

Haas, Francis J.  
Jobs, prices, and unions —  
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# JOBS, PRICES, AND UNIONS



Social Action Series No. 19

By

RT. REV. MSGR. FRANCIS J. HAAS, Ph.D., LL.D.

The pamphlets in the *Social Action Series*, of which this is the **nineteenth** number, are edited by the Social Action Department of the National Catholic Welfare Conference. They represent an effort to present to the general public, and especially to Catholics, a discussion of current economic facts, institutions and proposals in the United States in their relation to Catholic social teaching, particularly as expounded in Pope Pius XI's Encyclical "Forty Years After—Reconstructing the Social Order" (*Quadragesimo Anno*.) In the spirit of that Encyclical they are urged upon and recommended to individuals, study clubs, discussion groups and school classes.

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# **JOBS, PRICES, AND UNIONS**

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## FOREWORD

The intricate, fundamental relationships of Jobs, Prices, and Unions are here diagnosed, and the directives prescribed are both realistic and hopeful. Monsignor Haas presents disturbing facts on unemployment, and his discussion of its major causes throws light on the evil effects of economic dictatorship operating through price and production control, and of the consequent lack of price parity. He analyzes the problem of business controlled prices and shows that unions are a necessary and neglected factor in the solution of both the price problem and the job problem to which it contributes so heavily. The full solution advocated—that of Pius XI's occupational group system—is set forth in terms of its immediate and remote possibilities in the actual condition of American industry today.

SOCIAL ACTION DEPARTMENT  
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*Archbishop of New York.*

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# Jobs, Prices, and Unions

By

RIGHT REV. MSGR. FRANCIS J. HAAS, PH.D., LL.D.

THE title of this pamphlet—Jobs, Prices, and Unions—indicates both its subject matter and its order of treatment. Jobs and prices will be discussed as problems, and unions as one of the means, in combination with other means, to solve them.

The “problem of jobs” will be taken to mean the task of providing gainful employment for all of the eight or nine million jobless able and ready to work. The “problem of prices” will mean the search for and the use of the means to abolish business controlled prices which prevent in a major way full utilization of men and resources.

The purpose will be to show that if the liberties of all citizens are to be protected, unions, together with other organized bodies, not only can but must play an indispensable part in banishing unemployment and unfair prices. Indeed in a wider sense, unions have a contribution to make—and one which they alone can make—toward establishing a just and stable social order.

There will be no extended analysis of unemployment and price control except to show that these are evils to be attacked and stamped out. Nor will there be any discussion of the emergency relief measures including the Federal Public Works Program (WPA, CCC, and NYA), farm aid, RFC loans, local public relief, and others—necessary as these were and are to alleviate human suffering. The relation of unemployment to National Defense will be referred to only briefly, but more attention will be given to showing how unemployment and price controls can be made to give way to and even be replaced by full employment and fair prices. The program proposed will be the occupationally organized society advocated by Pope Pius XI in the Encyclical *Forty Years After*.



The latter portion of the pamphlet will be devoted to the subject of unions in order to demonstrate that they are vital in any plan to procure work for all and an abundance of goods and services for the entire population. It is not maintained that unions alone can achieve this result. The reason for emphasizing the part which unions must be permitted to play in directing the national economy is that for various reasons—in particular employer opposition—they have not hitherto been accorded their rightful place along with the highly organized activities of management and government in guiding our economic life.

Even at the present time not more than a fifth of the total labor force of the United States are organized in unions. In consequence, the vast majority of the wage and salary workers are not permitted through representatives of their own choosing to participate in the determination of their own wages, hours, and working conditions; and are denied any voice on national policies regarding jobs, prices, or other matters in the economy in which they and the rest of the population work and live.

## I. JOBS

The more basic facts about employment and unemployment may be stated as follows:

While about 36,000,000 persons are employed in non-farm occupations and about another 10,500,000 in farming, an additional number of between 8,000,000 and 9,000,000 are unemployed and unable to find work. Even during the present period of National Defense with the large numbers that it will undoubtedly place back in industry one cannot be oversanguine. In Great Britain under the terrific strain of war production, unemployment has been reduced to only about seven per cent of the entire normal working force, and if the same rate of reduction were to be applied to the United States, some 4,000,000 would still be without jobs in this country.

Prior to 1929 the number of unemployed fell or rose ac-



ording to whether times were good or bad, but the annual average number even in the most prosperous years of the 1920's was not less than 1,700,000. Since 1929 there has also been a rise and fall with a peak of 15,000,000 out of work in the Spring of 1933 and a "low" of 6,000,000 in the Fall of 1937. Approximately 25,000,000 persons are now either unemployed or dependent on someone who is jobless, and perhaps more than half of the unemployed are included in families containing no employed member. The unemployed represent about one fifth of all workers in urban and about one sixth of those in rural areas, and about one half of the total number of unemployed have been out of work a year or longer. Because of the falling birth rate the number of "gainful workers" has increased more rapidly than the whole population particularly since 1930. Over the past ten years a total of some 4,000,000 young persons between 15 and 24 years of age have continued to be unemployed, and young workers together with the older are less likely to have jobs than the middle aged. Perhaps more than a fifth of the jobless are women, although the proportion of married women working has more than doubled since 1930. Negro unemployment is more serious than white, the 1937 Census showing nearly 30 per cent of all Negro workers out of work as compared with nearly 20 per cent of all white workers. Of all the unemployed approximately one eighth had been self-employed.

Nearly half of those now employed work more than 44 hours per week, and many of the mass production industries can operate without loss at about one half of their actual capacity. As a result in depression they keep only one half of their employees at work. Some industries as compared with others have a higher upswing in good times and a deeper drop in depression. In order of greater stability of employment the various industries rank as follows: government, agriculture, trade and finance, service (hotels, restaurants, etc.), public utilities and transportation, manufacturing, mining, and construction. Over one fourth of the unemployed are on the Federal Public Works program

(WPA, NYA, and CCC); nearly another one fourth are not seeking work for a variety of reasons, for example, illness or residence in a "ghost" town; while the remaining one half are looking for work but unable to find it. Finally, perhaps, one half of all the unemployed are receiving some form of public assistance, including unemployment compensation.<sup>1</sup>

### **Major Causes of Unemployment**

Unemployment is the end result of a host of causes. The more fundamental causes may be set down as follows:

1. *Economic Dictatorship.* The major causes of unemployment are centered in what Pope Pius XI calls despotic economic domination, to be distinguished from political dictatorship, in any of its totalitarian forms of Communism, Fascism, or Nazism. Of economic dictatorship Pius XI writes:

In the first place, then, it is patent that in our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few, and that those few are frequently not the owners, but only the trustees and directors of invested funds, who administer them at their good pleasure.

This accumulation of power, the characteristic note of the modern economic order, is a natural result of limitless free competition which permits the survival of those only who are the strongest, which often means those who fight most relentlessly, who pay least heed to the dictates of conscience.<sup>2</sup>

The structural details of this description as they apply to the United States may be found in *The Structure of the American Economy*, Part I, Basic Characteristics, June, 1939, of the National Resources Committee. Here it is shown, for example, that eight "interest groups" control

<sup>1</sup> The current unemployment data given here and elsewhere are for the first half of the year 1940, and are based on various government publications, e. g., *Facts About Unemployment*, published by the Works Projects Administration, 1940, and checked by *Wasted Manpower* by Corrington Gill, Assistant Commissioner, Works Projects Administration, W. W. Norton & Company, Inc., 1939.

<sup>2</sup> Pp. 32, 33, *Forty Years After*, Reconstructing the Social Order, N. C. W. C., Washington, D. C. Succeeding references are to this edition.



industrial and bank assets of \$61,025,000,000, which is 62 per cent of the assets of the 200 largest industrial concerns and 50 largest financial concerns. It is not to be understood that the men who form these interlocking groups arbitrarily decree unemployment. Yet they can by no means be excused from all moral culpability. They wield tremendous power over the life of the nation and in proportion to their power have done little in a positive way to abolish unemployment.

The other causes of unemployment do not originate in economic dictatorship directly, but like it, represent violations of morality, for which all sections of the population must share a greater or less responsibility. Accordingly, Pius XI insists that there is need not only of a reconstruction of the social order, but also of a renovation of moral life and virtue. Assuredly, unemployment should not be viewed simply as a disease, or as a natural phenomenon like a blight or a flood. It is caused by human beings, and human beings are under obligation to remove it.

2. *Artificial Controls of Prices and Output.* It is common knowledge that powerful corporations employ such devices as Trade Associations, Price Leadership, Basing Points, and Patent Pools to control prices and output. Usually the purpose alleged in justification of these activities is the necessity of preventing "unfair competition," "selling below cost," and "market instability." Generally, as the decisions of the Federal Trade Commission show, the purpose is to secure monopoly control over prices and the volume of goods that can be obtained by consumers.

The effect on employment is, however, unmistakable. Pegged prices and curtailed production cause unemployment. First, workers' families, who must buy these goods at "administered" prices, buy less of them or do not buy them at all. They as well as the establishments in the non-administered price industries, notably agriculture, because of their reduced purchasing power, cause the employees in the administered price industries to be underemployed or to be laid off. Secondly, the corporations pursuing these practices may and often do accumulate from

profits large surpluses charged especially to depreciation, which may lie frozen and thereby be prevented from flowing into the normal channels of circulation to keep the system functioning and providing jobs and goods for the whole population. It is generally agreed by students of prices that the sharp drop in employment in the Fall of 1937, was due in considerable measure to drastic price rises which began to be put into effect, in anticipation of a coming boom, in the Summer of 1936. Actually a boom did not materialize in 1937-1938, but rather widespread depression and unemployment.

3. *General Low Wage Levels.* Perhaps the most direct cause of unemployment is the relatively small share (from year to year about 65 per cent) of the national income that is paid out to wage and salary workers in cities and on farms. The National Resources Committee in *Consumer Incomes in the United States*, August, 1938, reports that in 1935-1936 one third of all families and individuals in the country had an income for the year of less than \$780, a second third of between \$780 and \$1,450, and a final third of \$1,450 and over. The National Industrial Conference Board, an employers' agency, in *Conference Board Studies in Enterprise and Social Progress*, 1939, divides the population of the country into tenths, and shows how the national income was distributed from 1910 to 1937. The highest three tenths received a "low" of 56 per cent of the national income in 1910 and a "high" of 61 per cent in 1921, whereas the lowest three tenths received a "low" of 8 per cent in 1937 and a "high" of 14 per cent in 1910.

Inasmuch as at least two thirds of all workers, within families and without, receive inadequate income, they are unable to buy all that the existing mass production regime can produce for them. Their underconsumption prevents or reduces employment opportunity for vast numbers of other workers in addition to themselves. It is apparent that it is only by providing the underpaid with adequate income that any drastic reduction in the number of the unemployed can be effected.

4. *Imbalance Between Farm and City Prices.* The farmer's wages come from the money which he gets for his products. Accordingly his income will depend generally on the conditions under which he must sell. If he has a sizable number of competing buyers he may come off fairly well. But if he must sell to one of a given number, all of whom agree not to underbid one another, he may and usually does fare very badly. Farmers engaged in one-crop farming are particularly subject to this disability. In July, 1940, the Anti-Trust Division of the U. S. Department of Justice charged that 82 per cent of all real cheese produced by American farmers must pass through the hands of six companies, and that tobacco products are "bottle-necked" on their way from farmers to consumers through control of eight companies.

Moreover, the farmer is a buyer of city products, and as such is compelled to buy under the same price restrictions as is the city dweller. The movement of prices of farm machinery and of building materials for farm homes as compared with that of prices received by farmers for their commodities is especially in point. From 1910-1914 to June, 1940, the price of farm machinery rose to 152 per cent and that of building materials for farm housing to 157 per cent, although prices received by farmers dropped to 95 per cent. Reviewing the period of 1912 to 1938 the National Bureau of Economic Research reports in Bulletin 80 of September 9, 1940: "Since 1912-1914 when the trading position of farmers was at a peak after a long period of steady gain, there has been a net loss of almost 20 per cent in the physical volume of goods for which a stated quantity of farm products could be exchanged."

The net result of this pressure on farmers, both as sellers and as buyers, is that they are rendered unable to purchase a larger volume of manufactured goods than they would otherwise be able to purchase, and to that extent city industries are deprived of an important market. The final effect is both urban and rural unemployment or underemployment.

Of similar importance is the existing lack of parity among industrial prices themselves. This phase of the question will be considered in the next section.

5. *Other Causes.* The foregoing causes of unemployment by no means complete the list. Most basic among those not within the province of this pamphlet is the falling birth rate—which unemployment in turn aggravates. Such causes as “technological changes,” “labor saving machinery,” “speed up,” “frictional unemployment” (time lost after a layoff in finding a new job), mergers, and lack of investment opportunity, though they contribute heavily to unemployment, are in reality the effects of one or other of the causes considered above.

## II. PRICES

From what precedes it is evident that jobs and prices are inextricably tied together. Prices too high or too low, no less than wages too high or too low, throw workers out of jobs. Actually, however, the great number of commodity prices that cause unemployment are those that are too high rather than too low. It will be of interest to inquire into the question of prices, especially into the adverse effect of business-controlled prices on employment, the mechanisms which employers use to “stabilize” prices, and why they seek to “stabilize” them.

The following discussion gives only the barest outline of a vast and intricate subject, and one upon which a tremendous amount of research remains to be done. Moreover, illegal price fixing and production control, like other unlawful acts, are veiled in considerable secrecy. In addition, corporations indulging in these practices have had to keep themselves from running afoul of the Sherman Anti-Trust and Federal Trade Commission Acts, to say nothing of overcoming public opposition. In some cases, for example, the dissolution of the Standard Oil trust by the U. S. Supreme Court, the Government ruled against one form of restriction of competition, and subsequently a new device was discovered. Finally, it should be frankly said that it

is difficult to determine in any given situation the extent to which a price-fixing policy is due to conscious action on the part of the corporations enforcing it, and the extent to which it is due to impersonal forces within the system, which forces the corporations themselves have little or no power to overcome. Whatever the means and motives, the fact remains that price and output schedules are artificially established over large areas of manufacturing and distribution, that many of these prices remain uniform and inflexible, and that as they are now determined they are an important cause of unemployment and underemployment.

### **Price and Output Control**

The following are some of the more salient data with respect to price and production control in their relation to employment.

1. *Existing Conditions.* The consumer, urban or rural, is obliged to pay an "administered" or set price for nearly every commodity he buys, regardless of whom he buys it. The names of the industries and of the corporations producing these goods may be found in the files of the Federal Trade Commission, of NRA, in court decisions, and in the reports of the TNEC. The list of articles sold under controlled or "influenced" prices can be extended almost indefinitely, including meat and meat products, seafood, biscuits and crackers, milk and milk products, confectionery, alcohol, building materials, cement, soil pipe, household furniture, sewing machines, spectacles, gasoline, auto tires, aluminum, farm implements, electrical machinery, and office equipment.

It should not be supposed that it is necessary for any one corporation in an industry to absorb all other corporations in order to secure price or output control over the industry. Actually, outside of aluminum, no such monopoly exists. Yet the result of monopoly is largely achieved over a substantial part of American industry, and the control rests in the hands of a small oligarchy of a few hundred business executives. Such control is made possible by the



fact that in most manufacturing industries from three—and in some cases two—to six companies have the dominant portion of the business in the industry and can compel their rivals, who perhaps may be quite willing to submit, to follow their lead in prices.

In a few industries, building construction for example, monopoly restrictions are illegally enforced at times through collusion between manufacturing companies and labor unions. The Department of Justice recently reported that low-priced plumbing is kept off the market by such agreements. The technique is simple. The union which has a monopoly or a near-monopoly over the plumber's craft, in return for a closed shop, refuses to work on supplies not made by the manufacturer who is directly or indirectly a party to the agreement with the union. The Department of Justice also cited the recent Chicago milk prosecution in which the Anti-Trust Division secured an indictment of the milk producers, milk distributors, milk wagon drivers' union, and the officials of the Municipal Board of Health for conspiracy in keeping independent distributors out of the market and stopping the sale of milk in stores in order to require home delivery of milk. The Government successfully litigated the case, with the result that milk can now be bought at 8½ cents per quart in comparison with 14 cents in some other cities, and Chicago consumers save a sum estimated at between \$4 and \$14 million dollars per year.

The effect of price control on employment may be seen by considering two facts. First, industries that hold their prices inflexible relative to other prices which are falling, actually raise their *real* prices in comparison with these latter. Because consumers either substitute other goods or simply refuse to buy, the market for rigid-price goods is narrowed, and employees in these rigid-price goods industries are laid off either temporarily or permanently.

Again, because many manufacturing concerns have huge overhead and fixed capital costs they find themselves under pressure especially during depressions to operate at a constantly decreasing "break even point" of production, that is,



the percentage of capacity at which they can operate and cover direct and overhead costs. The "break even point" indicates to producers the lowest percentage of total production that is possible without a loss. Accordingly during business recessions, manufacturers aim to adjust their prices to about this point. Actually, some large manufacturing corporations are now at a "break even point" of approximately one half of their capacity. Obviously, to that extent goods are not produced and men are separated from employment.

2. *Control Devices Used.* Price and volume controls are exercised in numerous ways, varying from industry to industry. The mechanism may be one of absolute monopoly or of mere gentlemen's agreement among competing firms. Amalgamation of competitors, holding companies, price leadership, patent pools, basing points, apportionment of market, open price publication, and tying clauses are only some among a wide variety of devices used.

Almost any of these instruments could be singled out for discussion, for example, the use of the patent on tetraethyl to fix the price of nearly all gasoline purchased. On the other hand, one mechanism—price leadership—because of its widespread use calls for special consideration. Its workings may be best illustrated by conditions existing in farm machinery manufacturing. Of this industry the Federal Trade Commission reported on July 6, 1938:

The concentration of production resulted in the establishment of a price level by the dominant manufacturers [International Harvester Company, 41 per cent of the farm-machinery sales of all reporting companies, and Deere and Company, 21 per cent], which all manufacturers had to observe in the sale of farm implements. The small companies could not sell their products for more than the established prices of similar products of the large companies, and they hesitated to sell for less than the established prices for fear of setting up a price war in the industry in which their larger and financially stronger rivals

would have all the advantages. As a result of this situation the small companies awaited the announcement of prices by the leading manufacturers before making their own at the beginning of the season and followed the price changes of the large companies during the selling season. The years of depression saw sharp reductions in employment and production throughout the industry, but only slight reductions in prices. (Investigation of Concentration of Economic Power, pursuant to Public Resolution No. 113, 75th Congress, Part 5a, p. 2388).

In addition to concentration of production, whereby from two to perhaps six enterprises whose dominance in an industry enables them practically to dictate its prices, there is also the important instrument of employers' associations. Briefly, employers are highly organized. The latest directory of employers' national and interstate trade associations issued by the U. S. Department of Commerce (*Selected Trade Associations of the United States: 1937 Edition*) lists the names and addresses of 2,400 such national organizations. The Introduction of this publication states that there were 50 such associations in 1875, 100 in 1900, more than 1,000 in 1920, and 2,500 in 1935. Besides the 2,400 now operating on a national basis, there are 6,000 state and local bodies, exclusive of chambers of commerce.

It is not to be understood that all these associations are engaged in price fixing and output restriction. Some of them are devoted almost entirely to product research and to simplification of varieties in shape, size, and quality of product. In actual practice, many of them would find it difficult to compel their members to adhere to any predetermined price or production policy, and obviously they could apply no compulsion at all on strong concerns which refused to join the association. But they *may*, through the statistical data on production and markets which they collect from their members, propose price policies which are actually carried out, and prepare information which may be of controlling value to the dominant corporations in the

industry in aiding these latter to fix their own prices, which, because the corporations fixing them are "leaders," smaller producers follow willingly or otherwise.

In regard to employers' associations a matter should be emphasized that is all but overlooked. It is that employers, in contrast with employees, are free, without any restrictions, to form organizations of their own choice. Without resorting to invidious comparison it should be stated that in organizing, employers are under no threat of court injunctions such as unions have been under in the past; that the Government has never found it necessary to protect the employers' right of free association by establishing any agency for employers comparable to the National Labor Relations Board for employees; and that they are subject to no limitations on the exercise of their power to select their directors, executive secretaries and other officials in the way that workers are required under the typical company union to limit their choice of spokesmen to their fellow employees on the company payroll.

In a word, employers and all their financial and distributing associates enjoy unquestioned and unrestricted freedom to organize in any way they see fit, and they have exercised this freedom to the fullest. On the other hand, employees, chiefly because of powerful employer and financial hostility, have not been free to organize, and even now are organized up to only about one-fifth of their number.

The almost complete organization of employers on the one hand and the relatively small degree of organization among workers on the other are stressed here in order to lay bare an underlying reason for the highly unbalanced power now existing between employers and workers, not only in the important market in which workers sell their labor to employers but also in the no less important market in which they buy finished commodities from employers and distributors. Because of the concentrated power on the one side, and the relative absence of power on the other, decisions regarding price levels are made by the former with-

out any effectual resistance from the latter. Clearly in decisions on wages the former hold the dominant power.

Even assuming the highest motives of justice and humanity on the part of employers, it is quite unlikely that under existing conditions they could as individuals do anything other than they are doing. As things are now, in the widespread absence of workers' organizations, the employers of about four fifths of all workers deprive themselves of the thinking and planning which intelligent union officials would be able to contribute not only to their own industries but to all of industry. Clearly such labor officials—and it would be intolerable arrogance to say that they are not to be found among workers—cannot make this necessary contribution until workers in general are permitted through the democratic process of organization to sift out their best spokesmen, and until employers are ready to meet them and deal with them after they are selected. In any event unemployment prevails and will doubtless continue to prevail until this root cause of the evil—absence of workers' organizations—is removed, and all parties, labor included, are permitted to participate in the making of national policies on wages and prices.

3. *Why Price and Output Controls.* The business controls just described are rooted in the business thinking of the past, if not in what is incorrectly called "The American Way." This philosophy is one of "producerism" with little or no attention to "consumerism." It holds that "private enterprise" is to be preserved inviolate, and that there must be no "interference" by government or by labor organizations with the enterpriser's freedom of action. It concentrates on getting goods produced at a maximum profit without consideration of the effects on employment.

American industry has followed this policy to its own interest, but in doing so almost totally disregarded an element which is no less essential than production to the self-preservation of the individual enterpriser. That element is consumption. Manifestly, reduced operations and unem-



ployment must follow when markets are insufficient to purchase goods produced.

Viewing the matter from another angle, the control devices under consideration give those who operate them a sense of self-security and protection against losses—not to mention the opportunity in some cases for huge profits and ruthless exercise of power—but the end result is the same. Consumption is reduced and unemployment follows. To the individual establishment the essential conflict is between profit efficiency in terms of maximum earnings, and social efficiency in terms of maximum employment and maximum volume of goods. Clearly, with no outside checks to counter-balance the private control powers now exerted by individual corporations, the public weal is subordinated to private profit. In a word, uncontrolled profit seeking does not lead to public well-being.

Nevertheless, the position of the individual employer in this matter is frequently trying and one to be genuinely sympathized with. He is caught in a difficult dilemma. The reader may be asked, "What would *you* do if you had to decide in the presence of a set of facts like the following?" Assume that the final decisions for the corporation rest with you, and that you can sell your product at \$20 per ton while operating at 40 per cent capacity, at \$5 per ton while operating at 90 per cent capacity, and at \$18 per ton at the "break even point" which is 55 per cent capacity. Where would *you* fix the price? Before replying, you may not forget that if you decide on the "break even point" rate of \$18 you are taking more conservative care of your stockholders than if you decide on \$5, at 90 per cent operation. On the other hand, contrary to your expectations, the market may go up, and you may lose some good customers, and perhaps your own job. But whatever price you decide upon—\$20 at 40 per cent, \$18 at the "break even point" of 55 per cent, or \$5 at 90 per cent—you are reducing the number of employees on your payroll, either 60 per cent, 45 per cent, or 10 per cent.

Thus the individual enterpriser in the price controlled

industries who would wish to decide in favor of maximum employment and maximum output, is prevented as an individual from doing so by forces operating upon him from which, practically speaking, he cannot escape. The average manufacturer is compelled to fix a price for his product that will (1) yield him a profit after he has met his variable costs plus his fixed costs for unused as well as used equipment, and that will (2) permit him to avoid laying up an inventory that he will have to sell at a loss in the event that general price levels fall in the future.

Obviously it is not easy for him to fix upon the price and the volume of output that will meet all these conditions. At times "overenthusiasm" about a business boom ahead or perhaps plain greed will prompt an employer to announce a price beyond what the market can stand. If he does this he may have to unload his inventory at a loss, and either lay off some of his employees, or even shut down entirely. But whatever decision he makes—provided his concern alone makes it—can have little or no effect in the way of reducing unemployment generally in other industries or occupations, or very frequently even in his own industry.

The reasons given here for price "stabilization" apply primarily to the control devices of "basing points" and "price leadership" in the durable goods industries, but with proper modifications, they are applicable to all the other contrivances employed to determine price and production in industry in general. Because of the rigidities and stresses which result, and especially the curtailment of purchasing power among the masses of the people, unemployment follows of necessity.

### III. UNIONS

Before discussing the part that unions should play in a program to correct the evils of unemployment and price fixing, it seems desirable to identify the goals that a right functioning economic order should set before itself. Slight reflection will make it clear that the whole economic mechanism can have only one justifiable purpose. It is to



produce an abundance of goods so that all the people can live decent, virtuous lives. This bars the false notion that the ultimate aim of production is profit, or more correctly, profits for those who can make them. Compensation in the form of profit has a place in a satisfactorily operating system, but it is a means rather than an end. The end is full and abundant production. Only a system based on this purpose, assuming that the principles of Christian living are adhered to, can hope for lasting permanence and stability.

Pope Pius XI, in *Forty Years After*, stresses this point when he declares:

For then only will the economic and social organism be soundly established and attain its end, when it secures for all and each those goods which the wealth and resources of nature, technical achievement, and the social organization of economic affairs can give. These goods should be sufficient to supply all needs and an honest livelihood, and to uplift men to that higher level of prosperity and culture which, provided it be used with prudence, is not only no hindrance but is of singular help to virtue (p. 25).

The Holy Father also makes it clear that this result can be attained only through an organized society. Employers would be united in their organizations, wage earners in theirs, white collar workers in theirs, professional persons in theirs, and agriculturists in theirs, all in each industry and in each profession working together, and all industries and all professions working together, through the internal motives of justice and Christian charity (and not through the external compulsions imposed by a totalitarian state) to advance the welfare of their own occupation and through it the welfare of all. Clearly, the structure and the sinews of the papal program is organization rather than individualism or what is ambiguously called "private enterprise."

## SOME QUESTIONS AND ANSWERS

This statement of objectives raises a series of questions which will be discussed in the order: Have workers a stake in employment and prices? What did workers do in the past? By what right did they form unions? Are all union officials "clean" and just? Can either unions, management, or government alone meet these problems? What should be done?

1. *Workers' Stake in Employment and Prices.* Have workers a stake in having unemployment and price fixing by employers abolished? The question answers itself emphatically in the affirmative insofar as about one fifth of all workers are concerned. They are the unemployed, cruelly denied the opportunity of earning a self-respecting livelihood and of securing their fair share of goods. The other approximately four fifths likewise have a stake because the inability of the unemployed to buy reduces the money wages of roughly these four fifths, and because "controlled" prices reduce their real wages. The entire population, too, has a stake in these matters. Unless it demands that the workers' stake be protected, or more correctly that the workers be permitted to use the democratic means of protecting their stake, a host of evils fly back at the public, only one of which is the crushing tax burden to care for the unemployed.

2. *What Workers Did in the Past.* In the past workers used the device of association to protect themselves. On farms they banded themselves in organizations, the earliest of which was the National Grange of Patrons of Husbandry founded in 1867. In cities and villages they formed unions. The first labor movement of a national character was the Knights of Labor, established in Philadelphia in 1869, which reached its peak of membership of 750,000 in 1886, to be succeeded by the American Federation of Labor. The Federation, with the exception of the Railroad Brotherhoods, occupied the field alone until 1935, when what was later to become the Congress of Industrial Organizations split off from it. Now the A F of L and the C I O each has a membership of about 4,000,000, a large percentage of

whom, however, because of unemployment, are not in good standing. In addition the Railroad Brotherhoods have approximately 300,000 members.

A significant feature about the labor movement in the past was that, for reasons that will presently appear, it limited itself to securing higher wages, shorter hours, and better working conditions. It did nothing, or more accurately, it was not permitted to do anything to help solve the problems of general or cyclical unemployment and to prevent price and output control. Exceptions, like the short-lived NRA, in which the unions, though without a voice as to price and production, participated in establishing minimum wages and maximum hours over a wide field in order to reduce unemployment, or the Bituminous Coal Act under which the United Mine Workers of America play a leading part and act regarding prices need not detain us here. They represent only minor deviations from the general trend. If it is alleged that unions have created employment by establishing the standard working day, by penalizing overtime work, and by demanding a division of available work during slack periods, it should be remembered that beneficial and laudable as these measures are in raising income and thereby increasing buying power and reducing unemployment, these measures when considered as hours restrictions alone, do not effectuate any important addition to the total sum of employment.

All in all one may say that unions—except to the extent that they more or less openly supported labor legislation—have restricted themselves to working for better wages, hours and conditions and have done little or nothing to abolish general unemployment and price and output control. The reasons are not far to seek. Taken as a whole, unions were and are too weak numerically to gain general recognition from employers and to muster up sufficient economic strength to support even what they regarded and regard as fair wages and hours. Moreover, there was the practical matter of doing first things first, which was to win better wage and hour standards.

In 1899 Samuel Gompers, President at the time of the A F of L, testified (Report of the Industrial Commission, 1901, Vol. VII, p. 643): "We view the trust from the standpoint that they are our employers, and the employer who is fair to us, whether an individual, or a collection of individuals, an aggregation of individuals in the form of a corporation or a trust, matters little to us so long as we obtain the fair conditions—that condition that we regard as fair compensation or reward for our labor." In effect, the Gompers' philosophy that the labor movement should concern itself primarily if not exclusively with getting "fair compensation" has dominated labor-union thinking down to the present time. True, the A F of L issued a comprehensive charter in 1923 entitled "Industry's Manifest Duty," which holds that labor must have a fuller participation in making decisions that shape human life than mere "commanding of better wages and better conditions of work, vital as those are and have been."

It concludes: "We commit ourselves to greater efforts in the organization of all workers, we urge upon all useful persons the imperative need of organization and finally, the coming together in working bodies of all organizations through representatives who shall speak for organic groupings." Nevertheless, organized labor has all but disregarded the call of the Manifesto since 1923.

3. *Origin of the Right to Organize.* Feeble in their strength and narrowed in their activities as unions have been, it is in place to ask by what right have workers combined in unions.

In Catholic social teaching the worker's right to organize derives not from conditions outside the worker but from those within him. It is rooted in the impulse which God has implanted in man to secure his inmost needs through association with his fellows. (Leo XIII, *On the Origin of Civil Power*, June 29, 1881). This impulse and these needs explain man's universal establishment of government, as they also explain his more or less successful efforts in industrial society to form unions. The source of



the one right is the source of the other. Accordingly, Leo XIII and Pius XI call the right to associate in unions, like that to form states, an inborn right (*jus nativum*), and the present Holy Father, Pius XII, in the Encyclical, *To the Church in the United States*, November 1, 1939, declares that "since man is naturally gregarious" (*cum homines natura sint congregabiles*), workers no less than employers, may not without injustice have their freedom to form associations either denied or restricted.<sup>3</sup>

4. *Not All Union Officials "Clean" and Just.* It is appropriate at this point to discuss whether or not all union officials have been "clean" and just. By "clean" is meant free from criminal or underworld influence and by "just" is meant having due regard for the public interest, and in particular for the legitimate rights of consumers and employers.

Unfortunately, not all union officials have measured up to these standards. Some few have fallen pitifully below them. Nevertheless, one should not overlook the important fact that while the number of labor racketeers is relatively small, that of honest and upright labor officials is overwhelmingly large. There are literally thousands of union officers in high positions and in low who have brought to their duties unusual gifts of mind and heart, and who have spent and are spending their lives in devoted service to their fellow workers.

Still, it is the fact that some labor racketeering exists. One thinks at once of the ex-convicts who until recently were national officers—one in the building service workers' union and one in the union in a branch of the movie industry. The recent convictions of extortion of certain local building-trades union officials in Cleveland also come to mind. The U. S. Department of Justice announced on November 20, 1939, that it was proceeding against five different kinds of "unreasonable restraints" in which labor unions were involved. While some of these restraints, *e. g.*,

<sup>3</sup> For a fuller exposition of this right and its relation to the facts and institutions of our economic and political structure, see the author's *The American Labor Movement*, Social Action Series, No. 6. The Paulist Press, N. Y.; and *The Why and Whither of Labor Unions*, The Sunday Visitor Press, Huntington, Ind.

requiring additional helpers on trucks, represent efforts by unions to secure employment for their members, and in that sense cannot be condemned as racketeering as such, other of these restraints, *e. g.*, imposing a tax on commission merchants in return for being "let alone" or "protected" in their business, clearly indicate the presence of criminal or gangster activities.

It is hardly necessary to add that in cities in which labor officials have been found to be leagued with corrupt political machines and even organized crime, such conditions do not necessarily grow out of the inherent nature of unionism. Assuredly these conditions indicate moral turpitude on the part of certain labor union officials, but they are at the same time a sad commentary on the enforcement zeal and even on the moral integrity of certain local district attorneys, police officers, and judges.

Another aspect of unions to be considered in this connection has to do with Communist leadership and Communist domination of labor organizations. The extent of Communist influence throughout the labor movement as a whole is probably very small. Certainly the proportion of Communists to the entire organized labor body is very small. Many national unions exclude Communists not only from office but also from membership. Other unions take the position that they cannot prevent Communists from joining the union so long as the employer keeps them in his employ, but are careful to bar them from office. A very small number of other unions have Communists in office "near the top," who manipulate the sentiment of the union to get a man of unquestioned character elected to the office of president as a "front."

But apart from the matter of extent of Communist numbers and influence, it is manifest—and clear sighted labor leaders recognize the fact—that labor unions cannot make common cause with Communists. The philosophy of the labor movement and that of Communism are at opposite poles. Labor unions seek, and bind themselves under, written trade agreements running for a year or longer, thereby



establishing a marked degree of permanency in industrial relations. Communists, on the other hand, oppose permanence and peaceful relations and almost invariably seek to undermine an agreement as soon as it is signed. The labor union, too, operates from within, making its own decisions, whereas the Communist must "follow the line," that is, take orders from without. Accordingly, no Communist-dominated union is internally free and autonomous. From the standpoint of self-preservation, no well regulated union—and this is true of the vast number—does or can tolerate Communist influence within its councils. It recognizes that a house divided against itself must fall, and that unified internal self-determination, free from outside orders, is essential even to its own existence. This fact was publicly recognized by the 1940 Convention of the C I O which by resolution condemned Communism, Fascism, and Nazism.

To advocate the abolition of unions, as some anti-unionists do, on the grounds that some few unions are criminally controlled, some few indulge in dishonest restraints, and some few are Communist "tainted," would be manifestly short sighted and absurd. The indicated remedy is rather that outlined by James Bronson Reynolds in *Labor and Capital*, in 1902, when he said: "If unions are sometimes narrow or arbitrary the remedy is not the abolishment of the union, any more than anarchy is the remedy for bad government. The remedy for bad government is good government, and the remedy for bad unions is good unions."

It must be obvious that most of the activities discussed in this pamphlet are not merely economic but are full of moral import. They are characterized by such expressions, among others, as "good," "bad," "just" and "unjust," and practically all of them have some moral implication, and as such are subject to the moral law. Indeed unless individuals hold themselves to the laws of private and public morality there can be little hope for any solution of existing social injustices, even if an ideal economic structure were to be established.

Pius XI says to the point in *Forty Years After* that "two

things are particularly necessary: the reform of the social order and the correction of morals"; that "social reconstruction must be preceded by a profound renewal of the Christian spirit"; and that "otherwise, all our endeavors will be futile, and our social edifice will be built, not upon rock, but upon shifting sand" (pp. 26 and 40).

5. *Unions, Management, or Government Alone Helpless.*

The next question, whether unions alone, management alone, or government alone, can work out and maintain a program that will both safeguard human freedom and abolish unemployment and business controlled prices, can be answered briefly. Unions alone are powerless. They include only about one fifth of all workers, and, as they do not represent the remainder, they could not exercise any control over them. Employers alone are likewise powerless. As individuals, regardless of what they might have wanted to do, employers could not have solved unemployment and price restrictions in their relation to unemployment. As members of organizations, even those employers who might have wanted to abolish unemployment and price restraints were helpless, mainly because they could not enforce compliance on fellow employers unwilling to comply. Government alone—that is democratic government—is also helpless. Our Federal Government took the lead in the N R A, and its purpose was to create employment by increasing wages and reducing hours, and by correcting imbalances among prices. But employers in return for their co-operation with the program demanded and secured notable relaxations of the Anti-Trust Acts. It is evident that none of the three groups is able alone, with due regard for personal freedom, to work out and execute a program of full production and full employment. It is equally true that no two of the three groups working together to the exclusion of the third, whether the combination be Employer-Union, Government-Employer, or Union-Government, can achieve these results.

6. *What to Do.* Naturally the question arises, why not try the three working together? In substance this is the

proposal of Pius XI in *Forty Years After*. He is very careful to have his program preserve human liberty, and while he would have the three bodies co-operate continuously, he would have each organized from within on a democratic basis, each freely choosing its accredited representatives entirely independent of any dictation from the other. Workers would select their spokesmen without interference of any kind from employers or the Government. Employers would, as they do now, select their spokesmen without interference of any kind from employees or Government. Government likewise, as now, would be free from interference of any kind. and public officials would be elected to office by the whole citizenry. Thus the program is free from any suggestion of totalitarianism, as has been falsely alleged.<sup>4</sup> When the three bodies meet, they meet as autonomous organizations, each through its own democratically selected delegates representing those who elect them.

It should be made very clear that in this tri-partite parliament the role of the Government is not that of dictator. Actual power over economic matters rests with the employer organizations and the worker organizations. The authority of Government is restricted, for example, to seeing that the organized employers and organized workers in one industry do not, through unwarranted rises in prices or wages, exploit those in other industries. "A reasonable relationship between different wages," says Pius XI, "here enters into consideration. Intimately connected with this is a reasonable relationship between the prices obtained for the products of the various economic groups, agrarian, industrial, etc." (p. 25).

If the papal plan were placed on a chart each occupation would be represented by a single block, each block including the freely chosen representatives of all persons producing a major product. For example, the block for the textile industry would include the spokesmen of the 8,200 textile employers and the spokesman of the 1,026,000 tex-

<sup>4</sup> See, for example, the *Atlantic*, December, 1935, pp. 659-668, and reply, the *Atlantic*, April, 1936, in the "Column."

tile employees, working out together, with Government sitting with them, prices and production schedules, together with wages, hours, and other problems in this industry. Another block would show the steel industry, another shipping, another construction, another agriculture, and so on, each functioning as in the case of textiles. The industry blocks would be connected with a block at the top of the chart which would include freely chosen representatives of the various industries below, and again with Government sitting with them. This national body would seek to maintain proper price and wage relationships among the various industries below, but in no sense would be a dictating authority. Whatever dictating there would be would be purely self-dictation.

The broad aims of this program can be summarized briefly: (1) It enables the system to secure full production. (2) It provides the machinery for joint action to establish maximum-employment wages and maximum-employment price-levels. (3) It establishes the necessary safeguards for human liberty against autocracy, and provides for the extension of genuine democracy into the economic field. (4) It permits each occupational group—which better than any person or persons outside the occupation knows its common problems of wages, hours, prices, and employment—to promote its own group interest up to but not beyond its legitimate rights, and through its group interest, the interest of all. (5) It makes possible the establishment of fair prices and fair profits. (6) It offers consumers protection of quality and quantity standards.

Since the foundation stone of the foregoing program insofar as workers are concerned is the right of free representation, certain responsibilities rest with both employers and the general public as well as with workers themselves. These responsibilities include: (1) Employers who are preventing workers from organizing should, as a duty of justice and of conscience, permit them to do so and should deal collectively with their freely chosen representatives. (2) Government should not relax its protection of the worker's



right to organize and bargain collectively, by weakening the National Labor Relations Act through enfeebling amendments. (3) Every person should inform himself of the true nature of unionism, and of its necessity in an industrialized democratic nation. (4) Those eligible to union membership should join the union of their choice and take an active part in its management. (5) Unions should rid themselves of criminal and dishonest officials, wherever such exist, and not only as unionists but as God fearing Americans should exclude Communist influence from their ranks.

The essential ideas of the occupationally organized society as here outlined, that is, (1) free conferences, (2) called by the Government, and (3) consisting of freely chosen representatives of employers, employees, and farmers, together with government representatives, can be put into operation now with no little likelihood that as time goes on these conferences will find the solution for unemployment and price controls. Certainly such conferences can be undertaken at once in those industries in which workers are well organized, namely, steel, clothing, coal, building construction, transportation, printing, textiles, autos, and rubber. Some of the N R A codes, the railroad industry, coal mining, and especially the Industry Committees of the Wage and Hour Division of the U. S. Department of Labor illustrate the benefits of employer-employee negotiations held under the auspices of Government.

It is in no sense suggested that these conferences should replace the emergency agencies now established to relieve human want and suffering, among them, the Federal Public Works Program, A A A, R F C loans, public relief, Federal Housing, and Federal prosecution of monopolistic restraints. Nothing should be done to curtail these activities as long as there is need for their continuation.

The full program of an occupationally organized society as outlined in these pages cannot be achieved in a month or a year. But this fact should not deter us from taking the first steps toward its earliest possible realization.

## SUGGESTED READINGS

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## N. C. W. C. STUDY CLUB OUTLINE

### I. JOBS (Pp. 3-6)

1. What is the "problem of jobs"? The "problem of prices"? What relation has the union to these problems?
2. Why is the role of the union emphasized?
3. How many persons in the U. S. are employed in farming? In non-farming occupations? How many unemployed and unable to get work?
4. Will National Defense activities eliminate unemployment?
5. Discuss the following statistics of unemployment: (a) Scale since 1929. (b) Number now unemployed or dependent on jobless. (c) Proportion of all wage earners. (d) Effect of the falling birth rate. (e) Age, sex, and color distribution. (f) Proportion formerly self-employed.
6. What relation is there between hours of work and ability of businesses to operate at less than capacity, and unemployment in depression? What industries have the greatest stability of employment? What form of support do the unemployed receive?



*Suggested Paper:* Review of pp. 17-22 of Pope Pius XII's Encyclical, "To the Church in the United States." N. C. W. C. Washington, 10c.

## II. CAUSES OF UNEMPLOYMENT (Pp. 6-10)

1. Is economic dictatorship similar to political dictatorship? What does Pius XI have to say of it?
2. Discuss figures given in "The Structure of American Economy" as to dictatorial control of American industry. Are the persons involved alone responsible for unemployment? Why?
3. How do powerful corporations control prices and output and for what alleged and real reasons?
4. Why do pegged prices and curtailed production cause unemployment?
5. How much of the national income is paid out in wages and salaries and how is this distributed among the workers? Why is their low income responsible for unemployment?
6. Why is there a disparity between the farmer's income and the prices he must pay for manufactured products? How does this imbalance affect employment?
7. Discuss the following causes of unemployment: Falling Birth Rate; Technological Changes; Labor Saving Machinery, "Speed Up"; Frictional Unemployment; Mergers and Lack of Investment Opportunity.

*Suggested Paper:* Review of "Economic Power in the U. S.," George Brown. Paulist Press, 5c.

## III. PRICES (Pp. 10-13)

1. Are too high prices or too low prices responsible for greater unemployment?
2. Discuss some elements which make the determination of the extent of price and production control by large corporations difficult.
3. For what range of commodities must the consumer pay an "administered" price?
4. How is the monopoly control of American business by a few hundred executives made possible?
5. How do labor unions sometimes contribute to monopoly restrictions?
6. Discuss: Effects of price control on employment. (a) Rigid prices in relation to falling prices of other commodities. (b) Tendency of large manufacturers to operate at the "break-even point" of production during depressions.

*Suggested Paper:* Review of pp. 15-25 in Pius XI's "Reconstructing the Social Order." N. C. W. C. Washington, 10c.

## IV. PRICE CONTROL (Pp. 13-18)

1. Enumerate the types of control of prices and volume which are used.
2. Discuss the working of price leadership through (a) concentration of production, and (b) employers' associations.

3. Contrast the freedom of employers to form associations with that of labor and the extent to which both are organized.
4. What relation has organization to the unbalanced power of employers and of labor in (a) the labor market, (b) the finished commodity market?
5. How would labor organization benefit business and employment?
6. Why could the philosophy of business controls be called one of "producerism?" And how does it lead to unemployment?
7. Discuss the difficulty of the individual business concern in price controlled industries in making decisions in favor of maximum employment and maximum output.

*Suggested Paper:* Review of "Prices in the U. S.," John F. Cronin, S.S., Paulist Press, 5c.

## V. UNIONS (Pp. 18-27)

1. What is the only justifiable purpose of economic life? What has Pope Pius XI to say of this?
2. What kind of organization is necessary for the attainment of this purpose?
3. Have workers a stake in employment and prices?
4. What did workers do in the past? How is the philosophy expressed in "Industry's Manifest Duty" at variance with the practice of the labor movement?
5. By what right did labor form unions?
6. (a) Are all union officials "clean" and just? (b) What is the extent of Communist influence in the labor movement and how are the purpose and methods of Communism opposed to those of labor?
7. Can either unions, management, or government alone meet the problems of employment and price? Why not?

*Suggested Paper:* Review of "The American Labor Movement," F. J. Haas (Paulist Press, N. Y., 5c) and "The Why and Whither of Labor Unions," F. J. Haas. (Our Sunday Visitor Press, Huntington, Ind., 5c).

## VI. WHAT TO DO (Pp. 27-30)

1. Discuss Pope Pius XI's plan of union, management and government working together to solve these problems.
2. Why is not the Government a dictator under this plan?
3. What are the aims of the occupational group program?
4. What responsibilities rest on the employers, the general public and the workers with regard to this program?
5. Can the essential idea of the occupationally organized society be put into effect now in some industries? Which ones?
6. Is the full program to be achieved at once?

*Suggested Paper:* Review of "Organized Social Justice." (Paulist Press, 5c), and "New Guilds," R. A. McGowan. (Paulist Press, 5c).

## Catholic Action for Social Justice \*

**H**OW shall we know well the right moral principles and spread them?

We shall all be unified in our religious program and our work under the Bishops (48).

We shall join a Catholic lay organization working with and under the Church (31).

We shall get it to start, or we shall join, a program of training (31).

We shall take part in study clubs and industrial conferences and the like (8).

We shall spread books, newspapers, magazines, and pamphlets (8).

We shall get the help of a priest trained in this matter (46).

We shall start work among youth (47).

We shall attend lay retreats (47).

We shall be apostles to our own associates—workers to workers, employers to employers, and so on (46).

We shall ground all our ideas in the Encyclicals of the Popes (48).

We shall take on the social charity of brotherhood in God and in Christ (44).

We shall lead good Catholic lives (44).

We shall know the crisis facing us which has, with the grace of God, put the destiny of mankind in our hands (47).

We shall have hope, because the Christian spirit of the people is strong, ignorance and environment can be overcome, and even the most abandoned have in them the sparks of "a natural Christian soul" (45); and because already much has been done to make known and apply the social teaching of the Church (7-13; 45-6).

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\* Numbers refer to page numbers of Pope Pius XI's Encyclical "Reconstructing the Social Order" (N. C. W. C. edition).

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