently

multiplies capital in defiance of all ethical norms. Under such conditions, the tensions between labour and capital are even greater and becoming a breeding ground for all brands of populism. That is an extremely dangerous situation for any rational discussion on the mutual relations between labour and capital. Monsignor Scola raised an extremely salient question, when he asked: *di quale natura sono I rapporti che l'attivit  economica deve promuovere?* As Monsignor Martin pointed out, the employee should be treated as capital, but in the positive sense (for instance, through the proper education); not in the negative sense which is now increasingly common under conditions of a new, aggressive capitalism.

Traditional capital-labour tensions, which had been in a deep freeze during the decades of the artificial economic system under which Poland's economy was forced to function, have now erupted anew. However, there is still no reliable answer regarding mutual relations under the new conditions. Hence such a strong sense of nostalgia for the bygone system may be observed. Although that system was not perceived as being just, nevertheless its artificial employment formula did create a certain illusion of security.

I believe that one small example illustrates how important are the tasks facing our Academy. Thank you.

EDMOND MALINVAUD

Thank you very much. Professor Sabourin.

LOUIS SABOURIN

Thank you very much, Mr Chaiman. I would like to say how pleased I am to meet Cardinal Lehmann, Monsignor Scola and Monsignor Martin, hoping that this meeting will be followed by others, because it represents a salient moment in the life of our Academy. It is the first time that such a meeting takes place. I hope that there will be one on the subject of globalization. I would like to express my congratulations to Monsignor Martin who has just been appointed Bishop of Dublin. Those who have followed his brilliant career are certainly going to miss him in several international fora where we were always impressed by his statements.

I would like to make a number of remarks on the importance of globalization vis- -vis labour. Traditionally, we had three strata of analysis in the

field of labour. The primary sector: agriculture; the secondary sector: manufactured products; and the tertiary sector dealing with services. Globalization did not create the quaternary sector, which is tied to the post-industrialised system, but contributed considerably to propagating it throughout the planet. The quaternary system has brought about a considerable input of high technology, knowledge and competent management into the domain of labour. It now transcends the three other sectors. Development of agriculture for example is no longer carried out without a considerable input of capital and labour as well as technology, know-how and sound management. Monsignor Minnerath's proposals are very important; we need to add these three notions to the concept of labour. Secondly, globalization brings about and shows the great differences existing in the world, precisely in the field of labour. Monsignor Martin talked of this phenomenon in a very clear manner. Billions of human beings today have to resort to unremunerated work. The world is more and more confronted with considerable masses of people, one to two billion individuals, who work very hard but do not have normal remunerated work. This accentuates the imbalances not only in the rural areas but more and more in the cities.

If globalization has introduced new tools for job creation, it also contributes to the loss of jobs. We know that capital is vital internationally and that financing job creation depends more and more on capital flows. Globalization also encourages labour flows and brain drains. Therefore, more capital now crosses borders accompanied by managers and workers. In brief, globalization brings about a profound dislocation of labour, notably with the creation of free trade areas. Let me give an example which is quite exceptional: in the last twenty-five years, the area next to Canton, in the South of China, has become the ninth trade power in the world. Trade becomes there a source of employment and of cheap labour at the same time.

My question will be addressed to Monsignor Martin: in 1995, the World Social Development Conference dealt with the changing nature of labour. Five years later, in Geneva, more than 187 countries met in order to take stock of what had been achieved in that period. Do you think that we have made some progress in creating a world labour order and that the Church could integrate into the social doctrine those notions that I have just mentioned, like high technology, knowledge and management in its approach to labour and job creation in tomorrow's world? Thank you.

EDMOND MALINVAUD

Thank you very much. Professor Skubiszewski.

KRZYSZTOF SKUBISZEWSKI

I wish to draw the attention of the *Forum* to the role of international conventions in solving various problems arising from the labour-capital dichotomy, including the question of priority of labour over capital and the establishment of a humane balance between the two.

The participants in the Forum have been given a book entitled *Work as Key to the Social Question*, published under the auspices of the Pontifical Council for Justice and Peace. In that book, to which many have contributed, a former Director-General of the International Labour Office, Michel Hansenne, discusses *Social and Economic Transformations and the Subjective Dimension of Work* (p. 85). In the pages that follow there are several references to the work of the International Labour Organization (ILO) and its Office, concerning, *inter alia*, opportunities for more humane work (G. Kan, p. 187), trade union freedom (E. Gabaglio, p. 310), 'tripartite actors' (Ou. Batoko, p. 319) or requirements of the social dialogue (E.H. Sosa, p. 341). Michel Camdessus, former Managing Director of the International Monetary Fund, in his contribution on 'Globalization, Subjective Dimension of Work and the "World Social Order"', (p. 291) speaks of the 'many difficulties' which the ILO encounters and the absence of appropriate and sufficient support for it on the part of Governments, in particular with regard to its efforts 'to establish a social minimum in the face of dreadful conditions in which human work is often carried out throughout the world' (p. 298).

Consequently, I would like to say a few words about the ILO legislation. Since its founding in 1919, the ILO has been drafting and adopting conventions on practically all aspects of labour. These conventions become part of the domestic law of those Member States that ratify them and are thus directly applicable in their internal relationships. Domestic courts and executive organs have to apply these conventions. The ILO General Conference, in adopting the conventions, follows a procedure that speeds up the legislative process. Conventions are not signed – thus one of the usual phases of treaty-making is dispensed with – but are immediately communicated to Member States for ratification. They are

under an obligation to inform the Director-General of the International Labour Office (one of the main organs of the ILO) of the measures taken by them to secure the ratification. If the latter does not take place, the Member involved has the duty to report the position of its law and practice in regard to the matters dealt with in the non-ratified convention. This procedure creates some sort of pressure to bring the law of Member States up to date (some other international organizations have imitated the ILO type of supervision). At present the legislation of the ILO is almost complete in its contents and, therefore, the emphasis is on implementation, though the need for enacting new instruments is not overlooked as novel issues arise. Another facet of the ILO that seems to be relevant to the topic of the Forum is the composition both of the State delegations and the Governing Body. In the ILO General Conference, each Member State has *four* representatives, of whom two are Government delegates, one is representing the employers and one 'the working people' (as the Constitution of the ILO puts it). The same system has been adopted for the ILO Governing Body: it consists of forty-eight persons, twenty-four representing Governments, twelve representing employers and twelve representing the workers. This tripartite formula, though severely tested by those Member States which have authoritarian and totalitarian regimes, contributes to the harmonization of economic, social and professional interests of labour and capital.

EDMOND MALINVAUD

Professor Possenti.

VITTORIO POSSENTI

Thank you Mr Chairman. I would like to improvise a few remarks because some ideas have just come to me listening to you this morning. I apologise if what I am going to say is not, in a way, well thought out, but the idea of primacy of labour over capital and the idea of cooperation between capital and labour is doubly important. First of all, it underlines the creative and subjective character of the productive process and of human work but, on the other hand, it also emphasises the need to remember the outcome of the productive process. From the latter view-

point we should not forget the element of distribution, what we generally call the question of distributive justice, which cannot be confined only to contract or exchanges. From this viewpoint I am asking an important question which maybe cannot find an immediate answer: in the oldest tradition of the Church's social doctrine, since the Apostles, and then in the patristic and scholastic tradition and in all the social Encyclicals of the Church since Leo XIII, there is a principle, the so-called criterion of the universal destination of goods. This is not a monopoly of the Church's social doctrine but is a typical criterion of Christianity and probably also of religions based on creation. Therefore I would deem it important that the relations between labour and capital were to be seen within this criterion. I would like to add that this criterion was present in the history of the European social thought, it was there in John Locke's philosophy, there was only a trace left in Stuart Mill but it is very present in the Church's social doctrine and we find it in every Encyclical, even if it has been left as such and has not been re-elaborated. A few attempts at re-elaborating were carried out under the leadership of *Iustitia et Pax*, when Cardinal Etchegaray was Chairman in 1990-92, and the proceedings of a seminar on the idea of how to interpret today the criterion of the universal destination of goods were later published in an Italian journal called *La Società*. I would like to remind you of this aspect because I would like to underline one thing which is going to be my conclusion. When we use, as Professor Archer suggested, a tax incentive, for instance the Tobin Tax, when we talk about unemployment we have criteria which should be regulated by this criterion of the universal destination of goods, which is very important also in the field of the spreading of that basic good which is knowledge. Thank you.

EDMOND MALINVAUD

Professor Fumagalli, please.

OMBRETTA FUMAGALLI CARULLI

Thank you Mr Chairman, I will confine myself to three minutes. This morning we analysed with great care the subject of the globalisation of labour and we examined the positive as well as the negative aspects. I

would like to focus briefly on some negative aspects to put a question to Monsignor Martin. In the intervention of our Filipino colleague, read by Chairman Malinvaud, we were reminded how child labour is a disgrace for humanity which exists in the Third World but also in our Western world, as well as in Italy. Two to three billion workers are unpaid, said Professor Sabourin. Women's work, said Professor Archer, is considered an important contribution to social life but there is the problem of family salary, of household work as a contribution to society. Some countries have a legislation that lays down retribution for household work, other countries have not done anything. It was then mentioned that several countries only have cheap labour and no capital, these are the poor countries, the developing countries, and on this point I would like to put a question to Monsignor Martin. In the governance of globalisation, the so-called Washington Consensus – that is, World Bank and International Monetary Fund – has neither solved the problem of the poor countries' foreign debt nor the problem of the indebtedness of developing countries. These are two completely different categories but which have the same problem. And an attempted solution needs to be tackled today in a scenario of labour globalisation which has lots of negative aspects for those countries. I would like to know from Monsignor Martin what the latest stance of the Church is in international organisations. His answer could actually provide a useful link to this afternoon's session, because Professor Stiglitz is the author who has most criticised (and justly so, in my opinion) the so-called Washington Consensus, but I would like to know the stance of the Holy See on this topic. Thank you Mr Chairman.



## PART IV

### *Conclusions*



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EDMOND MALINVAUD

Monsignor Martin, you have the floor.

DIARMUID MSGR. MARTIN

I worked with many other people here to see that this would be a fruitful dialogue between the Academy and the representatives of the social teaching. I will go away with one vivid memory, that is, how, at the break in the middle of this morning, the Cardinal, the Patriarch and the Archbishop immediately rushed to the table and collected papers as if we were children at a fair. It is an indication of the fact that we look to you, and hope that you had the answers there, while you look to us and hope that we have the answers here. And, in fact, it is only through real dialogue that we will, maybe together, at least come to ask the right questions.

I, in my reflection, stress very much the concept of enhancing human capacity, which means also enhancing human freedom, which are again the fundamental categories of what the role, the place of a person who works should be. But I asked the question, how many people today have humanly fulfilling and socially productive work that they have freely chosen? They are very few and we are probably ourselves among those privileged. The world of work is in many many cases far away from that, although the satisfaction of being able to earn autonomously, look after yourself and your family autonomously, is a very fundamental dimension also of being a human being in a difficult situation.

When I spoke about the working poor, I was not just talking about the unpaid work, I was talking about paid work, I was talking about so many people in today's world who work full time, are paid a full salary but that salary does not allow them to go beyond just surviving. For this issue as well as for many others, the ILO international conferences can bring about some help in elaborating a basic approach toward a legal system. We may speak of a network of instruments which coming together make, first of all, soft law and then something a little more like norm setting. However, such norms have to be interiorised in each country and in each culture. That is an extremely important and arduous thing to be done. It is interesting that the new Director General of ILO has moved, as his contribution, to a concept called 'decent work'. To grasp this concept requires something different from a legalistic understanding: it is a more humanistic understanding

of what work should be and what it should offer to persons; it should allow them to live a 'decent lifestyle'. The term is almost indefinable: it refers to more than legal norms, it includes dignity, good working conditions, a lifestyle that is sufficient for themselves and for their family.

I would like in my reflections now particularly to talk about the concept of trade which Professor Llach brought up this morning and I do it because it is a particularly current one. In Geneva, like many of my colleagues, I am accredited to about eighteen different organisations. I have been asking these colleagues recently: 'how much time do you spend in the WTO?'; the answer was: 'more than 50%'. More than half of our time is designated to one issue, whereas seventeen other agencies are left with the rest: an indication of how, in the current situation, trade is considered extremely important. An Ambassador recognises that national interest for him in Geneva means ensuring that his country can participate equitably in an international rules-based trade system.

The WTO, despite what protesters say, is an organisation made up principally by developing countries who wish to be members of the situation. Why the WTO at the moment is going through a crisis is an interesting question: it is due to a great extent to political difficulties of the wealthier countries. There are difficulties between the United States and Europe, the major trading partners. There is a strange lack of enthusiasm of the private sector to accompany a new round of trade opening, which is again an indication that something is wrong. The classic case naturally is agriculture. Everybody taken alone recognises that the current situation of agricultural subsidies in the developed countries is absurd. The story is often heard that every European cow receives more than the two dollars a day on which half the world's population have to live.

However, I am not one of those who believes that simply opening markets answers the question, and this is again where perhaps the Church can bring a very specific contribution which is person-centred. If our European agricultural market had been opened this morning, we would not be eating our steak today from Zambia or Botswana, we would be eating it probably from Argentina or Australia. Along with trade opening must be improving the supply-side capacity of the developing countries, which means enhancing human capacity and also moving towards the production of quality products where the value added is extremely important. For example, among the ten major coffee exporters one is Germany, which exports processed coffee on which the value added is enormous. So improving the quality of the products that are made is important if the

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poorer countries are really to benefit from trade opening. This also means improving production skills and trading skills.

Major problems also concern the area of intellectual property. In this respect Catholic social teaching said that, while we enhance private property, there also is a social responsibility on all private property. The principle applies today to intellectual property, which is again one of the keys in generating access to wealth. Intellectual property and an intellectual property right system are important in guaranteeing creativity and innovation, but the ultimate objective is there fundamentally to serve the human family, not to serve individual gain. The tension between preserving creativity and a regime of intellectual property and however responding quickly to human needs is a major challenge that we have to face. In the area of the World Trade Organisation, we are faced with an agreement made and hailed by all sides on the relationship between trade-related intellectual property and public health. But countries have not been able to deliver on it because governments are exposed to irrational political pressure which has nothing to do with the principles of free trade, really.

For what will replace the Washington Consensus we need a fuller understanding of a comprehensive development framework, which would meet the last point of my first intervention. I then referred to the statement of the Pope that economic freedom is only one dimension of human freedom and that if economic activity becomes dissociated from the wider range of things which are necessary to have a stable economy, stable social life and stable social communities, then this will only create estrangement.

These are the types of fundamental messages that the Catholic social teaching should be bringing. I am not too sure that we will go away helped by the papers, except in trying to understand better what the realities are. The greatest help we can give, is to try and apply perennial principles in a concrete way to the reality that is there. One of the big difficulties of the social teaching is that, at times, it is rather slow in moving and it applies valid principles to the wrong realities. That is the challenge of a type of dialogue like this. If this dialogue is to continue, it must be honest dialogue, it must be sharp dialogue, in which the real application becomes the fruit of the dialogue.

EDMOND MALINVAUD

Thank you very much. Patriarch Scola, we are already to listen you.

ANGELO CARD. SCOLA

As it often occurs in similar contexts, things become very interesting when one reaches the end. It would now be very interesting to have a dialogue that is more focused on a number of topics that we covered today. As far as I am concerned, I would like to take up a number of points.

First of all, I share Professor Malinvaud's idea that the principle of the priority of labour certainly deserves to be preserved as a topic for a number of years to come, because if it is true that it is expressed in a rather limited way and there are a number of ideological shocks involved, especially if you look at the second half of the last century, I think it is important to maintain this in order to face up to the fundamental challenges in this moment of globalisation, especially with the inclusion/exclusion factors that Professor Archer mentioned. In my mind it would be extremely difficult to tackle these matters conscientiously without stating the priority of labour as an expression of one of the two components of man.

Of course it seems to me that the problem that is going to become very acute from the point of view of your skills is how can you help the Magisterium demonstrate that the anthropological and ethical dimension of economics is something that is really required by economics themselves. I think this is the great difficulty, it is a difficulty of language, because we always give the impression that the intervention of the Church and of the Magisterium is something that juxtaposes itself, that upholds principles that remain extrinsic but that could not really make society work. Now, this seems to me to be a true challenge and there are a number of interventions that could be made in that direction and that I think need to be put to the attention of the Magisterium and it is up to you to do this. As a member of the laity of economics I would like to highlight this intrinsic link and it cannot be subordinated to ethics because even those subjects which are very important, such as the universal destination of goods, unemployment, the terrible situation of the southern countries, should induce us to think of global governance and laws and the Tobin Tax and the doors that this has opened, even though they may be disputable.

These macroscopic aspects of injustice which demand different laws at world level, if one cannot raise the anthropological question – that is the meaning of human life and of economic activity for man and thus of social construction as Professor Donati mentioned in his presentation – I do not think that ethics alone can provide sufficient cultural bases to guarantee man's freedom. This is why, and it seems to me very evident within Christianity, the advent of Jesus Christ is something that directly addresses freedom and the quality of freedom, and the economic dimension is merely one aspect of that quality of freedom that man and society find themselves faced with.

In my mind one should really question oneself as to the nature of the economic relationship while building the society and also having the courage to recover the great concept of the good life as Aristotle and Thomas had foreseen and which was relinquished by jusnaturalism and by Hobbes based on modern thinking. When one introduced a separation between private ethics and private freedom and social ethics and social freedom I think a good life, to practice a good life is simultaneously the objective of an individual as an individual and as a person in relationship. There is always a personal dimension and community dimension of good life which are simultaneous and one should pursue that.

Finally, in my last comment, I think it would be advisable to suggest to the Magisterium to resume the topic contained in *Laborem Exercens* of the priority of labour over capital in this new globalisation process, and with the prospect of building a good social life by beginning to deal in a structured way with the topics that have surfaced in today's meeting, such as finance – we really need to give an interpretation to that subject – and also high technologies and management and also the topic of knowledge, without losing sight of what I think is the unifying principle for us Christians which is that of education at all levels. I think this is something that could create a close link between the world of affections and the labour world, the two dimensions which everyday life is made up of, because man's freedom is always committed in his life to sentiments and labour. So education enables one to make that link. Education also becomes an essential aspect to offer a true policy that is really in a position of freedom and of the good life of society. I think that the social doctrine still has a void that needs to be filled, I am thinking especially of European countries, from a Catholic standpoint one has frequently thought of an ethic mediation between faith and politics and one has not thought enough of the economic mediation between faith and politics.

The social doctrine has certainly dealt with economics but allow me to mention something that has been left out. Think of globalisation and its process and all the topics we covered today and what governing the world means today, but in order to do so a major contribution that the Catholic Church can give through social doctrine is to see economics as a mediation between faith and politics. All in all I think there are numerous elements to allow academicians to boost the social doctrine along the lines of those aspects I have mentioned.

EDMOND MALINVAUD

Thank you very much. Your Eminence, it is now up to you to end this fruitful morning.

KARL CARD. LEHMANN

Mr Chairman, dear Colleagues, Ladies and Gentlemen I would like to thank you all for the many remarks and additions which have followed my intervention. I have understood that we have to face two components when we interpret the social doctrine: on the one hand we must have the courage, more than we have had so far, to examine the historical conditions under which something happens. In *Laborem Exercens* we can see it particularly well. Although we understand that it was written during the times of Nazism, we realise also that *Laborem Exercens* was written at the end of the industrial era, in a way, and therefore there is a lack of balance in the same Encyclical because many statements are still valid today, especially if we consider the situation of the Third World, because this can be useful for the present relations of labour and capital in the Third World, but the concept of labour and the concept of capital have changed so deeply, have widened so vastly that one has the feeling sometimes that these notions have become very vague because labour is no longer that different from capital and capital embraces labour. Despite all this I still believe that this principle of the primacy of labour over capital is still valid today, I am not an ethical expert, I am rather a practical man and I think that we have to resort to another part of theology, we have to be certain that theology must have a practical validity and this happens only when there is a link with public life. If these statements are too generic

and too vague this is right but this guarantees their application, their implementation also in the future otherwise they could not be implemented in different historical times. Of course with all these changes it is absolutely necessary to go deeper into this principle and to make them broader. We have to remember that these notions of capital and labour have changed a lot and deserve a more in-depth study and we must not forget the unbelievably important role of the entrepreneur, and therefore this task to study the role and to understand better the role of the entrepreneur is extremely important and this goes also for the role of managers with all the abuses due to a lack of ethical standards, and this is a task which we should carry out in our study of ethical behaviour.

Professor Archer asked us what sort of suggestions we could give her. At times I feel in my country and also in all these conferences that sometimes we reach a very dangerous point because the new generations whom we meet or to whom we teach sociology at the university have the feeling that what we teach is not really in tune with everyday life. And sometimes they even consider the texts, the literature no longer interesting or important. Sometimes people say it is a question of change of generations, it is a question of interpretation but I think that we should go through a critical revision of the texts in order to make them more relevant for the reality of the young, but when we teach we should really try and be closer to reality in order to open a dialogue with the young, with anthropological reflections within our social teaching. We all know how difficult this dialogue with the young is. Twenty years ago when I was teaching at the same university I had difficulties explaining sociology, economy, sometimes it was impossible to have a discussion or a dialogue, when I said I was a theologian they said, well, it is impossible to have a dialogue, therefore I think this Academy has a particular chance in order to adjust to a new language these concepts and these principles which are so important, and I think this morning's meeting has convinced me even more of the necessity of this task.

EDMOND MALINVAUD

Thank you very much, I think we are all happy of the attention you have lent us. It is a great encouragement for us. Of course since we are living in an institution – and the Academy is a recent institution – we like to see a sort of feedback. This morning we have had feedback. Thank you so much.



## APPENDICES

*Background documents circulated  
in advance for the Forum*



## THE MEANING OF THE PRIMACY OF LABOUR OVER CAPITAL

MARGARET S. ARCHER

The creation of the Pontifical Academy of Social Sciences in 1994 was intended to promote a dialogue. On the one hand, this means that the Academy needs to be guided by the enduring principles of the Church's Social Teaching on work and employment: the need and the right to work as part of human self-realisation; non-commodification of the worker; development of a global social ecology of work which promotes the common good and social solidarity; and crucially, the fundamental primacy of labour over capital. These principles imply that we do share a vision and are being called to bring our expertise to bear in conceptualising its implementation. On the other hand, the rapidity of social transformation means that Social Teaching needs continual up-dating, especially given the recent emergence of socio-economic globalization and the move away from 'industrial society'. It is these global social changes, and their effects upon the relationship between labour and capital which will be highlighted in this brief text, whose main aim is to identify lacunae in Social Teaching, attributal to social change.

By the end of the last millennium we had already entered the global age and little can be said about the exigencies of work and employment in one part of the world alone. With globalization, the frail balance temporarily achieved in Europe between the forces of capital, organised labour and State intervention is now tottering. The counter-balancing of capital and labour has now tilted towards the global hegemony of capital, with the growth of multinational corporations, direct foreign investment and international finance markets. We have moved, in North and South alike, to a situation which political scientists and sociologists no longer feel is adequately captured by the concept of 'social stratification', which implies a continuum of life-chances. Instead they now prefer to talk about a much

more discontinuous phenomenon – ‘inclusion/exclusion’. This signals that in the developed world there is a growing proportion of the population now marginalized from society – many of the young, unskilled and ethnic minorities – who, by virtue of their unemployment, also feature among the homeless, those without social security or political voice and who are also deprived of educational prospects or adequate health care. In the less developed world there are millions who cannot gain entry to the mainstream economy, yet for whom agriculture does not constitute a viable means of subsistence. The towns grow, but only to spawn the socially marginalized; despite the fact that many developing countries show a more rapid growth in per capita income than the advanced world.

On this canvas, it is necessary to show how changes in the nature of work and employment have had differential effects upon the active population and to detect who has been most disadvantageously affected. In particular, attention will be given to rising unemployment, for this ‘dreadful scourge’<sup>1</sup> has intensified over the last quarter of a century. And nothing signals so strongly the lack of primacy of labour over capital than a growing reservoir of the jobless. The focus will be upon qualitative trends, since figures themselves are readily available from the major non-governmental organisations.

#### *Qualitative Changes in Employment, the Active Population and Capital*

The breakdown of the fragile balance between labour and capital must be placed in the context of the following three factors:

*Firstly*, although the ‘right to work’ is embedded in most of the world’s Constitutions, as well as featuring in the UN’s 1948 Declaration of Human Rights, it is rarely enforceable, bears little demonstrable connection to labour policy, or to the actual state of employment in any given country. The limits of the law in this respect are currently confined to persuasive normative reminders of the demands of justice and human solidarity.

*Secondly*, concerning the existing welfare state, three crises in different parts of the world have simultaneously augmented unemployment and generated a tendency towards the reduction of benefits and of social security provisions – the 1970s oil crisis in the West, the fall of Communist governments in Eastern Europe and the declining economic strength of most developing countries. The promise of the welfare state was not simply

<sup>1</sup> *Quadragesimo Anno*, 74.

intended as an 'economic safety-net', but was an essential plank in 'social citizenship', that would reinforce democracy by strengthening social solidarity and over-riding economic class divisions. With a reduced role for the welfare state in this respect, then the economic marginalization of the unemployed also threatens their exclusion from effective political representation.

*Thirdly*, as far as the Unions are concerned, as the representatives of organised labour, their declining membership in developed countries means that they consistently lose their traditional countervailing role *vis à vis* the interests of capital. Although an increasingly professionalized part is played by Unions in the intricacies of collective bargaining, nevertheless this does not offer protection for the growing tracts of non-unionised employees, many part-time employees and the self-employed, let alone the increasing numbers of the unemployed.

The following six factors appear to have played a key part in the current trend towards the subordination of labour to capital.

1. The growth of jobs depends predominantly on expansion of the tertiary sector, hence the nature of work has shifted increasingly into services: business, social and personal. Although more marked in the developed world, the growth of tourism produces the same tendency in certain less developed countries, whilst in others this trend is offset by the countervailing effects of external investment and 'transplanted production' which augment the secondary sector, since local wage levels are advantageous to the costs of production. This sectoral shift invites an updating of encyclicals which still tend to concentrate on the problems of 'industrial society', (i.e. where the secondary sector was dominant).

Of general importance here is the growing dissociation between employment and production, such that today, in the West, upturns in production are frequently accompanied by downturns in employment. There is now a basic difficulty in calculating the contribution of labour to current economic activity and this indeterminate input also spells an indeterminacy between productivity/profitability and the actual income distribution. Not only is the value of the intellectual and social skills, contributed by the workforce, notoriously difficult to determine, but a serious distortion occurs when 'productivity indices' are applied to them. Measures such as 'throughput' being applied to hospitals, indices of 'effectiveness' to schools, or of research 'output' to universities basically discount the problem of their inappropriateness for certain socially necessary forms of employment (teachers, doctors, social workers, the police, magistrates, etc.), whilst contributing to the commodification of production workers. The alternative, which would entail substi-

tuting a 'utility criterion' would lead, instead, to an enlarged conception of 'work' and 'employment'; one that embraces tasks that are of benefit to fellow human beings, but which are not susceptible to measurement by profitability/productivity criteria. Some pioneering work on the foundation of a genuine 'civil economy' has begun, but its implementation seems dependent upon precisely that robust 'civil society' which is also lacking.

Meanwhile, the crisis surrounding employment is unlikely to decline, even given moderate increases in productivity and profitability, since economic growth is increasingly related to the contributions of information technology and decreasingly associated with employment rates or measurable work inputs. It follows that free market growth is not a mechanism which can be relied upon as a motor driving towards full-employment or an equitable income distribution. Productivity now increases with a reduced number of workers and this is the millennial expectation for the whole of the Economic Union. In turn this will leave a growing proportion of potential workers in a structurally diminished bargaining position, given that the unemployed generally fall outside the aegis of collective negotiations. Also it would make the sources of remuneration for a necessarily enlarged population, active in inter-personal services rather than productive work (e.g. education and health care), extremely dubious, without significant increases in public spending.

In this context, serious consideration could be given to proposals for a 'Universal Basic Income' ('allocation universelle'), financed not by income tax but by taxing speculative capital gains. However, too much hope should not be pinned upon this measure alone, for two reasons. Firstly, in the OECD countries, any evolution in this direction will be implemented within the existing economic context. Secondly, its introduction into less developed countries is frankly inconceivable in the existing global economic setting.

2. Globally, female participation in the labour market is the single most important factor characterising the active population; though it is lower in predominantly Catholic and Muslim countries and highest in ex-socialist ones. Nevertheless, this tendency shows rapid universal increases. There are no signs that this is an ephemeral phenomenon. Indeed, in combination with the expansion of the service sector, female participation is likely to intensify in the foreseeable future.

Nevertheless, there is a relative underemployment of women in the workplace, through traditional patterns of discrimination together with enduring problems of maternity leave and child-care, in conjunction with lasting over-employment of working women in domestic tasks within the

home. In short, women, who are now working more, also work under disadvantageous conditions. Yet, because work contributes to the fulfilment of each person, by literally increasing their humanity, then the voluntary entry of women into employment should be welcomed. After all, women's 'withdrawal' from the labour market had only been characteristic of the more privileged sectors of developed societies for a relatively short historical period: less than half a century. Obviously this raises questions about the discharge of family responsibilities, particularly towards children and the aged, but it is not one which can be answered by concentrating exclusively upon female roles. One of the challenges to the Church's current Social Teaching is to elaborate the moral requirements of responsible parenting, by both partners.

In this context, job-sharing or partial working have been advocated to offset the marginalization of the unemployed, representing a solution to the problem of social solidarity which would also be highly compatible with women's needs to combine child bearing and occupational continuity. Fostering the trend towards a shorter working week could significantly alleviate medium term unemployment, without negative consequences for productivity, by dissociating the time during which the company operates (say a six day week) from the working week of employees (say four days). In many business circles such proposals are held to increase unit labour costs and thus are considered as inimical to economic growth.

3. Since the increase in information technology requires the maximum use of workers' intellectual rather than physical abilities, and service work calls upon their social skills, then the highest quality of education for all is necessary, if inherited social inequalities are not to be perpetuated in the new world of work – whose own growth is predicted upon the maximal and universal development of human abilities.

As far as education is concerned, two relationships have been exhaustively documented throughout the world. Firstly, the greater the number of years of formal education completed, the better become life-chances, in general, and occupational and earning prospects, in particular. Secondly, the attainment of these educational and subsequent employment advantages is closely correlated with pupils' socio-economic backgrounds, through which cultural advantages are inter-generationally transmitted in the family. Education thus plays a pivotal role in the dynamics of social inclusion/exclusion. However, as the gatekeeper to occupational opportunity, it continues to discriminate severely against those with the lowest amounts of social capital. In the developed world, inequalities of educa-

tional opportunities and outcomes are most marked for ethnic groups: of African rather than Asian extraction. The higher rates of unemployment amongst young blacks, together with greater poverty amongst unemployed blacks in relation to whites, contributes to the plight and the problem of the inner-city underclass, as the most intractable expression of contemporary ethnic inequality.

However, we are not altogether persuaded about the desirability of policies of 'affirmative action' or other forms of positive discrimination, because the reduction of standards entailed in such programmes only serves to reinforce negative stereotyping, since it detracts from the esteem of successful members of ethnic minorities. However, 'colour-blind' policies, which simply rely upon formal educational opportunity, can only protract ethnic differentials in both education and employment. A better practice would entail substantial investment in 'developmental' rather than 'preferential' action to break the persistence of historically engendered educo-occupational differences between ethnic groups. Measures such as provisional university admission, conditional upon making the grade through a couple of years of grant-aided study at local community colleges, or short-term pump-priming assistance for ethnic enterprises could help significantly in reducing unemployment amongst the young and less skilled (where it is most marked and deleterious), whilst upholding and reinforcing the dignity of growing numbers who then demonstrate their ability to compete on universalistic terms.

4. Qualitatively, the nature of work is being transformed; changes include frequent moves to different employers and work sites, the increase of 'home-working' which some see as heralding the 'virtual workplace', more self-employment and more contingent employment: part-time, limited contracts, cumulation of partial jobs, etc. Immobile labour, accustomed to one work place and a life-long residential abode, is diminishing despite resistance to closures of factories and of extractive industries. This in turn poses the problems of reduced solidarity, of declining Trades Union membership, of new forms of insecurity (high failure rates of self-employed initiatives) and isolation, given the increasing fragmentation of work which accompanies the applications of information technology. The maintenance of social solidarity with fellow workers is intrinsic to the lived unity of humanity, but modalities are changing and older forms of unionisation, syndicalism and even professional associations are everywhere weakening. The problem is to identify viable new forms of social solidarity, which could both express and promote the primacy of labour.

Here the deregulated 'American model' is often presented as a desirable one to follow, where a greater flexibility in wages and conditions of employment are held to have substantially reduced unemployment, even amongst the unskilled. Nevertheless, the concomitant stretching of wage differentials, coupled with precarious job-tenure, means that this model has an in-built tendency to intensify social divisions by generating a society where those with a high standard of living are increasingly separated from a large underclass, in which ethnic groups and migrants are disproportionately represented.

Deregulation at low wage levels, when coupled with declining social security provisions, is a formula for poverty. It is sometimes countered that this is not the case if those involved have decent prospects of (re)employment. However, prolonged unemployment on drastically reduced benefits affects not just the present population but entails inter-generational entrapment in poor nutrition, poor education, poor life chances in general; in short it projects unemployment into the next generation. As John Paul II underlined in his 1996 address,<sup>2</sup> prosperity and economic growth cannot be realised to the detriment of persons and people. Liberalism, like any other economic system, thus commits a grave injustice if it benefits the possessors of capital whilst making workers mere instruments of production. Moreover in 1997,<sup>3</sup> the Pope underlined the fact that market freedom must not counteract 'le droit primordial de tout homme à avoir un travail'.

5. It is necessary to note not only the progressive detachment of the sources which generate profitability from the world of work, but also its implications for a more equitable global distribution of wealth. Thus, the ethical issue of dramatic increases in trading profits, which are largely detached from real economic processes and from production, needs to be addressed in terms of the fiscal measures appropriate to such capital gains and the harnessing of such revenue to boosting smaller and more labour-intensive production (both entrepreneurial and co-operative), especially in the Third World. This is particularly pressing given the preferential access of large multinational companies to financial capital, when compared with medium and smaller scale enterprises. Their greater facility to access the global capital market leads to more capital intensive production and to a corresponding reduction in the relative amount of labour employed. Consequently, it has not only become frequent to find economic growth

<sup>2</sup> See *L'Osservatore Romano*, 22 March 1996.

<sup>3</sup> See *L'Osservatore Romano*, 25 April 1997.

accompanied by a decrease in employment, but also to find the strategic manipulation of labour becoming part of global competitiveness: as in 'lean-production', 'down-sizing' and 'migratory capital'. Even if increased labour productivity does stimulate employment in other areas, this does not guarantee re-employment of the redundant, and some evidence suggests that its main impact is registered in growth of low paid service work.

Thus it is important to consider scenarios on which the interests of labour may well be served by tighter regulation of finance markets. There is now a growing advocacy of the need for an international system of finance market supervision to avoid abuses. Some of these are well documented, for example the impact on the national debt of less developed countries and the manner in which the free circulation of capital, rather than performing its assumed boosting function, effectively augments unequal exchange with the Third World. What seems required here is a closer specification of those abuses rebounding upon employment, wage levels and international inequality, together with the kind of measures which would curb these without destroying beneficial competition.

This hinges upon making the admittedly difficult distinction between investment finance and speculative capital gains, one which has become increasingly blurred with various developments like trading in futures and the derivatives market. Nevertheless, this is not to say that certain operations of the international finance markets are not unambiguously speculative, as for example in foreign exchange dealings. Taxation of foreign exchange dealings would not entail costs being passed on to customers, in terms of higher prices. What would be required is the development of a superstructural and over-arching agency, because this finance market is one for which internal governmental initiatives cannot suffice. Nor is it one where great confidence can be placed upon self-regulation which is built upwards from agreements between the existing authorities involved, because the escape-hatch of offshore dealing cannot be closed by such parties, but requires international prohibitive legislation. Such an international agency is an implicit requirement of proposals such as the 'Tobin tax' and the UNO report<sup>4</sup> which suggests taxing the international flow of speculative capital for the creation of a global social network to protect against poverty and hunger. In other words we need to consider a regulative body at world level to parallel the unregulated emergence of global speculation and to operate as an equitable

<sup>4</sup> UNO (1992), *World Report of Human Development*.

redistributive mechanism which functions to offset the increasing capital divide between the developed and the developing worlds.

6. Capital concentration in the multinationals, which in 1994 were roughly estimated to control one third of global private property, yields them an unprecedented hegemony over the job market, since the majority of new employment in developed countries is now generated by them. However, mobile capital moves expressly to those parts of the world where labour costs are cheapest and where labour's organisation and acquired legal rights are also lowest. The impact upon less developed countries is thus to freeze labour organisation at the lowest possible level in 'exchange' for capital investment. Yet this non-reciprocal process does not even come with any promise of continued investment, since shifts in currency values mean that investment patterns track the lowest labour costs on a worldwide basis.

The broad notion that global well-being is best promoted by a completely flexible world labour market, is not synonymous with a free labour market. Migrant workers are moving from South to North in growing numbers, but southern migrants are not those in greatest poverty and this spells a certain 'brain drain' within the South. Moreover, restrictive employment policies in the North not only intensify the above (by requiring capital and skills), but also raise moral and social questions, even if such workers are materially better off than if they had stayed at home, since 'guestworkers' (and to an even greater extent, refugees) are often denied full civil rights in host countries.

These undesirable consequences occur because few of the initiatives taken at the level of national policy are capable of counteracting the impact of multinational companies, whose annual turnover now exceeds the national budgets of the smaller European countries and of many in the Third World. Moreover, since investment patterns and the export of profits continue to reflect the contingencies of historical development, and thus to protract the effects of neo-colonialism, the global consequence is a widening of the economic gulf between North and South which is particularly impervious to political action on the part of poorer governments.

A cause for cautious optimism is found by many in legal institutions which already transcend national borders. However, when such nascent developments are inspected, then neither the Economic Union nor the International Court of Human Rights have yet seriously begun to codify multinational malpractice. Instead the suggestion is to build beyond the economic confines of current international agencies, such as the Interna-

tional Monetary Fund, by advocating an 'ordre démocratique planétaire' (Jean-Paul II, April 26th, 1997). Its concomitant institutions would be dedicated to the counter advancement of social interests which require representation and legislation, without which they will remain in a state of glaring non-complementarity with the effects of global economic operations. As was stressed in *Centesimus Annus* (n. 58), countervailing institutions are needed at the global level to ensure that 'les intérêts de la grande famille humaine soient équitablement représentés'. As part of the general task of our Academy is to dialogue with the social doctrine of the Church, it seems to be crucially important to underline those vital points, like the above, where our deliberations are in direct accord with the established corpus of Social Teaching.

## MEANING OF THE PRIORITY OF LABOUR OVER CAPITAL

EDMOND MALINVAUD

### 1. *Preliminaries*

‘... The Academy, through an appropriate dialogue, ... offers the Church the elements she can use for the development of her social doctrine ...’ (extract from art. 1 of *the Statutes*).

The dialogue can take many forms, more or less direct. The Academy is experimenting various approaches. In particular a forum would permit a direct oral interchange, with all the benefits that could result for a better mutual understanding and a better orientation of the Academy’s future programme.

This note does not present firm conclusions; it rather explains the state of the issues as seen by social scientists. Particular attention is being placed on what could lead to updating knowledge, by authorities, of the context within which the teaching of the Church on a permanent principle (here the priority of labour) will be now received and interpreted.

In Chapter III where the principle of the priority of labour is explained, *Laborem Exercens* ends the first section 11 announcing ‘we must leave the context of these issues [those concerning the conflict between labour and capital] and go back to the fundamental issue of human work’. The first paragraph of the subsequent section 12 writes: ‘This principle, [the priority of labour over capital], directly concerns the process of production’. So is justified the organization of this note.

### 2. *Labour and capital in the production process*

‘In this process labour is always a primary efficient cause, while capital, the whole collection of means of production, remains a mere ... instrumental cause’ (LE, n. 12).

The Academy has stressed in its study two important trends in this respect: the increasing importances of respectively human capital and intangible capital. Recent writings of the social doctrine have well recognized the first trend, but paid little attention to the second. A number of problems with intangible capital follow from the fact that it is still less easily evaluated than is physical capital, a fact which, in large modern corporations, makes difficult not only management of activities within the structure of the firm, but also information of representatives of labour and of capital owners. The three main types of intangible capital may call for different assessments. But they jointly contribute to blur the equality between the value of capital as a factor of production in a running firm and the value of property rights on this capital, which owners may want to sell.

Research and development on a project loses much of its value if the project has to be given up. In case of capital restructuring similar losses have to be recorded in market research, advertising and other investments in building consumer networks. The problem now extends to organizational investments which have to follow, at all levels of activity, establishment of the information processing techniques which make the success of 'the new economy'. Such intangible investments now make up a large part of what firms devote to the increase in their capital as a factor of production.

In its fourth paragraph section 12 of *Laborem Exercens* writes: '... all these [means of production, which make capital], are the result of the historical heritage of human labour'. The time dimension, which is so acknowledged, plays an essential part in the capital theory built by economists, where it is more and more often associated with the uncertainty dimension. Financial markets, in which claims to a more or less distant and more or less uncertain future are being traded, are now commonly perceived as magnifying the conflict between labour and capital. Clearly, the social doctrine of the Church about financial operations has to be fostered and solidly argued, starting with the role of these operations in the conduct of modern production processes. The Academy could provide useful material for such an elaboration of the doctrine.

### 3. *Entrepreneurs*

The third paragraph of section 11 in *Laborem Exercens* writes: '... the issue of work has ... been posed on the basis of the great conflict ... between the small but highly influential group of entrepreneurs, owners or holders of the means of production, and the broader multitude of peo-

ple who lacked these means and who shared in the process of production solely by their labour'. For what follows, at the present time of reconsideration of the respective weights of the various 'stake holders', workers, managers and capital owners, it is convenient to organize reflections in making a clear distinction between 'entrepreneurs' and 'owners of capital', even though the two coincide in many cases.

Concerning entrepreneurs, two features appear in the recent encyclicals, particularly in *Centesimus Annus*. First, the entrepreneur is himself or herself also a worker. Second, this work plays a determinant and positive part. For instance: 'Organizing such a productive effort, planning its duration in time, making sure that it corresponds in a positive way to the demands which it must satisfy, and taking the necessary risks, all this too is a source of wealth in today's society. In this way, the role of the disciplined and creative human work and, as an essential part of that work, initiative and entrepreneurial ability becomes increasingly evident and decisive' (CA, n. 32).

Innovations, the role of which is here stressed, follow not only from the discovery of new useful technological possibilities, but also from clever adaptations to changes in the economic context, particularly in the structure of relative prices and costs, most often reflecting changes in relative scarcities. The long-term trend, according to which labour productivity was greatly increased, came through progressive adaptations in, and to, the cost of labour relative to the cost of capital. But in the short run this beneficial process may raise problems in the distribution of benefits between employees, owners of capital and entrepreneurs. We shall come back to such problems in section 6 below and suggest that they may require a further elaboration of the doctrine.

Similarly a further elaboration would be welcome with respect to the present development of a 'business ethics' by the management of some large firms. Academics and opinion makers are often suspicious of this development, which is feared to be spoiled by cynical motivations. But throughout the world entrepreneurs are not all cynical. It seems that the Church has a duty to make more explicit its doctrine about the ethics to be followed by those entrepreneurs who, in good faith, try and think in ethical terms. Actually *Centesimus Annus* is addressing the issue when it writes: 'Profit is a regulator of the life of a business, but it is not the only one; other human and moral factors must also be considered which, in the long term, are at least equally important for the life of a business' (n. 35). Still more explicit is the following characterization of what the work

of the entrepreneur ought to be: in 'the creation of working communities ... important virtues are involved, such as diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationship, as well as courage in carrying out decisions which are difficult and painful but necessary, both for the overall working of a business and in meeting possible set-backs' (n. 32).

#### 4. *Owners of capital, workers and managers*

The social doctrine concentrates on private ownership of capital and rejects the programme of collectivism. But it admits public or collective ownership of capital. Indeed, in *Laborem Exercens* (n. 14) the crucial statements about capital ownership assert: '... the means of production ... cannot be possessed against labour, ... because the only legitimate title to their possession – whether in the form of private ownership or in the form of public or collective ownership – is that they should serve labour, and thus ... make possible the achievement of the ... principle of the universal destination of goods and the right to common use of them ... Recognition of the proper position of labour and the worker in the production process demands various adaptations in the sphere of the right to ownership of the means of production'. Concluding its major chapter IV, after a reference to an increasing participation of workers in the life of the enterprise, *Centesimus Annus* (n. 43) adds: 'A business cannot be considered only as a 'society of capital goods'; it is also a 'society of persons' in which people participate in different ways and with specific responsibilities, whether they supply the necessary capital for the company's activities or take part in such activities through their labour'.

The Academy touched many times on various aspects of the wide spectrum of issues following from such a conception of the enterprise. Obligated to select here, we concentrate attention on a newly perceived problem about the management of corporations owned by a large number of holders of shares traded in financial markets. The problem is allegedly made more acute now than it was in the past by three trends: a strengthening of the control of managers by shareholders, development of large collective funds investing part of their assets in stock markets, globalization of financial markets, which leads to a high international mobility of capital ownership. These trends would mean that the life of the enterprise would depend more and more on decisions taken far away, not only by buyers but also by changing representatives of distant share

owners. As a result the freedom of managers of a corporation would be strongly restricted: needing to finance their investments by outside money, these managers would have to be more concerned with the price of the corporation stock than with the needs and demands of workers. Since the price of shares depends only on expected profits, maximization of the profit of the corporation would be an imposed strategy.

The importance of the problem as just stated has not yet been gauged, neither by the Academy nor, it seems, more generally by social sciences. The diagnosis depends on answers to several questions, among which: to what extent have entrepreneurs of large corporations to be dependent on capital provided by widely dispersed share owners? What does the price of the shares reflect: returns to be earned during the next three years or what the enterprise will gain in the long run? The answer to this last question appears crucial when one reads the quotation from *Centesimus Annus* (n. 35) made here in the last paragraph of the preceding section. Undoubtedly the problem will be investigated in economics and management science. The Academy could put it on its agenda.

##### *5. Institutional structures: 'the market for labour services'*

*Centesimus Annus* (n. 34) states: 'It would appear that ... the free market is the most efficient instrument for utilizing resources and effectively responding to needs'. But 'Even prior to the logic of a fair exchange of goods and the forms of justice appropriate to it, there exists something which is due to man because he is man, by reason of his lofty dignity ...: a sufficient wage ..., social insurance ... and adequate protection for the conditions of employment'. The labour market has to be a particular focus of attention when consequences of these two sentences are examined. In this respect a fair degree of disagreement among social scientists must be acknowledged. This naturally applies also within the Academy, which has, however, to serve the Church in investigating the state of the issues. It is then necessary to isolate the fundamentals of the debate, about the choice of the institutions ruling the market for labour services, from what is hardly more than rhetorical disputes on the semantics of the basic concepts.

On the one hand, no serious social scientist claims that the labour market ought to be like the capital market or the market for apples. There are just two common features to all markets, namely that, when they contract with each other, the two parties in the new contract are free to

accept or not, and that the 'law of supply and demand' applies in the sense that, within more or less tight norms, conditions in the new contracts tend to evolve in favour of the short side of the market, for instance in favour of suppliers if demand is over-abundant. A very large majority of social scientists agree that existence of labour laws and regulations was an irreversible progress with respect to former times. This majority definitely condemns 'an economic system [which would be] understood as a method of upholding the absolute predominance of capital, the possession of the means of production and of the land, in contrast to the free and personal nature of human work' (CA, n. 35).

On the other hand, during the past three decades, existing labour regulations, as they had developed in particular in Western Europe, were seen by many economists as no longer appropriate. The argument then was that these standing regulations were responsible for excessive rigidities in the labour market, which benefited protected workers, the 'insiders', at the detriment of newcomers and at the cost of higher unemployment and lower productivity (hence higher prices to buyers or higher contributions from tax-payers). Some support was then given to political programmes aiming at 'deregulation'. Many, within labour movements and within social sciences, feared that these programmes, boosted by increasing competition, would result in a large dismantling of workers' fundamental rights, a fear fostered by the image of a drive to the establishment of a 'plane playing field'. Whatever deregulation occurred, and this much varied from one country to another, did not validate this extreme scenario. Today the real problem must be seen as one of reform, that is, of reconsideration of the choice between alternative legal and regulatory systems, all of which concerned human dignity. The main contribution that the Academy could bring to the Church in this respect should be to exhibit what is objectively known about the terms of this choice, that is, about the long-term results to be expected from each system.

The Academy is not yet ready to provide this service. But it could keep the project of doing so on its agenda. The difficulty of the task should not be overlooked. Labour market institutions are complex. Knowing and evaluating the long-term results of alternative sets of institutions requires knowledge of complex economic and social phenomena. But scientists are better placed than others to master this complexity and some of them work at that.

### 6. *The conflict between labour and capital*

The teaching of the Church recognizes the existence of a conflict between labour and capital. Indeed, the third chapter of *Laborem Exercens* has the title 'Conflict between labour and capital in the present phase of history'. However, the sentence in *Rerum Novarum* (n. 15) 'Capital cannot do without labour, nor labour without capital' was also repeated many times. Section 11 in *Laborem Exercens* gives explanations in this respect when referring to the historical context during which workers were exploited by entrepreneurs 'following the principle of maximum profit' and when 'the real conflict between capital and labour was transformed into a systematic class struggle' which the encyclical reproves. Exploitation took two forms: injuries to workers rights, which here concerned the foregoing section 5, and too low wages, which should now be the focus of some attention.

Starting with *Quadragesimo Anno* (n. 71 to 74) the doctrine characterizes just wages as meeting three conditions: (i) being sufficient 'for the support of the worker and his family', (ii) taking account of the capacity for survival of the employing business, (iii) being compatible with what is required by the overall economy, in particular for a satisfactory level of employment. Perhaps more should be said when the question is seen as occurring within a conflict about the distribution of incomes: it concerns not only the reward for work, but necessarily also the reward for saving (interests) and for risk-taking (the largest part of pure profits or losses accruing to owners of firms). Should the doctrine be silent about this reverse side of the coin? The conflict concerns as well the redistribution of income and wealth (the system of taxes and public transfers, the bankruptcy law, ...). What justice ought to be about these various aspects is far from obvious. Perhaps it could be the subject of a future dialogue that the Academy could prepare. The role of financial markets in the distributional conflict would naturally be part of the subject.

Labour unions developed in order to represent and strengthen labour in its conflict with capital. During the last two decades the balance of powers in industrial countries shifted to the detriment of unions. But the doctrine asserts that unions are 'an essential element of social life', that 'even if in controversial question the struggle takes on a character of opposition to others', this should be not 'in order to eliminate the opponent' but for the good of 'social justice' (LE, n. 20). Trade unions are now faced with great changes in the nature of jobs and tasks, as well as with

an increasing complexity of overall situations. Interesting possibilities for upgrading work are opened, but cases of job losses increase in number. Unions need intelligent strategies to which the Academy has paid some attention, the objectives being: (i) that as much of the work-force as possible is able to enjoy opportunities for creative and rewarding jobs, (ii) that new possibilities are used in ways that maximize human gains and opportunities for participation (for instance that increasing flexibility in the use of labour does not expose individual workers to excessive levels of insecurity), (iii) that the least damaging consequences as possible follow from the fact that there will always be too few 'good jobs'. The Academy could further investigate issues concerning such a strategy.