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The Preferential Option for the Poor: An Economist's Perspective

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Saint Johns University

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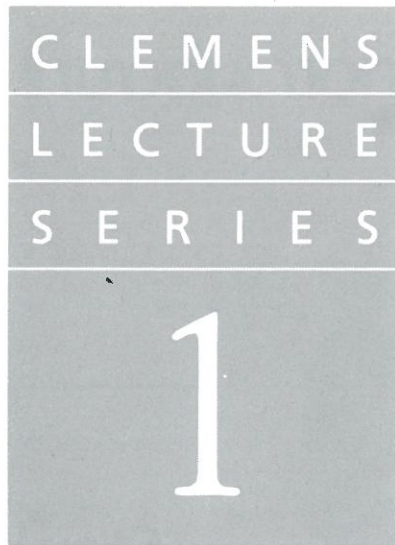
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The Preferential Option
for the Poor:
An Economist's Perspective

Stephen T. Worland

The Clemens Chair in Economics and the Liberal Arts and the Clemens Lecture Series have been made possible by the generous gift of William E. and Virginia Clemens. William Clemens, an alumnus of Saint John's, is the founder and president of Bankers Systems, Inc., of St. Cloud. The firm, founded in 1952, employs more than 600 persons. Bankers Systems designs and produces supplies for financial institutions. The Clemens have four children, Barb, Mary Sue, Robin and John.

One of the purposes of the Chair and the Series is to achieve an increase in the interdisciplinary exchange between economics and other liberal arts disciplines.



The Preferential Option for the Poor: An Economist's Perspective

Lecture Delivered By
Stephen T. Worland, Ph.D.

To Inaugurate
The William and Virginia Clemens Chair
In Economics and the Liberal Arts
October 23, 1987

Saint John's University
Collegeville, Minnesota



Stephen T. Worland

Dr. Stephen T. Worland began his education in the Neoga, Illinois public schools. After completing his doctorate at the University of Illinois in 1956 (with a dissertation on the economic thought of St. Thomas Aquinas), he held faculty appointments at Michigan State University, the University of Dayton and the University of Notre Dame.

Worland has written articles and book reviews on the history of economic thought, economic justice and scholastic economics in *American Economic Review*; *History of Political Economy*; *Review of Social Economy*; *Southern Economic Journal*; *Journal of Economic Issues*; *Social Research*; and *America*. In addition, he is the author of *Scholasticism and Welfare Economics*, published by the University of Notre Dame Press in 1967.

In May, 1987, Worland was selected to receive the Reinhold Niebuhr Award at the University of Notre Dame. In September, 1987, he joined the Saint John's University faculty as the first occupant of the Clemens Chair in Economics and the Liberal Arts.

Introduction

Economics came into its own as an academic discipline at Saint John's when Fr. Martin Schirber, O.S.B., returned from Harvard with a doctorate in economics and began teaching in 1939. It was as recently as 1986 that economics was established as a department in its own right separate from business administration and accounting. In September 1987 the Clemens Chair in Economics and the Liberal Arts was established through the generosity of William and Virginia Clemens. A word about the discipline itself, about the donor, and about Dr. Stephen Worland, first holder of the Clemens Chair, is in order.

Even the sketchiest history of the study of economics makes clear its role within the liberal arts and the centrality of liberal arts in economic analysis. The Greek philosophers searched for understanding in phenomena now defined as the domain of economic analysis, themselves coining the word "oeconomia." Plato recognized the economic basis of social life in *The Republic*, describing in detail a division of labor designed to call forth the highest form of human nature by creating the model society. Aristotle continued this tradition, emphasizing the importance of political, intellectual and economic security. In the Middle Ages such natural law philosophers and theologians as Thomas Aquinas developed concepts of moral principle and distributive justice which encouraged close examination of questions about economic relationships. In the early modern period, thinkers seeking to develop explanations of moral behavior based mainly upon principles of rationalism searched for explanations in the domain of economic analysis. The greatest of these, Adam Smith, taught his economic analysis as part of a larger curriculum called "moral philosophy."

However, it is not in the ability of economists to find their predecessors in Plato, Aristotle, St. Thomas and Adam Smith that today's economists at Saint John's profess a liberal art. Rather, it is in their ability to liberate men and women by providing them with a deep understanding of social relationships, to free our students from the shackles of prejudice and ignorance through rigorous examination of the patterns of economic interactions. Just as the true nature of the human person is achieved by understanding the good, the true, the beautiful and the sacred, so too is the development of the full human person furthered by his or her understanding of the fundamental economic questions faced by all societies. This is the true nature of economics as a liberal art and it is for this reason that economics is truly one of the liberal arts.

William Clemens is a native of Fargo, North Dakota, and was reared in a large and solidly Catholic family. When he was 18 his father died and his mother moved to Minnesota, settling in St. Cloud. Bill enrolled at Saint John's shortly before World War II broke out and like many other young men of his generation was called to military service before he completed college. In 1943 he married Virginia Weitzel, a native of St. Cloud. After the war he started a business to provide services for financial institutions, Bankers Systems, which has grown into a national corporation.

The charities of Bill and Virginia have been numerous and most generous. When Bill indicated their intention to endow a chair in economics at Saint John's, he said, "I hope the Chair will help Saint John's students develop a commitment to use financial gains resulting from their education to benefit others." We share that hope.

When Saint John's set out to find a scholar and teacher worthy to assume the Clemens Chair in Economics and the Liberal Arts, we aimed high. We sought an established economist with a distinguished record of scholarship and university teaching. We looked for a person whose interests and competence extended beyond economics into related disciplines. We wanted someone who would enjoy teaching undergraduates both in economics and in interdisciplinary programs, someone who would interact with the faculty on issues over a wide spectrum. We did not know whether these qualities could be contained in a single person.

In Stephen Worland, Saint John's found everything the Clemens Chair expected — and more.

Dr. Worland came to Saint John's from Notre Dame University, where his outstanding service covered three decades. One of his colleagues wrote to us of "Dr. Worland's ability to instill in his students . . . an enthusiasm and passion for relating economics, its content and method, to the larger questions of the welfare and destiny of the human person and society."

Steve Worland was raised in Illinois and received his education there,

culminating in a Ph.D. in economics from the University of Illinois. He served in the Navy during World War II, and began his higher education and teaching career soon thereafter.

In 1967 the Notre Dame Press published Dr. Worland's major work, *Scholasticism and Welfare Economics*. This book, which has continued in print, analyzes the complex relationship between the scholastic system of natural law and the ethics of welfare economics.

Dr. Worland's published work has ranged widely over the most important questions in his broad field, from investigations of Aristotle's thought, to the relation of justice to economics, to the natural-law perspective on capitalism, to the recent American bishops' pastoral letter on the U.S. economy. He is truly a Renaissance economist — exactly what the doctor ordered for the Clemens Chair.

"The Preferential Option for the Poor: An Economist's Perspective" is the inaugural address of the Clemens Chair. It was delivered on October 23, 1987 in the Stephen B. Humphrey Theater. Dr. Worland's address is the first in a series of annual Clemens Lectures which will bring to the Saint John's community economists of national and international standing to address urgent issues of general interest.

Hilary Thimmesh, O.S.B.
President
Saint John's University

Collegeville
December, 1987

The Preferential Option for the Poor: An Economist's Perspective

We are gathered here at Saint John's University to inaugurate the William and Virginia Clemens Chair in Economics and the Liberal Arts; it is fitting and appropriate that we reflect about the place of economics within the liberal arts and about the relationship between the specialized discipline of economics and the larger endeavors of a Catholic and Benedictine institution. To provide a focus for such a reflection, we might take note of a very significant shift in the Church's teaching on economics and social justice which has taken place in the years since Vatican II.

John A. Ryan and Distributive Justice

To appreciate the shift in the Church's social teaching, we can begin with the work of a great scholar, a great social activist and a great son of Minnesota—the late and much revered Monsignor John A. Ryan, a priest of the archdiocese of Minneapolis and St. Paul who began his life work at St. Paul Seminary and brought his distinguished scholarly career to a close as a professor of theology at the Catholic University of America.¹

Ryan's best known and in its day most radical doctrine was his principle of "the family living wage," first enunciated in a pathbreaking study in 1906 and then reiterated without substantial change in the several editions of his widely-used textbook.² According to Ryan's view, the dignity of the human person provides the moral basis for a natural right to a "decent livelihood"—to "that amount of necessities and comforts . . . that is in keeping with the dignity of the human being."

Accepting the emergence of a wage-labor proletariat as an inescapable fact of capitalist reality, Ryan concluded that for the typical worker in a capitalist mode of production, the generic right to an income proportionate to his personal dignity translates into a specific right to a Living Wage. "In the present state of society, there is no other way in which the right can be realized." Basing his analysis on census data and budget studies, he estimated that in 1906 the Living Wage would amount to about \$600 per annum for the head of a family. Finding that 60 percent of the work force in fact received a wage less than such an amount, Ryan proceeded with magnificent logic to make the then revolutionary recommendation that the state should intervene in the labor market to enforce payment of the Living Wage. "As the protector of natural rights, the state ought to compel employers to pay a living wage."³

As we reflect from a post-Vatican II perspective on Ryan's pioneer efforts to achieve justice for the American working man, a significant and distinctive feature of his work becomes apparent. Ryan did not conclude that American workers were exploited simply because they were *poor*. He did not refer to a poverty level of income and conclude that there was injustice in the wage contract because such a contract left the worker with an income less than the poverty level. On the contrary, Ryan pointed to the crucial function of the working man as the head of a family and concluded that the existing wage did not provide an income sufficient to allow the wage earner to carry out his social duties. He employs the traditional Aristotelian-Thomist conception of distributive justice and concludes not that the worker is exploited because poor, but rather that he is exploited because his income—his share in the society's economic common good—is not geometrically proportionate to his relative position, his comparative status, in society. His argument rests on a crucial principle of distributive justice: every person in society—be he rich or be he poor—is entitled to a share of the common good proportionate to his social position and it is the duty of the state to protect the distributive rights of all. Ryan's teaching thus appears to be a straightforward extension of the traditional theory of distributive justice showing how the original doctrine could be extended to apply to an industrial society. But it is very important to notice, such a conception of distributive justice is not the one now given emphasis in the Church's recent teaching on economic affairs.

The 'Preferential Option:' An Alternative Principle

An early instance of the shift in the Church's perspective on distributive justice can be found in the work of Pope Paul VI. Writing in 1971 in an effort to extend the Church's teaching "to the needs of a changing world," Pope Paul VI identifies "two aspirations"—the aspiration to equality and the aspiration to participation—as pervasive cultural forces emerging in

modern, rationalistic technological society.⁴ He commends efforts to implement these two aspirations through the adoption of international codes of human rights, but goes on to issue an admonition: "Legislation," he warns, "is necessary, but . . . not sufficient for setting up true relationships of justice and equality." On the contrary, the teaching of the Gospel must be brought in to supplement the working of the law and what the Gospel adds is a crucial complementary insight: ". . . the Gospel instructs us in the preferential respect due to the poor, and the special situation they have in society."⁵ As a supplement to the rational legalistic conception of justice—that conception employed by John A. Ryan to establish the right of the worker to a living wage—Pope Paul VI calls for a Gospel perspective that will lead not to a consideration of the relative distributive rights of all members of society, but rather to a recognition of the special situation of the poor in society and of their right not to geometrically proportionate, but to *preferential*, respect.

This radically different conception of distributive justice is taken up and given its classic formulation in the documents emerging from two historic conferences of the Latin American Bishops. At the Medellin conference of 1968, the Latin American episcopate "adopted a clear and prophetic option expressing preference . . . for the poor." Their successors, speaking from Puebla a decade later, reaffirmed the principle in stirring language: "We affirm the need for conversion on the part of the whole Church to a preferential option for the poor. . . ."⁶ This revolutionary principle is also endorsed, though somewhat obliquely and with some change in formulation, by that bastion of official orthodoxy, the Congregation for the Doctrine of the Faith, headed by Cardinal Joseph Ratzinger. Discussing the "Liberating Mission of the Church" in its 1986 official declaration on Liberation Theology,⁷ the Congregation refers to a "love of preference" which marks the Church's attitude toward the oppressed and a "special option for the poor" as a manifestation of the Church's universal mission.⁸ Finally, and to bring matters closer to home, the preferential option for the poor is adopted as a basic distributive principle by our own bishops in their recent pastoral letter, *Economic Justice for All*.⁹

In a preliminary sketch of "basic moral principles" offered in their preface, the bishops affirm: "All members of society have a special obligation to the poor and vulnerable." Fidelity to the Old Testament covenant was—so they explain in developing that basic moral principle—"measured by how the poor and unprotected—the widow, the orphan, and the stranger—were treated." Such a principle extends into the context of the New Testament also. For, so the bishops remind us, "As followers of Christ, we are challenged to make a fundamental option for the poor . . . to assess life styles, policies, and institutions in terms of their impact on the poor" (*EJ*, #16). "Early christianity saw the poor as an object of God's

special love," the document reads at a later passage, and such a perspective operative among the first of our Lord's followers "provides a basis for what today is called 'the preferential option for the poor'" (*EJ*, #51,52). Just as regard for the poor was a sign of Old Testament fidelity to the covenant, so in our own day—in the technocratic, individualistic contemporary world—a *litmus test* for our society's degree of "justice or injustice" is to be found in "the way society responds to the needs of the poor" (*EJ*, #123).

As for the reasons why the Church has adopted the preferential option as a distributive principle, a clue is to be found at #39 of the bishops' pastoral where we are reminded: "Biblical justice is more comprehensive than subsequent philosophic definitions." The point of the admonition seems to be this. In many respects, the Church's teaching on social justice as reflected in major encyclicals and similar documents can be understood as one long sustained commentary on Book V of Aristotle's *Nicomachean Ethics*. From *Rerum Novarum* and *Quadragesimo Anno* through the pronouncements of Pope John XXIII and Vatican II including the rich body of social doctrine developed by Pope Paul VI and John Paul II, the Church strives to articulate the conception of justice originally discerned by the natural reason of Aristotle. Leo XIII and Ryan on the family living wage; Pius XI on social justice as an elaboration of Aristotle's legal justice; Paul VI on the moral dimension of economic development—these appear as efforts to show how the Aristotelian corpus can be clarified and extended so as to bring out its implications for a modern industrialized society. The Bishops point out, however—in the text just cited—that however much it may depend on its Aristotelian origins, the Church's teaching on justice cannot be reduced without remainder to an expanded, articulated version of Aristotle.

Texts offered by the Congregation for the Doctrine of the Faith in their declaration on Liberation Theology indicate the reasons why such reduction is not possible. "Man hears the call of his Creator," so the document reads, "in the inclination and aspiration of his own nature and still more in the word of revelation." Or as the same point seems to be made in a later passage, two cosmic attractive forces seem to be at work in the unfolding of human history—(i) the free accomplishment of purposes embedded in the inclinations of human nature; and (ii) the free response to the promptings of divine grace.¹⁰

What appears to be the same, utterly fundamental distinction was also made at Vatican II—as *Gaudium et Spes* speaks of the world as the "theatre of man's history" and speaks of that world as reflecting two forces contributory to the fulfillment of God's design—it is (i) "created and sustained by its Maker's love"; and it is (ii) "emancipated now by Christ."¹¹

To reduce a deep question to simple terms and to relate it to questions of economic justice, we might say that mankind has both a Creation History—wherein his inclination to natural good seeks dialectical expression—and

a Salvation History, wherein he strives to respond to the transcendent fact of his redemption. Now if only the first historical trajectory had to be taken into account—if we could take the family of mankind merely as created by God in total abstraction from the fact of his redemption—then elaboration of the system of justice first discerned by natural reason in the work of Aristotle would perhaps suffice to provide moral direction to the evolution of an economic system. However, at the Incarnation, so the Puebla document makes the point, "God breaks through into human history . . . [and] enters the wayfaring journey of human beings toward freedom and fraternity."¹² "Life has been fundamentally changed," so the bishops remind us, "by the entry of the Word made flesh into human history" (*EJ*, #54). From that point on God is present to his people both as creator and savior. Such a cosmic breakthrough introduces a dimension of the human condition of crucial significance to a people of faith, but a dimension that Aristotle with all his pagan wisdom could not perceive. Such a cosmic breakthrough also alters decisively, deepens and enriches the conception of economic justice. For the quest for justice arises not only from response to natural inclination toward virtue; such a quest also, so the bishops state, arises "from loving gratitude for the saving acts of God" (*EJ*, #39). And a quest for justice so motivated leads, so the Puebla documents indicate, to adoption of the preferential option for the poor as a fundamental distributive principle.

Formed into Christ by the sacraments of Baptism and Confirmation, situated both in the Church and in the world, the People of God are to construct the temporal dimension of God's Kingdom.¹³ They are to give order to temporal realities—to shape economic institutions and practices—so as to bring such realities "into the service of God's Kingdom."¹⁴ As the People of God so strive to shape history, to evangelize the economic and social system, they follow not only those natural inclinations to good recognized by Aristotle and his philosopher followers; they also must "look to Christ." Striving to base their evangelizing activity on the model of Christ, the People of God will recall Jesus's special predilection for those who are poorest.¹⁵ Recalling the cosmic fact of our redemption—"The Son of God . . . identified himself with human beings . . . established solidarity with them and took up the situation...in which they find themselves. . . ." the argument of the Puebla documents moves immediately to an immensely important inference. "For this reason alone"—from the way Our Lord enters human history—"the poor merit preferential attention." The image of God is defiled in the status of the poor. "That is why the poor are the first ones to whom Jesus' mission is directed and why evangelization of the poor is the supreme sign and proof of his mission."¹⁶ The Christian's efforts to "shape history in the image of God's design" must be patterned after the salvific efforts of Christ. "Preferential love and concern for the poor and needy" thus becomes a sign by which to test the authenticity of the Church's evangelical

efforts.¹⁷

The preferential option for the poor as a distributive principle is closely allied with another major change which has recently taken place in the Church's approach to questions of social justice, with the emergence of a new procedure for undertaking theological research. The new procedure referred to is that of "liberation theology."

The 'Preferential Option' and Liberation

Borrowing distinctions employed by David O'Brien, liberation theology can be characterized by comparison with alternative conceptions of theological inquiry. The Church Fathers, so O'Brien indicates, "developed a theology of wisdom" which was "basically a thematic reflection on the Bible" designed to "promote a de-emphasis of the world and an emphasis on the salvation of the individual." With the medievals, as exemplified in the work of St. Thomas Aquinas, theology becomes "an intellectual discipline born of the meeting of faith and reason." Giving more emphasis than the Church Fathers to man's situation in the world, theology as produced by the Thomistic synthesis was to lead to a theological restructuring of the social system, but the theological contribution to social development was to be *indirect*. Church members were to be taught such Christian values as justice, human dignity and social solidarity and having been taught such values, they were to set about amending their individual lives and simultaneously reforming the social system.

In contrast with both the Church Fathers' and the medieval approach, liberation theology has arisen "out of the experience of Christians in Latin America and is a way of articulating the purpose of the Church within Latin America." Such theology attempts "to interpret historical events . . . to reveal and proclaim their meaning and significance for the life of the community."¹⁸

To use a Vatican II expression to paraphrase O'Brien's threefold distinction, one might say that with the Church Fathers theology proceeds by attempting to *decipher* the import of biblical texts. With the medievals, theology strives to *decipher* the connection between revelation and the philosophy of Aristotle. In liberation theology, the effort to understand God's message for his people requires *deciphering*, not biblical texts and not the metaphysics of Aristotle; rather, to do the work of theology, one must *decipher the signs of the times*. Or as the Puebla documents make the point: "The Spirit of the Lord prompts the people of God . . . to discern the signs of the times and to discover, in the deepest yearnings of human beings, God's plan regarding the building up of society."¹⁹

To appreciate the message of Liberation Theology, we might ponder

the following powerful text from the Puebla documents:

From the depths of . . . Latin America a cry is rising to heaven, growing louder and more alarming . . . the cry of a suffering people who demand justice, freedom and respect for . . . basic rights . . . a cry increasing in volume and full of menace.²⁰

These stirring words—full of prophetic fervor and threat of revolution—immediately call to mind the famous and equally threatening opening of the *Communist Manifesto*: "There is a specter haunting Europe. . . ." The parallel between these two powerful texts immediately raises the question—what in fact is the connection between Liberation Theology and Marxism? Between Liberation Theology and the Marxian condemnation of capitalism?

Liberation and Marxism

One need not read very far into the official pronouncements of the Latin American episcopacy in order to find strong condemnation of capitalism, especially in its international form. Denouncing what they call "international monopolies and the international imperialism of money" and borrowing a bit of critical social analysis from Pope Pius XI, the Latin American bishops assembled at Medellin in 1968 assert that "the principal guilt" for the economic dependence of their countries "rests with powers, inspired by uncontrolled desire for gain which leads to economic dictatorship and the 'international imperialism of money.'"²¹ Using an expression which is repeated in the 1979 documents and which figures strongly in the later encyclical of Pope John Paul II—*Laborem Excercens*—the bishops assembled at Medellin stigmatize "the system of liberal capitalism" for the way it "takes for granted the primacy of capital, its power and its discriminatory utilization in the function of profit-making" and thereby produces a system which "militates against the dignity of the human person. . . ."²²

The indictment of capitalism is extended in the later Puebla statement. Structures "linked with the expansion of liberal capitalism" have proved to be "wellsprings of injustice" for the people of Latin America. "Capitalist liberalism" is described as a form of idolatry—"the idolatrous worship of wealth in individualistic terms" and such idolatry is further characterized as a system of "institutionalized injustice."²³

One theme in the persistent drum beat of anti-capitalist language is particularly interesting. Having granted an unjustifiable "priority to capital over labor," the free market economy is denounced for increasing the gap between rich and poor nations. Poverty in Latin America "finds its

origin . . . in mechanisms which . . . create a situation on the international level where the rich get richer at the expense of the poor." Citing Pope John Paul II, the Puebla document refers again to *mechanisms*—to "mechanisms . . . that lead on the international level to the ever increasing wealth of the rich at the expense of the ever increasing poverty of the poor"—a mechanism which is said to involve a process of "invisible expropriation." "The growing affluence of a few . . . parallels the growing poverty of the masses."²⁴

These passages in condemnation of the way capitalism enhances the international gap between rich and poor are evidently meant to touch the consciences of North Americans. For they very strongly suggest that our high standard of living, our North-of-the-Rio-Grande affluence, is responsible for—is the *systemic cause* of—the extreme poverty prevailing on the far side of our southern border. And for an economist these passages—especially the pregnant phrase "invisible expropriation"—carry a further message. For they strongly suggest that the authors of the Medellin and Puebla documents are employing a well-known corollary of Marxian economic analysis, the so-called "theory of unequal exchange." Derived with clear and logical precision from the basic postulate of Marxian economics—the labor theory of value—such a corollary purports to demonstrate that in international trade between industrialized and non-industrialized economies, the "laws of motion" of capitalism by inexorable necessity cause a transfer of surplus value from the less advanced to the more advanced economies. Could this be the "invisible mechanism" to which the Puebla documents refer in explaining the widening income differential between industrialized and non-industrialized nations?²⁵

Further consideration of the matter indicates, moreover, that the apparent agreement between Marxism and Liberation Theology in the analysis of international income transfers is not accidental. For there also appears to be operative at the level of fundamental methodology, a deep and basic complementarity between the two bodies of social analysis. Formed by the sacraments of Baptism and Confirmation, the People of God are led by the Spirit toward the "fullness of freedom." Faithful to the Spirit and in solidarity with the Church's mission to the poor, they "bring forth fruits of justice and peace in their families and where they work. . . ." ²⁶ And it is such works of peace and justice—produced by the Spirit working through the People of God—which provide those "signs of the times" that properly "deciphered" yield insight into "God's plan regarding the building up of society."²⁷

Or to make the point with a formula used by O'Brien in his threeway comparison of patriotic, medieval, and liberation theology—the latter can be characterized as "a critical reflection on praxis."²⁸ In such a perspective, the works of peace and justice produced by the faithful in response to promptings of the Holy Spirit can be considered a body of *praxis*. And such

an evolving pattern of social behavior not only provides a subject matter for the sciences of economics and anthropology. Institutional transformation produced by faithful response to the Holy Spirit also generates material for the theologian's *reflection on praxis*. In the case of Latin America, such reflection on praxis has led theologians to interpret the effort to throw off the bondage of neocolonialism as an authentic "sign of the times"—as a revelation of God's plan for the liberation of his people.

Describing its method as *critical reflection on praxis*—to hold that understanding the trajectory of Salvation History comes from "deciphering" those "signs" produced by God's people in their empirical response to the inner prompting of the Holy Spirit—indicates a fundamental agreement between the procedure employed in liberation theology and that espoused by Marx in the *German Ideology*.²⁹ In the latter work, Marx argues—in opposition to his Hegelian predecessors—that true and valid critical knowledge originates in mankind's most base-level activities—particularly in the labor process whereby the human species generates the material wherewithal for survival. Insights garnered from such primal activities generate a community's conception of moral values and such moral values are then institutionalized in the community's customs and culture—particularly in the laws governing property. Thus, moral insight is generated at the base and moves from base to superstructure and since evolutionary change originates at the base level, there is always—at least until the revolutionary overthrow of capitalism is finally accomplished—a dialectical tension between "base and superstructure." In such a model, the role of the theorist—the philosopher or economist—is not to discover moral insight in the realm of thought and ideas, but rather to observe the emergence of moral insight in mankind's day-to-day productive efforts and to offer his interpretation of the resulting tension between base and superstructure. A similar conception of practical knowledge seems to be at work in Liberation Theology, in the insistence that moral insight—e.g. the perception of "institutionalized injustice"—comes by deciphering the signs produced in the struggle for liberation or, in O'Brien's formulation, from "a critical reflection on praxis."

Mankind achieves an "initial realization of . . . dignity," so the Puebla documents assert, through "freedom projected on the material world." The first perception of moral freedom and possibility, so these words seem to indicate, comes from the effort to bend material nature to human purposes—comes, that is, from that domain of practical activity that Marx would identify as "the real-life process." Having achieved an initial realization through subjugation of the material world, mankind then—so the Puebla text continues—uses the insight so acquired for "humanizing" the world "in accordance with the Creator's plan."³⁰ For both Karl Marx and the Latin American bishops, then, moral vision is acquired from the base, real-life

process and then used to further shape the world—to control and rectify the pattern of institutional development. For both Marx and the Latin American Bishops, moral knowledge and social transformation move—as the famous formula has it—from base to superstructure.

The close connection between Liberation Theology and Marxian critical social analysis is clearly illustrated in O'Brien's analysis of the shift from the medieval attempt at a synthesis of faith and reason to the kind of search for theological insight reflected in the Medellin and Puebla documents. O'Brien characterizes medieval theology's contribution to social reform as *indirect*. "In this model of indirect modification of existing social structures," the Church was to preach the Gospel and in the process provide "the right ideas and motives to help the laity direct the restructuring of the social system."³¹ Thus in the medieval model, social reform was conceived of as a *trickle down* process. The Church, drawing upon the synthesis of faith with the philosophy of Aristotle, taught the laity the values of justice and human dignity. The laity then used the knowledge so acquired to modify the social system. To illustrate the process, the Church's teaching on natural law and justice, touching the consciences of individuals, would eventually lead to such reforms as the abolition of slavery and the transformation of feudalism into a social system more respectful of human dignity.

Now, Karl Marx would have met such an explanation of social reform with a burst of derision, contempt and sarcasm. Using terminology employed in criticism of his Hegelian predecessors, he would find that the medieval explanation of social development presupposes that we can, as he puts it "descend from heaven to earth."³² That is, we can move from *a priori* knowledge theoretically perceived—in the medieval case, in scripture and the thought of Aristotle—to the reform of institutions, policies and practices. Such a procedure, Marx would say, is bound to be shot through with delusion—with "false consciousness" and the resulting distortion of social perception is more likely to lead to the legitimization of unjust privilege than to progressive reform.

According to Marx, to achieve the critical perspective required for authentic reform, we have to reverse the medievals' conception of the relationship between theory and practice. We must move—so the formula from the *German Ideology* has it—not "from heaven to earth, but from earth to heaven." Realizing that "life is not determined by consciousness, but consciousness by life," we must acknowledge that the critical insight required to discern injustice originates not in the speculation of philosophers, but in empirical contact with the "real life process"—that is, in mankind's day-to-day struggle to master his environment and to create the social institutions that will facilitate such mastery.³³

Thus when read in comparison with the *German Ideology*, the liberation theologians—in their repudiation of the medieval intellectualist

model of social reform—turn out to be very good Marxists. For they indeed refuse to "descend from heaven to earth"—that is, refuse to search for crucial moral insights in the texts of scripture or the findings of philosophy. On the contrary, they hold that one must "decipher the signs of the times"—search for indications of God's plan for his people in that people's struggle for liberation. As they do so, they begin—Marx would say—at the right starting point and move in the right direction—that is, "from earth to heaven." For both Karl Marx—the philosopher of communism—and the theologians of liberation, an accurate perception of the real thrust of history—the perception needed to understand and direct man's struggle for liberation—comes, indeed, from "a critical reflection on praxis."

Liberation Theology borrows from Marxian critical social analysis, not only the philosophical principle that practical wisdom emerges from the "real life process." Such theology also adopts the related psychological assumption that such knowledge is first perceived, though perhaps in inchoate form, by those directly involved in the "real life process" — by those actually engaged in *praxis*. Furthermore, given the inevitable tension between actual and potential—reflected, Marx would say, in the conflictual dialectic between base and superstructure—the domain of praxis that generates critical moral insight is always *revolutionary praxis*. The discernment of injustice comes to those engaged at the cutting edge of revolutionary social development. It is the victims of injustice who first detect through their own suffering that existing social institutions generate exploitation. Deciphering the signs of the times thus requires the Church to listen to the cry of the poor—not merely for inspiration and psychological reinforcement of the will to reform, but more importantly for the crucial perception that such reform is necessary. The Church makes a vital contribution to the political process, so the Puebla documents indicate, as she "interprets the aspirations of the people, especially the yearnings of those that society tends to marginalize."³⁴

The preferential-option-for-the-poor principle thus takes on a deeper significance. The needs of the poor—for income, employment, land—are to have priority in the shaping of social policy. But the preferential option turns out to be more than a rule for distribution. Given their crucial position in the generation of society's self understanding, the poor are entitled not only to special distributive consideration. They are also to be accorded a kind of preferential cognitive respect. For it is their perception—their experience of rejection and exploitation—that first brings home to mankind the sorrowful realization that the Kingdom is not yet—that God's People suffer still. And it is from their initial perception that the sensitivity to injustice spreads through the human community—hopefully to give direction to process of social reform. Or as Avery Dulles explains in a commentary on liberation theology, using the words of Padre Gustavo Gutierrez, ". . . the word

of God is mediated by the cry of the poor and oppressed . . . His word reaches us in the measure of our involvement in the evolution of history."³⁵

Such a cognitive version of the preferential-option principle is reflected in the U.S. bishops' pastoral letter on the economy. At paragraph 16 and again at paragraph 49, the document tells us that "the poor are the agents of God's transforming power." Careful consideration of this provocative statement clarifies the preferential option principle and reinforces the connection between such a principle and Marxian critical social analysis. For such a purpose, it will be helpful to rephrase the text so that it reads: not that "the poor are the agents of God's transforming power," but that "the proletariat are the agents of History." Substitute *proletariat* for *poor*; replace the reference to "God's transforming power" with the detheologized term *History*—and the statement from the bishops' pastoral letter turns out to be a striking paraphrase of a well-known thesis of Marx. According to such a thesis, it is the proletariat—liberated from every last vestige of false consciousness by their position in the capitalist mode of production; purified by their suffering; freed from the contamination introduced into human history by that most primordial of all original sins (the institution of private property whereby some men can live by expropriating the labor of others)—it is this privileged group who play the role of the "suffering servant" of Isaiah in the modern industrialized world. And it is this special group who are to be the catalysts of social reform, the agents of God's transforming power, the key movers in the transformation of History.

Thus in their analysis of contemporary capitalism the U.S. bishops—like the Latin American theologians of liberation—sound like good Marxists. The connection between the social analysis they employ and Marxism appears with greater, more arresting clarity in another crucial text. At paragraph 55 the pastoral letter tells us that those who "commit themselves to . . . solidarity with those suffering and to confrontation with . . . ways of acting which institutionalize injustice will themselves experience the power and presence of Christ. They will embody in their lives the values of the new creation while they labor under the old." Such a statement—emanating from high office and touching on the presence of Christ in human lives—must be treated with respect. Keeping in mind both the need for a certain reticence and the requirements of scholarship, we can take the text to mean something like the following: those who participate actively in the struggle for liberation, in confrontation with injustice, will be accorded a special insight—will be granted access to a range of intuition—not available to those not directly engaged. Because "doing the truth is a condition of believing it"—as Avery Dulles³⁶ explains the faith experience as understood in Liberation Theology—those directly engaged in *revolutionary praxis* will see things—perceive causes of injustice, sources of exploitation—not apparent to those observers who seek merely a

theoretical understanding of the social process. From their solidarity with the poor and experiential contact with the tensions of social conflict they will be brought to a deeper understanding of the demands of history—in the words of Puebla, to an understanding of "God's plan regarding the building up of society."³⁷

However, if such is an accurate rendering of the bishops' meaning, then a deeper, more fundamental complementarity between the preferential option principle and Marxism begins to become apparent. For the bishops' statement in fact reads like a non-atheistic version of the third of Marx's famous "Theses on Feuerbach."³⁸ In paraphrase this Marxian proposition tells us that the human self changes—grows in self-understanding, in social awareness, and thus in moral commitment—in "coincidence" with changing social circumstance, with the simultaneous change in self and in social institutions to be understood as *revolutionary praxis*. To emphasize the parallel between the bishops' conception of how society comes to a critical awareness of injustice and the position espoused by Marx we can rephrase the Marxian thesis in terminology borrowed from the bishops. According to such a rephrased version of the Marxian thesis, those engaged in revolutionary *praxis* have their initial social perception formed by the existing system—they (in the bishops' language) "labor under the old values." But because of their position at the cutting edge of the revolution, they will be able to sense the difference between actuality and potentiality and thus to move toward fuller realization of the latter—that is, again the words are the bishops, they can begin "to embody the values of the new creation." Or as Avery Dulles makes the point in his explanation of Liberation Theology, ". . . when I take an effective option for the poor, my world changes . . . I myself am transformed by commitment to social transformation."³⁹ For Marx, the U.S. bishops, and the theologians of liberation it seems to be the case that those directly engaged in *revolutionary praxis* will, by their very involvement, be brought to understand (in ways not available to the rest of us) the origins and nature of the institutionalized injustice against which they struggle.

Liberation and Marxian Economics

The fact that Liberation Theology and the U.S. bishops employ a brand of critical social analysis so closely resembling that of Marx raises a very crucial question. If understanding the struggle for liberation requires the committed Christian to "decipher the signs of the times"—to seek wisdom through reflection on revolutionary *praxis*—is the Christian also required to adopt Marxian economic analysis? If he would listen to the voice of the poor as the root source of the critical understanding of injustice, must he then

accept the Marxian explanation of how the capitalist mode of production—through the inexorable "laws of motion" of the capitalistic system—generates such injustice? If so, then he must accept as true and valid—and employ as guidelines in the struggle for liberation—the following set of inter-related propositions.

1. *The labor theory of value.* The value of a commodity is strictly determined by the quantity of labor required to produce it. All wealth is produced by labor and only by labor, and the laborer is entitled to what he produces—to the whole product produced in an enterprise.

2. *The subsistence theory of wages.* Human labor is itself a commodity. The working of the capitalistic labor market will drive the value of labor power down to the level of biological subsistence, leaving the worker with just enough sustenance to maintain the bodily strength required to continue production.

3. *The Marxian theory of exploitation.* It follows as a scientific corollary of propositions 1 and 2 that the worker in a capitalistic economy is *exploited*. He produces all the wealth of society but as the labor market drives his wage to the subsistence level, he is deprived of part of what he produces.

The difference between what he produces and what he gets is the source of all non-wage income—of all interest, rent, and profits. Such property incomes are derived from exploitation of the working class. Such exploitation is systemic—caused not by the evil intent of this or that vicious individual, but rather by the inexorable working of the system. In the language of Liberation Theology, the capitalistic mode of production embodies *institutionalized injustice*.

4. As a final corollary, we have the grand revolutionary Marxian conclusion. Systemic exploitation of the working class can be brought to an end only by overthrowing the capitalist mode of production—particularly by abolishing the right to private ownership of the means of production. According to liberation theology as explained by Avery Dulles: ". . . if we are authentically committed to the Kingdom we shall be involved in the struggle to subvert the existing social order with its institutions of injustice."⁴⁰

If we are authentically committed—and if we accept Marxian economic analysis—then, so this series of Marxian propositions indicates, we must struggle to overthrow the capitalistic mode of production.

In this connection it is important to note that commitment to the preferential option for the poor and to Marxian critical social analysis has indeed brought some spokesmen for Liberation Theology to repudiate capitalism and to recommend as morally obligatory the adoption of socialism. Responding to Pope Paul VI's 1967 encyclical—*Populorum Progressio*—some Third World bishops have come to assert that "Christianity lived to the full" demands commitment to socialism—to an

"authentic socialism" which will allow for "a basic equality and fair distribution of goods."⁴¹ Writing in 1974, the prominent liberation theologian Juan Luis Segundo espoused a brand of socialism described as "a political regime in which ownership of the means of production is taken away from individuals and handed over to higher institutions."⁴² And according to a more recent work published by Orbis Press, the capitalistic mode of production is based upon a "theology of death." In such a perspective, capitalism is identified as a kind of pagan deity—a bloodthirsty god who demands daily human sacrifice of those evicted peasants, exploited workers and marginalized residents of the urban barrios who are victimized by the capitalist mode of production.⁴³ According to such analysis, Christians must repudiate the idolatry of capitalism and seek conversion by adopting socialism.

The proceeding bit of critical social analysis is indeed heavy doctrine, but it is the logical consequence of combining liberation theology and Marxian economics. To further appreciate a combination, we might note what liberation theology has to say about the process of evangelization. Drawing upon Pope Paul VI's apostolic exhortation—*On Evangelization in the Modern World*—the Puebla documents lay heavy emphasis on the social implications of the Church's efforts to proclaim the Gospel. According to the Puebla explanation, through the charity poured into human hearts, evangelization "brings forth . . . fruits of justice"—the conversion of individuals and the transformation of social structures—and thereby contributes to the process of development and liberation. In making a contribution to liberation, so the Puebla statement indicates, evangelization "invites peoples to abandon . . . anti-natural patterns of conduct, and the aberrant manipulation of some people by others."⁴⁴ Such an analysis of evangelization can be readily interpreted in Marxian terms. For the Marxist it is easy to identify the capitalist free market as a "pattern of conduct" denounced as "anti-natural" and to see in the capitalistic wage-labor relationship an instance of the "aberrant manipulation of some people (the workers) by others (their capitalist employers)." In such a perspective, it is the work of evangelization to bring the beneficiaries of capitalism to see the evil of their ways and having thus brought the bourgeois to conversion, to bring about the transformation of capitalism into socialism. Capitalism causes injustice and evangelization touching individual consciences will eliminate the injustice through the transition to socialism. As the Christian message penetrates society the divisive injustice of capitalism must perforce give way to the fraternal harmony of socialism.⁴⁵

Before accepting the conclusion that commitment to Christ requires commitment to socialism, however, there is a complicated question which needs to be addressed. Suppose we affluent Americans have the courage to admit—as our bishops insist we must—that widespread injustice is a

shameful fact of life in contemporary society, but that we reject as unfounded the Marxian explanation of why such injustice occurs. Suppose we accept the need for personal and social conversion to the preferential option for the poor, but perceive that the purported Marxian "scientific proof" that capitalism must generate exploitation, is flawed.⁴⁶ What kind of impact would the process of evangelization produce in such a context—in a society which acknowledges the prevalence of injustice, which accepts the need for conversion, but rejects the Marxian analysis of capitalism?

The process of evangelization, according to the Puebla documents, "seeks to get to the very core of a culture, the realm of its basic values and to bring about conversion that will . . . guarantee a transformation in structures."⁴⁷ And in doing the work of evangelization the Church strives "not to destroy but to help them consolidate their being and identity."⁴⁸ Evangelization thus brings a given society to clarify its basic values and in the process helps such a society to articulate and enhance its own identity. To appreciate how this process of value transformation and conversion might apply to our own country, we can consider a characteristic feature of American political institutions recognized in the recent discussion of the bicentennial of the United States Constitution.

The characteristic feature so recognized is this: there appears to be a powerful moral dynamic at work in the evolution of American society. Thus, at the original adoption of the Constitution, slavery was tolerated; women were excluded from the franchise; and no provisions were made for rectifying distributional injustices. If the newly forged political structure had been considered perfect, or if a tendency to replicative system-stabilizing maintenance had been the dominant force in American society, such structural injustices would have endured as permanent features of American public life. Subsequent history, however, was to show that such was not the case. Within three-quarters of a century the nation took up arms to eliminate slavery. Discrimination against women voters was eliminated by constitutional amendment in 1920. And system-wide efforts to provide for the correction of distributional inequities became a permanent feature of the American political process with the New Deal reforms of the 1930's. The persistence of these efforts to achieve social reform identifies a characteristic feature of American institutions. Unlike societies given to replicating the *status quo*, the American community exhibits a progressive tendency to engage in self criticism and to seek out possibilities for moral improvement. To find the source of this moral dynamic, we might consider the comprehensive model for a democratic society set forth in one of the great classic works of liberal political philosophy—*A Theory of Justice*, written by John Rawls of Harvard and first published in 1971.⁴⁹

Rawls and the Articulation of American Values

Described in the terminology of Liberation Theology, Rawls's monumental effort to reconstruct democratic political theory does for the United States what the process of evangelization as outlined in the Puebla documents is supposed to do for any society. Using insights derived from the great classics of liberal political philosophy—the works of Kant, Locke, Rousseau, and Adam Smith—Rawls probes deeply into the foundations of our economic and political institutions in an effort to identify the core moral values which legitimize the system, inspire our efforts at social reform, provide a center for the American quest for "being and identity." And the clarification of core values generates the moral vision required to "decipher the signs of the times" as those signs emerge from the American political experience. The two-century continuous effort to rectify our basic institutions—illustrated by the case of slavery, women's liberation and public efforts to correct distributional inequities—can be "deciphered," can be understood, as reflecting the depth of the American commitment to its basic, core values. With respect to the identification of those crucial core values, in an effort to isolate those principles which constitute "the most appropriate moral basis for a democratic society,"⁵⁰ Rawls sets forth two fundamental propositions. The first states a basic principle of Kantian political philosophy. According to a common formulation, such a principle holds that the human community must be understood as a "Kingdom of Ends." That is, each individual member of society is to be considered the locus of inviolable right—as possessed of an innate dignity which forbids his subordination either to other individuals or to society as a whole. Whereas a utilitarian would allow some members of society to suffer if doing so would enhance society's aggregate well-being, Rawls insists that "in the design of the social system we must treat persons solely as ends and not in any way as means."⁵¹ Thus, a basic, core value operative in liberal institutions—providing their primal moral legitimacy and giving direction for their rectification—is an affirmation of the dignity of the individual human person.⁵²

The practical implications of Rawls's first principle have to do with the political system. Translated into policy, the Kantian principle requires that individuals be treated equally—granted an equal right to vote, given equal opportunity to run for public office, protected equally in their freedom of speech and right to own property.⁵³ With respect to the connection between Liberation Theology and American economic policy, however, it is the second of Rawls's two propositions—referred to as "the difference principle"—that seems to be of most interest. This principle provides the basis for an evaluation of economic institutions. Unlike the first, this second principle allows for inequality—e.g. in the distribution of income and wealth or in

the allocation of decision-making authority. However, because of the Kantian proviso which forbids using some individuals as means to gratify the desires of other, the inequalities allowed by the second principle are subjected to a strict limitation. "Social and economic inequalities are to be arranged so that they are to *everyone's* advantage."⁵⁴

According to one formulation of the second principle, social and economic inequalities are to be considered just "only if they result in compensating benefits for everyone, and in particular *for the least advantaged members of society*." In other passages, the difference principle is taken to mean that some members of society can have more income and wealth if the additional goods "are acquired in ways which improve the situation of those who have less." And in a similar vein: "The difference principle . . . requires that the higher expectations of the more advantaged contribute to the prospects of the least advantaged." And finally, "the more fortunate," so a later passage indicates, "are to benefit only in ways that help those who have lost out."⁵⁵

These alternate versions of the famous Rawls difference principle are quite enlightening. Taken together they all point toward a highly significant conclusion—a conclusion that would seem to be crucial for understanding our responsibilities as Christians living in a capitalistic society. For with allowance for minor verbal differences, it is immediately and strikingly obvious that the Rawls difference principle provides us with nothing less than a secularized version of the preferential option for the poor.

Recognizing the substantial identity between (i) the Rawls difference principle, and (ii) the preferential option for the poor has several important consequences. For one thing, the identity between the two principles raises a serious question as to the connection between the preferential option for the poor and Marxian critical social analysis. In his searching analysis of political and economic institutions, Rawls evidently finds no reason to adopt either the labor theory of value or its purported corollary—i.e., that private ownership of the means of production leads to exploitation of the working class. Instead, it was reflection on the practice of democratic, capitalistic society informed by a study of the classics of liberal political philosophy that brought Rawls to discern and formulate the difference principle. His achievement indicates that neither immersion in revolutionary praxis nor reliance on the theory of practical knowledge spelled out in the *German Ideology* is necessary to come to the realization that, in the formulation of public policy and evaluation of economic institutions, the poor come first. To emphasize a crucial conclusion with overstatement, Rawls's monumental work in political theory indicates that—if Karl Marx had never lived; if the first line of Liberation Theology had never been written—the inherent moral dynamism of American culture would have eventually brought us to recognize that the preferential option for the poor does indeed identify a basic,

core value of our democratic society.

Rawls and Market Capitalism

A second crucial implication of the identity between the preferential option and the difference principle has to do with the evaluation of capitalism. In fact, one of the most interesting implications of the Rawls model is his explanation of how a democratic society could rely on the operation of a private property, market economy to implement his two principles of justice.

Rejecting the Dr. Pangloss myth that *laissez faire* produces the best of all possible worlds,⁵⁶ Rawls argues that society can rely on the market mechanism to achieve justice—i.e., to institutionalize a Kantian respect for the person, plus conformity with the difference principle—by establishing the market within an framework of appropriate background institutions. Government must enact anti-trust laws, maintain full employment, use taxation to prevent undue concentration in the ownership of wealth, and underwrite equality of opportunity through public education.⁵⁷ Having thus established an appropriate social infrastructure, society can then rely on the market system—that is, privately owned business firms competing with one another and interacting with the public in commodity, capital and labor markets—to achieve compliance with the principles of justice. In such an institutional context, the law of supply and demand will operate—to determine, as the textbooks show, the range of products to be produced, the technology to be employed, and finally to determine the distribution of income. The distribution of income and wages produced by the law of supply and demand will be *just*, so Rawls concludes, "once a competitive price system is properly . . . embedded in a just basic structure."⁵⁸

There is a further aspect of Rawls's system which would seem to be of crucial importance in the ethical evaluation of an economic system. In developing his model of a moral society, Rawls employs a technical concept borrowed from neoclassical economic theory—that of "Pareto Optimality."

To evaluate the performance of an economic system, economists typically refer to two fundamental principles: (i) the equity criterion; and (ii) the efficiency criterion. The somewhat esoteric concept of Pareto Optimality has to do with the efficiency criterion. The notion is used to isolate the conditions that must be fulfilled—in product and resource markets—if society is to produce that flow of aggregate output which maximizes per capita real income. When Pareto Optimality obtains, the economy operates with maximal efficiency.

Rawls indicates that a society committed to a Kantian regard for the person will adopt his two principles as the basis for the political system. In his view, a society so committed will also endorse Pareto Optimality—

maximal efficiency in the use of resources — as the target ideal for its economic system.⁵⁹ The moral perspective which demands equality in the political order demands efficiency in the economic system.

This concern for efficiency as an economic ideal is closely connected with the Rawls "difference principle." As indicated, the latter principle permits inequality in distribution to the extent that such inequalities contribute to the well-being of "the least advantaged." When Rawls's use of Pareto Optimality is taken into account, one can identify more precisely those inequalities that warrant society's approval. Economic inequality is necessary and to be tolerated, according to the Rawls conception of justice, to the extent that such inequality contributes to the attainment of *efficiency*—that is, to fulfilling the target ideal for the economic system. To note an example of morally legitimate inequality, Rawls indicates that wage differentials—whereby some get more, others get less—are justified to the extent that they serve an important social function—to the extent that higher wages cover the cost of training and "attract individuals to places where they are most needed—so that the end result accords with efficiency and justice."⁶⁰

To see the significance of Rawls's analysis we need to note that his conception of what constitutes justifiable income inequality coincides almost exactly with that adopted by the U.S. bishops in the first draft (November 11, 1984) of their economic pastoral. According to paragraph 99, the fact that basic needs are unmet establishes a "strong presumption against inequality," but such a presumption can be "overridden" if a necessary precondition is satisfied. And the precondition is stated as follows: "if unequal distribution stimulates productivity in a way that truly benefits the poor." And in a footnote, the bishops go on to acknowledge that despite divergence between Rawls and Catholic social thought on other issues, "there is agreement between the two approaches on this point."⁶¹

For some reason or other, the explicit reference to Rawls has not survived into the final draft of the bishops' economic pastoral. Had it so survived, a key distributional principle enunciated by a Harvard professor in one of the classic works of liberal political philosophy would have been definitively baptized into the long tradition of Catholic social thought.⁶²

To see how these considerations of productive efficiency and optimality relate to Liberation Theology, let us note the implications of an important finding—i.e., that the Rawls difference principle constitutes a secularized version of the preferential option for the poor. If this identification of the two distributional principles is accepted, and if we agree that violations of Pareto Optimality transgress against the difference principle, then a further conclusion—one of immense significance for the moral evaluation of an economic system—seems justified. Put in axiomatic form, that conclusion asserts: the preferential option for the poor requires a preferential option for Pareto Optimality. To illustrate a crucial conclusion, a

nation committed to the preferential option for the poor cannot tolerate inefficiency in the use of its resource base—cannot allow productive land to lie fallow in an uncultivated *latifundia*; cannot allow regard for tradition to inhibit the introduction of advanced technology; cannot allow special interest groups to obstruct resource transfers.

In thus discerning the moral justification for Pareto Optimality we have, in fact, rediscovered a basic principle of Catholic social philosophy clearly and explicitly set forth some years ago in a classic document, the encyclical *Quadragesimo Anno* issued by Pope Pius XI in 1931.⁶³ Furthermore, the concern for productive efficiency or Pareto Optimality as a policy objective is carried forward to the present and reaffirmed in the Bishops' pastoral letter. Quoting St. Cyprian's statement—"whatever belongs to God belongs to all"—the bishops indicate that the gift of creation can be "betrayed" by either of two kinds of social malfunction. Such betrayal occurs if resources are "appropriated by a minority of the world's population." Here we have a reference to what an economist would recognize as the equity criterion. Distributional injustice—e.g., as caused by America's persistent adherence to a wasteful, consumerist life style—is one kind of system failure that "betrays the gift of creation." But over and beyond such distributional inequity the passage identifies another kind of systemic evil which also distorts the pattern of economic activity. The gift of creation is also betrayed if there is "misuse of the world's resources" (*EJ* #34).

Our preceding discussion enables us to discern what such "misuse" involves. Such "misuse" occurs when resources are employed in a manner that forestalls the attainment of overall efficiency—of Pareto Optimality. Economic theory indicates that a businessman obstructs such efficiency when he selects the wrong product line, utilizes the wrong technology, makes the wrong decision with respect to plant location. The bishops' pastoral letter extends the economist's perspective, indicating that such instances of resource misuse constitute a "betrayal of the gift of creation."

Conclusion: Reflection on American Praxis

To bring our discussion of Liberation Theology, Marxism and John Rawls to a close: previous discussion has sought to make three basic points:

1. Using the Rawls model to "decipher the signs of the times" brings us to the realization that the *preferential option for the poor* is substantially identical with the difference principle.

2. Commitment to such a moral principle requires that society design institutions and policies so as to achieve *efficiency*—in the use of its resource base. Commitment to the preferential option for the poor implies commitment to Pareto Optimality.

3. Commitment to such a composite moral ideal does not require commitment to socialism. Efficiency and commitment to the poor are to be achieved not by the overthrow of the capitalistic mode of production, but by seeking out and moving toward the unrealized potential for social and moral progress implicit in American institutions. Our bishops remind us, citing Lincoln's words at Gettysburg, that "there is unfinished business in the American experiment in freedom and justice for all" (EJ, #9). Meeting the challenge they pose requires, so Rawls's searching examination of the foundations of democracy indicates, faithful adherence and further implementation of the core values of American society.

As for those students of Liberation Theology who find such a conclusion unacceptable, they are invited to examine with greater fidelity their own Catholic tradition and to seek economic wisdom, not by reading books about capitalism written by Karl Marx, but by a more accurate appraisal of North American capitalistic *praxis*.

To illustrate such a conclusion, let us close by noting two instances of such American *praxis*. In 1890, the United States Congress passed the Sherman Anti-Trust Act. Section 1 of this historic piece of legislation reads as follows: "Every contract, combination . . . or conspiracy in restraint of trade . . . is declared to be illegal." Economists distinguish between two kinds of profit seeking—between (i) profit earned as the reward for productive service rendered; and (ii) profits that emerge from directly unproductive activities—from DUP activities, as they are called. What the Sherman Act does in Section 1 is to identify cartelization as a form of DUP activity and declare such activity to be a crime. And history has shown that the Sherman Anti-Trust Law has teeth. In the famous 1961 electric equipment industry conspiracy, executives of top American corporations were sent to jail for violating it.⁶⁴

Critics of U.S. capitalism, especially those whose perception has been formed by the reading of Liberation Theology, need to give this piece of legislation and its impact on the U.S. economy careful consideration. At paragraph 26 of the encyclical *Populorum Progressio*, Pope Paul VI defines a kind of economic system that he identified as "Liberal Capitalism." This definition is frequently cited in other documents—by Pope John Paul II; by the Latin American Bishops in the Pueblo Documents.⁶⁵ According to the definition, the system of liberal capitalism "considers profit as the key motive for economic progress, competition as the supreme law of economics, and private ownership of the means of production an absolute right that . . . carries no corresponding social obligation."⁶⁶

Now it is obvious, given the existence of the Sherman Act and the way Section 1 has been enforced, that Pope Paul's definition of Liberal Capitalism is grossly inaccurate as a description of the U.S. economic system. For the Sherman Act clearly forbids some kinds of profit seeking.

And it is certainly not the case that in our system "private ownership . . . carries no social obligation." The history of the Sherman Act shows that a business executive who uses his property to form a cartel—who flouts his social obligation by violating Section 1—will be put in jail. There may be somewhere in the world, somewhere in history, economic systems that tolerate the crude individualism stigmatized by Pope Paul VI. But the record shows the U.S. economy is not one of them.

The effort to implement our commitment to justice through the Sherman Act might give us Americans cause for self congratulation. Such is not the case, however, with the second instance of American policy that I would call to your attention. In 1981 United States sugar growers persuaded Congress to set a minimum price of sugar at about 20 cents a pound. To protect the price without resort to direct subsidies, the government employs import quotas—quotas which have been reduced several times over the past few years.⁶⁷ Such protectionist measures violate the capitalistic rules of the game. And as the textbooks forever demonstrate, such measures cause a misallocation of resources and thereby reduce per capita real income. Forestalling the attainment of Pareto Optimality, such special legislation violates the Rawls difference principle.

A further look at the sorry record shows that such legislation also clearly violates the preferential option for the poor. Reduction in our sugar import quotas has caused widespread unemployment in some of the poorest nations in the hemisphere—in Belize, El Salvador, the Dominican Republic. In the latter nation, "skinny, bare-chested peasants jump out of clumps of cane" in an effort to attract attention to their plight. "They whistle and scream" at officials passing by, as they "plead for work."⁶⁸

In their discussion of the international economy, the bishops indicate that the "preferential option for the poor is the central priority for policy choice" (EJ #260). They go on to insist that government policy must "increase the ability of the poor nations and marginalize people to participate in the global economy" (EJ #261). Sugar import quotas clearly violate this moral injunction. Now, our bishops realize, opening United States markets to world trade calls for readjustment in this country. Imports can undercut American jobs, property values, and living standards (EJ, #268). But then—we Catholics have to realize, in their searching evaluation of the way the United States economy impacts on human lives, the bishops do not promise us a rose garden. "To apply the preferential option for the poor to international activity," so their pastoral letter reads (EJ, #291), "will require sacrifices of at least the scope made over the years in building our own nation."

Commitment to American core values—to the dignity of the person; to efficiency in the use of resources; to the preferential option for the poor—can be fulfilled by following the moral dynamic implicit in United

States institutions—that is, by further reform of our capitalistic, free enterprise economic system. But doing so will require sacrifices—at least as great, so the bishops warn us, "as those required in the past to build the great nation, which is America.

Notes

1. For details concerning Ryan's economic thought, cf. my "Exploitative Capitalism: The Natural-Law Perspective," *Social Research* Vol. 48: No. 2, pp. 277-305. For an account of his career as social activist from his early days as a Minnesota populist to his later years as a powerful voice in the New Deal, cf. "Legacy of John A. Ryan: A Developed Economic Ethics," in John A. Coleman, *An American Strategic Theology* (New York: Paulist Press, 1982), pp. 85-97.
2. John A. Ryan, *A Living Wage* (New York: Macmillan, 1906); *Distributive Justice* (New York: Macmillan, 1916).
3. For specific citations of Ryan's work, cf. my "Exploitative Capitalism," pp. 288ff.
4. Pope Paul VI, *Octogesima Adveniens* in David J. O'Brien and Thomas A. Shannon (editors), *Renewing the Earth: Catholic Documents on Peace, Justice and Liberation* (New York: Doubleday & Company, Inc., Image Books, 1977), pp.347-384.
5. *Ibid.*, #23.
6. Third General Conference of Latin American Bishops, *Puebla: Evangelization at Present and in the Future of Latin America* (Washington, D.C.: National Conference of Catholic Bishops, 1979), p.78; cf. pp.73, 90, 177. This source is cited hereafter as *Puebla* with

appropriate page reference.

7. Congregation for the Doctrine of the Faith, "Instruction on Christian Freedom and Liberation," *Origins*, Vol.15: No. 44, pp.713-728.
8. *Ibid.*, #68.
9. National Conference of Catholic Bishops, *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy* (Washington, D.C.: United States Catholic Conference, 1986). Cited hereafter in the text as *EJ* with appropriate paragraph number.
10. Congregation for the Doctrine of the Faith, *op. cit.*, #28, #30.
11. *Gaudium et Spes*, in Walter M. Abbott, S.J. (general editor), *The Documents of Vatican II* (Piscataway, N.J.: New Century Publishers, Inc., 1966), pp. 199-309: #2.
12. *Puebla*, pp. 60ff.
13. *Puebla*, pp. 42ff.
14. *Puebla*, p.143 Cf. "Christians are summoned to shape history in the image of God's design" (*EJ*, #53).
15. *Puebla*, p.173.
16. *Puebla*, p.179.
17. *Puebla*, p. 90; cf. *Puebla*, p. 181. According to Reginald Fuller, writing in *Worship* (Vol. 46: No. 1, pp. 39ff.), the Church can use the preferential option for the poor as a parable—a teaching device which engages the life experience of those to be taught and thereby brings them to a deeper understanding of their dependence on God: ". . . the Church should engage in humanitarian action on behalf of the poor because such action is a parable of the love of God in Christ. . . ." (*Ibid.*, p.39). Cf. Coleman's explanation (*op. cit.*, p.19) of how fidelity to the Spirit "will lead us inexorably to the poor. For the Father and Son are pre-eminently to be found and known in the causes and needs of the poor."
18. Cf. "Introduction: Liberation Theology," in O'Brien and Shannon, *op. cit.*, pp. 541-546.

19. *Puebla*, p. 177.
20. *Puebla*, p. 48.
21. O'Brien and Shannon, *op. cit.*, p.564.
22. *Ibid.*, p. 553.
23. *Puebla*, pp. 97, 107, 112.
24. *Puebla*, pp. 42ff.; pp. 187,193.
25. To make the principle that all profit is derived from the exploitation of labor consistent with the observed tendency for rates of profit to be equalized across sectors of the economy, Marx is led (in Volume III of *Das Kapital*) to argue that inter-sector exchange is the mechanism which by transferring profit from wage intensive to capital intensive sectors eventually equalizes rates of return. Trade between industrialized and non-industrialized economies constitutes a special case of this process of transfer and equalization.
26. Congregation for the Doctrine of the Faith, *op. cit.*, #61.
27. *Puebla*, p. 177.
28. O'Brien, *op. cit.*, p. 542.
29. Karl Marx and Frederick Engels, *The German Ideology*, edited with an Introduction by C. J. Arthur (New York: International Publishers, 1970).
30. *Puebla*, p. 82.
31. O'Brien, *op. cit.*, p. 545.
32. *The German Ideology*, p. 47.
33. *Ibid.*, p. 47.
34. *Puebla*, p.110.
35. "The Meaning of Faith Considered in Relationship to Justice," in John C. Haughey (editor), *The Faith That Does Justice* (New York: Paulist

- Press, 1977), p. 34. The principle that the poor are entitled to preferential cognitive respect is expressed in the language of Liberation Theology as "the hermeneutic privilege of the poor"—the belief that "the poor are especially situated to hear the word of God. . . ." Cf. Anthony J. Tambasco, "Option for the Poor," in R. Bruce Douglas (ed.) *The Deeper Meaning of Economic Life* (Washington, D.C.: Georgetown University Press, 1986), pp. 37-55; esp. pp. 38, 40. According to Tambasco's reading, although they place major emphasis on allowing the poor to participate in decision making, the U.S. bishops "seem hesitant to acknowledge a hermeneutic privilege of the poor." *Op. cit.*, p. 41.
36. *Ibid.*, p.38.
37. *Puebla*, p.177.
38. Cf. Arthur (editor), *The German Ideology*, p. 121.
39. Dulles, *op. cit.*, p. 37.
40. *Ibid.*, p. 35.
41. Phillip Berryman, *Liberation Theology* (New York: Pantheon Books, 1987), p. 21.
42. *Ibid.*, p. 91.
43. *Ibid.*, p. 102.
44. *Puebla*, pp. 87ff., 93.
45. Cf. the explanation of the Church's softening opposition to socialism offered by Gregory Baum in his commentary on John Paul II's encyclical, *Laborem Exercens*. Noting that socialism was first acknowledged "as a rational option for Catholics" by Paul VI in 1971, Baum finds that John Paul II has been led to "opt for a socialist vision of society" by his belief (in a agreement with Liberation Theology) that "the principal cause of misery in the modern world . . . is the domination of capital over labor . . . the master/servant relationship in the economic order." The kind of socialism said to be advocated by John Paul II is described as "moral . . . liberationist . . . cooperative" requiring that workers become "co-owners . . . co-responsible for the policies of their industries" within a system of non-authoritarian but centralized planning. Cf. *The Priority of Labor* (New York; Paulist Press, 1982), pp. 5, 76, 81ff.
46. For an economist's explanation of why the Marxian "proof" in fact fails, cf. my "Economics and Justice" in Ronald L. Cohen (editor), *Justice: Views from the Social Sciences* (New York and London: Plenum Press, 1986), pp.47-85, esp. the discussion of "The Marginalist Alternative to Marx," pp. 57ff.
47. *Puebla*, p. 91.
48. *Puebla*, p. 96.
49. *A Theory of Justice* (Cambridge, Mass.: Harvard University Press, 1971). Cited hereafter as *ATJ* with page number.
50. *ATJ*, p. viii.
51. *ATJ*, p. 183.
52. In their moral appraisal of American economic institutions and policies, the U.S. bishops employ both Catholic social teaching and "traditional American values" (*EJ*, #7). One such value is identified as follows: "All human beings...are ends to be served by the economy, not means to be exploited for more narrowly defined goals" (*EJ*, #28). They thus use Kantian terminology to provide what reads like a Christian endorsement of the first of Rawls's two principles.
53. *ATJ*, p. 61.
54. *ATJ*, p. 60.
55. *ATJ*, pp. 14ff. (emphasis added): pp. 94, 95, 179.
56. *ATJ*, pp. 72ff.
57. *ATJ*, p. 87. In the Rawls model the infrastructure for the market includes a "transfer branch" which guarantees a minimum level of income based on a consideration of need. Cf. *ATJ*, pp. 276ff. The reliance on transfers to provide a social minimum marks a crucial difference between Rawls and another well-known, but more a vowedly individualistic theory of justice—i.e., Nozick's so-called "entitlement

theory." For Nozick, levying taxes to finance transfers involves unjustifiable interference with the property rights of the taxpayers. For a discussion of the difference between Rawls and Nozick, cf. my "Economics and Justice," in Cohen, *op. cit.*, pp. 77ff.

58. *ATJ*, p. 304. Rawls thus advocates a form of "economic planning." Economists typically distinguish between two alternative forms of planning: (i) one that provides the social matrix for profit-oriented business firms, property owners, workers and consumers to interact through the market; and (ii) a form of planning which would replace firms and markets with a political procedure for making crucial economic decisions—e.g., those having to do with selection of product lines, choice of technology, plant location. The Rawls model allows for the first kind of planning. Within such a system of economic planning, the market provides a procedure for implementing "that most weighty principle . . . in social philosophy" (*Quadragesimo Anno*, #79)—the principle of *subsidiarity*. I am indebted for this point to the work of the Rev. Martin Schirber, O.S.B.; cf. his "The Proper Role of the State," *American Benedictine Review* (Dec., 1965), pp. 565-585. And it is this form of planning—rather than socialism—which is advocated by John Paul II in his encyclicals, *Redemptor Hominis* and *Laborem Exercens*. It is this first form of planning which leaves social space for the "the dynamic figure of the businessman" who, so John Paul II indicates, makes a crucial contribution to social well-being, prosperity and progress, by "organizing human labor and the means of production." Cf. John Paul II, "The Role of Business in a Changing Workplace," *Origins* (Feb. 6, 1986), pp. 567-573. For development of this point, cf. my "Marxian Critical Social Analysis and the Encyclical—*Laborem Exercens*," Saint John's University Working Papers, Clemens Chair No. 2.
59. *ATJ*, pp. 66f
60. *ATJ*, p. 315.
61. *U.S. Catholic Bishops' Pastoral Letter on Catholic Social Teaching and the U.S. Economy*, First Draft (Washington, D.C.: United States Catholic Conference, 1984): #99; Note 23.
62. The principle that inequality is to be evaluated by reference to the needs of the least advantaged is, however, firmly enunciated in the final draft. Pushing beyond the traditional Catholic view which requires that benefits be distributed in geometric proportion to social position, the

pastoral letter states that "Distributive justice requires that the allocation of income, wealth and power . . . be evaluated in light of its effects on persons whose basic material needs are unmet" (*EJ*, #70). "Some degree of inequality . . . may be considered desirable...for incentives," but should be evaluated "in terms of...the priority of meeting the basic needs of the poor. . . ." (*EJ*, #185).

63. Having pointed out that evaluation of economic institutions requires an identification of "the purpose which God ordained for all economic life," Pope Pius in a later passage lists "a right proportion among wages and . . . a right proportion in prices" as a necessary condition for its attainment and then identifies such a critical teleological objective as follows: "For then only will the social economy . . . attain its purposes when all and each are supplied with all the goods that the wealth and resources of nature, technical achievement, and the social organization of economic life can furnish." *Quadragesimo Anno* (Washington, D.C.: National Catholic Welfare Conference, 1942), #'s 41-43; #75. As an indication of the importance of the concept, the passage identifying Pareto Optimality as the teleological objective of economic activity is repeated verbatim and explicitly related to the imperative of social justice in a later encyclical: Pope Pius XI, *Divini Redemptoris* (New York: The Paulist Press, 1937), #52. In expositions of the Church's teaching on economics, this crucial passage has not received the emphasis it warrants apparently because few commentators have the understanding of neoclassical economics required to appreciate the critical point Pope Pius XI is making.
64. Cf. P.A. Samuelson, *Economics*, Twelfth Edition (New York: McGraw-Hill Book Company, 1985), pp. 544ff.
65. *Puebla*, p.113.
66. Cf. O'Brien and Shannon (editors), *op. cit.*, p. 322.
67. *Wall Street Journal* (Sept. 26, 1986), pp. 16ff.
68. *Ibid.*