

The unilateralist wants to take the risk now. If I may declare an interest, on balance I think he is right.

The new social encyclical

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Three times in the last seventy years, a major encyclical has been devoted primarily to economic and social questions. Each has made its contribution to the social doctrine of the Church, setting forth the moral principles which should govern economic and social relationships, drawing attention to the chief social evils of the day, and suggesting the general lines of reform. The latest of these encyclicals, *Mater et Magistra*, makes important contributions to the social teaching of the Church in four areas. First, there is a clear and authoritative re-statement of the principle of subsidiary function at a time when the provision of social services has been and is being greatly extended in many countries, and when the proper role of the state in this field is a subject of considerable controversy. Secondly, in its discussion of wages, profits and the status of the worker, the new encyclical clarifies the Church's teaching, and also shows that despite the reforms that have already come about, in some measure in response to the earlier encyclicals, much still remains to be done. Thirdly, it calls attention to the depressed state of agriculture relatively to industry, and sees in this an evil to be remedied. Finally, far greater attention is paid in this latest encyclical to international economic questions than in *Rerum Novarum* or even *Quadragesimo Anno*.

One Catholic M.P. appears to have found in the new encyclical support for the Welfare State as it exists in Britain to-day, whilst a correspondent writing to one of the Catholic papers has suggested that countries wishing to put the social encyclicals into practice would do well to copy our National Health Service. It is difficult in the extreme to see how any unprejudiced reader could draw such conclusions from reading the Encyclical: ' the presence of the state in the economic field, no matter how widespread and penetrating, must not

be exercised so as to reduce evermore the sphere of freedom for the personal initiative of individual citizens'. Even where individuals are quite powerless to act alone, it does not mean that the state must step in (except, perhaps, in a supervisory capacity), for men can join together in voluntary associations. These 'intermediary bodies in which *above all*¹ social action tends to find its expression and its activity should enjoy an effective autonomy in regard to the public authorities, and pursue their own specific interests in loyal collaboration between themselves, subordinately, however, to the demands of the common good'.

Most Catholic authorities have accepted the view that State provision of social services may be justified where this is the only effective method. This is a far cry from trying to find in the encyclical support for state welfare and holding up a state health service as the ideal for other countries to copy. It is remarkable how complacent Catholics in this country have been about state social services except in one instance where they happen to feel exceptionally strongly about the kind of service provided by the State—education.

The new encyclical again stresses the need to ensure that the ordinary worker receives an adequate wage, one that will enable him to 'live a truly human life and to fulfil with dignity his family responsibilities'. To this end, wages cannot be left *entirely* to determination by the operation of the market forces of supply and demand, but must be determined in accordance with equity and justice, taking account both of the worker's effective contribution to production and of the common good.

This does not mean that market forces should not play a major part in wage determination. How else can wages be fixed so as to take account of the worker's contribution to production? The market, however, is an institution which should be made to serve the common good: we should not allow the market to be our master and refuse to interfere with its working, no matter what the circumstances. That was the error of *laissez-faire*. In the early days of the Industrial Revolution, workers were weak and unorganized, and the small number of employers in any locality could easily get together and reach an agreement to keep wages down.² To-day, in Britain, the workers are free to form trade

¹my italics

²The opponents of intervention in economic affairs were quick enough to condemn trade unions as an interference with the free working of the market, but they were less ready to condemn the informal agreements among employers which served to keep wages down. This error was *not* made, however, by the Classical Economists, and Adam Smith is particularly aware and critical of the tendency for employers to get together in this way.

loans.⁵ There is, however, some finite yield on his investment that will make it attractive to him. The possibility of an unlimited return in the event of great success by the company is not necessary to induce investors to subscribe to its shares.

The Encyclical does not go into detail on the subject of how precisely the just rate of profit is to be determined. The concept of a just rate of profit is not one that has received anything like the attention that has been given to the just wage or the just price. In part, this is because profit is in the nature of a residual. If a just price is charged for the finished product, a just price paid for all materials used, a just wage paid to the labour employed, the profit that remains must be a just rate of profit. This is satisfactory so long as there is stability in economic relationships and a well-established common estimate of the value of a product exists to determine the just price, or so long as there is a sufficient element of competition to create such an estimate in a changing economy. In a competitive market, we can assume that firms have to pay a just wage for the labour they employ, a just price for all materials they buy and so on. In such a market, too, the price cannot long remain above the level that leaves the enterprise earning a 'normal profit', that is one which enables it to pay such dividends to its shareholders that, should it want to raise more capital, new investors would find its shares attractive. This, then, would be the just rate of profit, the rate necessary to make investment attractive, and one, which it could rightly be said, represented a common estimate of the contribution made to production by the provider of capital.

To-day competition is no longer the general rule, and we cannot rely on the force of competition to keep profits within just limits. Nevertheless, we can still take this rate of profit which is just sufficient to make investment in a company's shares attractive as determining the just profit, and we can say, furthermore, that a firm in a monopoly position ought to fix its prices so that it earns no more than this rate of profit. Ideally, those responsible for the pricing policies of business enterprises should make their decisions with this principle in mind. The degree of risk varies from business to business, and the maximum rate of profit that the shareholder should be allowed in good times ought to be

⁵This pattern is distorted at the present time by inflation. If a man lends money to a company, he will receive back at the end of the period the sum he originally lent. If prices have risen, this sum is worth less than it was when he lent it. Ordinary shares, on the other hand, are likely to appreciate in value during a period of rising prices. Therefore, the lender may expect a rate of interest under such conditions that is higher than the yield on ordinary shares.

higher in an industry where risks are great than in one where they are small. It is doubtful whether any kind of legal limitation of dividends could take account of this variation of risk. Nevertheless, if it proves impossible to secure a voluntary limitation of profits, it may be necessary to resort to legislation, even if this can secure no more than very rough justice.

The problem of profits to-day, however, is not so much that of vast dividends distributed to shareholders as of undistributed profits being used to finance a company's expansion.⁶ In such cases, the Pope says, 'We hold . . . that the workers should acquire shares in the firms in which they are engaged'. At this point, it becomes extremely difficult to follow the logic of the argument. The very existence of these profits, except in rather exceptional circumstances, is an indication that the company has exceeded the just price for its products and is bound in commutative justice to lower its prices. It only makes things a little better if these ill-gotten gains are shared with the workers rather than retained by the owners of capital. Why, we may also ask, should the workers in this particular enterprise be entitled to receive in addition to their ordinary wages an additional reward in the form of shares in the company? They have not necessarily worked more diligently or with greater skill than the workers in scores of other enterprises who receive no such addition to their wages because these enterprises have adopted more moderate pricing policies.

In an earlier age, business enterprises were smaller, and men often owned their own workshop and tools and worked on their own materials. We cannot return to those conditions, but is it desirable that the worker should also be a part-owner of the enterprise in which he works? This is certainly a tenable point of view, though we must not be blind to the many difficulties that arise. The modern economy is subject to far more rapid change than was the case before the Industrial Revolution. A man who owned a workshop, tools, and the materials of his craft had an asset which was not likely to lose its value. He had something that was of value if he himself could no longer work. To-day, demand may change quickly, a firm may be formed to market a product that never really catches on. Much specialized machinery may become valueless though hardly used; firms may go bankrupt. Under

⁶Where such re-investment of profits is accompanied by an issue of bonus shares to existing shareholders, the maintenance in the future of the same rate of dividend on the increased nominal share capital means that the absolute sum distributed has increased.

such circumstances, it is not desirable that a man should invest *all* his savings in the firm for which he works, unless it is a large organization with many varied activities. It may be desirable, however, that most of the workers should have some share in the ownership of the enterprise. Even so, the way to this objective cannot be through distributing to the worker part of the ill-gotten gains of monopoly.

The Pope is clearly anxious to raise the status of the worker. To quote his own words, 'a human view of the enterprise ought undoubtedly to safeguard the authority and necessary efficiency of the unity of direction, but it must not reduce its daily co-workers to the level of simple and silent performers without any possibility of bringing to bear their experience, keeping them entirely passive in regard to decisions that regulate their activity'. This is clearly implying that in general the workers should be taken into some kind of partnership in the enterprise. There seems no need, however, that this partnership should rest on the workers sharing in ownership. In the very nature of any enterprise, the workers *qua* workers are bound to be partners, and this should be more generally recognized.

The Pope has asked that the workers be taken into consultation at all levels in the economy, right up to the international level, and he praises, in particular, the International Labour Organization to which each member country sends representatives of government, employers and workers. In this country, it is usual for the government to discuss questions of economic policy with the leaders of the T.U.C. At the national level, discussions between the two sides of an industry may cover a wide range of topics and is not limited to collective bargaining. It is perhaps at the factory level that the worker is frequently not consulted, and, as a result, he may feel his lack of status in the enterprise, no matter how widely consulted his representatives are at higher levels.

A long section in the Encyclical draws attention to the depressed state of agriculture in many countries, and calls for all necessary action to be taken to bring the standard of living of the farming community up to that of the industrial workers. Little is said about how this is to be accomplished, except in the most general terms. The most concrete suggestion is that there should be 'an effective system of regulation . . . to protect prices'. There are, however, many forms that such an effective system of price regulation could take. In Britain, we have preferred to leave the determination of prices to the free market, but we have protected the interests of the farming community by making deficit payments to the farmer where the market price he receives falls short

of the price the government has agreed to guarantee. Most European countries prefer to keep up the prices of agricultural goods for the benefit of their farmers by means of a protective tariff on imports. The aim is the same, the methods different, and the choice must be made on technical grounds.⁷

On the whole, we must regard this section of the encyclical as an invitation to study the problems raised by the depressed state of agriculture relatively to industry. Only when the causes of this phenomenon are fully understood can we hope to find a really satisfactory solution. First, however, we should ask whether, in the long run, we wish to preserve British agriculture, for example, on its present scale. Why have so many countries tried to preserve their own agricultural communities—they may not have done enough for them, but that is another question—when it might seem possible for them to obtain supplies of agricultural products more cheaply from abroad?

One factor in this is a widespread belief that the farming community can make a special contribution to the social stability of the country as a whole. A more cynical view is that in most of the countries of Europe the farming community is so large that no political party would dare risk the wholesale loss of votes that would result from a policy of abandoning the protection of agriculture. Moreover, no country, in the past at least, could be really happy about being dependent entirely upon external supplies of food in time of war. Finally, the many workers now engaged in agriculture could not rapidly be absorbed into industry.

We often hear of the danger that population growth will outstrip food supplies. If this danger really threatens the world, why is agriculture in such a bad way? Surely, if this were a real danger, farmers the world over would now be enjoying unparalleled prosperity? The explanation of this paradox lies in the distribution of wealth. Agricultural productivity is high in the advanced, industrialized countries of the West. A densely populated country like the Netherlands can nevertheless be, on balance, an exporter of agricultural produce. The poorer, underdeveloped countries of the world are in large measure dependent on their own, inefficient agriculture. In the more prosperous countries there may be vast surpluses of wheat that nobody will buy, whilst in other countries people are close to starvation. In the long run, therefore, we do need to preserve the farming communities in all

⁷The probable necessity of changing our system of supporting British agriculture if we enter the European Common Market has been one reason for opposition to the idea of joining.

countries, and to enable agricultural output to be increased generally. As the underdeveloped countries of the world become wealthier and are able to start competing for the surpluses of the food exporting countries, we can expect a general rise to occur in farm prices and agriculture generally will become very much more prosperous. The need for artificial measures to raise the standard of living of farming communities will disappear.

This result could be achieved fairly quickly if there were a large scale programme of emergency aid to the underdeveloped countries. Such aid is needed, and one of the striking features of the new encyclical is the insistence of the Pope upon the duty of the richer countries of the world to assist those which are less fortunate. Catholics who have made a special study of social problems have long recognized, as have most people, the duty of the community as a whole to help its less fortunate members. Many Catholics and others have also realized that a similar duty may exist in the community of nations. This view has now been clearly endorsed by the Pope, and he has stated that such help should be given without undermining the independence of the aided countries.

Emergency aid by means of outright gifts to enable the poorer countries to raise their standard of living and to provide for their growing populations is necessary, but something more than this is required in the long run. One of the most urgent problems is to raise agricultural production in order to raise standards of nutrition and to feed rapidly growing populations. Since the war, food production has certainly increased more rapidly than population, but we should not be complacent. Improvements in hygiene and medical services could cut the death-rate in underdeveloped countries and increase the present rate of population growth quite appreciably. In most of these countries, agricultural productivity is low, and the scope for increasing food production by the introduction of the best techniques now practised in more prosperous countries is enormous. To bring this about, however, the farming communities in the underdeveloped countries must be educated in new methods, and large quantities of capital will be required. So far, no estimates have been made of the scale on which capital would have to be provided, and the practicability of providing it quickly enough to meet the potential rate of increase in population. In the underdeveloped countries, we would expect increased productivity from the land with smaller numbers employed. Opportunities for employment must therefore be provided for a growing population in industry, and this means further capital is needed.

Underdeveloped countries cannot provide this capital for themselves. Their standard of living is already painfully low by comparison with the industrial countries of the West. They cannot afford to divert resources to the production of capital goods, or to the production of goods for export in exchange for the capital goods they need. The capital must be provided by the richer countries. In what form is it to be provided? Some provision may be in the form of outright gifts, but a large part, perhaps the greater part, may have to be in the form of loans or direct investment. Where loans are made, the main possibilities are inter-governmental loans, borrowing by one country on the open market abroad, and loans by international agencies. Raising loans on the open market abroad is a sound enough policy, so long as lenders are prepared to take the risks involved. If lenders are hesitant to subscribe to loans being raised by foreign governments or agencies, international lending must be channelled through other institutions. Lending by special international institutions created for the purpose may be preferable to loans from one government to another in so far as the danger of economic and political domination is reduced. Within limits, it is all to the good that business enterprises should be encouraged to invest in projects in the underdeveloped countries. Two qualifications must be borne in mind. First, private enterprise may not be willing to make such investments on the required scale. Secondly it is not desirable that they should do so on too large a scale, for then the danger of domination again arises.

To-day, the obligation of assisting backward countries is widely accepted in principle, though it has only been put into practice to a limited extent. One can see that it may not be all that difficult to secure approval for quite generous schemes for assisting the underdeveloped countries. The Marshall Plan to promote European recovery after the war shows the extent to which international generosity may go. As development takes place in the backward countries, however, we can expect economic problems to arise which will really test our charity towards these countries. If they borrow a large part of the capital required for their development, they must ultimately pay interest on these loans. Such payments can only be made in one way: by sending to the creditor countries a greater volume of goods than is imported from them. There is a danger that when this stage is reached, the richer countries will be reluctant to face the necessary adjustments which should be made in their own economies and will seek to protect their own industries against the competition from these developing coun-

tries. To adopt this course is to be willing to help them while they are in a dependent state but to refuse to allow them to come to full maturity and to stand on their own feet.

We should be deeply grateful for the lead given us in this encyclical, but we should also remember that it is not a blueprint of an ideal social order. The drawing of a blueprint is a technical job demanding the collaboration of experts in many fields. We cannot expect the Church to do that job for us. We have been shown, however, the principles which should guide us. It is the duty of Catholic laymen at all levels to make those principles known and understood, and to study the ways and means of putting them into effect.

The use of key-words in the novels of Graham Greene— *Love, Hate and 'The End of the Affair'*

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'Every creative writer worth our consideration is a victim: a man given over to an obsession', wrote Graham Greene in an essay on Walter de la Mare.¹ Critics have not been slow in applying this statement to Mr Greene himself. He has been considered almost exclusively in terms of a few recurring obsessions: the vision of evil; the concept, borrowed from Péguy, of the sinner at the heart of Christianity; the theme of pursuit, and so on.

This critical approach has contributed much that is valuable to the study of his work. Unfortunately it has, by obscuring its variousness, inadvertently supplied ammunition to those critics who like to dismiss him as a mere manipulator of rigid and repetitive formulae. We can, for instance label both *The Confidential Agent* and *The Power and The Glory* as 'Pursuit' novels. But this does not take us very far. Apart from

¹*The Lost Childhood and other essays* (1951) p. 79.