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The Bishops' Program of Social Reconstruction*

JOHN A. RYAN

February 12, 1944, marked the twenty-fifth anniversary of the Bishops' Program of Social Reconstruction. It was issued by the four Bishops who constituted the Administrative Committee of the National Catholic War Council. Archbishop Schrembs, of Cleveland, is the only one of the four who survives. The pronouncement signed by him and his three fellow members of the Administrative Committee immediately became the subject of wide public discussion. While the comments were most favorable, many persons regarded the document as "too radical." Indeed, some of the criticisms by industrialists of the time were quite severe. On the other hand, the Bishops and the clergy regarded the program as a moderate application of Catholic moral principles to social and industrial life.

At that time, as today, men were confidently looking forward to the near approach of victory for the Allied Powers. Then, as today, individuals and organizations desiring a better social order were busy drawing up plans and programs. More than one hundred such productions appeared in the latter half of 1918 and the first half of 1919. Writing in the early summer of the latter year, an historian and analyst of these documents declared:

For over half a year, now, the challenging tocsin of "win the war" has been stilled, and the slogan "Reconstruction" has taken its place. More and more insistently just prior to that memorable November 11th men voiced a call "prepare! — for the days that will follow war." Individuals, the press, organizations and legislative bodies in all belligerent nations have been giving serious thought to a reconstituted world after peace is declared. . . .

Everywhere one turns one finds new evidence that democracy, in whose name fifty millions of men have given their all and countless millions more their best, is not likely to shrink in meaning or popular institutions. If the great war's ending brought assurance of the triumph of political democracy it also brought a new vision of a more intimate and far reaching

* This paper was read by Monsignor Ryan before the Chicago meeting of the Catholic Conference on Industrial Problems, February 22, 1944.

democracy wherein man and woman shall have social and industrial "rights" and shall set up democratic methods of carrying on both life and work.¹

All this sounds pretty familiar. With a slight change in phrasing it would serve as a fairly accurate summary of the hopes entertained by social reformers of all sorts today. A typical and conservative expression of the attitude and expectations that characterized socially minded observers twenty-five years ago, occurs in the "Foreword" which the Bishops of the Administrative Committee attached to their program:

The ending of the Great War has brought peace. But the only safeguard of peace is social justice and a contented people. The deep unrest so emphatically and so widely voiced throughout the world is the most serious menace to the future peace of every nation and of the entire world. Great problems face us. They cannot be put aside; they must be met and solved with justice to all.²

To what extent were these problems "met and solved with justice to all"? Passing over the sad story of Europe, let us consider how this exhortation of the Administrative Committee and their proposals were treated in the United States.

Despite their favorable reception by important elements in our society, particularly religious and labor and even press, none of the measures recommended in the Bishops' Program was translated into concrete reality for more than a dozen years. That was the period to which certain politicians and other inadequate men applied the barbarous and blatant term "normalcy," but which realistic persons now look upon as a time of pseudo-prosperity, benighted materialism and manifold reaction. Happily our people emerged from that delusion through the salutary, if not sweet, uses of adversity. Beginning in 1929 the country experienced a deep and wide and prolonged industrial depression.

Within the last ten years the majority of the principal measures recommended in the Bishops' program have obtained either partial or complete legislative expression. Here are the main proposals:

(1) Minimum wage legislation; (2) insurance against unemployment, sickness, invalidity, and old age; (3) a 16-year minimum age limit for working children; (4) the legal enforcement of the

¹ *Reconstruction Programs*, by Estelle F. Weeks, pp. 9-13.

² *Bishops' Program of Social Reconstruction*, p. 2.

right of labor to organize; (5) continuation of the National War Labor Board; (6) a national employment service; (7) public housing for the working classes; (8) no general reduction of wartime wages and a long-distance program for increasing them, not only for the benefit of labor, but in order to bring about general prosperity through a wide distribution of purchasing power among the masses; (9) prevention of excessive profits and incomes through a regulation of rates which would allow the owners of public utilities only a fair rate of return on their actual investment, and through progressive taxes on inheritances, incomes, and excess profits; (10) effective control of monopolies, even through government competitions if that should prove necessary; (11) participation of labor in management and a wider distribution of ownership.

Let us consider briefly the subsequent history of these proposals. To what extent has each of them been put into operation? What are the prospects for their complete realization?

(1) Minimum wage legislation. The Bishops' Program noted joyfully that, "there is no longer any serious objection urged by impartial persons against the legal minimum wage." Within five years after these words were written, the Supreme Court, by a bare majority, declared unconstitutional all the American minimum wage laws then in existence. Fourteen years later, in 1937, this kind of legislation again became constitutional, owing to a change in the personnel of the Supreme Court. About half the states now have minimum wage laws applying to women and minors. But this is not all. In 1938, Congress enacted a Federal law covering all industries engaged in or producing for interstate commerce and taking in adult men as well as women, and children over sixteen years of age. In 1940, this statute was unanimously upheld by the Supreme Court. The logic of the decision which validated the social security legislation indicates that the minimum wage law could, under the "general welfare" clause of the Constitution, be extended to all the industries and all the wage earners of the United States.

(2) Insurance against unemployment, sickness, invalidity and old age. The Social Security Act insures against unemployment and old age. While these provisions of the act do not cover agricultural laborers, domestic servants and a few other categories, they can easily be so extended and probably will be within a few years, unless our postwar history repeats that which followed the first world war,

namely, a period of "normalcy," black reaction and indifference to social justice.

The outlook for insurance against sickness, or as it is generally called, health insurance, is not bright. Although millions of people who are gravely suffering from unnecessary sickness or from insufficient medical attention can obtain adequate care only through a system of public health insurance, that proposal is stubbornly opposed by powerful agencies.

Nevertheless, a health insurance act could be framed which would not injure any legitimate group or interest and at the same time would safeguard reasonable individual liberty. The most important provisions to attain these ends would be: first, restriction of the compulsory features of the act to persons with incomes below a certain level, say 3,000 dollars per year; second, full freedom for voluntary associated effort, such as group health projects and cooperative hospitalization. When organized groups can guarantee to their members at least as large benefits as those offered by the public system, they should be authorized to operate autonomously. This arrangement would exemplify that fundamental principle of democracy which dictates that the state should never do anything for the citizens which they can do as well for themselves. Incidentally, it would go far to refute the charge that the health insurance system involved "regimentation."

(3) A sixteen-year minimum age limit for working children. Despite the apparently decisive defeat of the Child Labor Amendment, the sixteen-year limit was incorporated in the Federal Fair Labor Standards Act, in 1938. As stated above, this law covers only interstate commerce and industries that produce goods for interstate commerce. However, like the minimum wage section of the law, the child labor provision could probably be extended to interstate industries by legislation based upon the "general welfare" clause of the Constitution. At any rate, the advances made toward ending the evil of child labor since the appearance of the Bishops' Program represent substantial and satisfying progress.

(4) Legal enforcement of the right of labor to organize. This has been fully achieved through the National Labor Relations Act, passed by Congress in 1935, and upheld by a "reformed" Supreme Court in 1937. The Social Security Act, the Fair Labor Standards Act and the National Labor Relations Act provide greater benefits for labor and a nearer approach to social justice than all the other

American legislation enacted since the adoption of the Constitution. Of these three measures, I think the National Labor Relations Act is the most beneficent because it provides wage earners with the legal power and opportunity effectively to help themselves.

(5) Continuation of the National War Labor Board. This Federal agency was very successful in preventing strikes and adjusting industrial disputes during World War I. The Bishops' recommendation that it be continued in peace time was not adopted by Congress. In this field, as elsewhere, the relations between government and industry were permitted to lapse into "normalcy," that is, into a policy of *laissez faire*. Let us hope that this disastrous mistake will not be repeated, but that the existing War Labor Board will, with suitable modifications, be empowered by Congress to deal with industrial disputes for an indefinite time after the fighting has ceased.

(6) A national employment service. The Bishops' recommendation that this war agency be continued in peace was likewise rejected by Congress. For several years now, however, we have had a joint Federal and state system of offices which bring together jobless men and available employment.

(7) Public housing for the working class. Some provision for this worthy object was made by Congress a few years ago. Since 1940, it has been greatly expanded, particularly in the vicinity of plants engaged in producing materials of war. Let us hope that the magnitude of this activity will not be curtailed with the coming of peace. Private enterprise has never provided decent housing for the poorest paid wage earners. Until it shows itself able to do so, a very large program of housing for the working classes should be carried out by public authority.

(8) No general reduction of war time wages. In the main, this recommendation was followed until the coming of the great industrial depression which began in 1929. There is good ground for hope that it will be adopted after the present war unless the country is again plunged into a prolonged period of widespread unemployment. That hope rests mainly upon the vastly increased power of labor unions and the considerably increased adoption by industrialists of the economic theory which underlay this proposal in the Bishops' Program. Among the reasons advanced in the Program for continuing the wage levels reached in World War I was this:

The large demand for goods which is created and maintained by high rates of wages and high purchasing power by the masses, is the surest guarantee of a continuous and general operation of industrial establishments. It is the most effective instrument of prosperity for labor and capital alike.

The proportion of business men who accept this economic philosophy today is very, very much greater than it was twenty-five years ago.

Be it observed that the Bishops' Program restricted its recommendation on this subject to "general rates of wages"; it did not advocate continuation of those exceptionally high rates which were due exclusively to the exigencies of war production. The same distinction should hold good for the period which is to follow the present war.

(9) Prevention of excessive profits and incomes. Two methods for attaining this end were advocated in the Program: such regulation of the rates charged by public utilities as would allow the owners only a fair rate of return on their actual investment, and progressive taxes on incomes, inheritances and excess profits. The first of these devices has been enforced over a considerable area by the public regulatory commissions, aided by the more just and reasonable decisions on valuation which in recent years have issued from the Supreme Court.

Progressive taxation of incomes, inheritances and excess profits during this war has gone far beyond anything dreamed of a quarter of a century ago. When peace returns, our enormous national debt will compel a continuation of this policy, with probably no very great reduction in the rates of taxation.

(10) Effective control of monopolies, even through government competition if that should prove necessary. Effective control of monopolies made some progress under the vigorous enforcement of the anti-trust laws by Thurman Arnold. Although he has been removed from that sphere through promotion to a federal judgeship, there is no reason why his work and policies could not be effectively carried on by some other assistant attorney general after the war. The difficulties and obstacles are undoubtedly formidable, but the need is certainly greater and more critical than it has ever been in the history of the United States. Individual ownership and control has practically vanished from all departments of our national economy except two: the service industries and agriculture. Even in the

service industries, thirty per cent of the total business is carried on by corporations. "Organized enterprise," said Senator O'Mahoney in his final statement as Chairman of the Temporary National Economic Committee, "is obtaining an increasingly larger proportion not only of national income *but of all savings and all wealth.*" At the end of more than two and a half years' investigation by this very competent congressional committee, its Chairman quoted with approval the estimate of Berle and Means, that "78% of all business wealth in this country is carried on by corporations."³

Government competition with intractable monopolies has for some time been practiced by the Tennessee Valley Authority and other public agencies in the field of electric power. It could easily be extended after the war in connection with the disposition of the enormous industrial equipment now owned by the Federal government.

(11) Participation of labor in management and a wider distribution of ownership. Taken as a whole, this proposal, or rather this set of proposals, has made little or no progress. Labor participation in management has been adopted in a few industries, for example, in the shops of the B & O Railroad, and it is mildly exemplified in the industry committees set up by the War Production Board. However, a large proportion, probably a majority, of the manufacturers of war materials has either failed to adopt the plan or has operated it half-heartedly. Apparently the last thing that most industrialists can bring themselves to give up is any part of their managerial functions. Nevertheless, experience has shown that a knowledge of human psychology would lead us to expect that labor sharing in the productive side of industrial management increases both production and profits.

As means to wider distribution, the Bishops' Program specifies cooperative enterprise and employee ownership in the stock of corporations. In recent years, a gratifying growth has occurred in cooperative merchandizing and in various forms of agricultural co-operation.

As regards worker ownership in the stock of corporations, two observations are in order: first, rarely, if ever, does this imply *control* of the corporation or its policies; second, the total of worker shares, however impressive it may appear in absolute figures, is insignificant

³ Final Report of T.N.E.C., p. 679.

relatively. On this point the testimony of Senator O'Mahoney is important and striking:

It might have been imagined that with the change from the individual to the corporate economy there would probably be a large distribution of corporate ownership among individuals. The fact, however, seems to be that this amazing concentration of the corporate ownership of wealth has been accompanied by a similar concentration of dividend distribution. The great and powerful business organizations which dominate the economic scene are owned by a numerically insignificant proportion of the total population. In the study prepared by the Securities and Exchange Commission for this committee on the "Distribution of Ownership in Two Hundred Largest Non-Financial Corporations (Monograph No. 29)" it is indicated that fully one-half of all corporate stock dividends are received by less than 75,000 persons of the 130,000,000 who inhabit the United States. That is to say, less than 1% of all American corporate stockholders are the beneficiaries of one-half of all the dividends paid in this country.⁴

Almost fifty-three years ago, Pope Leo XIII, in his great encyclical, *Rerum Novarum*, declared that it was the duty of the state to "multiply property owners." Our beloved America no longer pursues this policy on a scale sufficient to check the movement toward concentration. Ownership has become less rather than more widely distributed. Those forms of ownership which include control are much less prevalent than they were half a century ago. This is particularly true of agriculture. For more than sixty years, farm tenancy has been steadily and rapidly increasing, at the expense of farm ownership. Between 1880 and 1940, the number of tenant farmers increased by more than 40,000 every year. In 1940 the proportion of farm operators who were tenants exceeded 50% in eight states, 70% in five states and 65% in two states.

The Farm Security Administration has, indeed, made valiant efforts to check this deplorable trend, by federal loans to tenants who desired to become owners; but the appropriations for this purpose have been pitifully small. During the first four years of the program's operation (1937-41) the average annual number of tenants assisted was 6,790. This was only 17% of the yearly average of newly emerged tenants. In other terms, every tenant who was started on the road to ownership was offset by six new ones. The number of applications for loans has been twenty-five times the

⁴ *Op. cit.*, p. 679.

number of loans that could be made with the available funds. Yet this beneficent agency for converting tenants into owners is threatened with extinction in the house of those who ought to be its friends. The most influential of the great farm organizations seem determined to bring about the repeal of the Farm Security Act, or at least, the crippling of the Farm Security Administration. They seek to withhold even a meager measure of federal help for needy and ambitious tenants and to accelerate the long prevailing decline in farm ownership. They desire a supply of cheap farm labor. They exhibit the mental outlook of feudal barons, or at least, of callous landlords. This is rural paternalism under its least attractive aspect. It is an attitude which is directly contrary to the command of Pope Leo XIII. "The law," he said, "should favor ownership, and its policy should be to induce as many people as possible to become owners." "No," say these well-to-do leaders of those farm organizations; "the policy of the law should be to deny even the pitifully small assistance now given by the Farm Security Administration."

The proposals of the Bishops' Program for lifting labor to a higher status than that of mere wage earners were implicitly ratified by Pope Pius XI in *Quadragesimo Anno*:

In the present state of human society, We deem it advisable that the wage-contract should, when possible, be modified somewhat by a contract of partnership, as is already being tried in various ways to the no small gain both of the wage-earners and of the employers. In this way, wage-earners are made sharers in some sort in the ownership, or the management, or the profits.

One or more of these three reforms would be a first step toward the inauguration of the Occupational Group system, as essential to a reconstruction of the social order. It is clearer now than it has been at any time since 1931 that this Papal System is the only practical alternative to and preventive of some slavish form of Collectivism.

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