ECONOMIC RECESSION, WORK, AND SOLIDARITY

CHRISTINE FIRER HINZE

The note treats ethical issues surrounding the 2008 to 2010 financial crisis and its aftermath, focusing on resources pertinent to Catholic economic-ethical responses. Four key, contested subjects are highlighted: economy’s descriptive and normative “axis”; causes of the recent meltdown in financial markets and prescriptions for preventing future crises; work and employment effects of the Great Recession; and the urgent need to connect market economies to social, earth, and care economies in order to meet the demands of solidarity and sustainability.

ECONOMIC PAIN AMID SEVERE RECESSION is the organizing focus of this note; understanding and crafting adequate theoretical and practical responses to this pain is its interest. Theological ethics approaches such economic matters in light of a Christian interpretation of God, human nature, and destiny. This approach suffuses Pope Benedict XVI’s 2009 encyclical on integral human development. Released in the thick of global economic crisis, Caritas in veritate proclaims “love in truth” the “principle on which the Church’s social doctrine turns.”¹ “Love in truth” takes practical form in criteria for moral action—justice and the common good, solidarity, and subsidiarity. The yardstick for measuring economic systems and policies is their success in advancing holistic and sustainable human development and well-being.²

CHRISTINE FIRER HINZE received her Ph.D. from the University of Chicago and is professor of Christian ethics and director of the Francis and Ann Curran Center of American Catholic Studies at Fordham University. Her areas of special interest are Christian social ethics, Catholic social thought, and topics in economy, work, gender, and family. Her recent publications include: “The Drama of Social Sin and the [Im]Possibility of Solidarity: Reinhold Niebuhr and Catholic Social Thought,” Studies in Christian Ethics 22.4 (2009); and “Reconsidering Little Rock: Hannah Arendt, Martin Luther King, Jr., and Families’ Role in the Struggle for Justice,” Journal of the Society of Christian Ethics 29.1 (2009). In progress is a monograph entitled “Radical Sufficiency: The Legacy and Future of the Catholic Living Wage Agenda”; and a case-based study of solidary civic engagement among contemporary U.S. Catholics sponsored by the Democracy, Culture, and Catholicism International Research Project, Loyola University Chicago.

¹ Pope Benedict XVI, Caritas in veritate (June 29, 2009) no. 6.
² Ibid. nos. 6–7, 53–58.
Grappling with economy’s *veritas* demands just agents and systems; but, the pope insists, persons and institutions can only be just if vivified by *caritas*. Solidarity, the virtue that acknowledges the complex truth of social, economic, and material interconnectedness, strives to understand it, and then responds in generous service to the common good, captures the posture and practice to which Benedict’s treatise points. A successful market economy serves the integral flourishing of its participants inclusively.\(^3\)

To accomplish this, Benedict emphasizes that market logics must be rooted in, “salted,” and guided by greater-hearted logics of generosity, solidarity, and gift.\(^4\)

Amid pressing economic problems, *Caritas in veritate*’s talk of love, solidarity, and gift—indeed, Catholic social teaching (CST) in general—easily reads as idealistic side-conversation. To counter this impression requires a Catholic economic-ethical agenda prepared to grapple credibly and persuasively with both the economic and the ethical challenges that current economic circumstances present.\(^5\)

These circumstances are complex and daunting. With markets criss-crossing the planet, abetted by instantaneous communications and computerized connectivity, the 21st-century economy is coming to resemble the invisible planetary web that Teilhard de Chardin envisioned as the evolving “noosphere.” Yet economics, however globalized, technical, or arcane, is grounded in the realities of the material world and human bodies. Directly or remotely, every economic process touches the commerce between embodied persons’ needs and desires, and the material and social environments within which people extract, concoct, amass, exchange, and distribute the means to fulfill them.

Robust ethical analysis, therefore, must take into account the material-moral habitats of economic activity and attend carefully to the economy’s concrete effects on the daily lives of individuals, families, and communities. As Christian ethics works from its theocentric perspective, its subject matter demands, as well, interdisciplinary and experiential competence. In that spirit, I here sample literature whose foci range from globe to household, from credit derivative products to mundane physical labor. Among myriad urgent discussions, I target four topics of special importance: debates over economics’ descriptive and normative “axis”; ethical treatments of the global financial crisis; issues and disparities in the “real economy” of employment, work, and wages; and, very briefly, solidarity and sustainability.

---

\(^3\) Ibid. no. 37.  
\(^4\) Ibid. nos. 30, 36, 37.  
WHAT IS THE SUBJECT?
CONTESTING ECONOMY’S DESCRIPTIVE AND NORMATIVE “AXIS”

Weaving their way through debates about what has gone wrong in the Great Recession and how to fix it are fundamental, often-unexamined assumptions concerning “free market economy” or “currently-existing capitalism.” Those attempting to join these debates must either subscribe to, credibly challenge, or creatively subvert a set of convictions that shapes the ways economic matters are understood by theorists, policy makers, and the general public.6 This regnant “economic orthodoxy” comprises three interrelated tenets: (1) a complex factual claim, (2) a consequent norm, and (3) a utilitarian defense. (1) Factual claim: Markets (and successful market behaviors (a) are amoral, profit maximizing, and growth-driven mechanisms of great complexity, which (b) work best (maximize productivity, profit, and growth) when outside interference motivated by nonmarket goals is minimized. (2) Consequent norm: Therefore, the amoral, profit-maximizing dynamics of modern capitalist markets must be respected and protected for the sake of the great goods (material prosperity) that such markets make possible for great numbers of people. (3) Utilitarian defense: It is true that capitalist market dynamics can breed vice and cause harm, fomenting at times ruthless competition and rivalries for scarce goods and profits, fostering the treatment of people as means rather than ends, generating disparities in accumulation and power, and marginalizing or excluding those lacking salable goods or services/skills. Nonetheless, the great benefits generated by markets outstrip the debits, so the aforementioned norm stands.

This market orthodoxy informs the theory and practice of contemporary capitalist markets and oxygenates the moral atmosphere in which market actors live, move, and have their beings. Insofar as market orthodoxy naturalizes existing economic relations, conceals the ways business-as-usual disproportionately benefits sectional interests, or predetermines limits on imagining anything different, it also functions as ideology.

Economist Julie Nelson finds that even critics who challenge market orthodoxy’s other tenets rarely question its description of markets as dynamic but amoral efficiency mechanisms, fueled by self-interest toward maximal profits and continuing bottom-line growth. Orthodox “market cheerleaders” scorn “ethical critics” for pushing policies that threaten to starve or strangle the golden egg-laying goose. Ethical critics propose reforms intended to mitigate markets’ negative effects, but most critics stop short of contesting markets’ productive and distributive “rules.”

Nelson urges market supporters and critics to join forces to maximize both market goods (production of necessary and life-enhancing goods and services, job creation, opportunities for financial self-support, creativity, collaboration) and the goods (moral, esthetic, and spiritual values, care and concern for the vulnerable, ecological sustainability, social justice) advanced by ethics. To do so, however, both sides must first relinquish the view of “market-as-inviolable-mechanism” for a more practical view that treats markets as important and necessary—though not absolute or sufficient—tools for human provisioning, development, and well-being. Forging a more adequate relationship between economics and ethics requires “respecting the good things that each side values, while dropping the idea that these good things are automatically either provided or destroyed by economic life.”

Robert Lane argues that the framing of such basic questions constitutes the descriptive and moral “axis” around which a society’s major politico-economic debates then revolve. This axis “offers to whole societies a central theme” that gives “purpose and direction to their striving.” The axial theme also “creates major partisan camps whose shifting alignments produce the dominant patterns of political life.” Modern capitalism revolves around an “economistic axis,” grounded “on the correct assumption that economic welfare is the foundation of life,” and “the incorrect assumption that quality of life or happiness is (above a decent minimum) directly related to levels of income and wealth.” Lane appeals for an axial reorientation toward a more comprehensive, well-being and development (WBD) axis. This fresh axis “does not ignore economic issues but rather reformulates them,” focusing less on “local ‘utilities’ but on satisfaction with life-as-a-whole” and on human capital over physical capital. In a WBD economy, actors can derive happiness and “psychic income” from such things as productivity and meaningful work, and more readily prioritize and enjoy “non-transferable, non-zero-sum goods” that can be widely distributed.

Christian ethicist Rebecca Todd Peters also connects economic discourse to orienting visions of the good life. She identifies a “social development”
model of global economy that has arisen to correct problems generated by dominant neoliberal economics, especially its marginalization of caring labor, its general disregard for nonpecuniary well-being, and its tendency to increase economic inequality and insecurity to the detriment of peace and social order. The social development economy’s moral axis is “responsibility,” especially of the advantaged toward the disadvantaged; it frames human flourishing as “equity,” wherein social and economic opportunities are widely distributed and great disparities overcome. Flourishing is pursued by way of market-focused economic and social development.\textsuperscript{12}

While the social-development paradigm is an improvement on neoliberal economic models, Peters judges it insufficient, absent a radical orientation to solidarity with the poor and solidarity with the earth. She contends that a social-development (or WBD) axis requires both a more radical, earthist reorientation that makes care for the earth coconstitutive of human well-being, and a postcolonialist reorientation that makes democratizing power a central goal and guiding norm.

Catholic ethics, too, contests the descriptive and normative axes around which cluster the beliefs, values, and aspirations that animate current global economics. In line with heterodox economists, CST affirms economy’s traditional purpose, namely, to provide sustenance for community members. To this end, CST acknowledges the allocative benefits of market exchange and markets’ remarkable capacities for productivity and efficiency, but it criticizes neoclassical economics for ignoring or undermining crucial aspects of economy’s provisioning mission.

Daniel Finn, for instance, underscores the “moral ecology” that markets require in order to function well and for the common welfare. Self-interest-driven interactions in the market can produce great benefits. But “no one will have confidence that the interactions of self-interest in markets will be just if markets operate without a well-functioning civil society” and a legal system that embeds a set of moral and legal fences around the market’s activities and infuses the internal workings of the market with the necessary virtues.\textsuperscript{13}


\textsuperscript{13} Daniel K. Finn, \textit{The Moral Ecology of Markets: Assessing Claims about Markets and Justice} (New York: Cambridge University, 2006) 143. “An awareness of the interplay of markets and their contexts is critical for understanding under what conditions the outcomes of voluntary actions of individuals and businesses in the market will be considered just. . . . The exertion of self-interest in economic life can receive conditional moral approval and can lead to just outcomes, but only “if markets have been properly defined by law, if essential goods and services are provided, if the morality of individuals and groups is apparent, and if there exists a vibrant civil society” (ibid. 145).
Introducing a new collection on economics and CST, Finn judges most Catholic economic ethics since the 1960s as overly determined by either “free market” or “liberationist” commitments. Attempting to approach the economy from viewpoints as “free from ideology as possible,” the volume’s authors address, from various disciplinary perspectives, a single, “empirical proposition”: “The economic and cultural criteria identified in the tradition of Catholic social thought provide an effective path to sustainable prosperity for all.”

Their common project yields a substantive harvest. However, I fear that a “nonideological” framing may inadvertently marginalize the resources that radical and critical social theory have to contribute to Catholic economic ethics, particularly in the areas of ideology critique, power analysis, and conflict. Catholic ethics needs resources and methods for addressing these dimensions of economic life. Furthering a solidary common good requires keen and adaptable “ideological and power antennae”; to cultivate these antennae Catholics must learn from heirs of Karl Marx and Adam Smith.

Recent CST, as Finn notes, has more explicitly embraced the good things that market economy offers, while continuing to insist that economy’s orienting axis must be human welfare and the common good. But recent CST has also embraced key elements of liberationist theology, most importantly its foregrounding of solidarity and the preferential option for the poor. Effectively incorporating these latter developments may be the most pressing task facing Catholic economic ethics today.

**ETHICAL ANALYSES OF THE GLOBAL FINANCIAL CRISIS**

The global financial meltdown has unleashed a torrent of analyses, highlighting several prominent themes.

(1) *Economic orthodoxy has especially pernicious moral effects in the practice of international finance.* One reason for this is economic orthodoxy’s role in a new “turbo-capitalism” whose complexity, pace, and technicality, given “orthodox market” conditions, dismantles practitioners’ already limited capabilities for moral behavior. By 1997 finance

---


economist John Dobson was observing that, in the field of finance, neoclassical economics’ “first principle,” that “every agent is motivated solely by self interest,” had been sharpened, so that self-interest came to be defined in these terms: “individuals always prefer more wealth to less” and will “act with, if necessary, guile and deceit.” Finance economics had come to “characterize self-interest as the narrowly individualistic and opportunistic pursuit of material wealth, to the exclusion of all other motivations.”

Dobson names this belief set the finance paradigm. “The force of this paradigm is so strong and so entrenched that it continues to be maintained in the face of considerable evidence that it is self-contradictory,” most obviously because global financial transactions depend upon trustworthy contracts and reputation effects. The paradigm posits only “opportunistic agents” who should not be trusted; but without mutual trust and confidence in the validity of contracts, inefficiency results, and wealth maximization is undercut. Dobson concludes that neoclassical finance theory is unable to explain what really happens in financial systems.

Ghanaian banker David Sifah sees a similar inconsistency in the finance industry’s reliance on “principal-agent” relationships. The “behavioral assumption of modern financial-economic theory runs counter to the ideas of trustworthiness, loyalty, fidelity, stewardship and concern for others that underlie the traditional principal-agent relationship.” “A system that has rules requiring agents to look out for others while encouraging individuals to look out only for themselves, destroys the practice of looking out for others.”

Some authors go further to argue that the teaching and practice of finance actively incentivizes immoral, even pathological, market behavior. John Mixon postulates “a cause-and-effect connection between the ascendant theory of the purely economically driven person and the bad behavior that led to the recent failure of economic institutions.” Bluntly stated, the “economic person” as presented in neoclassical economics “is a sociopath.” Mixon worries about the corrosive impact of this anthropology, and the Hobbesian world it implies, on the values and behavior of business and law

17 John Dobson, Finance Ethics: The Rationality of Virtue (Lanham, Md.: Rowman & Littlefield, 1997); see also Helen Alford, review of Finance Ethics, Oikonomia: Journal of Ethics and Social Sciences 1.0 (January 1999), http://www.oikonomia.it/pages/genn/recensione.htm (this and all other URLs herein cited were accessed on December 2, 2010).
18 Dobson, Finance Ethics 1, 7.
19 Alford, review of Finance Ethics; see Dobson, Finance Ethics, chaps. 1–3.
school graduates. Business decision-making that begins with the premise, “people are equally endowed, rational, purely self-interested, unconnected individuals who compete for goods in the free market,” will proceed very differently than “if the beginning premise were, ‘People are moral beings who are members of, and who are largely defined by, mutually supportive communities.’” In the former case, “if there is money to be made by an otherwise legal scheme that destroys the entire banking system, what would a rational sociopath do?” For moral values to thrive in markets, Mixon concludes, “those who exercise economic and political power must care about the effects of their actions on the total community. Hobbesian creatures, homo economici, and sociopaths really don’t care.”

(2) Financial market agents and structures conspired in generating dangerous, maldistributed levels of systemic risk. Risk rose as technical complexities and connections compounded rapidly, beyond the capability of many managers to adequately comprehend or direct. Risk was further intensified because exponentially-increasing “network connectivities” lacked commensurate, “networked communities.” Paul David underscores a chronic instability in the dynamics of capitalist “information societies” that focus people’s creative energies and imagination almost exclusively on enabling new forms of “hyper-connected exchange networks,” but fail to cultivate “network communities that can effectively govern the complex socio-technical systems they have built.”

Ross Hammond employs a network science perspective to suggest three vulnerabilities in financial-market structures that may have contributed to the crisis: financial networks may have lacked “robustness” (making the whole system vulnerable to breakdown when a few major entities failed); patterns of linkage among institutions and individuals may have left the system vulnerable to “contagion”; and “lack of diversity in financial networks” (risk management strategies became homogenous as the system got more complex) may have impaired their “resilience” in the face of changed financial environments.


Along with systemic opacity and poor oversight, imprudence, greed, and disregard of fiduciary responsibilities to clients and firms contributed to over-risk. Etienne Perrot argues that the ethics of financial risk requires equitable “risk solidarity” among parties involved. Asymmetrical possession of information concerning risk and other factors contributes to an unethical “lack of risk solidarity, inasmuch as it guarantees secure profits for some and not for others who are facing the same economic situation.” Alluding to the problem of calculating risk in situations of genuine (incalculable) uncertainty, Perrot concludes that the use of a financial instrument “can be qualified as immoral when the user cannot answer for the consequences of his or her acts.”

Paul Dembinski situates the financial crisis in the context of “institutional chaos” and outdated structures of international oversight. “The Bretton Woods system [of international monetary institutions, established in 1944, when ‘international finance was almost nonexistent’] was geared to managing an order based on fixed rates of exchange between currencies that were a recognized means of payment.” Now, in global financial markets, “we are confronted by an amalgam of currency-finance that is highly mobile and that combines monetary liquidity with financial profitability. This amalgam is the result of the merging of the monetary and the financial.” A “new Bretton Woods” would need to retrieve its predecessor’s commitment to economic security and prosperity for all, and rethink the very meaning of development in today’s financial setting.

3. Needed reforms must target both financial markets’ structure and organization and the behavior of market agents. For Richard Nielsen, the 2007–2009 economic crisis showcased a new kind of capitalism, “high-leverage finance.” Nielsen considers four types of high-leverage finance capitalism and their “structurally-related ethics issues”: high-leverage hedge funds, private equity-leveraged buyouts, high-leverage, subprime mortgages, and, high-leverage banking; and attendant ethical issues concerning: harm to others, leverage proportionality and prudence, moral hazard, transparency, and social control and regulation.


26 Ibid. 12.
Nielsen pays special attention to private equity, leveraged buy-out (PE-LBO) firms, which differ from traditional private equity firms in three striking ways:

first, high debt leverage instead of high equity investment; second, relatively short investment/deal horizon (less than five, and often less than two, years) instead of long-term investment horizon; and third, how much the PE-LBO firm pays itself in cash dividends, with its highly leveraged debt rather than using the debt to invest in business/technology development.

A PE firm invests primarily with its own equity; the PE-LBO firm borrows most of its investment capital from banks and other financial institutions. In addition, after the PE-LBO firm acquires a company (using mostly borrowed money), it greatly increases the acquired company’s debt and often pays itself dividends from most of the newly borrowed money before reselling the acquired company, thus creating a sort of “double leverage.”

Nielsen’s assessment of these firms’ behavior in the run-up to the crisis is stinging: rather than “creating wealth and bettering ourselves and the world,” their actions led to “the massive destruction of wealth and allowing some to get very rich at the expense of others. . . . Financial markets have directly and indirectly done enormous harm to others.”

Nielsen cites Michael Jensen, who connects PE-LBO “value-destroying activities” to a dysfunctional ethos that stresses short-term, shareholder value-maximization instead of “long-term value.” These conditions heighten “moral hazard,” the temptation for financiers to do wrong. To address this, Jensen says, “we must give employees and managers a structure that will help them resist the temptation to maximize the short-term financial performance . . . [which] is a sure way to destroy value.” Nielsen perceives another source of moral hazard in a pattern of “increasingly dangerous, bailout-facilitated bubbles.” In crises since the 1970s, the U.S. Federal Reserve has repeatedly bailed out financial institutions, their investors, and top managers. Meanwhile, “ordinary people are, in effect, subsidizing the bailouts and transferring income and wealth to recapitalize financial institutions while average incomes are stagnating and declining in

---

28 Ibid. 303–4. This was sustainable “as long as things went well, profits increased, and inexpensive refinancing was available.” But when the economy faltered, many acquired companies went bankrupt. “Since banks made most of the loans to PE-LBO firms, this contributed greatly to the banks’ enormous bad loan losses. Banks have more subprime PE-LBO loans than subprime mortgage loans” (ibid. 304).

29 Ibid. 300, 312.

real terms although the incomes of the upper 2% are rising exponentially.””

“Are we,” Nielsen asks,

facilitating a political economy of ‘private profits and socialized risks’? If we cannot
avoid subsidizing, bailing out, and recapitalizing the financial institutions to some
extent at the expense of ordinary people, at a minimum, we need better and
stronger enforcement and regulations to protect against the recurring, exponentially
negative effects of large, subprime, and often over-leveraging, bubbles and bailouts.31

Nielsen discusses four areas for reform: leverage; compensation; transpar-
ency; and lobbying, cronyism, and campaign finance. He cautions that if the
latter problems are not effectively addressed, other reforms “may have so
many loopholes that they will be ineffective.” And if this new form of capital-
ism mutates again, with seriously destructive impacts, “then we may be trying
to regulate yesterday’s form of capitalism.” In that case regulatory reform
may need to be accompanied with movement toward “a European social
democratic capitalist model” where “there is a large social safety net of tax-
supported health care, pensions, and high unemployment benefits that can
cushion the destructive effects of future evolutionary forms of capitalism and/
or present forms that prove politically impossible to regulate effectively.”32

These authors’ critiques align with concerns of Catholic ethics; they
represent varied scholarly efforts to resituate economics within a more
complete-picture treatment of human beings, their behavior, and their
contexts. Their prescriptions emphasize stronger regulatory and oversight
structures; creating intrafirm practices and ethos that encourage and
reward business virtue (Dobson); and institutionalizing a finance profes-
sionalism that foregrounds trust, honesty, and fiduciary responsibility
essential to principal-agent, contract, and reputational integrity (Sifah).
Also consonant with Catholic ethics, some (Dorrien, Peters, Nielsen) inti-
mate that addressing the moral issues involved may require radical changes
in political and economic business-as-usual.

THE “REAL ECONOMY”: WORK, WAGES, AND EMPLOYMENT

Descending from the nebula of global finance, we see people working to
provide for themselves and their families. Work, workers, and work justice
are subjects close to the heart of the modern Catholic social tradition,
which envisions a successful economy as one that makes available to
workers and families a decent livelihood, through dignified work per-
formed under just material, social, and temporal conditions.

This standard throws into troubling relief four features of the post-1973
landscape: growing sectors of low-wage work in a polarizing job market,

31 Nielsen, “High-Leverage Finance” 315.
significant levels of unemployment and underemployment, vast numbers living in poverty, and increasing income and wealth disparities. While these economic woes touch every country, they disproportionately affect those with fewer resources and greater physical or social vulnerability. The current recession has exacerbated these factors, but they are arguably “normal” side-products of current market structure and practice. Faced with this evidence, Catholic ethics’ solidary commitments press questions about how to improve working families’ circumstances under present market arrangements, and about more radical changes that justice may demand.

**Unemployment/Underemployment**

Ascendant market orthodoxy envisages the healthy economy as a high productivity/low unemployment machine that churns out jobs, profits, and choices for all. This “U.S. model” also presumes, and norms, low unionization, lower minimum wages, less generous social benefits, and lower taxes.\(^{33}\) Even at its healthiest, this model assumes 5% unemployment (its official definition of “full employment”) and depends on nonmarket sectors to provide safety nets for the jobless. Prior to 2008, indeed since the early 1970s, bellwether symptoms of problems in this model, especially its impacts on nonelite workers, had been accumulating.\(^{34}\) Globally,\(^{35}\) aggregate (though unevenly shared) economic growth in the early 2000s ended in 2009 with the onset of recession. The International Labor Organization (ILO) reports that the crisis is exacerbating chronic wage-related problems, especially “the global imbalance in the pre-crisis distribution of profits and wages” and growing wage inequality.

Increasing profits prior to the crisis have contributed to high levels of liquidity on financial markets and low rates of interest, while stagnating real wages relative to productivity gains—together with growing wage inequality—have limited the ability of most households to increase consumption other than through debt.


\(^{34}\) In the early 2000s, wages stagnated and real median family income fell, while the gap between income and productivity growth increased. Mishel, et al., *State of Working America* 1–15. On deteriorating workforce conditions, see Barbara Hilkert Andolsen’s typically astute *The New Job Contract: Employment a Global Economy* (Cleveland: Pilgrim, 1998).

This combination provided incentives for unsustainable consumption patterns by over-indebted households, including through sub-prime lending of the kind that has fed the housing bubble in the U.S.\textsuperscript{36}

The global crisis highlights a further problem, the “failure of unrestricted markets to set appropriate executive pay. Malfunctioning pay systems and excessive bonuses have distorted the incentive structure in the financial sector, encouraging risk-taking and short-term profits rather than sustained company performance.” In both high finance and local communities, “unhealthy incentive structures” bred patterns that led to value-destruction for business, the economy, and especially to vulnerable households and around the world.\textsuperscript{37}

In the United States, these negative effects are evident in statistics on employment and wages released in September 2010\textsuperscript{38}: 7.6 million jobs lost since the start of the recession (including 2 million manufacturing and 1.9 million—one in four—construction jobs); 14.9 million unemployed (up from 7.7 million in December 2007), with 42\% of these unemployed for over six months, 21\% jobless for more than a year; an additional 11 million underemployed, marginally attached and involuntary part-time workers; an overall, but racially- and geographically-skewed\textsuperscript{39} unemployment rate of 9.6\% (whites 8.7\%, blacks 16.3\%, Hispanics 12\%, Native Americans 15.2\%).\textsuperscript{40} Growth in productivity between 2000 and 2007 was accompanied by a slight decrease in median compensation during that same period. By October 2010, unemployment was unchanged; job creation was increasing but at a pace that would put a return to “full employment” (5\% unemployment rate of December 2007) twenty years out.\textsuperscript{41} Not surprisingly, poverty rates are also rising.\textsuperscript{42}

\textsuperscript{36} ILO, “Global Wage Report 2009” 1.
\textsuperscript{37} Ibid. 2.
\textsuperscript{40} Between June 2007 and June 2010, the American Indian unemployment rate nationally increased 7.7 percentage points to 15.2\%, an increase 1.6 times that for whites. Algernon Austin, “Different Race, Different Recession: American Indian Unemployment in 2010,” Economic Policy Institute, Issue Brief #289, November 18, 2010, http://epi.3cdn.net/94a339472e6481485e_hgm6bxpz4.pdf.
\textsuperscript{42} Emily Monea and Isabel V. Sawhill, “An Update to ‘Simulating the Effect of the ‘Great Recession’ on Poverty,’” Brookings Center on Children and Families
Philip Swagel summarizes experts’ consensus: “The financial crisis of 2007 to 2010 has had a massive impact on the United States. Millions of American families suffered losses of jobs, incomes, and homes—and the effects of these losses will play out on society for generations to come.”43 But the pain will not be distributed equally. Those least able to buffer these losses—who struggle with fewer resources,44 lower incomes,45 and unemployment at “permanent recession”46 rates—continue to be hurt disproportionately.

New work in business ethics47 and social economics offers scaffolding for Catholic arguments on behalf of worker justice; recent analyses of unemployment in capitalist markets offer a case in point. Economist Persefoni Tsaliki argues that in currently existing capitalism, “unemployment is a systemic element of economic development which need not and “normally” does not give rise to full employment of labor regardless of the flexibility in labor markets.” Market dynamics continually produce “a stream of displaced workers,” and the drive for “labor flexibility” has

---


44 Significant differentials in assets and wealth between U.S. racial groups compound the vulnerability of blacks, Hispanics, and Native Americans during times of high unemployment. Algernon Austin stresses “the crucial link between poverty and lack of jobs” at decent wages, in “Three Lessons about Black Poverty,” Economic Policy Institute, September 18, 2009, http://www.epi.org/analysis_and_opinion/entry/the_lessons_of_black_poverty/.


accelerated “the polarization of income distribution and the poverty rate.” If, Tsaliki contends, “the normal functioning of capitalism is consistent with a [high or] rising unemployment rate,” robust policies are required to address unemployment and its adverse personal and social effects.48

Jon Wisman builds an economic and ethical case for such policies, specifically, government’s obligation to serve as employer of last resort (ELR).49 Despite demonstrably high costs of unemployment to its victims and to society, current economic orthodoxy assumes and tolerates “a short-run trade-off between unemployment and inflation.”50 A cruel utilitarian calculus dictates that “the well-being of some portion of the population—predominantly the least privileged—must be sacrificed for the good of the whole.” For Wisman, this amounts to an immoral and socially irrational “tyranny of the overwhelming majority,” where “the job of fighting inflation . . . is horribly disproportionately shared and is mostly put on the backs of those who have no market power to cause wage inflation in the first place.”51

Twenty-first-century markets require a new model, responsive to “the ever-quickened pace of capitalism that not only increases ‘churn’ or the frequency with which workers lose their jobs, but also renders old skills obsolete or inadequate.” Wisman outlines a plan to socially guarantee employment: government as ELR would provide work, minimal economic security, and opportunities for “life-long education and retraining.”52 In the United States, creating jobs in the midst of a major recession seems especially urgent, and jobs directed toward repairing aging infrastructure or advancing ecological sustainability hold obvious appeal.53 Is the difficulty government leadership has encountered in getting traction for widespread job-creation plans testimony to the power of reigning economic orthodoxy?

Income Inequality via Labor Market Dualism and Segmentation

While rejecting communistic egalitarianism as a universal social ideal, modern CST has consistently deemed large disparities in income or wealth


50 Ibid. 39.

51 Ibid. 39–40.

52 Ibid, 49–57, 60.

detrimental to social cohesion and the common good.\textsuperscript{54} Trends in U.S. labor markets over the past two decades confirm a movement toward “market dualism” wherein jobs increasingly cluster at very high or very low ends of the wage scale,\textsuperscript{55} compounded by the persistence of historical and newer forms of labor market segmentation,\textsuperscript{56} whereby certain groups (e.g., nonwhites, women, new immigrants) are relegated disproportionately to lower-paying and lower-status job categories. Both in the United States and globally, wealth and income inequalities have increased steeply over this same period.\textsuperscript{57}

\textbf{Minimum and Living Wages}

Since the 19th century, CST and “social Catholics” have been vocal advocates for workers’ rights to a decent livelihood by way of a “living wage.” In the United States, the work and activism of Msgr. John A. Ryan and strong Catholic presence in the union movement ensured this Catholic

\textsuperscript{54} E.g., Benedict XVI, \textit{Caritas in veritate} no. 32; and Paul VI, \textit{Populorum progressio} no. 33.


\textsuperscript{56} Lesley Williams Reid and Beth A. Rubin, “Integrating Economic Dualism and Labor Market Segmentation: The Effects of Race, Gender, and Structural Location on Earnings, 1974–2000, \textit{Sociological Quarterly} 44 (2003) 405–32. Between 1974 and 2000, while “white men have experienced the greatest declines in employment and earnings, they have maintained their absolute advantage over women and nonwhites,” and despite real gains, “women and racial minorities remain overrepresented in low-paying jobs,” with women (but not nonwhite men) receiving “consistently fewer rewards for their labor in both low-paying and high-paying jobs” (ibid. 405). Kenneth Hudson, “The New Labor Market Segmentation: Labor Market Dualism in the New Economy,” \textit{Social Science Research} 36 (2007) 286–312, presents evidence that supports the “new labor market segmentation thesis: “As the practice of allocating workers to inferior jobs on the basis of race and sex has declined, employers have turned to nonstandard work arrangements and immigrants to supply labor for low-wage jobs” (ibid. 286).

principle a public face. Dormant in the 1970s and 1980s, public discourse about “living wages” reemerged in campaigns to ensure more-than-minimum hourly pay for city-contracted workers, first in Baltimore and eventually in scores of cities across the nation.58

Examining how “framing” helps present-day living-wage ordinance campaigns fuel movements for political change, Christian ethicist Melissa Snarr argues that appeals to “social equity liberalism” enable living-wage activists “to challenge current market inequities without denying the deep cultural affinity most Americans have for neoclassical economics.”59 Social equity liberalism accepts capitalist markets as the mechanism to promote prosperity and wealth but maintains that “government must also occasionally stimulate the economy to ensure its health and help those at the lower rungs of society.” In a sluggish economy, this view contends, increasing wages for lower and middle classes both helps working families and helps to jump-start the economy.

Using economic arguments drawn from “Keynesian cultural residue,” living wage spokespersons evoke support precisely by not calling economic orthodoxy into direct question. Living-wage movements gain adherents “in part because their proposals still embrace the larger neoclassical claim that economic growth enables individual freedom and flourishing.” While rejecting neoliberalism’s “absolutist individual freedom,” the living wage agenda “relies heavily on the assumptions and positive evaluation of the relatively independent capitalist market of neoclassical economic theory and its goal of independent economic freedom. It is still a job that should lift you out of poverty (not keep you in it) and it is still economic independence (from government) that is the telos of a living wage.”60

Snarr’s analysis is suggestive for Catholics pondering the disconnect between their Church’s rich social justice rhetoric, and Catholic citizens’ spotty engagement in justice movements. U.S. Catholics may benefit from reflecting on how “the delicate work of framing public religious ethics” can work to stimulate (or dampen) action in support of change.61 Snarr concludes with appreciation: “Drawing both on moral and economic frames,

60 Ibid. 81.
the living wage movement enables citizens to have a voice in the economy beyond consumerism. Enhancing citizens’ sense of their economic moral agency lays the foundation for further analyses and action for worker justice and flourishing.”

The contemporary living wage movement has its limitations. Living wage ordinances only cover small numbers of municipal workers; arguably, throwing political support behind increased federal or state minimum wages would yield greater benefits for low-income families. Economist Heidi Schierholz, for instance, advocates a federally mandated, long-term fix of the minimum wage that would index it annually at 50% of the average annual wage for nonsupervisory workers. Economic orthodoxy holds that mandating higher wages inevitably causes higher unemployment; this claim has been disproven by careful studies in the wake of previous hikes in minimum wages, but the conviction is popular and tenacious.

SOLIDARITY, SUSTAINABILITY

The recent financial crisis and subsequent recession have evoked, as never before, a public language and imagery of interdependence. Global technological connectivity via communications and computers has facilitated the web of monetary and institutional interdependencies that is the financial market, multiplying the impacts of recent economic events. The fact that economic transactions occurring across the world and “over the heads” of ordinary people could so literally “hit home” has been, for those millions affected, viscerally educative.

From a Catholic ethical perspective, global crisis and hardship underscores the “explosion of worldwide interdependence” or “de facto solidarities” within which the human community is enmeshed. Acknowledging these connections invites a further step to solidarity, the human, and Christian habitus of loving dedication to advancing the good of each and all.

64 See, e.g., David Neumark, “Living Wages: Protection For or Protection From Low-Wage Workers?” Industrial and Labor Relations Review 58 (2004) 27–51; and responses to Neumark in Pollin et al., Measure of Fairness, part 5.
65 Caritas in veritate no. 33; see John Paul II, Sollitudo rei socialis nos. 38–40.
To enact economic solidarity means to move beyond what philosopher Sally Scholz calls general “human solidarity,” or cheap, sentimental “parasitic solidarity,” to engaging in deliberate “political solidarities” by taking stands and risking suffering on behalf of justice for the vulnerable.66 Pursuing economic solidarity also demands that two vast sectors (which I can only mention here), historically excluded from the purview of mainstream economics, be incorporated into ethical deliberation: the “care economy” and the “earth economy.” Together, these sectors comprise crucial conditions of sustainability upon which market economies, and indeed, human material survival and flourishing, depend.

Care and earth economies are receiving specific attention in the nascent fields of feminist and ecological economics. Feminist economics understands economy as the multivalent process of material and social provisioning in which market exchange plays only one part. Debra Figart observes: “Social provisioning as a lens for viewing economic activity changes the subject of economics by asking different questions than does mainstream economics. It also suggests different answers to questions that mainstream economics already addresses.”67 Feminist economists further hold that ethical judgments are endemic to economic analysis; that nonmarket provisioning processes, including caring labor and domestic labor, are central, not peripheral, to understanding economic life; and that adequate economic analysis attends to diverse and power-asymmetrical particularities among individuals and groups, rather than proceeding according to abstract models or laws.68

Feminist economics seeks to accurately and justly relate care and market economies; ecological economics works to connect market and natural economies by reframing market theory and practice in light of the finitude, noncommodifiability, or nonsubstitutability (by capital or technology) of land, biota, biosphere, and natural resources.69 For ecological economists, facing limits to growth relative to economy’s “containing, sustaining

66 Sally J. Scholz, Political Solidarity (University Park: Pennsylvania State University) insightfully parses solidarity’s diverse forms and includes CST in its purview.
ecosystem” entails asking moral questions concerning the fair distribution of natural and economic wealth. Brian Czech writes:

If the tide of the global economy can rise only so far, then only a limited fleet may be accommodated. In ecological economics, economic justice is not about trying to defy the laws of physics by raising the tide past the realm of possibility, but rather ensuring that tiny, law-abiding boats are not capsized in the wakes of hulking luxury liners.

Here Catholic commitments to solidarity with the poor and a decent livelihood for all complement the commitments of ecological economists. Adumbrating a major challenge Catholic economic ethics must also face, Czech concludes with this (under)statement: “Ecological economics faces numerous challenges stemming primarily from the political difficulties entailed by a critical analysis of economic growth as a policy goal.”

His colleague, Peter Soderbaum, concurs:

Neoclassical economics plays an important role in the mental maps of many influential actors such as politicians, business leaders and university professors. And neoclassical economics in the form of neoclassical environmental economics has a role also in relation to present challenges of Sustainable Development. But neoclassical economics is not enough.

---

71 Ibid. 21.