*Journal of Markets & Morality*
Volume 14, Number 1 (Spring 2011): 7–22


# Labor Economics and the Development of Papal Social Encyclicals

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Catholic social teaching has been the subject of debate among Catholics and non-Catholics alike for over a century. Some laissez-faire-oriented economists find that ideas found in the papal social encyclicals are at times in tension with economic laws. This article analyzes the development of economic understanding in the social encyclicals as it pertains to labor concerns. Specifically, it seeks to demonstrate that the encyclicals shift from a one-sided emphasis on employers' responsibilities in providing just economic outcomes (supply side) to a greater emphasis on the role of consumers (demand side) in more recent encyclicals. This development in economic understanding has helped to relieve some of the friction between the encyclicals and economic law. Indeed, future encyclicals could further mitigate tensions by explicitly acknowledging how both supply and demand factors must be taken into account if socioeconomic goals are to be achieved.

## Introduction

Catholic social teaching has been the subject of debate among Catholics and non-Catholics alike for over a century. The Catholic Church has instructed and exhorted in the social realm since its existence, yet Pope Leo XIII's encyclical letter *Rerum Novarum* (1891) is typically identified as the inaugural Catholic social encyclical. Since then, other encyclical letters commonly included under the rubric of Catholic social teaching (CST) are Pius XI's *Quadragesimo Anno* (1931); John XXIII's *Mater et Magistra* (1961) and *Pacem in Terris* (1963); Paul VI's *Populorum Progressio* (1967); John Paul II's *Laborem Exercens* (1981), *Sollicitudo Rei Socialis* (1987), and *Centesimus Annus* (1991); and most recently Benedict XVI's *Deus Caritas Est* (2005) and *Caritas in Veritate* (2009).[1] Economists, philosophers, and social scientists have seized on these documents in an effort to support or attack various economic ideologies. While some have expressed frustration at an apparent lack of economic understanding in the encyclicals, leading to tensions with certain economic laws and laissez-faire principles, it is evident that the social encyclicals as a whole manifest a development in economic understanding, emphasis, and context. This article analyzes the development of economic understanding in the social encyclicals as it pertains to labor concerns. Specifically, it seeks to demonstrate that the encyclicals shift their emphasis from a rather one-sided focus on the responsibilities of the employer (supply side) in providing just economic outcomes to a greater emphasis on the role of the consumer (demand side) in more recent encyclicals. Indeed, future encyclicals could further mitigate tensions by explicitly acknowledging how both supply and demand factors must be taken into account if socioeconomic goals are to be achieved.

In the past decade, a vigorous and healthy debate among Catholics over the economics of Catholic social teaching has appeared in scholarly journals, books, and Internet blogs and debates. The initiation of this debate can be traced to a conference paper delivered by Thomas E. Woods Jr.[2] Woods' chief contention is that while moral exhortations found within CST are clearly within the sphere of papal authority, specific papal proposals to achieve economic goals do not properly fall within this authority and must be evaluated on the basis of economic law. Thus, particular instrumental proposals made by popes may in fact conflict with economic law (and indeed, occasionally do, according to Woods) and as such go astray. Woods summarizes:

> The primary claim I am making is not that there is no moral dimension to the economic order.… My point is simply this: *as soon as he* [the pope] *recommends the best or most effective way to carry out that intention*—via minimum wages, various mandated benefits, heavy taxation on the wealthy, or whatever—he is entering a field in which his conclusions must be evaluated not on the basis of his authority as a churchman but instead on the rigor of the argument he makes on their behalf.[3]

Woods' assertions triggered a series of responses from Catholic sources at the online magazine *Chronicles* led by Scott Richert and Thomas Storck.[4] The following year, Woods published a book supporting his claims entitled *The Church and the Market: A Catholic Defense of the Free Economy*.[5] Finally, the *Catholic Social Sciences Review* published a symposium on this topic entitled "The Implications of Catholic Social Teaching for Economic Science," featuring both Storck and Woods with lead articles and followed by four responses from various scholars.[6] The debate continues most recently with Storck and Woods each posting further thoughts on the subject.[7] Indeed, it appears that the discussion will continue for the foreseeable future.

Although the debates over CST and economics cover a wide range of topics, most of the disputes fall into one of three categories: (1) the compatibility of particular economic ideas with Catholic orthodoxy, (2) disputes over the proper role of the state in achieving certain economic outcomes, and (3) the legitimacy or illegitimacy of the economic claims made among the debaters. This article takes a different approach: It examines how papal social encyclicals have evolved *vis-à-vis* their exhortations regarding just wages and working conditions. Evidence indicates that as the corpus of social encyclicals develops, the evident tensions found in early encyclicals between papal teaching and a laissez-faire approach to labor economics are alleviated, although not eliminated. Indeed, whatever apparent tensions exist in the papal social encyclicals, the tension is due primarily to incompleteness rather than to overt conflicts with economic law, and these frictions could be further mitigated (though not completely removed) by explicitly connecting the supply and demand elements pertinent to economic outcomes.

## Economic Law in Tension with Papal Teaching: Encyclicals from Leo XIII to Paul VI

Those who assert that the teachings found in the social encyclicals contradict economic law may be overstating the case. Woods focuses the nature of this concern when he explains that

> the free-market Catholic typically objects only to instrumental rather than substantive features of the social teaching. In other words, the Catholic supporter of the free market wants to see the same good outcomes that the Popes seek, but fears that the means sometimes suggested to bring about those ends will not succeed.[8]

Certainly, Woods is correct in distinguishing the doctrinal authority of papal teaching (for Catholics) and the nonauthoritative nature of instrumental methods proposed to achieve particular economic goals. A closer examination of the social encyclicals indicates that the instrumental methods suggested by the popes regarding working conditions, wages, pensions, and employment are quite general in nature. The exhortations are so broad, in fact, as to leave the instrumental mechanisms contingent upon the particular circumstances of time and place. Much of the papal social teaching is incomplete from an economic standpoint.

The social encyclicals avoid economic extremes. The popes throughout their encyclicals clearly affirm (or assume) the legitimacy of some degree of state involvement in the marketplace (constrained by the principle of subsidiarity).[9] The social encyclicals also strongly and unambiguously rebuke socialism and all-absorbing state interference in the economy. Thus, both the anarcho-capitalist and the socialist would certainly find his ideas in overt conflict or tension with a significant portion of CST. Indeed, insofar as the free-market economist asserts that state intervention in the marketplace always and everywhere hinders the achievement of the goals identified in CST, there appears to be no resolving this tension: either the papal teachings on this matter are in error, or the economic laws underpinning anarcho-capitalism are not laws after all but are rather contingent, or general "tendencies" instead of universal laws. However, what of the social encyclicals' teachings on the economics of labor? Do these teachings stand in conflict with free-market economic principles? Tensions with laissez-faire economics are evident here in the subfield of labor economics as well.

One of the chief sources of friction between the encyclicals and economic law is that the earlier social encyclicals exhibit limited understanding of the market mechanisms at work in determining wages, working conditions, employment levels, and so forth. However, it is not the popes' intent to give lengthy economic explanations for these phenomena. The earlier encyclicals (especially those of Leo XIII through Paul VI) focus disproportionately on supply (the employer) and overlook the role of demand (the consumer) in determining market outcomes. Specifically, these encyclicals focus primarily on the duties and obligations of the employer in providing just wages, safe working conditions, and adequate time to perform religious duties.[10] Each of these popes asserts that it is legitimate for the state to intervene in particular circumstances when injustices fall on the workers. It is important to note that Leo XIII highlights that state intervention should only occur as a last resort: "Whenever the general interest or any particular class suffers, or is threatened with harm, *which can in no other way be met or prevented*, the public authority must step in to deal with it."[11] Similarly, Pius XI approvingly acknowledges the advent of state laws designed to improve working conditions, yet also asserts the importance of the principle of subsidiarity in determining the scope of state involvement.[12] John XXIII insists that it is the duty of the state to enforce just terms of employment—and exhorts both employers and workers in a fashion similar to his predecessors.[13] Finally, in the context of international trade, Paul VI asserts that prices (and thus wages) "that are freely agreed upon can turn out to be most unfair" and he encourages government action—but does not specify the forms that action should take.[14] Thus, a state-less version of free-market economics is clearly in conflict with the encyclicals as is an overbearing state.

What is common to each of these popes is their focus on the failure of businesses and employers to provide just wages and working conditions and their responsibility to do so. Of course, what constitutes a just wage is itself open to debate—and this debate falls outside the scope of this article. Yet, it appears that they underemphasize important economic concepts on how wages and working conditions are ultimately determined. As mentioned above, this under-emphasis is coupled with a tendency to resort to invoking state involvement in the economy rather than examining alternative means to achieve these ends. Nevertheless, it is an exaggeration to assert, as Woods has, that CST "assumes without argument that the force of human will suffices to resolve economic questions, and that reason and the conclusions of economic law can be safely neglected, even scorned."[15] In fact, with regard to wages and working conditions, the popes do reveal a rudimentary understanding of the forces that cause wages to rise—and that understanding grows with subsequent encyclicals. For example, Pius XI acknowledged that the advent of industrialization and the growth of physical capital improved human productivity and wealth.[16] He also recognizes that there are multiple factors involved in determining just compensation.[17] Pius XI even alludes to the link between prices for goods and services and the wages of workers who produce those goods and services. Furthermore, he explicitly remarks that excessively high wages can cause unemployment.[18] In his encyclical letter *Mater et Magistra*, John XXIII reiterates the teachings of his predecessors. While affirming that there are myriad factors that determine wages, he asserts that wages cannot merely be left "to the laws of the marketplace" but continues to acknowledge the importance of the link among wages, productivity and industrialization.[19] Finally, John XXIII reiterates the right of workers to have safe working conditions and a just wage, as well as the legitimacy of the state's role in facilitating employment.[20] It is worth noting that in affirming the state's role here, Pope John did not offer any specific instrumental means of doing so. Indeed, from a free-market perspective, the state can best facilitate long-term employment by limiting regulations, enforcing property rights, maintaining consistent and predictable policies, and heeding the advice of laissez-faire business cycle theorists by reigning in the procyclical behavior of central banks, and so forth. Clearly then, the early popes recognized the link between wages and productivity; the problem is that it is not until later encyclicals that the popes begin to address the role of demand (i.e., of the consumer) in determining the wages and working conditions of employees.

## Worker Compensation, Productivity, and Consumption: John Paul II to Benedict XVI

As any neoclassical or Austrian economist will affirm, worker compensation is ultimately a function of worker productivity. Productivity in turn is ordinarily increased through investments in physical capital, human capital, and technology. As described above, the popes appear to understand this. However, this is only half the story. Productivity by itself (defined as output per worker per unit time), when isolated from consumer demand, avails nothing. For example, factory workers may invest in physical capital and technology to enable them to produce one thousand manual typewriters per day. However, in doing so, will they be compensated with a so-called living wage? Likely not—after all, there is virtually no demand today for manual typewriters. Indeed, this is one illustration of how gaps in papal encyclicals create friction with economic principles: It is not until later encyclicals that the demand side of the equation is addressed, and only a weak and implicit link between consumer demand and labor demand (and therefore wages) is made by more recent popes.

As noted previously, both Leo XIII and Pius XI take great pains to exhort employers on their obligations and duties toward workers. Pius explicitly exhorts bishops and clergy to disciple workers and employers about their moral duties.[21] John XXIII does so as well but then broadens his exhortations that CST be taught to all (presumably, then, to ordinary consumers).[22] It is under the teachings of John Paul II and Benedict XVI that a more nuanced understanding of how markets work is revealed. John Paul II begins to expand the concept and duties of employers by distinguishing between direct and indirect employers. He explicitly acknowledges the complexity of labor markets and the factors that weigh on worker compensation and working conditions:

> The concept of indirect employer includes both persons and institutions of various kinds, and also collective labour contracts and the *principles* of conduct which are laid down by these persons and institutions and which determine the whole socioeconomic *system* or are its result. The concept of "indirect employer" thus refers to many different elements. The responsibility of the indirect employer differs from that of the direct employer—the term itself indicates that the responsibility is less direct—but it remains a true responsibility: the indirect employer substantially determines one or other facet of the labour relationship, thus conditioning the conduct of the direct employer when the latter determines in concrete terms the actual work contract and labour relations. This is not to absolve the direct employer from his own responsibility, but only to draw attention to the whole network of influences that condition his conduct…[23]

Unfortunately, John Paul does not explicitly identify the role of the consumer as one of the elements constituting the indirect employer, but he does nonetheless recognize the complex relationships impacting the labor market. Here we have an opening for elaboration in future encyclicals. Through their consumption behavior, consumers can broadly be included as one of the "many different elements" that impact labor conditions.

John Paul II continues his moral evaluation of the marketplace in his encyclical letter *Sollicitudo Rei Socialis*, where he introduces the term *consumerism*—thus bringing into the discussion how consumer behavior (and therefore consumer demand) impacts topics of social concern.[24] Although he does not make the link between consumer demand and employer wages and working conditions in this encyclical, this expansion of social economics to include the power of the consumer affords an opportunity for CST to acknowledge that the responsibility for justice in the economic sphere (e.g., just wages and working conditions) does not fall solely on the employer (and even less on state intervention) but that this responsibility also falls on the consumer.

It is perhaps in John Paul II's encyclical letter *Centesimus Annus* that he gives his most detailed endorsements and critiques of the market economy in providing economic justice. In this encyclical, he provides an even more explicit link among wages, productivity, human and physical capital, technology, and the division of labor—with a special recognition of the increasing importance of human capital and entrepreneurial activity:

> Whereas at one time the decisive factor of production was *the land*, and later capital—understood as a total complex of the instruments of production—today the decisive factor is increasingly *man himself*, that is, his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organization, as well as his ability to perceive the needs of others and to satisfy them.[25]

Although unstated, the emphasis on "perceiv[ing] the needs of others" brings to the forefront the inseparability of consumer demand from productivity (or specifically, marginal revenue product). Additionally, in the same paragraph, John Paul II underscores the role of entrepreneurship and risk taking as a vital element of meeting consumer demand. Indeed, he goes so far as to declare "*initiative and entrepreneurial ability*" as an "essential" aspect of human labor and production; entrepreneurship is inextricably tied to meeting the demand of consumers. Again, he addresses consumerism and explicitly states the power of consumer choice: "*Thus a great deal of educational and cultural work* is urgently needed, including the education of consumers in the responsible use of their power of choice."[26] While affirming that the "Church has no models to present" (and by implication, is not competent to dictate instrumental means for achieving particular economic goals), he does affirm the connection between consumerism and cost-minimization (profit maximization) by firms.[27]

Furthermore, John Paul alludes to the concept of efficiency wages—that is, under certain conditions employers might both raise wages and improve working conditions and thereby reap higher worker productivity as a result: "The integral development of the human person through work does not impede but rather promotes the greater productivity and efficiency of work itself, even though it may weaken consolidated power structures."[28] While some may point to the potential validity of efficiency wages as grounds for imposing state-mandated wage increases, John Paul does not suggest this as an instrumental approach to be pursued. On the contrary, in the same paragraph he points out: "A society … in which economic policies do not allow workers to reach satisfactory levels of employment, cannot be justified from an ethical point of view." Thus, rather than justifying state-coerced wage policies that can create unemployment, the pursuit of efficiency wages should be left in the hands of the entrepreneurs who are in the best position to determine their validity in any particular case. Indeed, there are sophisticated economic nuances in John Paul II's discussion of the marketplace, productivity, and wages—certainly no naïve beliefs that wages and working conditions can be altered simply by an act of the will.

Most recently, Benedict XVI has affirmed the importance of the market in his encyclicals and insists that the market is not evil in itself but can become "a negative force" due to ideology.[29] What is refreshing about the encyclical letter *Caritas in Veritate* is that Pope Benedict spends significant effort describing how all economic choices, including consumption choices, have moral consequences. Whether it is the relationship between consumer behavior and a clean environment, or the relationship between consumer behavior and just wages, the demand side of the market is beginning to get its due in CST. No longer is the predominant burden for just economic outcomes placed on the shoulders of the employers (as the emphasis was in the earlier encyclicals). Indeed, Pope Benedict links the relationship between the worker and the consumer in paragraphs 64 and 66 of his encyclical letter *Caritas in Veritate*, where he reemphasizes the power of the consumer:

> Global interconnectedness has led to the emergence of a new political power, that of *consumers and their associations*… It is good for people to realize that purchasing is always a moral—and not simply economic—act. Hence *the consumer has a specific social responsibility*, which goes hand-in-hand with the social responsibility of the enterprise. Consumers should be continually educated regarding their daily role, which can be exercised with respect for

> moral principles without diminishing the intrinsic economic rationality of the act of purchasing… A more incisive role for consumers, as long as they themselves are not manipulated by associations that do not truly represent them, is a desirable element for building economic democracy.[30]

Indeed, the more recent encyclicals show a greater awareness for the demand side of the economic equation. Rather than simply exhorting producers about their moral obligations to pay just wages, and invoking the assistance of the state to enforce justice for workers, the building blocks now exist for linking the relationship between consumer choice and justice for workers. It remains, however, for social encyclicals to make an explicit link between consumer demand, and employer demand for labor—and to elaborate on the implications of that connection for Catholic social teaching.

## Consumer Choice, Opportunity Cost, and Just Wages

The primary way to improve the wages of the poor is by improving their productivity—or specifically, the value of their marginal product. This requires enabling them to increase their output through investments in physical and human capital and technology. Woods has ably demonstrated why free markets provide the best mechanism for doing so. However, increasing workers' marginal revenue product can also be facilitated by increasing the demand for the goods and services they produce. This does not imply that state intervention is necessary to alter consumer demand; moral exhortations from papal encyclicals can have the effect of altering consumption patterns and in turn impact workers' marginal revenue product. Hence, exhortations to consumers to make ethical choices in their consumption decisions can also have a direct impact on workers' marginal product. Ultimately, free markets are subject to competition—and competition requires efforts to reduce costs and improve efficiency. *Ceteris paribus* (all things being equal), customers prefer a lower price to a higher price for any good. However, the papal encyclicals suggest that, in some cases, purchasing a good from a lower-price source is not the moral thing to do.

One way to heed the exhortations of CST regarding the power of consumer choice is for consumers to take into account the wages and working conditions of laborers when making consumption choices. The marketplace can and does (at least in the short run) manifest particular instances of apparent injustice, and one can see that the marketplace itself is already responding by seeking to alter consumer choice. So-called fair trade coffee,[31] fair trade certification standards, or similar certification movements[32] already exist to inform consumers on how their choices affect workers and how through certification methods these organizations seek to motivate firms to adhere to certain ethical standards. While specific approaches, standards, or motives of such movements are open to critique, in principle these methods can facilitate the achievement of just wages and working conditions through altering consumer demand in ways similar to other private consumer rating agencies (e.g., J. D. Power and Associates for automobile quality and innovation).[33] Naturally, if consumers want to purchase fair trade coffee and pay higher prices accordingly, there is an opportunity cost for doing so. According to economic science, a shift in demand toward more pricey fair trade coffee has an opportunity cost: less spending elsewhere and reduced employment in other sectors. Indeed, Woods is quite correct in pointing out that higher wages for workers throughout an economy are ultimately achieved by increasing the productivity of workers in general.[34]

The role of the consumer in particular cases cannot be ignored from an economic standpoint. Although Woods' claims that the encyclical letter *Rerum Novarum* "enshrines the critical and fateful idea that the wage rates established by market processes could be held up to moral critique by outside observers on the basis of their adequacy in meeting workers' material needs," it seems that this concern is misplaced.[35] He goes on to express his concern that CST assumes "that wage rates and the working conditions that come into existence through the unhampered market process do not necessarily reflect fundamental economic realities."[36] Thus, the encyclicals are not guilty of such an assumption—indeed, prevailing wage rates and working conditions may both reflect fundamental economic realities, and these realities may remain unsatisfactory from an ethical point of view. John XXIII was in complete agreement with Leo XIII that the market may yield results that are not ideal and may, in fact, be immoral. In other words, in the marketplace "what is" is not necessarily "what ought to be." As John XIII remarks, "In the majority of cases a man's work is his sole means of livelihood. Its remuneration, therefore, cannot be made to depend on the state of the market. It must be determined by the laws of justice and equity."[37] Concrete examples can be found where corporate leadership has operated in ways that were beneficial to the senior management, but detrimental to their employees; the market tends to punish such behavior in the long run, but short-run injustices can still remain.[38] Thus, the social encyclicals have endeavored to influence the "state of the market" by initially exhorting the employer and later emphasizing the power of the consumer. Both the employer and the consumer are instrumental in ensuring that the state of the market conforms to the laws of justice and equity—and the more this is properly understood and embraced, the less need there is to resort to state intervention in the marketplace.

It is clear that market processes could reflect fundamental economic realities that are intrinsically evil from a Catholic ethical standpoint (e.g., the consumption of illicit drugs, pornography, human trafficking, and so forth). When consumers shift consumption patterns, certain industries expand and others contract, creating frictional and structural unemployment in the short run. It follows that whenever consumers alter their consumption patterns on the basis of ethical considerations regarding wages, working conditions, and other labor factors, short-term unemployment will emerge. Implicitly, CST recognizes that such unemployment is morally justified.[39] Indeed, in some cases, changes in certain consumer choices are unambiguously good. If, for example, there was a massive decline in the consumption of pornographic materials, many in the porn industry would be left unemployed—but that is a consequence that is morally acceptable (indeed, morally obligatory) from a Catholic point of view.

There is no doubt that productivity gains are the essential means of improving wages and working conditions; state-mandated minimum wages cannot increase employment (and very likely reduce it).[40] It is also important to recognize that employers are not faced with a binary choice between paying higher wages or reinvesting funds in capital designed to improve productivity. Indeed, market realities are more complicated than that—and firms may in fact expend funds irresponsibly (e.g., maximizing only short-run profits) in lieu of capital reinvestments or higher worker compensation.[41] Thus, papal exhortations to employers can be interpreted as urging them to carefully consider capital reinvestments (rather than irresponsible uses of corporate funds) so that worker productivity—and thus worker total compensation—can increase.

These concepts apply to all exhortations to improve working conditions, provide for a Sabbath rest, and so forth. Because in principle all nonwage amenities, pensions (i.e., deferred compensation), and working conditions are reducible to an equivalent wage (i.e., total compensation) and because wages manifest worker productivity (marginal revenue product), the relationship between the supply and demand side of the market is applicable to achieving all these ends. Future papal encyclicals would benefit from making this link more explicit. Furthermore, CST could exhort economists and others to further examine certain economic propositions (e.g., the validity of efficiency wages). Anecdotal evidence indicates that some firms provide generous benefits and amenities. In doing so, they believe that they actually improve worker productivity, reduce firm costs through a reduction in employee turnover, and thereby improve long-term profits.[42]

Because particular circumstances are unique for each business and entrepreneur, the validity of efficiency wages in individual cases cannot serve as a justification for arbitrary state-coerced wages, benefits, and amenities imposed on business and industry. Undoubtedly, moral exhortations to consumers that have the effect of raising the cost of goods and services come with tradeoffs, but that does not make them conflict with economic principles any more than Old Testament laws regulating safety standards for houses (e.g., Deut. 22:8) ignored the tradeoffs created by such standards; suppliers and consumers can be encouraged to alter fundamental market realities within the context of a free market.

## Conclusion

There are undoubtedly some statements and proposals within the papal social encyclicals that cause friction with commonly understood free-market principles. The purpose of this article is limited: to show that as the economic understanding manifested in the social encyclicals develops, some of these tensions specifically within the realm of labor economics are alleviated. Other tensions undoubtedly remain. In the early social encyclicals (*Rerum Novarum* through *Populorum Progressio*), the popes placed a disproportionate emphasis on the role of the employer and the state in promoting economic justice. While they did not completely ignore the importance of worker productivity in improving the lot of workers, these crucial economic principles are certainly underemphasized.

As papal teaching developed in this area, however, there is an evident shift of emphasis from the employer to the consumer. By discussing indirect employers, alluding to the importance of entrepreneurial activity, and placing a greater emphasis on the power of the consumer in shifting market realities, the social encyclicals of John Paul II and Benedict XVI show a more nuanced understanding of market processes and introduce a necessary addition and complement previous encyclicals. Although these additions have not resolved all apparent tensions with free-market economic principles and theory, they have mitigated them. Insofar as future social encyclicals connect the dots between the importance of both supply (the employer) and demand (the consumer) in achieving economic justice, a reduced emphasis on the role of state intervention would logically follow, and the tension with free-market economic laws and principles will be eased even further.

## Notes

* The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the U.S. Air Force, the Department of Defense, or the U.S. Government. Direct correspondence to Stephen Barrows, Department of Economics and Geosciences, 2354 Fairchild Drive, Suite 6K12, USAF Academy, CO 80840; e-mail: stephen.barrows@usafa.edu. The author gratefully acknowledges the helpful comments of Robert Waller and anonymous referees in reviewing this article.

1. Citations of the papal encyclicals in this article come from the translations found on the Vatican's Web site: http://www.vatican.va/.

2. Thomas E. Woods Jr. "Catholic Social Teaching and Economic Law: An Unresolved Tension," http://mises.org/pdf/asc/2002/asc8-woods.pdf. Subsequent to this, Woods published an online paper based on this presentation entitled "Morality and Economic Law: Toward a Reconciliation." This paper uses the same expression employed by Woods to describe the CST/Economics relationship—that of "tension."

3. Thomas E. Woods Jr., "Morality and Economic Law: Toward a Reconciliation." http://www.lewrockwell.com/woods/woods25.html. Italics in the original.

4. Scott P. Richert, "Economics, Catholic Social Teaching, and Dissent," *Chronicles*. http://www.chroniclesmagazine.org/index.php/2004/07/07/economics-catholic-social-teaching-and-dissent/.

5. Thomas E. Woods Jr., *The Church and the Market: A Catholic Defense of the Free Economy* (Lanham, Md.: Lexington Books, 2005).

6. Thomas Storck, "A Challenge from Thomas Storck," *The Catholic Social Science Review* [*CSSR*] 14 (2009): 85–105; Thomas E. Woods Jr., "Catholic Social Teaching and the Market Economy Revisited: A Reply to Thomas Storck," *CSSR* 14 (2009): 107–24; John Médaille, "Response," *CSSR* 14 (2009): 125–27; Charles M. A. Clark, "Response," *CSSR* 14 (2009): 129–32; Kevin Schmiesing, "Response," *CSSR* 14 (2009): 133–35; Emil Berendt, "Response," *CSSR* 14 (2009): 137–40.

7. Thomas Storck, "Is Thomas Woods a Dissenter? A Further Reply (Parts 1–4)," http://www.chroniclesmagazine.org/index.php/author/thomas-storck/. Thomas E. Woods Jr., "Is Thomas Woods a 'Dissenter'?" comment posted February 5, 2010. http://www.tomwoods.com/blog/is-thomas-woods-a-dissenter/.

8. Thomas E. Woods Jr. "The Unanswered Questions of the Just Wage," in *Catholic Social Teaching and the Market Economy*, ed. Philip Booth (London: Institute of Economic Affairs, 2007), 92.

9. See especially Pope Leo XIII, Encyclical Letter *Rerum Novarum* (May 15, 1891), nos. 13, 16, 32, 36–37, 39, 47; Pope Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931), nos. 49, 80, 82, and 114; Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), nos. 20–21, 44, 52–56, 116–18; Pope John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963), nos. 46–47, 64–65, 140; Pope Paul VI, Encyclical Letter *Populorum Progressio* (March 26, 1967), nos. 33, 47, 84; Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), nos. 8, 11, 15, 40, 48; Pope Benedict XVI, Encyclical Letter *Deus Caritas Est* (December 25, 2005), nos. 26, 28; and Pope Benedict XVI, Encyclical Letter *Caritas In Veritate* (June 29, 2009), nos. 38–39, 41, 44.

10. See especially Pope Leo XIII, Encyclical Letter *Rerum Novarum* (May 15, 1891), no. 20; Pope Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931), no. 71; Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), nos. 33, 250–53; Pope John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963), nos. 18–20; and Pope Paul VI, Encyclical Letter *Populorum Progressio* (March 26, 1967), nos. 69–70.

11. Pope Leo XIII, Encyclical Letter *Rerum Novarum* (May 15, 1891), no. 36, italics added.

12. Pope Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931), nos. 28, 80.

13. Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), nos. 20–21.

14. Pope Paul VI, Encyclical Letter *Populorum Progressio* (March 26, 1967), no. 58.

15. Thomas E. Woods Jr. “Catholic Social Teaching and Economic Law.”

16. Pope Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931), no. 53.

17. Ibid., no. 66.

18. Ibid., nos. 74–75.

19. Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), nos. 68, 71, 112.

20. Pope John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963), nos. 18ff; 64.

21. Pope Pius XI, Encyclical Letter *Quadragesimo Anno* (May 15, 1931), no. 142.

22. Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), no. 223.

23. Pope John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981), no. 17.

24. Pope John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (December 30, 1987), no. 28.

25. Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), no. 32.
26. Ibid., no. 36.
27. Ibid., nos. 41, 43.
28. Ibid., no. 43.
29. Pope Benedict XVI, Encyclical Letter *Caritas In Veritate* (June 29, 2009), no. 36.
30. Ibid., no. 66.
31. See http://www.globalexchange.org/campaigns/fairtrade/coffee/background.html for the consumer-driven nature of free-trade coffee products.
32. See for example, TransFair USA, http://www.transfairusa.org/, the Fairtrade Foundation, http://www.fairtrade.org.uk/, or Catholic Relief Services' Fair Trade http://www.crsfairtrade.org/ as examples of organizations that attempt to make consumers aware of the power of their consumption choices.
33. Furthermore, it is of vital importance to recall that what constitutes just wages or working conditions varies through time and across nations; while some Western nations consider it immoral and unjust to require children to work in mines, families in impoverished nations may be faced with the choice of employing their children in this way (until productivity levels increase in those nations) or face starvation. My thanks go to Robert Waller for making this point.
34. Woods, *The Church and the Market*, chapter 2; and Woods, "The Unanswered Questions of the Just Wage."
35. Woods, *The Church and the Market*, 54.
36. Ibid., 55.
37. Pope John XXIII, Encyclical Letter *Mater et Magistra* (May 15, 1961), no. 18.
38. Corruption in corporations such as Enron, and more recently, the extravagant and morally questionable lifestyle and management decisions of Jimmy Cayne, the former president of the now defunct Bear Stearns, come to mind as examples where corporate leadership fails to operate in a just manner. See Charles Gasparino, *The Sellout* (New York: HarperCollins, 2009), 47; 112–14.
39. In *Centesimus Annus* (May 1, 1991), no. 15, John Paul II refers to unemployment that arises when economic conditions create "crisis sectors" versus expanding sectors of the economy. In both *Centesimus Annus* (May 1, 1991), no. 36 and *Caritas in Veritate* (June 29, 2009), no. 61, the popes criticize particular industries—some of which are intrinsically evil according to CST (e.g., illicit drugs and sex tourism) and urge behavioral changes in these areas. Substantially altered consumer behavior in international tourism, for example, would create instances of short run (frictional) unemployment at a minimum as certain sectors contract and others expand.

40. For a good summary of the ill effects of state-imposed minimum wages, see Woods, *The Church and the Market*, 193–94.

41. An outstanding summary of how such perverse behavior left economic destruction in its wake, see Gasparino, *The Sellout*.

42. An excellent example of this is the benefits received by SAS employees. SAS was ranked as the #1 company to work for in 2010 by Fortune Magazine. CEO Jim Goodnight insists that treating his workers well is good business, and the company has very low turnover and turnover associated costs as a result. See David A. Kaplan, "The Best Company to Work For," *Fortune*, February 8, 2010, 56–64.