An Alternative Future for U.S. Economic Public Policy: Catholic Social Teaching, Applied Economics, and a New Approach to the Modern Labor Question

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Abstract

This paper establishes a connection between the foundational social principle of human dignity and an economic focus on mobility, supplemented by redistribution. Anchored by these positions, we explore modern extensions of the labor question, specifically paid family leave, increased minimum wages, and comprehensive immigration reform, from the overlapping perspectives of Catholic Social Doctrine and leading economic research.

1 Strange Bedfellows

Urban civil society continues to grapple with the first great social question – the labor question. Many of our most complex and divisive economic issues are merely extensions of the labor question, which in general focuses on how to improve the employment situation of the working class. Paid family leave, adjustments to the federal minimum wage, and immigration reform, for example – three problems discussed in this paper through the lens of economics – are all modern incarnations of the original labor question. The Industrial Revolution and the escalating conflict between capital and labor summoned innumerable attempts across disciplines at answering the original labor question, either wholly or partially, and many of these efforts have left lasting legacies. Economists of the early 20$^{\text{th}}$ century responded to the new world order by replacing workers with consumers as the centers of their values-free analytical models. [1] Political theorists, for their part, offered what appeared to be promising solutions under the rubrics of socialism and communism. Religious institutions even took steps to enter the political realm in order to offer guidance on the "new things" wrought by the Industrial Revolution. Mainline Protestants endorsed *The Social Creed of the Churches* in the early years of the 20$^{\text{th}}$ century, enumerating the tenets of acceptable working conditions for all Americans. Meanwhile, the Roman Catholic Church produced the first fruits of what would become its "social doctrine," beginning with Pope Leo XIII's Encyclical Letter *Rerum Novarum* in 1891. [2] This social doctrine independently provides unique and compelling answers to many facets of the labor question. However, an unlikely alliance with mainstream economists makes the Church's positions stronger still.

In this paper, we discuss the four principles of Catholic Social Doctrine (CSD), also referred to as Catholic Social Teaching, and their applications to modern economic problems. [3] The cases that follow are all ardently debated policy proposals in political circles, despite the considerable support these specific policies receive from academic economists. Though economic research is non-normative by design, the aggregate findings in these cases nevertheless offer clear policy prescriptions for improving the status quo, and the economic results reinforce the four radical social claims made by the Church. To summarize, the Roman Catholic Church through its social doctrine and prominent economists through their data-driven, peer-reviewed research, can collectively and convincingly provide paths forward on heretofore-intractable economic problems related to the labor question. As the importance of facts in political debate continues to wane, now, more than ever, strange bedfellows must counter the tide of populism and empty (or deliberately misleading) political rhetoric. [4] The alternative, all too often, is avoidable human suffering.

2 A True Partnership?

The Church and the economic intelligentsia could be more than parallel magisteria whose messages sometimes happen to coincide. They could be actual partners, both because of political expedience and because a true synthesis of their respective spheres seems possible. In his Encyclical Letter *Centesimus Annus*, Pope John Paul II claims, "The theological dimension is needed both for interpreting and for solving present day problems in human society." Let's assume, for the sake of argument, this is true. Man, through his free will and at the limits of his reason, is therefore compelled to seek truth beyond what can be logically or empirically known. In his search for the divine – inspired by beauty, justice, suffering, transcendence, self-awareness, or any combination of motivations – man necessarily goes beyond himself. Isn't that precisely what every important policy problem facing modern society requires-: going beyond oneself? Unmitigated self-interest, on the other hand, has produced unjust, underfunded, unsustainable, and unfruitful economic systems and policies.

It is curious that economists generally oppose moral constraints in economic models, implicitly denying the need for a theological dimension (for which moral constraints can serve as proxies) and requiring an agnostic approach to their work (for reasons that are unclear). [5] For without cracking a smile, most turn around and assume a constraint in their models whose existence is effectively mythical – the invisible hand. It is routine to find economic models assuming that markets always tend towards steady-state equilibriums – that supply ultimately will equal demand – because according to theory, the invisible hand optimally orders the allocation of all resources in a free market when individuals work for their own interests, as these decisions ostensibly redound to the common good. But for over a century, theoretical economists have failed to prove that such a force has any basis in reality. Even Adam Smith in his masterwork, in which he coined the term "invisible hand" in an appendix, notes numerous cases where what he calls "natural liberty" (and what others would call unmitigated self-interest) fails. [6] So let's continue playing devil's advocate. If it is likely that a market, in this case the U.S. labor market, will not reach wage or employment equilibrium on its own, and if, after several generations of struggling with the labor question, we remain vulnerable to failed public policies in part because economists will not change the constraints in their most influential models, is it not at least worth considering the possibility that a moral dimension to economic analysis, and ultimately to policymaking, may be what's missing?

But before our earnest attempt at synthesizing CSD and economics commences, let us consider the difficulties related to this exercise. The following section contextualizes the challenge ahead.

3 Avoiding Pitfalls

3.1 Under-valuing or over-valuing labor

Economists were quick to dump laborers for consumers as their main subjects when technology altered the economic landscape at the end of the 19th century. That change in focus was a change in value. Today, it is difficult to argue that man-as-consumer has not been "reduced to one of his needs alone", as Pope Francis writes in the Apostolic Exhortation *Evangelii Gaudi-*

um. In response to the narrow economic (and social and political) emphasis on consumption, this paper re-centers the focus on laborers themselves. The insights from CSD contained herein are laborer-centric, and the issues highlighted are ones where economic research has much to say about labor. A critical assumption that undergirds this discussion of economics and Catholic doctrine is a belief in the goodness of work itself – that labor has both economic and moral worth, much more so than consumption, which by its nature cannot bring fulfillment.

Examining the narrative in the Book of Genesis, there is no question that labor was an integral, valuable part of the human condition before the fall. God commands Adam to cultivate the land and exercise dominion over all creatures (Gen 2:15-20). Therefore, work is neither a punishment nor a curse, but good. It becomes toil and rife with pain after Adam and Eve sin, but this was never the original design. Further proof of the good, essential, and sanctifying nature of labor is found in the person of Jesus Christ, who takes it upon himself to live a life of obedient manual labor before his relatively brief public ministry (Lk 2:51). In his parables, he condemns the useless servant who hides his talent in the ground (Mt 25:14-30); he praises the prudent servant who is found hard at work upon the master's unannounced arrival (Mt 24:46); and he describes his own mission on earth as one of labor (Jn 5:17). However, Jesus also emphasizes that it is only in God that we find our origin and final goal. If work becomes the sole focus of our lives, we have elevated it to too high a position. A balance must be struck and work must find its proper place, which is admittedly difficult in a world where the lines between work and leisure have all but disappeared for many workers for reasons they cannot fully control.

3.2 Oversimplifying policy issues and remedies

Modern social, political, and economic issues must be considered as a whole. They are inextricably intertwined and overlapping. Even when policymakers, regulators, and courts seek to address inefficiencies, failing practices, and injustices on an issue-by-issue basis, the repercussions of their decisions on other areas of human life need to be evaluated. When discussing subjects like paid family leave, increasing minimum wages, and reforming the U.S. immigration system, there is no doubt that policy proposals would have effects beyond new parents, fry cooks, and immigrants. But in these and some other cases, recent economic research suggests that the expected benefits outweigh expected costs by a significant and actionable margin.

3.3 Failing to account for (and to over come) institutional biases

Moral constraints in economic models must be anchored to respected sources of knowledge and, even more conservatively, to specific, cross-discipline consensus points. Consider, for instance, the two sources of knowledge highlighted here. Regardless of how one feels about the Catholic Church, it is the world's most enduring institution with its nearly 2,000-year history and its one billion-plus living members. In the U.S., Catholics comprise the second-largest religious group after Evangelical Protestants, despite declining numbers in recent years. Around the world, the Church continues to serve as a mediator among sovereign states and non-state actors in times of crisis and conflict, while offering more human and financial aid to the poor than any other single institution. And without question, much of the arts and sciences, and indeed Western culture generally, finds its roots within the Church. Likewise, the work of economists engenders different responses, ranging from unquestioned acceptance to severe skepticism, especially in the decade after the Great Recession, which took so many economists by surprise. But for each catastrophically flawed or deliberately misleading research paper exposed by a graduate student, there are countless publications that have improved the way citizens, businesses, and governments live and operate in an increasingly complex, global economy. Moreover, economic research already does drive public policy. (Sometimes.)

With these two robust repositories of knowledge as guides, let us turn now to some of the great principles, issues, and potential solutions capturing the attention of modern society, beginning with the greatest principle of CSD.

4 The Dignity of the Human Person

The foundation of the Church's entire social doctrine is the principle that the human person has an inviolable dignity, based on our creation in the image and likeness of God. As the Apostle Paul writes, "There is neither Jew nor Greek; there is neither slave nor free; there is neither male nor female; for you are all one in Christ Jesus" (Gal 3:28). This human dignity is expressed in the natural law, which is "nothing other than the light of intellect infused within us by God." [7] The natural law is universal, extending to all people insofar as it is established by reason; it is inescapable, meaning that certain moral truths (e.g., goodness, fairness) have existed always and everywhere in every culture, at least in the conscience if not in practice; and, according to the Catechism, it forms the basis of a person's fundamental duties. The society then must be oriented towards "the progress of the human person," as stated in *Gaudium et Spes*, the Pastoral Constitution of the Second Vatican Council.

Of course, other institutions separate from the Catholic Church have enshrined similar statements in official language. This is where we wade into the waters of human rights. Perhaps the most influential secular espousal of human dignity came in the form of the United Nations' *Universal Declaration of Human Rights*, published in 1948 and praised decades later by Pope John Paul II during the UN's 34^{th} General Assembly as "a true milestone on the path of humanity's moral progress." This brief document is worth reading, but formal recognition of human dignity in the form of enumerated rights has not and will not always lead to the honoring of such rights.

Human dignity is expressed in many ways, and one of the most important ways is through labor. At its core, *Rerum Novarum* is a soaring defense of both the right to work and the inalienable dignity of workers. Since its publication, the Church has never ceased defending workers. As CSD espouses, "Work must not be understood only in the objective and material sense, but one must keep in mind its subjective dimension, insofar as it is always an expression of the person. Besides being a decisive paradigm for social life, work has all the dignity of being a context in which the person's natural and supernatural vocation must find fulfillment." [8] And as Pope John Paul II writes, work is the "essential key" to the whole social question. It is the condition not only for economic development but also for the cultural and moral development of individuals, families, societies, and indeed the entire human race. [9] Work, like the Sabbath day, was created for man's benefit; man was not created for work.

In an objective sense, the way humans experience and engage in labor changes often over time, but in a subjective sense, work should lead to stability for everyone regardless of era or occupation. What people produce and what activities they undertake matter much less than their supernatural dignity as human beings created in God's image. In practice, the opposite often seems to be true. Consider the significant wage inequality in the United States. Its defenders typically cite the unimpeachable tyrant of going market rates, but we have good reason to suspect that the labor market is inefficient. It is bad at valuing the laborers themselves. Jesus says, "The laborer deserves his wages" (Luke 10:7). But the prevalence of jobs paying unjust wages is far too great (see section on minimum wages below).

All of this assumes that someone has work to do, but plenty of individuals do not. *Gaudium et Spes* asserts that work is a fundamental right: it is necessary for forming families, owning private property, and contributing to the common good. Given all of the moral implications of work, employment itself becomes a subject of morality, and the lack of employment constitutes a "real social disaster," especially when it plagues younger people. [10] The painful and costly reality of the young and unemployed in countries like Spain, Greece, and Italy are making this point for the U.S. right now. Countries with poor employment prospects run the serious risk of marginalizing their citizens and crushing their dignity. As the Church notes, this is a grave concern for "not only young people, but also women, less specialized workers, persons with disabilities, immigrants, ex-convicts, the illiterate, and all those who face greater difficulties in the attempt to find their place in the world of employment." [11] Now included in that latter catchall category is the rising army of non-standard contract workers, notably those who labor on behalf of the new "sharing economy."

If the dignity of the human person is the foundation of the Church's social teaching, then economic mobility must be the default, overarching focus of economic policy. Here's why.

5 The Balancing Act of Economic Mobility and Equality

Though not in any official way, the economic well being of a country is measurable not only by Gross Domestic Product but also by the manner in which a country produces goods and services, by the level of equity in its wealth distribution, and by the prevalence of counteractive policies for the redistribution of income based on both merit and means when mobility stagnates. [12] The composition of the U.S. employment landscape has changed markedly in recent decades, both by industry and type of employment. The Church notes, "The gradual obsolescence of organizational models based on salaried workers in big business makes it fitting to update the norms and systems of social security that have traditionally protected workers and guaranteed their fundamental rights." [13] What will this updating process look like? Many believe the primary economic fault line is income inequality and therefore focus their advocacy on improved equity in outcomes, while others argue for greater economic mobility that seeks to provide equal opportunities. The right answer is probably a combination of these two approaches, skewed towards a mobility focus.

Higher inequality is correlated with lower mobility; neither concept exists in a vacuum. In theory, CSD supports a dignity-affirming perspective closer to that of economic mobility, supplemented by redistributive economic policies only when necessary. In practice, mobility-focused legislation in the U.S. often materializes as significant cuts to critical social safety nets in order to shrink the scope of government, but because such proposals rarely offer sufficient counter-solutions to prevailing social problems, they are mobility-focused in name only.

In his famous homily "What Rich Man Will Be Saved?" Clement of Alexandria asks, "How could we ever do good to our neighbor if none of us possessed anything?" The clear implication is not that wealth is bad, but that it is useful. Having wealth is an opportunity for divine merit that can be seized by sharing that wealth with others. On wealth, man is called to acknowledge a lasting truth voiced by such disparate historical figures as Pope Gregory the Great and Facebook co-founders Mark Zuckerberg and Dustin Moskovitz: a rich man is only an administrator or steward of what he possesses. The true owners of wealth are those whose basic needs go unmet and demand satisfaction. But while the Facebook founders may disagree, the only reliable way of meeting these needs is through intentional economic policies focused on mobility supplemented by precisely targeted redistribution through the tax system. [14] But what exactly does mobility mean?

Economic mobility is the ability of a person or family to improve his economic status in life and, by extension, his social status. Unlike a policy focus on combatting income inequality or wealth inequality, both of which involve the use of redistributive economic policies as the primary levers for correcting social problems, a focus on mobility affirms the positive emphasis on the dignity of all persons in an economy by enabling them to make truly free economic decisions unhindered by unjust constraints. A true, uncompromised focus on mobility seeks first to elevate everyone, especially those in poverty, and not merely to bridge the income divide.

There are, strictly speaking, more policy options available when the goal is to foster mobility through wealth creation. There are situations where redistribution is the best policy, but redistribution is far too limiting by itself in the face of complex, globally linked economic problems. Moreover, the principle of equal opportunity for economic success based on work ethic, regardless of the circumstances of one's birth, is enshrined in the founding documents of the United States, further elevating the idea of mobility. This is all entirely aspirational, of course, and not the reality of life for the largely immobile U.S. citizenry.

Economists measure mobility in terms of income by quintile and they distinguish between two different types of mobility: absolute and relative. Absolute mobility measures a person's income compared to his parent's income at the same stages of life in order to determine how families improve over generations. It is therefore an indicator of national economic growth. Relative mobility ranks people on a range of national incomes and compares their places on the range with where they started. This second type of mobility says nothing about national economic growth directly; it simply determines how the quintile of one's birth affects the quintile in which he ends up. For example, individuals or families that earn more than their parents but remain within the quintile of their birth are said to be absolutely mobile and relatively immobile.

Economic research tends to gravitate towards relative mobility. For instance, Harvard's Equality of Opportunity Project (EOP) released a study in 2014 from Stanford, Harvard, Berkeley, and U.S. Treasury economists showing that relative mobility has been stable since 1971, meaning that children entering the labor force today are just as likely to move into higher income quintiles (relative to their parents) as children born in the 1970s. "However, because inequality has risen, the consequences of the 'birth lottery' – the parents to whom a child is born – are larger today than in the past." [15] This study analyzed tens of millions of anonymous tax records to conclude that the United States is in the midst of 20 years of vegetated mobility.

Inequality, as referenced, plays a significant role in limiting economic opportunities, but the overall stagnation in wages since 1973 (due to a slowdown in productivity) plays an even larger one. [16] According to the 2015 Economic Report of the President, if productivity had maintained its pre-1973 trend, the median household would have earned 58% more in annual income, or an extra $30,000, in 2013. [17] These higher earnings represent a (hypothetical) form of upward mobility and illustrate the magnitude of benefits that mobility-focused economic policies can stimulate. Alternatively, if inequality had not risen after 1973, even in the midst of slowing productivity, the median household would have earned 18% more in annual income, or an extra $9,000, in 2013. Without question, $9,000 per year is nothing to scoff at, but it reveals empirically that, relative to $30,000 annually, income equality is not the equation the country should seek to balance through policy. Even the most ideal legislation imaginable for those who advocate closing the income gap would leave too much economic potential on the table, in addition to costing an unimaginable amount of political capital.

One particularly compelling finding of the EOP study was that only 8% of children born into the bottom quintile between the early 1970s and the early 1980s were able to reach the top quintile. This is consistent with additional findings described by The Pew Charitable Trusts in 2015. Using a new data set from the Internal Revenue Service designed for studying tax policy and intergenerational mobility, Pew reports "approximately half of parental income advantages are passed on to children," which rises to about two-thirds between the 50$^{\text{th}}$ and 90$^{\text{th}}$ income percentiles. [18] That is, in two out of three cases, a person born into the top half of the U.S. income distribution will, at worst, remain in that position due only to the advantages provided him by his parents' income. Income differences persist across generations, and this happens to be especially true for men. The Pew report also highlights the differences in outcomes for children at either end of the distribution. "The expected family income of children raised in families at the 90^{th} income percentile is about three times that of children raised at the 10^{th} percentile."

All of this research comes to the same conclusion: the U.S. might not be the land of opportunity it claims to be, and the reason why is economic immobility. To leave no doubt, the Stanford Center on Poverty and Inequality found that, when compared to 24 middle-income and high-income countries, the U.S. ranks 16^{th} in the amount of intergenerational mobility. [19]

What can be done with this information? In general, economic policy can be directed towards the tax system or labor markets directly, or it can narrow its focus on families, schools, and communities. The Stanford study offers a good place to begin, as it states (emphasis mine): "The relatively low level of mobility in the U.S. may arise in part because low-income children in the U.S. tend to have less stable and *lower-income* families, *less secure* families, and parents who have *less time* to devote to their children." Let us tackle each of these suggestions by relating them to specific extensions of the modern labor question, namely paid family leave (more time), minimum wage adjustments (more income), and immigration reform (more security, both for immigrants themselves and the country as a whole). We can let the normative implications of CSD and compelling new economic research speak here with one voice.

6 The Common Good and Paid Family Leave

One facet of the modern labor question to consider is the issue of paid family leave for parents of newborn or newly adopted children and for anyone responsible for the care of a sick or dying family member. This is hardly a niche topic. Very few experiences in life cut to the core of our humanity quite like a new birth or an impending death, yet these pivotal, finite periods of life are fraught with economic danger and immense stress for so many American workers. Caught between economic reality (e.g., a tenuously held job or no savings) and the need to protect the dignity of a new child or dying relative, workers go to extreme lengths to try to satisfy every demand on their time and checkbooks. But we know that this is not always possible. People who would much rather continue working oftentimes drop out of the labor force to serve as caregivers, and these hiatuses, even if they were intended to be brief, can lead to chronic employment problems depending on business cycle timing, skills, and other factors. In other instances, people weigh the balance and make the painful decision to go back to work within days of a new birth or to utilize what they feel is sub-standard, third-party care for a spouse, child, or parent who relies on them and their income.

The decision of what to do with wealth is always a moral decision, whether the targeted investment is a company, a specific group of people, or all the citizens of the nation. Choosing not to invest in families that have added members or must care for sick or dying members is itself a response to a moral decision, but both CSD and academic research suggest that it is the wrong choice. To begin with, the perpetuation of these dilemmas faced by tens of millions of American workers is not, by any definition, in the interest of the common good.

Here is how the Church defines that term: The common good, which involves all members of society, is meant to promote the dignity of each person and it makes certain demands, depending on the social conditions of different places and historical times. These demands include "the commitment to peace, the organization of the State's powers, a sound juridical system, the protection of the environment, and the provision of essential services to all, some of which are at the same time human rights: food, housing, work, education and access to culture, transportation, basic healthcare, the freedom of communication and expression, and the protection of religious freedom." [20] In short, the common good is the reason we have political authority at all.

An implication of the common good is the principle of the universal destination of goods, which *Gaudium et Spes* discusses in the following way: "God destined the earth and all it contains for all men and all peoples so that all created things would be shared fairly by all mankind under the guidance of justice tempered by charity." [21] Pope Paul VI stated clearly that all other rights, including property rights and rights of free trade, must always facilitate the universal destination of goods. He stressed that the progress of some must no longer be an obstacle to the development of others, nor a pretext for their enslavement. [22]

A further implication of the common good is the principle that the poor deserve preferential treatment (Mt. 25: 31-46). As the Catechism states: "Our Lord warns us that we shall be separated from him if we fail to meet the serious needs of the poor and the little ones who are his brethren." Jesus, after all, was himself poor and focused most of his ministry on the poor. And Pope Gregory the Great said that when we attend to the needs of the poor, we give them what is theirs, not ours, so much so that our giving is less an act of mercy and more a payment of a debt demanded by justice. [23]

If this applies to anyone, it certainly applies to poor, working parents. UN Article 25.2 of the *Universal Declaration of Human Rights* states: "Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection." [24] Dialogue can tend to focus on who should and should not be having children, instead of grappling with the socio-economic realities of the children who have already been born. Reticence to tackle issues such as paid family leave comes largely from a political tendency to safeguard the purse, but on this issue, that response is counterproductive. Providing support for working mothers to stay home with their new children for some period of time (e.g., six weeks to six months) by means of the tax system would come with a cost, but it would cost much less if there were more people productively contributing to the tax base over the long-run by remaining in the labor force. It's a simple idea that was encapsulated in the pithy statement of the 16th century scholar and social theorist Jean Bodin: "The only wealth is people." [25] If this is true, and the Church contends that is, then it should be easier to accept the public policies that many economists now propose.

Invoking human rights has its dangers. Obsession with the *letter* of rights at the expense of their *spirit* "can give rise to an individualism in which each one claims his own rights without wishing to be answerable for the common good." [26] This obsession is prevalent today and continues to gain adherents. But as Paul VI insisted: "The more fortunate should renounce some of their rights so as to place their goods more generously at the service of others." [27] This is an explicit argument for redistribution, and one area where redistributive tax policy can bolster mobility (because it keeps people in the labor force) is the case of paid family leave.

Let's focus on a narrower issue: paid maternity leave, both for the sake of brevity and in consideration of its less controversial nature relative to paid paternity leave. In his 1981 Encyclical Letter *Laborem Exercens*, Pope John Paul II writes, "True advancement...requires that labor should be structured in such a way that women do not have to pay for their advancement by abandoning what is specific to them." [28] The Church continues: "The feminine genius is needed in all expressions in the life of society, therefore the presence of women in the workplace must also be guaranteed." [29] These vigorous defenses of the working rights of women, as the childbearing half of humanity, are clear moral imperatives that should guide policymakers. As a matter of justice, it would be proper and non-invasive for the U.S. government to guarantee certain protections for working mothers.

The 1993 Family Medical Leave Act (FMLA) has been the government's only recent attempt at providing worker protection during times of leave, but it did not go far enough. While the law guarantees job security for up to 12 weeks (with restrictions) for events like the birth of a child, adoption, and care for a sick family member or oneself, it does not apply to businesses with fewer than 50 employees and it does not require that employees be paid. Tens of millions of Americans don't qualify for FMLA benefits and likely a great deal more cannot afford to miss even one paycheck. [30] A well-shared piece from *The Atlantic* earlier this year claims that nearly half of Americans could not come up with $400 in an emergency, much less miss several paychecks while also incurring hospital bills for labor and delivery. [31] Another report suggests that cash flow problems force nearly a quarter of all new mothers back to work within two weeks of delivery. [32]

The United States must go beyond FMLA. The U.S. is the only industrialized nation without mandated paid family leave, which is a sufficiently embarrassing headline by itself. But the embarrassment worsens once long-term healthcare and economic benefits are considered. On the healthcare front, a 2011 study of 141 countries found that 10 weeks of paid maternity leave lowered infant mortality by 10% and childhood (<5 years) mortality by 9% because newborns received more well-baby check-ups and immunizations. [33] Another study demonstrated that paid maternity leave roughly doubled the average length of time babies were breast-fed from 5 to 9 weeks. [34] According to the Centers for Disease Control and Prevention (CDC), which recommends six months of exclusive breastfeeding, "Babies who are breastfed have reduced risks of ear and respiratory infections, asthma, sudden infant death syndrome (SIDS), diabetes, and obesity." The CDC also says that mothers who have breastfed their children are less likely to get breast and ovarian cancer, type 2 diabetes, and heart disease. The long-term healthcare cost savings could be significant.

More convincing, however, are the straightforward economic findings. A study sponsored by the Department of Labor found that working women benefited from paid maternity leave because they tended to stick with the same employer, which led to faster growing wages and more hours worked. They did not have to take the gamble of leaving the workforce to care for their children, which makes them less likely to require public assistance (40% less likely after one year, according to one Rutgers study). [35] In California, which has a statewide paid family leave program, many people have utilized the program over the last decade with no detriment to the businesses for which they work. The most notable effect on employers is that they have saved on turnover and training costs. [36] An economist interviewed by the *New York Times* summed up paid leave policies saying, "The punch line is it reduces disparities in leave-taking between low and high socioeconomic groups, and does so without damaging these women's later labor market prospects." [37]

Currently, only about 12% of private sector American workers have access to paid family leave through their employers, according to the Department of Labor. California, New Jersey, Rhode Island, and New York all have implemented paid family leave insurance programs in recent years (NB: Washington state passed a similar law but has not implemented the program due to funding). Federal legislation has been proposed several times and another iteration is presently pending that would utilize an additional payroll tax to fund a national FML insurance program.

Paid family leave as a moral constraint has proven to be economically beneficial in practice in nearly every industrialized country on earth and in a few U.S. states because it redounds to the common good. It enhances mobility, but it does require redistribution through the tax system.

7 Subsidiarity and Minimum Wage Adjustments

The Church teaches that it is impossible to promote human dignity without showing concern for the family, groups, associations, and other local and territorial organizations. In other words, civil society – where individuals have relationships, belong to specific groups, and actually live their lives – matters. And because these affiliations matter, it is essential when discussing issues of rights, responsibilities, and authority to know which of them takes precedence and when. The Church, therefore, has a permanent principle of subsidiarity, which states that all societies of a superior order (e.g., the federal government in relation to a state) must adopt attitudes of help (*subsidium* in Latin) with respect to lower-order societies. [38] In a negative sense, this means that the State (broadly understood) must "refrain from anything that would de facto restrict the existential space of the smaller essential cells of society." [39] The rights and responsibilities of the lower-order societies must not be centralized, bureaucratized, or significantly impacted by State intrusion despite the economic, institutional, or juridical assistance the State is called to provide.

In exceptional cases where only a superior society can manage to create equality, justice, and peace (e.g., blocking the formation of certain monopolies), such intervention is allowed, but only for as long as necessary. Lest this paper be accused of advancing a statist agenda, a quote from Pope John Paul II here, in regards to subsidiarity, may prove illuminating: "By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending." [40] In short, guarding against institutional substitution protects the dignity of the person.

The primary implication of subsidiarity is participation, or good citizenship. Participation (in a democracy) is a duty to be fulfilled consciously by all, with responsibility and with a view to the common good. [41] Everyone has the moral obligation to contribute to the cultural, economic, political, and social life of his or her community. Sometimes, as in the case of paid family leave, a new federal or state tax is necessary to guarantee the basic conditions of human flourishing; but more often than not these conditions can be achieved through lower-order means, such as public-private partnerships, collective bargaining, neighborhood business committees, church-based social services, and innumerable other examples of localized problem-solving.

Minimum wage law is an interesting extension of the modern labor question to analyze in the light of subsidiarity. This CSD principle highlights a problem with a lower-order society – individual employers, who have greater responsibilities to their employees than do state governments or even the federal government. Many employers have handed over their own responsibility to fairly compensate their workers to the higher authority of minimum wage laws. Just as higher-order societies should not infringe upon lower-order ones, lower-order societies should not seek to transfer responsibilities specific to them to higher-order societies. There are 24 million American workers who earn either the minimum wage or just above the minimum wage. [42] Since the minimum wage has not been raised in over seven years, this is not in keeping with employers' subsidiarity mandate. At $7.25/hour, the current federal minimum wage is worth about 13% less in real dollars (i.e., inflation-adjusted) than it was when it was last raised to this level in 2009. Given the prevalence of employers paying wages at or near the federal minimum, minimum wages must at least reflect a fair wage floor.

The federal minimum wage in the U.S. was established in 1938 as part of the Fair Labor Standards Act (FLSA), which also prohibited (non-agricultural) child labor, introduced the 40-hour workweek, and mandated "time and a half" overtime pay for some categories of workers. The original idea was that minimum wages would "help ensure that all work would be fairly rewarded and that regular employment would provide a decent quality of life." [43] But since its inception, the federal minimum wage has been increased through legislation only nine times. According to a report from Oregon State University, "The minimum wage has varied from a maximum of 99% of the poverty level in 1968 and has averaged 60% of the poverty level since 1989." [44] In other words, the lowest-paid workers in the country have to work many more hours just to equal a standard of living that was considered the bare minimum when Lyndon Johnson was President.

The federal government's rationale for legislating minimum wages echoes sentiments from the Church. As discussed during the Second Vatican Council: “Remuneration for labor is to be such that man may be furnished the means to cultivate worthily his own material, social, cultural, and spiritual life and that of his dependents, in view of the function and productiveness of each one, the conditions of the factory or workshop, and the common good.” [45] Some economists argue that minimum wage laws are altogether unnecessary and that employers within markets can set wages (and a wage floor) without government intrusion. However, we have evidence that individual employers and the labor market in general are doing a bad job of this task when they have the opportunity to do so, which brings us to the first of two main minimum wage debates.

Classical economists generally argue against every form of government intervention in competitive markets. They believe minimum wages actually increase unemployment and poverty because employers hire skilled or semi-skilled workers for positions best filled by low-skilled workers, who are then left without work. In short, higher minimum wages lead to greater job losses. But this textbook theory is outdated. Most economists today subscribe to the notion that labor markets, as discussed above, are not actually competitive and that employers have an unfair advantage over workers, who have less information with which to bargain. Therefore, there is a real need for a set, lower-bound wage. What occurs in practice is essentially the opposite of the classical hypothesis: Higher minimum wages increase purchasing power, which increases consumer demand for goods and services, which in turn increases employment.

The main evidence for the new theory on minimum wage effects comes from two landmark academic papers. The first and most influential paper studied the 19% increase in New Jersey's minimum wage in 1992. [46] The economists analyzed 410 fast food companies in both New Jersey and right across the border in Pennsylvania, where the minimum wage remained constant, in order to determine how the New Jersey increase affected employment. The authors find no evidence that the large increase in the minimum wage reduced employment. On the contrary, it increased employment slightly. Fast food prices in New Jersey rose noticeably more than prices in Pennsylvania, suggesting that the burden of higher wages was passed on to consumers. The second paper generalized the New Jersey study by surveying all pairs of contiguous counties that straddle state borders. [47] The economists find “strong earnings effects and no employment effects of minimum wage increases” for those counties.

Despite economists' preference for this updated theory, not everyone agrees. A popular paper representing the traditional view casts doubt on the newer account, and it emphasizes “a lack of consensus.” Surveying the minimum wage literature, these economists claim that the most credible evidence points to negative employment effects, not only in the U.S., but in many other countries around the world, too. [48] This divergent finding largely stems from the different approaches that economists use when constructing studies and empirically analyzing data. Specifically, the survey in question reveals that many economists consider minimum wage increases at the level of the general economy, and they employ regression models with controls and fixed effects. This approach tends to find long-term reductions in employment, and it can be useful in shedding light upon a variety of economic questions in the absence of a superior methodology. [49] But more economists favor the study of affected labor markets in relation to comparable control markets. That approach generally results in little to no employment effects from a minimum wage increase. In light of these diverse studies and the heterogeneous effects of minimum wage increases contained therein, most economists today recommend higher minimum wages in the U.S.

The modern debate is actually a disagreement over how high to raise them above the current federal minimum of $7.25/hour. In January 2014, over 600 economists, including seven Nobel Laureates, signed a letter to President Obama and Congressional leaders petitioning for a three-step increase in the federal minimum wage to $10.10 by 2016, after which time it should be indexed to protect against inflation. [50] The economists correctly note that such a policy would have disproportionately benefited women, especially working single-mothers. But many other dollar amounts have been suggested in the last few years. There is a popular movement for a $15/hour federal minimum wage, but economists seem to balk at that number, except in certain high-cost municipalities.

In accordance with subsidiarity, some employers have taken the research to heart and do pay their employees just wages and not simply what they can get away with. And some municipalities have decided not to wait for a new federal minimum. Twenty-nine states, dozens of cities and counties, and Washington, D.C. all have minimum wage levels higher than $7.25/hour. Both California and New York states recently passed legislation mandating $15/hour minimum wages – the highest in the country. But what exactly is a just wage? Is it a living wage?

The term "living wage" is used frequently in the press to mean something like "a wage that is high enough to help workers meet their basic needs." Indeed, this is similar to the way the Church describes a just wage. However, in practice, living wages mean something different. Many communities already have living wage requirements, but these specifically pertain to a relatively small number of firms who receive either government contracts or state assistance. Municipalities looking to cut costs by contracting out services to private firms utilize living wage laws to ensure that contractors and employees in these positions earn significantly higher than the minimum wage, just as they would if they were public government employees. Ten years ago, there were already over 120 living wage ordinances in the U.S., with the first passed by the city of Baltimore in 1994. The limited empirical research conducted on living wages has discovered "little measured employment loss." [51] As for the popular definition of living wages, there is no economic consensus over what they would look like, much less what economic effects they would have.

The Church does offer some additional guidance. A just wage that "furnishes the means to worthy cultivation" is not necessarily the wage agreed upon between an employee and his employer, as the playing field is rarely level. A true just wage "must not be below the level of subsistence" of the worker. [52] As much as this might make contract lawyers cringe, natural justice precedes and is above the freedom of the contract. This means that a firm that underpays its workers, whether within the U.S. or overseas, or relies on federal means-tested entitlement programs such as Medicaid or SNAP (formerly food stamps) to act as its de facto benefits package to avoid paying a just wage, offends the dignity of its own employees. More than that, the firm skirts its responsibility with regard to subsidiarity to provide for the needs of the individuals under its charge, particularly when there is significant inequality (by skill level, gender, or race) in salaries and wages within the company.

An increase in minimum wages would not be a magic bullet for the lowest-paid workers in the United States. They also need to utilize the Earned Income Tax Credit and have access to paid leave and employer covered healthcare and sick leave, all of which incent employers to train and retain employees. Furthermore, raising the minimum wage would do little to reduce poverty. But an increase is still the right thing to do. It enhances purchasing power, so long as future increases are indexed to overall wage growth; it has either no or modestly positive employment effects; and it respects human dignity.

Businesses, for their part, need to make tactical decisions to remain competitive in a global economy where anyone, theoretically, has access to capital markets and the intricate financial system. But if a firm's competitiveness relies on paying unjust wages to its workers, that firm has no right to continue conducting business (to paraphrase F.D.R.). [53] The temptation for employers to undercompensate their employees by relying on currently outdated minimum wages (as well as to lobby on behalf of the status quo) is understandable from the business perspective of increasing margins, even though subsidiarity mandates that they provide a just wage. But when all or most decisions are made with regard to the financial sector, Wall Street expectations, and with short-term profits in mind, businesses "abandon their original and essential role of serving the real economy and, ultimately, of contributing to the development of people." [54] This is an affront to human dignity, certainly, but it also has drastic economic repercussions. Any divorce from the real economy of flesh and blood workers, consumers, and investors skews the natural business cycle and leads to more frequent and, by extension, more severe financial crises. This is ultimately why minimum wage levels need to exist, in the first place, and why they must be adjusted upwards and indexed to wage growth: to protect workers from employers who prioritize capital over their laborers and who rely on years of stagnated minimum wages to save on costs. The U.S. must reestablish the original goal of ensuring that even the lowest-paid workers in society benefit from broader improvements in wages and living standards. It will not lead to an earth-shattering boost in mobility, but nor will it be an insignificant step toward justice.

8 Solidarity and Comprehensive Immigration Reform

The world is getting smaller thanks to exponential technological advances in recent decades. This is cliché but true; exciting but problematic. Technology may be the *instrumental cause* of globalization, or the means by which the world shrinks, but the universality of the human family is globalization's *ultimate cause*. [55] Historically unprecedented responsibilities accompany our newfound ability to witness events unfolding in even the most remote parts of the world in near-real time. As the world grows ever more networked, inequalities between developed and developing countries become more and more clear. Exploitation, corruption, and oppression, often exacerbated by globalization, have led to massive emigration, the scale of which poses serious challenges for immigration policymakers. All immigration policy, the Church argues, must be guided by the social principle and moral virtue of solidarity.

What Pope Leo XIII first labels "friendship" and what Pope Pius XI later terms "social charity," we now call "solidarity." In *Centesimus Annus*, published 100 years after *Rerum Novarum*, Pope John Paul II states that recognizing God in every person and every person in God is the condition of authentic human development. Solidarity, John Paul expands elsewhere, is not a "feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far." [56] Rather, solidarity is a firm commitment to the common good, which upholds the dignity of the human person, based on the presumption that we are our brother's (and sister's) keeper, that we are indebted to our society, and that we must advocate for those who need advocates, without discrimination or hidden motives. More explicitly than the previous principles, solidarity demands that we go beyond ourselves to the point of sacrifice, even the ultimate sacrifice of laying down our lives for other people, who are themselves living images of God. It is, in short, an additional, positive, demanding charge to seek the common good.

Solidarity and subsidiarity are closely linked principles and not mutually exclusive. Historically, there are many examples of nations elevating one over the other. However, the Church stresses that solidarity without subsidiarity easily can degenerate into a welfare regime, overseen by an intrusive State focused on regulating socio-economic outcomes to the detriment of lower-order societies, while subsidiarity without solidarity encourages self-centered localism and potentially even isolationism, devoid of any State presence. Between these two extremes, there is an essential, juridical role for the State, even in a limited capacity – it should actively safeguard the foundations of a free economy. [57] And one area where the State must maintain clear policies and an authoritative position is on the issue of immigration.

Speaking at the 2001 World Day of Peace, Pope John Paul II said that regulating immigration according to criteria for equity and balance is one of the indispensable conditions for ensuring that immigrants are integrated into society with the guarantees required by recognition of their human dignity. The Church further believes that families should be reunited whenever possible and that conditions for increased work opportunities in immigrants' countries of origin should also be fostered. [58] This latter balance is perhaps a more complicated and less understood challenge.

Biblically, immigrants are treated as a protected class in numerous books (e.g., Lv 19:33-34 and Ps 146:9). The prophet Ezekiel (47:22), while relaying to the Israelites how to distribute their land, offers a clear mandate from God: "You shall allot it as inheritances for yourselves and for the aliens resident in your midst who have bred children among you. The latter shall be to you like native Israelites; along with you they shall receive inheritances among the tribes of Israel." And Jesus sheds light on the importance of solidarity with immigrants through his personal experience, having spent the first few years of his life with his parents as immigrants in Egypt (Mt 2:13-15). Jesus and his mother, Mary, are the perfect models of faith and works for all Christians, and they were both, for some time at least, immigrants.

For the United States, whose immigration regime has fostered some 11 million people within its borders as de facto criminals for entering illegally, the principle of solidarity is both a challenge and demand. With so many people kept in the shadows of public life, the U.S. system requires updating, as its last *major* overhaul – the Immigration Reform and Control Act (IRCA) of 1986 – became law when the country faced many different demographic, social, and economic circumstances. The system has been overwhelmed by large numbers of migrants, particularly from Latin America, and the country's immigrant population increased from 10% to 15% of the total population between 1995 and 2014. [59] Immigration is further limited by protectionist quotas that place a cap on annual legal immigrant admissions (based on occupation and country of origin), which are divorced from free market principles and in no way reflective of actual economic need. And the country suffers from both political and juridical confusion, exemplified most recently in the cases of DACA and DAPA [60], President Obama's executive actions aimed at protecting certain immigrants already residing in the U.S. illegally. Federal courts have blocked these orders, leaving millions of undocumented immigrants unsure of their fate.

For all of the modern controversy over immigration, economists are in broad agreement. When it comes to immigration and its effects on productivity, wages, employment, public debt, and crime in the nations that receive immigrants, there is near unanimous accord from economists (and lawyers) about the most beneficial ways to respond to the changing tides of immigration.

In general, economists support unrestricted labor mobility because it generates large gains in productivity, both globally and on a country-by-country basis. As one economist puts it, "The single most important lesson that economics holds for immigration policymakers is that immigration restrictions are costly because they interfere with the free movement of labor," and this interference is inefficient. [61] Further analysis concludes, "The emigration of less than 5% of the population of poor regions would bring global gains exceeding the gains from total elimination of all policy barriers to merchandise trade and all barriers to capital flows." [62] Other economists have surveyed the literature and find "even the smallest (most cautious) estimations [of increases to global productivity] exceed the combined current levels of development assistance and foreign direct investment to the developing world." [63] These statements underscore the massive economic ramifications of immigration, even at minimal levels, and the effects that migrating labor can have on a country. Pursuing a more liberalized immigration system through comprehensive reform may be the single greatest lever the United States, or any country, can pull to improve economic growth.

No serious economist suggests that the U.S.

open up its borders suddenly without any intake processes, background checks, or other restrictions. But it likely would be beneficial, as one economist says, "to liberalize immigration restrictions gradually over time so that the impact of immigration, including any effects on productivity, can be studied and quantified." [64] Immigration may be a boon to a country's economy and to the immigrants themselves, but the political debate is typically tied up in how immigrants will affect native workers and immigrants' impact on crime. [65]

Perhaps the most convincing study of immigration's effect on native employment involved the so-called Mariel boatlift. This refers to the mass emigration of Cubans from Cuba's Mariel Harbor to Miami, Florida, between April and October of 1980. About 125,000 relatively unskilled Cuban immigrants increased Miami's labor force by 7% in just a few months, but the economist who evaluated this fascinating case study discovered "essentially no effect on the wages or employment outcomes on non-Cuban workers in the Miami labor market," even when controlling for time, ethnicity, skill level, and location. [66]

Immigrants and native workers are imperfect substitutes, which means they generally cannot replace each other, although some competition is likely inevitable. They tend to have different skill sets, most importantly native language fluency. The seminal work that established this relationship did so by considering a scenario in which there is an almost unrealistically large 10% increase in the number of immigrant workers in the short run. [67] Assuming that wages are inflexible in the short run and flexible in the long run, both of which are true in practice, the economist found that wages would fall by 1% for natives and 2.3% for other immigrants, who are perfect substitutes and therefore face greater competition from new immigrants. Similarly, employment would fall by 1% for natives. The takeaway is clear: substantial increases in immigration result in very small effects on wages and employment for native citizens. The magnitude of losses for even low-skilled natives is likewise minimal, with *no* impact on the average worker. This is striking.

However, there is one group of people who would be worse off with this high level of immigration: the average U.S. high school dropout would experience a 4.8% decrease in wages. [68] This has been a stumbling block for immigration reformers and it is a truly concerning effect. Despite the benefits that reform could have for immigrants and on national productivity, and despite the fact that the majority of native workers would not notice a change in their own employment or wage status, the least-educated American workers could realize significant pay cuts. This appears to be the tradeoff for liberalization. But if policymakers deem this effect on high school dropouts to be unacceptable, as many already have, then redistribution through the tax system (undertaken to make whole this segment of workers) is preferable to opposing liberalized immigration reform outright, given all of the other human and economic benefits achievable only through this channel.

A final political hurdle to consider is the common allegation that increased legal immigration would explode the public debt. In 1997, the National Research Council (NRC) conducted the most thorough analysis yet of the fiscal effects of immigration in the U.S. The NRC's calculations included projections of education, income, and fiscal effects of future generations and found "the expected net effect of the descendants of immigrants on the public treasury is positive." [69] An updated analysis of the NRC study estimated that the average immigrant (in 1998) had a positive fiscal impact of $99,000 in net present value. [70]

From the perspectives of both solidarity and economics, therefore, the United States' current immigration system is expensive, restrictive, and, in the judgment of many, positively unjust. Occasionally, non-normative economic research does indeed coalesce to imply normative policy prescriptions. On immigration, the United States should pursue the elimination or significant liberalization of the quotas imposed on immigrants by occupation and country of origin. Furthermore, comprehensive reform should be passed that takes into account the 11 million undocumented immigrants currently residing in the U.S., as well as the guest workers who receive temporary visas each year for seasonal work. As one economist and lawyer says, "From the perspective of principles of justice in a democracy, the ideal immigration policy would provide the option of lawful permanent residence and access to citizenship. To better reflect democratic ideals, [the U.S.] could offer a path to citizenship for guest workers who compile a record of employment and avoid criminal activity." [71] The most promising legislative effort to realize this vision remains stalled in Congress.

There is too much at stake economically (in terms of growth and mobility) and on a human rights level, for the United States to persist with its current system of legal immigration. Undocumented immigrants are under-compensated relative to documented immigrants by 14-24% [72]; they are subject to deportation without regard to the amount of time they have lived in the country or whether their children are American citizens; and they should be treated not as de facto criminals, but as members of the universal human family, as should those who will look to the United States in the future. Embracing solidarity with immigrants is morally beneficial, but what about the moral costs? "Behold, the wages of the laborers who mowed your fields, which you kept back by fraud, cry out; and the cries of the harvesters have reached the ears of the Lord of hosts." (Jas 5:4) There are always moral costs to inaction in the face of injustice.

9 Conclusion

This paper presents some of the wisdom of Catholic Social Doctrine and pares down the complexity of a few contemporary economic issues with the aid of carefully sourced research. Approaching modern extensions of the labor question through both CSD and economic research certainly does not lead to broad agreement in every instance. But the historical, consistent, and respected wisdom of the Catholic Church and the empirically rigorous, non-normative, and peer-reviewed research of economists each support the enactment of "low hanging fruit" policies such as the ones discussed in this paper, for reasons both moral and economic. [73] This alliance has the additional advantage of being able to reframe policy debates by approaching traditionally liberal *causes célèbres*, such as paid family leave, increased minimum wages, and immigration reform with a pathway to citizenship, with a traditionally conservative focus on economic mobility.

The mandates from these two repositories of knowledge promote the dignity of the human person and of work, have the common good as their guide, and embrace the principles of solidarity and subsidiarity. Of course, in addition to economic and moral concerns, there are political realities, too. Motivated political actors have been successful in stymieing efforts to overcome the hurdles of the labor question, which is why we should always seek opportunities to link unlikely allies behind clear and beneficial policies wherever they exist. The ongoing systematic prevention of *full* participation in the labor force and the economy, whether due to professional penalties for having children or infirm relatives, capacity limitations, country of origin, or any other circumstance, is a serious concern.

A republic with a capitalist economy answerable to and driven by people, all of whom were made in the image and likeness of God, offers the potential for combining prosperity with a just distribution of wealth. It is only when we elevate markets over people and consumption over labor that the economic pie contracts. This is what has led to the current economic immobility in the United States. In the process, financial markets have become increasingly divorced from the actual economy, and growth – based more on speculation and financial interventions than on real activity – has slowed, leaving the country susceptible to further crises. Survey after survey indicates that many Americans now believe the American Dream is dead. On the current path, it may well meet its end, but there are many cards left to play.

10 Acknowledgement

I would like to thank Penn PRRUCS for support in the development of this paper. Pursuing a better understanding of the interplay between religion and urban civil society is a laudable mission. It calls to mind a line from Pope Francis's Apostolic Exhortation *Evangelii Gaudium*, in which he writes, "The new Jerusalem, the holy city (Rev 21:2-4), is the goal towards which all of humanity is moving. It is curious that God's revelation tells us that the fullness of humanity and of history is realized in a city. We need to look at our cities with a contemplative gaze, a gaze of faith which sees God dwelling in their homes, in their streets and squares."

Despite the emphasis on Catholic Social Doctrine, I hope that I have honored the nonsectarian civic vision of PRRUCS by seeking the same spirit as Pope John XXIII, who addressed "all men of good will" when he wrote *Pacem in Terris*. A major motivation of this paper is to convey poignant and very often unknown or misunderstood Church teachings to everyone of every faith because they have always been the intended audience.

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[73] Many other issues, like reform of the tax code or overcoming implicitly discriminatory housing policies, could benefit from such an approach.