



Social Justice and the New Deal

The 74th Congress in Review



by Rt. Rev. John A. Ryan

The first session of the 75th Congress has produced legislation of tremendous import to the American people. What it has accomplished in advancing the aims of social justice, as expounded by His Holiness, Pope Pius XI, is indicated in the accompanying article by Monsignor Ryan, director of the N. C. W. C. Social Action Department, whose observations, we are sure, will receive the careful thought and study of all our readers.

PRACTICALLY all the important laws passed at the first session of the Seventy-fourth Congress are of an economic nature. They affect the economic welfare of various social classes. Obviously, they all have moral aspects; they are either right or wrong, just or unjust. In this paper, an attempt is made to appraise some of the most important of these enactments from the viewpoint of social justice. The measures to be considered are the Work Relief Act, the Social Security Act, the Labor Disputes Act, the Tax Law, the Holding Company Act, the Banking Law and the Walsh Bill to impose NRA standards upon Government contractors.

1. The Work Relief Act. This law provides \$380,000,000 for direct relief of the unemployed and \$4,000,000,000 for work projects, upon which only those hitherto on relief will be employed. The rates of pay will be somewhat higher than the relief allowances, but not so high as the corresponding wages in private employments. This increase in the incomes of the unemployed is, of course, in conformity with social justice.

Whether the failure to make the work relief payments equal to the prevailing rates of wages is contrary to social justice, is a complex question which cannot be answered or even adequately presented in this article. For the most part, these wage rates are inadequate to decent living, but they may represent the best that is politically and economically feasible at this time.

2. The Social Security Act. On the occasion of signing this enactment, President Roosevelt declared that if the present Congress had done nothing else, it would have been more deserving of approval than the great majority of its predecessors. Undoubtedly, this is a correct judgment. It is warranted not only by the magnitude and comprehensiveness of the act, but by the fact that in one session, a variety of benefits are provided which in Europe were the outcome of many laws passed in many sessions of the various national legislatures. Through this act, the United States has at last reached the stage of social insurance attained by the principal countries of Europe.

The main provisions of the act comprise unemployment insurance, old age pensions, old age insurance, various kinds of aid to mothers, to children and to the blind, provisions for the rehabilitation of the disabled and appropriations for public health. Space is wanting here for even a summary description of the way in which the act will be operated and administered, the extent of its benefits and the sources from which they are to be derived.

Two important questions of social justice must, however, receive brief consideration. First, are the payments contemplated for the various classes of beneficiaries fair and adequate? Undoubtedly, the provisions for the unemployed will be insufficient for thousands upon thousands during any long period of unemployment, while a maximum of \$30.00 per month seems pretty low for the maintenance of an aged person. However, it is possible for any state that so desires to add to the payments under both these heads. In view of all the circumstances, it cannot be shown that the federal contributions provided in the act for the unemployed and the aged fall below the demands of practicable social justice.

The second question concerns the means by which the payments are made available. The funds for unemployment benefits are to be de-

duced from a tax upon employers. This is obviously just, for if industry is unable to furnish employment for those who depend upon it for a living, it ought to be required to provide them with a more or less adequate substitute. The funds for old age pensions are to come partly from the Federal Government and partly from the states. This, too, is a just arrangement. Equally just seems to be the provision of the act which requires old age insurance payments (as distinct from old age pensions) to be financed by an income tax on employes and a payroll tax on employers with, when necessary, supplementary contributions from the federal treasury.

3. The Labor Disputes Act. In spite of bitter and powerful opposition from large employing corporations during two terms of Congress, this measure has finally been enacted. Its main provisions are as follows: Employes have the right to organize and to bargain collectively through representatives of their own choosing; employers are forbidden to interfere with, restrain or coerce employes in the exercise of these rights, to dominate or interfere with the formation or administration of any labor organization, to discriminate in any way against employes because of their membership in labor unions or to refuse to bargain collectively with the representatives of their employes.

The act is to be administered by the National Labor Relations Board, which shall have power to supervise the election of employes' representatives for collective bargaining, to determine the appropriate unit for such elections, and in general to enforce all the provisions of the act.

One of the most bitterly disputed provisions of the act was that which empowers the representatives of a majority of the workers in an industry or plant to represent all the workers in the process of collective bargaining. Hence unions or groups which comprise only a minority of the employes will have no representatives in the bargaining groups, although they are permitted to present their proposals or grievances to the employer. The authorized bargainers are determined therefore by a majority rule not by the method of proportional representation.

In his Encyclical on The Condition of Labor, Pope Leo declared that workingmen's associations should be so organized as to enable the workers to "better their condition to the utmost in body, mind and property." For the first time in our history, this principle receives effective recognition in the law of the land.

4. The Tax Law. While this is inadequate as a revenue measure and does not exemplify full-proportional justice it is more nearly in harmony with the ethical principle of taxation according to ability to pay than any previous federal law in this field.

The very high rates on the largest incomes and estates are not contrary to justice. The extent to which they can become effective in bringing about that better distribution of wealth demanded by Pope Pius XI, cannot now be foretold with any approach of accuracy. That they will have some such effect is unquestionable. That they will injure the common good by discouraging socially useful initiative, enterprise or wealth creation, is altogether improbable. So far as it goes, the act is an important contribution to social justice.

5. The Holding Company Act. This measure provides for the federal regulation of the prices to be charged for electric current which is sold across state lines and for the gradual dissolution of all holding companies except those whose subsidiaries are within a single state or an integrated territory. In the "Conclusions and Recommendations" submitted at the end of its long investigation of utility holding companies, the Federal Trade Commission said:

"It is not easy to choose words which will adequately characterize various aspects of the situation without an appearance of undue severity. Nev-

ertheless, the use of words such as 'fraud,' 'deceit,' 'misrepresentations,' 'dishonesty,' 'breach of trust,' and 'oppression,' are the only suitable terms to apply if one seeks to form an ethical judgment on many practices which have taken sums beyond calculation

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from the rate-paying and investing public. The holding company in the utility field has been the chief device by which the control and ownership of operating companies has been rapidly concentrated into fewer and fewer hands, with every prospect that the process will continue on its nation-wide monopoly, unless there be governmental regulation. The Commission is of the opinion on the whole that the detriment of the utility holding companies to the public has exceeded thus far their value to the public."

The utility holding companies constitute probably the most apt illustration in the United States of the words of Pope Pius XI: "Immense power and despotic economic domination is concentrated in the hands of a few, and those few are frequently not the owners, but only the trustees and directors of invested funds who administer them at their good pleasure."

The Holding Company Act will promote social justice to both consumers and investors: to the former by relieving them of unjust and unnecessary charges imposed upon operating companies by the holding companies; to the latter by depriving them of the opportunity and temptation to put their money into unprofitable securities. Pleas for innocent investors against the so-called "death sentence" to unnecessary holding companies are ethically one-sided. If the gradual dissolution of a company

over a period of seven years would finally compel stockholders to sell their securities at less than cost, the inference is warranted that the stock was inflated from the beginning and never represented goods or services. That the consumers of electricity should be required to pay excessive charges indefinitely in order to provide interest upon this largely fictitious stock and to maintain its value is a proposition that cannot be successfully upheld upon any principle of applied ethics. The moral claims of the deluded investors should be urged against holding company organizers, not against the inculpable consumer.

6. The Amendments to the Agricultural Adjustment Act. The aim of these is to make the act effective in places where it has been weak either from a constitutional or from an administrative viewpoint. They are demanded by social justice because the act itself is in accord with social justice. It was designed to ensure the

farmer fair prices for their products and to arrest devastating wholesale bankruptcies. That it has attained these ends in a very large measure is evident to anyone who compares the economic condition of the majority of the farmers and farm communities now to their condition before the AAA was established.

In recent months, the AAA has received considerable criticism on the ground that it constitutes unfair discrimination in favor of one economic class. The higher prices that wage earners must pay for food products without having received a corresponding increase in wages, is frequently and powerfully stressed. Nevertheless, the remedy is not to be found in reducing the incomes of the farmers to a level comparable with the insufficient remuneration of the wage earners. The principal remedy is to raise wages. To a considerable extent, the NRA achieved this, and it would have done still more for the

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