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## Wages and Justice

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# Wages and Justice

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MICHAEL McPHELIN

**O**NE task of an orderly economy is to spread its products around, not to reserve them as the perquisites of the few. All economic activity is aimed at supplying the means whereby to satisfy the wants which evoked the activity. The vigor and energy and interest of the men who engage in production depend upon the share they count on getting out of the fruit of their applied resources. This share is their income, the return for economic services rendered. An economy must distribute its common product in a manner which wins the ratification of all who collaborate in generating it and which accommodates their reasonable demands. Else their spontaneous cooperation is scarcely to be expected.

Not every income-distribution is calculated to achieve satisfactorily the common advantage in which all have so vital a stake. A healthy diffusion of the means to satisfy human needs—depending upon the economy's capacity to produce them—is very much part of the common good. Incomes are not to be distributed arbitrarily. There are social standards to which their distribution should conform. We are in quest of those standards. We are seeking a criterion which will permit us to judge what distribution of income will meet with the approval of the community.

The importance of the search is evident. The full product which is potential in any economy is neither predetermined nor unique. Resources and skills are versatile and can be used to produce a variety of goods or can lie idle. Of all the possi-

ble goods which might be made—guns and butter and so forth—those particular ones will be supplied which consumers and other purchasers effectively demand. The product actually forthcoming will be weighted in favor of those who spend much because they have much to spend. Depending upon the manner in which incomes are apportioned, the goods available to the entire economy, including imports, will consist of more or fewer items intended for the affluent alone. Yet, from the mere fact of scarcity, there is a limit to the wants an economy can satisfy. The more resources are used for one purpose or for one class, the less remain for all others. Situations are conceivable and indeed exist where the possessors of opulent incomes satisfy their more remote desires before the poorer classes have satisfied their immediate needs. This is bound to pose a problem in any society. It is the proportion in the distribution of incomes which determines whether all are working for the advantage of a privileged caste or for a truly general good.

The economic problem is at the same time one of production and of distribution. We must take care not to lose sight of the full problem by concentrating overly upon the part of it which deals with distribution. If final goods were data and if the sole aim of an economy were to direct existent goods "to each according to his needs," the distribution of income could be handled independently of production. As a matter of fact goods are not data. They have to be produced. Production is dependent upon anticipated distribution and distribution is impossible without previous production. It is not economics to take it for granted that the human being will expend his best efforts to maximize some exalted social utility. The very core of economic logic assumes that no effort or risk will be undertaken unless the return anticipated is worth it to the agent himself. His motive is not necessarily selfish but it is private. It would be a blunder, therefore, to pay too much attention to distribution and too little to production; we cannot distribute what has not been produced. We cannot afford to overlook the link between anticipated rewards and efforts undertaken. If the effort is not undertaken, there will be less

to distribute all around. A satisfying distribution cannot be gotten by emasculating production.

It may be said in general that there are two extremes of income distribution which will not be tolerated in peace. They are those of a slave economy and those of an egalitarian one. An egalitarian economy would insist that no man receive more than any other. Common sense laughs at egalitarianism, because it is so patent that men are not equal. It is their very inequality of corporal and spiritual gifts and of social position and function which makes human society an organism capable of multifarious accomplishments. Every man inherits a status. One is born rich, another poor; one bright, another dull; one energetic, another lethargic. Some are better off than I, some worse. That is a fact, often an unpleasant one. Catholic social thought, while flatly condemning inequity, accepts the fact of human inequality as a good thing.

Men are not equal nor is there in society any power which by decree can make them all equal. Because their talents and character are unequal, so is the quality of their economic contribution and so ought to be the proportions of their rewards. Egalitarianism is a delusion. Men will not go along with it. It offends their good sense.

On the other hand, men will not put up willingly with the opposite extreme of an economy whose division of incomes is so one-sided that all the good things of life belong to an aristocracy, while the masses who labor receive the bare necessities of subsistence. For there are not two genera of men. No man is more human than his fellow. Each is endowed with the same nature and each is possessed of the same human dignity. Each lives under the same moral law and each is intended for the same ultimate destiny. Where the generic equality of men is acknowledged, there is no double code of civil law. All are judged under the same law and all may appeal equally to it for protection. There have been slave societies and they have lasted for long periods but not with the consent of the enslaved. Men have endured juridical inferiority where they were given no choice. That is not what is meant by a peaceful society. Ask any negro in Alabama.

Peace is not just the absence of rebellion. Rebellion may be futile. Peace is the positive acceptance by all the people who constitute a community of the arrangements under which they live. No one approves of slavery where he is the slave. Similarly, men will not give willing assent to a division of incomes which serves the advantage of a master class alone, because human society is not intended for the exclusive benefit of a master class. Men are *qua* men equal: they are equal in all that pertains to them as possessors of a common nature. They are brothers.

It is not the purpose of these pages to moralize upon the importance of income-distribution for the peace and well-being of society. That is obvious. Rather it is to find a criterion of sound and socially acceptable distribution of incomes. The problem arises when production is the conjoint operation of some who contribute the services of their labor and others the services of their property. How share the product of their common enterprise among them? Equal shares will not be acceptable; neither will the grossly unequal shares which fill the few but leave the masses empty. The reason is the same in either case. Neither arrangement is fair. This is plainly a question of fairness to all. It is a question of *justice*.

An old ethical principle was restated by Leo XIII and confirmed by his successors: the value contributed to the common product by the services of a factor of production should go to the one who has made the contribution. That is so fair as to be almost banal.

Matters of justice touch the very nerve center of the social organism. Society is the admission on the part of the individual of his inadequacy apart from his fellowmen. In society man is enmeshed in relations. The titles men bear—father and son, ruler and subject, employer and worker, landlord and tenant express their roles relative to others. These comprehensive social relations are regulated by justice. Its venerable rule is said to be golden: *Quod tibi fieri non vis, alteri non feceris*. (Do not unto another what you would not have him do unto you.) Justice establishes minimum standards for the give and take of social life. Its first rule is *suum*

*cuique*; render to each his due. In a strict exchange each should receive as much as he gives and give as much as he receives. Commutative justice exacts equality of value between things traded. In the exchange of income for services rendered, each should be rewarded according to the value of his contribution. What he gets should be worth what he gives. If one asks why, the answer is straightforward. Why not? No other standard is fair. At one point Pope Leo XIII asks whether it is just that another should enjoy the fruit of a man's sweat and labor without his free consent. A double standard would apply if there were two kinds of men. It is because men are equal that equity should temper their mutual dealings.

Equivalence of value is the clear rule of equitable exchange; but who is to make the evaluation? Economists know that the evaluation of goods and services depends upon the structure of the market in which they are traded. Prices will be higher in a monopolistic market than in a competitive one, *ceteris paribus*. We are dealing with the vitals of society when we deal with exchange relations essential to the common good. Therefore, the decisive evaluation is not the buyer's nor the seller's but the evaluation of the community. The values to be equated in exchange are those set up by common evaluation. The just price has been defined by the Scholastic moralists as the price determined *secundum communem aestimationem fori*—set according to the common evaluation of the market. The moralists' definition of the *pretium justum* matches the economists' definition of the competitive price, in the sense that it is the price over which no single buyer or seller has decisive control; it is the resultant of the widespread haggling of all.

The anatomy of a system of competitive prices has been thoroughly studied by economists. They have hit upon two different ways of describing it. One is in terms of a mechanism of a market made up of a host of buyers and sellers each too small to dominate over it. The other is in terms of the eventual equilibrium-price towards which it tends. A competitive system tends towards final balance where supply and demand

are equal, where the scale of output is at the most efficient costs attainable with known techniques of production, and where prices and costs coincide—prices with the fat massaged off them. The automatic mechanism of a competitive market—quite a rare occurrence in reality—is not essential to a system of competitive prices. The competitive price can be completely defined without reference to the structure of the market by which it has been brought about. It is the price which tends to equalize supply and demand, nicely adjusted to costs, no matter how it is gotten. The way of arriving at it—an uncommon way—is by the automatic working of a market in which each dealer is unobtrusive and has no choice but to make the best of the prices arrived at by the common consensus. The other way is where no economic unit, however big, takes advantage of its dominant position in the market to the detriment of the good of others, usually because it does not dare. Such cases are not at all rare, where civil society has grown to adulthood and has developed the muscles to deal with profiteers.

Among the most pervasive of prices are wages—the prices of the productive services of human beings. Pius XI took cognizance of the signal importance of wages in a paragraph (*Quadragesimo Anno*, 74) which merits our close attention because it is helpful in interpreting a previous paragraph of his (*Quadragesimo Anno*, 70) which has been widely misunderstood.

The wage rate (*mercedis magnitudo*) must be adjusted with a view to the economic welfare of the whole people.... A point of pre-eminent importance is not to be overlooked—namely, that the opportunity to find work be provided to those who are willing and able to work. The level of employment depends in large measure on the wage rate (*salarii determinatio*.) When this remains within its proper range, it is favorable to full employment; when it goes outside this range, it blocks it. It is common knowledge that unemployment is caused by a rate of wages too high or too low... To lower or to raise wages (*opificum salaria*) unduly, prompted by private advantage and with no consideration for the common good, is contrary to social justice. Social justice requires that wages (*salaria*) be regulated—as far as possible by mutual discussion and agreement—so that as many as possible may be able to find employment and procure for themselves suitable means of livelihood.

Appropriate relative wage rates contribute signally to the same result as do appropriate relative prices of the goods produced and put on the market by the different occupations—agriculture, industry and so forth. If these relative prices all keep their proper proportions, the various occupations will articulate to form, as it were, one body whose members complement and assist each other. A sound social economy will be established only if it supplies each and all with the goods which the natural resources, technical skill and social organizations of the economy make possible.

There are four points to be noted carefully in Pius XI's statement. First, the relative and absolute wage rates postulated by social justice are those which respond to the requirements of full employment. They are labor prices which equate its supply and demand. In a word, they are the competitive wage rates. Second, these should be established as far as possible by the mutual agreement of proprietors and labor. Third, labor as well as capital can violate social justice in the matter of wages by insisting upon a wage rate higher than the economy can tolerate at the level of full employment. Finally, what Pius has written in the paragraphs immediately preceding on the principle of the so-called family-wage must be interpreted consistently with what he has written here on the principle of the wage required for the common good.

Every worker must be paid a wage sufficient to support him and his family...Every effort must be made that the fathers of families receive a wage ample enough to cover their ordinary domestic needs adequately. If this is not always feasible in the present state of things, social justice demands that those changes be introduced as soon as possible by which such a wage will be assured to every adult worker.

A word must be said about social justice. In official Catholic social teaching, the common good and social order are terms which are used interchangeably to designate the limits beyond which personal freedom in the pursuit of private interest may not trespass, lest it impair the health of the community. A closely related term is social justice. Commutative or strict justice regulates the relations of one person to another. It outlaws theft and imposes on the thief the obligation to restore stolen goods to their rightful owner. One can vindicate his rights in commutative justice before a court of law and win redress because it is possible, *per se*, to establish all

the pertinent matters of fact. They are first, who holds legitimate title to the thing; second, who the thief is; third, how much he has stolen. The two parties can be paired off, the extent of the damage measured, and an indemnity awarded.

Social justice regulates the relations of individuals to the community and reversely. It is a very useful concept. Whenever social injustices is perpetrated, the community and its parts are truly damaged by the action of one or more of its members. It is truly an act of injustice against the common good. Yet there is no way by which the injured parties can vindicate their rights and gain redress—as there is in the case of commutative injustice—because the damage is a social phenomenon in a special sense. It occurs *via* the solidarity and intricacy of developed community life. It cannot happen where there are only two, as commutative injustice can. It happens only in a society composed of specialized parts, each in close dependence upon the others and each influencing the others. It is a derangement of social order. This peculiarity of social injustice precludes reckoning the exact damage done to one assignable individual by another assignable individual, although palpable injury is done. Pius XI cited the instance of people out of jobs because of wage rates set too high under the promptings of private advantage. In the following paragraph he hints at another case which economists familiarly treat under the heading of the evils of monopoly; prices are higher than they would otherwise be, output is correspondingly lower, employment is therefore lower, consumers' surplus is reduced, there is unnecessary poverty, and incomes fattened with monopoly gains are redistributed in favor of the exploiting monopolists, to the prejudice of the rest of the community.

These cases make it clear that economic behavior has results which affect the welfare of the whole, over and beyond its consequences to the individuals immediately involved. The bond of society which ought to clasp its members together is each one's stake in the common good. For, if the condition of the whole is unsound, even the sturdiest individual parts may be weakened.

This brief statement of the notion of social justice is needed to understand the Papal teaching on the right of every adult workman (not just the wage-earner) to an income sufficient to support himself and his family decently—an income which has been misleadingly labeled the family-living “wage.” *Quadragesimo Anno*, at times a powerfully obscure document, itself invited the misunderstanding by using the same words—*salarium* and *merces*—ambiguously. Sometimes—as in the context of paragraph 74—the words mean the wage in the narrow sense of the going market-price of labor. At other times they mean the full income of the workingman’s family, including sources of income other than that of his sole wage, if indeed he can be described as a wage-earner at all. For example, he may not be the only income-earner in the family; or he may derive income from a plot of land; or from interest on savings; or stock dividends. He may receive a share in the profits of the firm which employs him; or he may have a side line. This is the sense of *merces* and *salarium* as used in paragraph 70.

First, a wage enough to support him and his family should be provided the worker. To be sure, it is fitting that the other members of the family should contribute as much as they can to the common support of all. This is done in the families of farmers, of many craftsmen and small shop-keepers. It is wrong, however, to abuse the years of childhood and the frailty of woman. Mothers should work in the home or near it, centering their care on household duties. It is a very evil abuse—every effort must be made to correct it—for a mother to have to neglect her proper duties, especially the upbringing of the children, to work for pay outside the family because the father’s wage is so meager. The utmost energy must be bent to bring it about that the fathers of families receive a wage ample enough to cover ordinary domestic needs decently. If this cannot always be done under present circumstances social justice requires that changes be introduced promptly to insure salaries of this kind to every adult workman.—This is the proper place to praise heartily all those who have experimented wisely and realistically with various methods of adjusting the wage of the worker to his family burdens, increasing it as family obligations grow, even to the extent of meeting extraordinary needs.

The doctrine of the right of the father of a family to an income adequate to support himself and his family is plain common sense. To deny that the head of a family has some right to an income sufficient to support his family is to affirm

that the family has no right to life. The only question worth raising is whether the *individual employer* has the obligation in strict, commutative justice to pay to each of his adult workmen, regardless of how valuable or valueless their services are to him, a wage sufficient to keep them and their children. The answer is that the individual employer has no such obligation in commutative justice.

The standard of justice which must regulate the exchanges between employer and employed is *aequalitas rei ad rem*. It is the age-old *quid pro quo*. What one gives should be of equal value—and that means of equal market-value—with what one gets. It is the competitive price of labor which registers the value which the community sets upon the services offered. It has no reference to the familial circumstances of the worker rendering the services. A moment's reflection will make it pellucidly clear that in the paragraph just quoted Pius XI was not building his case for the family-living wage on this kind of justice.

First, nowhere does the Holy Father state that this duty obliges the *employer* in strict justice. Indeed, he is scrupulously careful to avoid stating that the employer is the one who is to pay the *merces* in this sense. The first and third verbs used are passive and non-committal: *merces operario suppeditanda; ut cuivis adulto operario eiusmodi salaria firmentur*. The second statement says that fathers of families are to receive a full enough income, but it does not specify from whom they are to receive it.

Second, in a kind of parenthesis at the close of the paragraph, the Holy Father praises the granting of family allowances. We know that it is often the state which makes such grants, in one way or another: by direct payments or by reducing taxes. But the Holy Father also lauds the humane example of employers who, instead of applying the usual measure of equality of value, apply in this important matter a measure entirely different from that of equality of value. They use rather an arithmetic which equates the salary with the weight of the burdens of family to be borne. What an employer buys and must pay for in strict justice is the value of

the service a workman renders him. But the value of the service a workman renders to an employer is not correlated with his fecundity or with the expenses he incurs on account of his dependent wife or parents or children. Yet the latter yardstick is the one which Pius XI applauds. It is not the yardstick of commutative justice. The employer has gone beyond the demands of strict justice.

Third, the paragraph makes it quite explicit that "social justice postulates that those changes be introduced by which this kind of salary will be assured to very adult workman,"

many of whom are self-employed.

The Encyclical Letter of Pius XI on Atheistic Communism (*Divini Redemptoris*, 51) not only puts this matter squarely in the sphere of social justice but indicates also the reason why the living wage is due to the *paterfamilias*—the father of the family—in social justice.

Besides the justice which is called commutative, there is social justice to be practiced. It imposes duties which neither workers nor employers can evade. Now, it is the essence of social justice to exact of individuals everything requisite for the common good. Just as all is not well with the whole of a living organism unless each member is given all the things it needs to perform its vital functions, so with regard to the constitution and well being of the community, it is impossible to provide for the good of the whole society unless everything which each one needs for the exercise of his social function be imparted to the single members—in this case men endowed with the dignity of personality.

What is the social function of the father of a family? What vital function must a *paterfamilias* perform for the good of the whole rather than simply for his private weal? As a *paterfamilias* his social task is to provide for the essential needs of his family. This benefits the whole; the cells of society are, as it were, the families which make it up. If they are distressed, it cannot be healthy. It is essential to the good health of the social body that its family cells be sound. Recall that the Holy Father made it clear in *Quadragesimo Anno* that the family-living income is due to the adult workman in his social role as *paterfamilias*, not in his economic role as

clerk or truck-driver. A man's character as paterfamilias specifies the social function he performs; it says nothing about the economic role he plays. The paterfamilias under discussion is a worker, of course. It may be that he supplies one of countless varieties of productive services. Be his craft what it may, his income should be ample enough to provide for the essential needs of his family: sustenance, health, education. This right is based on his social role, not on his position as a bargainer in the market place. He cannot urge this social right against his employer, whose *direct* duties to his workers are based upon commutative justice. The employer hires the services of a clerk; he does not hire the function of a paterfamilias. It is the group's duty to see to it that family incomes are adequate.

To be sure, Catholic social teaching takes it for granted that the normal paterfamilias is a responsible adult, whose personal dignity and pride forbid him to look to society for more than the general help to be gotten when the common good is well cared for. The Popes presume that the ordinary householder is a frugal, thrifty man, not a wastrel nor an idler quick to urge against society his right as a paterfamilias to an unearned livelihood. In the final analysis there is no substitute for self-reliant people. Society as a whole—even where the Welfare State is quite advanced, as in Sweden—cannot afford to give all its parts more than the opportunity to get on. And it can provide this to the needy only at the direct expense of others. It is certainly not the intention of the Encyclicals that the responsibility for survival or self-improvement be shifted lightly from the worker to his employer or from the individual to the group.

Have we chipped away at the obligations arising from social justice until little or nothing is left of them? Not at all. With reference to the economic order, the chief duties arising out of social justice are determined by the circumstances of the particular society being considered. In an economic society where, thanks to centuries of previous development, per capita incomes have already reached levels of affluence—as in Western Europe and North America—social

justice has set its sights upon income redistribution. And it has accomplished veritable wonders. In the modern Welfare State, so called, experiments by the government in the redistribution of incomes by means of taxes levied upon the richer for the benefit of the poorer have brought it about that the harsher consequences of poverty are all but wiped out. No matter how humble the circumstances of the particular family, its members can get an adequate family allowance, medical care, emergency help, and as good an education as their talents, ambitions and energies deserve. Society sees to that through the agencies of the state: thus it practices the brand of social justice appropriate to its condition. Equal opportunity has never been more nearly approached on earth.

But in this country per capita incomes are still miserably low. National income statistics, for what they are worth, show that disposable personal income per capita amounts currently to about ₱1.30 per day. That is, if all the goods that this economy produces and makes available to households were so reapportioned that no one received a grain more than his fellow Filipino, each would receive ₱1.30 worth per day. This society is far from ripe for Welfare State experiments in mere income redistribution. There is no basis provided by this economy for wiping out poverty. Not yet. Not for a very long time to come. That is worth repeating: There is nothing we can do, here and now, to banish poverty and its dehumanising consequences by merely resharing what the Philippine economy produces. If the richest families in the land were to give evenly to the poor every centavo they earn, keeping for themselves only ₱1.30 per member per day, the end result would be more poor people than ever, all thirty millions of them equally poor.

Schemes for mere redistribution of incomes offer no *solution* to our social problem, whether these schemes take the form of slightly higher shares for tenants, or minimum wages, or modest shares in profits, or social security plans. In particular, when thinking of the family living wage and perhaps when urging employers to pay it, it is worthwhile to recall that wage earners in the strict sense are the smaller part, by far, of the labor force in the Philippines. A survey taken in October 1961 shows 33.6% of the labor-force to be wage and

salary workers; 42.4% are self-employed; 24% are unpaid family workers. If the self-employed farmer or tenant or shop-keeper must work hard or go hungry, let us be slow to court the opinion that it is enough for a workman to have an employer in order to have acquired the strange right to claim that the employer owes him, in some kind of justice, a wage enough to support himself and an extensive family of dependents. The plight of small farmers and of craftsmen in household industries is no less than that of wage-earners. All clamor equally for relief; social justice is concerned with the well-being of all.

The heart of the matter is this: the social problem here can be solved only through increased production. We are in this respect less fortunate than the Swedes. Therefore, the obligations imposed by social justice on the leading members of this economic society *at this stage of its development* are not towards getting incomes redistributed so much as towards getting the production of incomes on the way to ever higher levels. Only in this way will some dent be made in time on Filipino poverty. At the rate the economy is presently growing, it will take sixty years to raise per capita incomes to the equivalent of ₱2.60 a day.

The requirements of economic progress are not easy to fulfill in a country like this, even when taken seriously. The obligation in social justice to take these requirements seriously falls more heavily on those whose economic strength is greater, whether because of the resources they command in the private sector or because of the power they wield in government. The earnest fulfillment of the manifold requirements of economic progress has not been the glory of this economy in the post-war years. Investment, upon which heightened production basically depends, has not gotten, especially from executive and legislative policy makers, anything near the encouragement it needs. It continues to be dishearteningly hard to invest in productive enterprises here, hard for Filipinos as well as for foreigners. This has been the cardinal sin against social justice, rather than some defect in the matter of the family living wage. We badly misunderstand our present economic condition, whenever we lose sight of this compelling fact.