

CONTEMPORARY RECOVERY POLICIES AGAINST THE HISTORICAL BACKGROUND OF CATHOLIC ECONOMIC AND SOCIAL THEORY

BY JOHN J. CONNOLLY, PH.D., LL.B.

Inasmuch as I am to discuss contemporary recovery policies and to criticise them in the light of Catholic economic and social thought, and inasmuch as my paper is to be philosophical in its ramifications, I propose firstly to consider the causal factors which have brought about the present lack of equilibrium in the world's fiscal structure; secondly, to discuss the measures adopted by the practical politicians of the day for remedying this unhappy state of affairs; and, thirdly, to subject these proposals to the critical analysis of the Scholastic doctrine, as far as that is possible.

In a general sense, the world depression, from which we are slowly emerging, dates back to the industrial revolution of the eighteenth century in England. The blossoming of the physical and mechanical sciences extended into the field of industry. Manual labour began to give way to the machine, and, as the movement gained power, production increased because the demand for the goods required to satisfy the desire for higher living standards developed. The tremendous proportions of the newer markets made possible by the extension of trading facilities, by the growth of international commerce, by the development of new countries and by countless other factors, made unemployment a negligible factor among individual problems. This great material prosperity was accompanied by grave social troubles. The era saw the development of the great urban centres, the erection of slum districts with utter disregard for sanitation and health factors, and the exploitation of workers, including men, women and children.

Tremendous social effort eventually called forth remedial social legislation, but the productive forces drove ruthlessly on, without check, without plan. There was immense wealth to be amassed, the making of money was the purpose for setting up the huge industrial machine, and human workers were but cogs in the gigantic structure. During the first decade of the present century, these developments continued. The moneymaking utopian era had arrived. According to the unfailing working of the law of supply and demand, the pace of the march should have slackened then, but unfortunately such was not to have been the case. Instead, Europe went to a war - one of the most extensive conflicts ever waged, and certainly the most destructive. Had it not

been for this event our present depression would in all likelihood have occurred some twenty years ago, according to the experts. As it was, its postponement and the intervening events, far from mollifying it, have intensified its ravaging disaster.

Let me sketch the outline of this situation, because we must understand it to appreciate the significance of contemporary recovery policies.

During the war years the belligerent nations, instead of being productive, were enormously consumptive and destructive; and the nonbelligerents - the United States of America, in particular - extended their productive agencies to undreamed of proportions, which developments continued far into the post-war era of retrenchment and re-establishment.

Hostilities ended in 1918, but the war was not yet over. Unlike the vanquishing conquerors of Greece and Rome, who ended their conflicts perhaps in a brutal, yet in a definite way, the leaders in our modern states decreed that we should be much more refined and civilized in our dealings with the enemy. In establishing the system of war debts at Versailles and afterwards, these pompous prophets of perpetual peace did an incalculable amount of harm to themselves and to the world generally. It was impossible for established payments to be made, and when Germany, the key and initial debtor, declared herself bankrupt in the summer of 1931, the whole line of compensation established by the Young plan was disrupted, defaulting by other nations became inevitable, and the loss of national credit by almost every nation in the world was immediately followed by a stifling of trade activity, and by a general international business paralysis.

Within the domestic field, especially in the United States, the great creditor nation, there existed a tower of Babel in the form of an industrial machine able to supply a greater (though now, non-existent) market than even war-time Europe provided; the machine was kept running at terrific productive speed; individual companies and combines were tremendously overcapitalized; money circulated in huge volumes; values were inflated; incompetent executives were the gods of the new dispensation, and unscrupulous market-manipulators, their press agents. The occasional note of warning sounded by thinking men was drowned out in the deafening din of the stock-market ticker. It was the age of superlatives. The millennium had arrived.

Then came a dark, misty November day in 1929; the paper structure collapsed under its own overburdening weight; and sanity as a national virtue began to assert itself. So little did people realize at the time the enormity of the calamity which had befallen the business world, that the crash of stock markets was looked upon as a mere incident in the year's business - regrettable, of course, but one which could be rectified by the same mesmerisers who had hoodwinked them into the belief that every man and every woman was a potential financial genius, and that war-time and post-war business conditions were normal.

I must interject here the remark that the situation I am describing was peculiar to America as the creditor continent. European countries like France and Italy had already taken steps to rectify their domestic post-war troubles and were not affected so adversely. England, occupying an intermediate position between the conditions on the continent and those in America, realized the seriousness of the situation in due course, tightened her belt, and by rigid economy and with a powerful drive towards the development of foreign trade, did pull herself out of the morass into which she, with the rest of the world, had fallen.

As for the American scene, where there existed the peculiar anomaly of starvation in the midst of plenty, the incompetency of the political leaders, and particularly, I believe, the lack of pliancy and absence of adaptability to emergency in the constitutional set-up, delayed the formulation of an acceptable domestic recovery policy until the presidential election in 1932.

When Roosevelt took the oath of office in Washington on March 4th of the following year, the people of the United States were frantic. They had lost confidence in the existing order and orderers, they were ready to accept anything that looked helpful and sincere. For an energetic, strategic, idealist leader, the setting was perfect and Roosevelt filled that role to perfection. With popular confidence behind him, a friendly legislature to assist him, and newly assumed dictatorial powers to enable him to carry on, he began an unprecedented and revolutionary legislative drive towards economic rehabilitation. The program is the most modern Utopia on record.

For the purpose of clarity and simplicity, I shall treat the so-termed "New Deal" legislation under four convenient headings, none of which I shall attempt to elaborate minutely.

I propose to consider, firstly, money and finance; secondly, industry and labour; thirdly, agriculture; fourthly, relief and public works.

You will recall that when Roosevelt was sworn as President, the American people were in despair and virtually on the verge of revolution from the shortage of cash caused by the forced or voluntary closing of the country's banking houses. To restore popular confidence in these institutions, Roosevelt secured the passage of the Emergency Banking Act on March 9th, 1933, and this bill, along with subsequent subsidiary legislation, provided for the central control of all banks whether they were to operate or to liquidate, for the reopening of those banks which, because of their sound position, could secure a federal license; and for the issuing of six per cent preferred stock exempt from double liability, thus affording to the banks a ready supply of liquid assets. Gold hoarding was prohibited, and new currency of specific metallic content was issued.

As is obvious, the aim of this legislation was to establish confidence in banking institutions and to make available for business a generous and much needed supply of money in the hands of consumers. Price raising to ensure profits was not its aim. Profits were to be postponed until purchasing power was reestablished.

By the passage of the Federal Securities Act of May 27, 1933, the sale of bonds, stocks and securities generally was made subject to federal supervision and so investors could feel safe in putting money at the disposal of domestic industries.

The New Dealers then turned their attention to industry and passed the National Industrial Recovery Act on June 16, 1933. To remedy unemployment and falling wages, a scale fixing a maximum of hours of work and establishing a minimum wage arrangement was imposed upon all large industries, with their consent, and later was extended to the smaller organizations. Each was to draw up a code in conformity with its requirements, and the general effect of the legislation was to have employers hire more workers and raise wages. Workers, on the other hand, were accorded the right to bargain collectively with their employers, and were exempted from anti-trust law; while standards of fair competition were decreed. An advisory board, headed by the energetic and volatile General Johnson, was set up to aid in carrying out these enactments, and federal sanctions were provided.

It is no secret to state that when the "discoverer of the forgotten man" arrived at the White House, American agriculture was in a deplorable state. The farmers' markets had been cut off so they were not earning money, and the banks which had not been forced out of business from excessive and non-realizable investment in mortgages would not risk further loans on real estate in the face of contravening commodity markets.

In June, 1933, the Farm Credit Act was passed and Henry Morgenthau, for many years a friend of Roosevelt and co-enthusiast in the side business of gentleman farming, was given control of its destiny. Its purpose was to consolidate under a central federal agency the unwieldy and overlapping farm credit organizations. Through the Agricultural Adjustment Administration, the purchasing power of the farmer was to be heightened by the extension to him of credit facilities and by agreements to restrict production.

Finally, any unemployment problems which had not been treated by the foregoing enactments were to be remedied by the expenditure of \$3,300,000,000 on a gigantic public works program detailed in the Unemployment Relief Act of March 31, 1933, and covering such matters as reforestation, flood prevention, building, and so forth.

This, then, is a brief description of the hand of thirteen spades which the New Dealers have laid down before the American people.

You will perhaps be mildly surprised to hear that to criticize this very modern program of state planning I propose to use the standards contained in the writings of the thirteenth century saint and scholar, Thomas of Aquin, a Dominican monk and the centre of the philosophical discipline called the Scholastic, a body of principles which have been established as valid both by their intrinsic merit and by their traditional and historic persistence. Realizing the fact that, with several notable exceptions, Scholastic philosophy, outside of Catholic colleges and universities, is practically ignored today, your astonishment would undoubtedly be increased were I to state that the

principles underlying the American Declaration of Independence as well as those embodied in the Constitution were actually derived from the tenets of the mediaeval scholastics, unless I added that the men who collaborated in the drafting of those documents had been trained for the most part at Harvard and Yale, where at the time the philosophy studied was the Scholastic and that before they graduated they were compelled to defend a large and representative number of the standard scholastic theses. In view of this fact, Scholasticism is perhaps closer to American affairs than many of us realize, and it is quite appropriate that we should use the principles of Scholasticism to appraise the legislative program of the New Deal, the most comprehensive reactionary political undertaking of any American administration since the Declaration of Independence was proclaimed.

Perhaps the most noticeable feature of this revolutionary legislation is its entrenchment of a strong central authoritative agency which is, in reality, centred in the President. In this the Americans have followed the lead of Italy, Germany, Spain, Greece and other countries. Reproaches there are, that Roosevelt is a dictator, but whether that charge is justified or whether it amounts to a charge at all does not interest me now. Suffice it to say that the scholastic discipline posits as a fundamental requisite to every state, and one which is necessary both metaphysically and psychiologically, a competent, unifying, disciplining, ordering agency. I believe that the prime purpose of the New Deal is to attain this objective, and through its monetary, industrial and agricultural legislation it follows the strongest of Scholastic traditions in this regard.

The central feature of the New Deal legislation, of course, is the widely discussed National Industrial Recovery Act. Its aim is to regulate production and ensure so constant a level of employment and of prices as to cure the present economic instability, and principally to forestall both boom and depression periods in the future. That it is noble and heroic in its conception is obvious, because its aim is the true goal of the state, namely, the happiness and well-being of all the people.

In practice, I believe its advisability is most questionable. It is a Scholastic corollary that legislation's role in a democratic state is not to prescribe detailed regulations for the restriction of individual business activity. Rather its object is the broader phases and more general features of national life. When the New Dealers set out to tell big business, or any business, how to run itself, they started a line of regulation which, to be logical, had to extend and did extend to the small employer and to the individual business man. And due to the infinitely intricate practices of business life, and to the personal equation which is so important a factor in the affairs of each business concern, the task of formulating adequate legislation and of supervising and policing such a governmental plan, is virtually impossible of achievement. Had the New Dealers restricted their program to a more conservative form of regulation of the larger industries in the country, in order to make the big producers share with society the advantage of large scale production, their

efforts might have proved more acceptable and practical. Individuals, however, resent outside interference in their private affairs at any time; and when, after five years of depression, production is bound to be stimulated, they will tolerate no force which will limit their opportunities of making money. I do not maintain that this is as it should be under the circumstances, especially for big business; I simply state that it is a fact, founded simply and solely upon the natural law, that a man's possessions and possibilities are his own, which is the Scholastic doctrine of "The Right of Private Property", and that any legislative enactment which contravenes these natural inclinations, as did prohibition before, will encourage and ensure wholesale lawbreaking.

Moreover, it is obvious to anyone having even a casual acquaintance with the American scene that intense nationalism is not so characteristic of the American citizen as is the case with the European. Wide territorial expanse, immunity from foreign invasion, hitherto unrestricted individual liberty in the conduct of his affairs, have made the American more self-reliant, less dependent on the central government for help. A patriotic appeal can reach him; but patriotic sentiment is not an experience of his everyday life. To help in the new deal the employer is asked in the name of the President to raise his wages, to shorten the hours of work, to increase his staff, to spend more money. He is led to believe that if he does this, markets for his produce will develop and he will prosper. But the American business man has believed for so long a time that the recipe for rabbit pie should begin "First, catch the rabbit", that even patriotism will not obscure this fundamental postulate.

The recognition of the rights of the worker, and the re-affirming of his prerogative for collective bargaining, are features of the National Industrial Recovery Act with which the Scholastic should find himself in complete accord, for therein the dignity of the worker, his right to a living wage and to enforce his demand for it, are recognized. In practice there is some doubt as to the proper application of this law, but it is fundamental to a condition of social justice.

In many quarters it has been suggested that the "Brain Trust" organization, set up under Roosevelt, has established a bureaucratic organization which in its application usurps the prerogatives of the constituted legislative bodies of the United States; and, secondly, that it is entrenching a socialistic organization. I pass over the first point, as it is a subject for the consideration of the student of constitutional law, and somewhat foreign to the content of a philosophical discussion. As regards the charge of Socialism, I believe that the new deal in principle is a swing towards left-wing liberal policies which is saved from socialism by its reaffirmation of the prerogative of a strong central government to correct, to guide, to direct, to order business practice without claiming, the right to limit or subject or restrict individuals unduly, or to own all property exclusively. In practice, however, it does lay itself open to the charge of undue interference, and its inadequacy to meet prevailing conditions drove Clarence Darrow, the official critic of its functioning, to condemn all competition as savage, wolfish and relentless, and

to recommend the establishment of Socialism as being a step not too sizeable to venture in view of existing organization.

I have very little to say as regards the Roosevelt public-works program. Public money spent on a large scale for unemployment relief is conducive to a false form of prosperity unless steps are taken to establish the workers so benefitted in continued condition of employment after the necessarily limited funds set aside for a public-works program have been used up. Otherwise governmental relief amounts to a form of maternalism, and the business of the government is not, in the Scholastic view, to mother the individual citizen, but rather to provide, in the measure in which that is possible, an opportunity for each citizen to utilize for himself those God-given abilities to work out a condition of economic independence which will enable him to hold his head high among his fellow men.

I believe that the key of the economic recovery of any nation today depends upon the moral fibre of it, citizens and private business men. The Scholastic thesis which makes justice and charity public as well as private duties is simply extending its view that the virtues of the social group should be the virtues of the individuals which compose it. And the closer a nation approaches this ideal of moral integrity, the sooner will the hopes of contemporary recovery-policy formulators be realized.