

PRINCIPLES OF HEINRICH PESCH'S SOLIDARISM

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This is a summary and brief explanation of many of the key principles of the economic system called solidarism, developed by Fr. Heinrich Pesch, S.J. in the late nineteenth and early twentieth centuries, which was explicitly grounded on Christian and traditional natural law principles.

In these times of economic strain, it is worth considering if the economic problems we see are not merely technical problems but have a moral basis. At least, it is worth thinking how Catholics should approach these problems, what frame of reference they should use in approaching economic life. The social encyclicals, of course, provide the basic principles—grounded in the Gospel and natural law—for Catholics and all men to use in shaping their thinking about economic and social life. The Church does not provide technical solutions or economic and political programs; she provides, however, the crucial moral principles upon which the latter must be formulated. The Church's moral principles and understanding of man were *explicitly* used by the German Catholic economist Fr. Heinrich Pesch, S.J. (1854-1926) as the foundation upon which to erect his economic system called solidarism or the solidarity system of human work. Pesch's ideas are thought to have influenced Pope Pius XI's 1931 encyclical *Quadragesimo Anno*. Pesch's thought has been made accessible to an English-speaking audience through the efforts of Dr. Rupert J. Ederer, Professor *Emeritus* of Economics at SUNY-College at Buffalo, who has spent his retirement of twenty-odd years translating Pesch's voluminous works, most prominently his multi-volume *Lehrbuch*. Dr. Ederer has said that in spite of the fact that Pesch is not well-known, he can rightly be called an economic "system-builder," on par with Adam Smith, Karl Marx, and John Maynard Keynes. Here are presented many of the key principles of solidarism:

1. The solidarity system emanates not from the individual or from society, but from both of these. So: *both* must be given their just due; there are moral bonds that extend throughout the individual political community and, in fact, to all mankind (thus, all men are in solidarity with each other).

2. There is a further, particular solidarity of people in the same nation and in the same occupation. Since there is solidarity of citizens in the same country, they are all obliged to seek the national well-being—that is, the nation’s common good. The purpose of a national economy for solidarism is to meet the national need for material goods within the context of the general welfare. The economy becomes a social unity—without doing away with the multitude of private economic activities. The solidarity of people in the same occupation (i.e., industry or area of the economy) means that those in that occupation should form organizations—occupational groups—to promote their common interests (individuals alone may be too weak to assert their interests in the face of a larger economy) and to carry out their work, in a way coordinated with the other economic activities of the nation and conducive to the nation’s common good. The solidarity within an occupation includes relations between employers and employees. The occupational group is a way of bringing employers and workers together, stressing that they are involved in a common effort. An employee is a helper of an employer and under the employer’s direction, but he cannot be reduced to a mere factor of production. The advent of occupational groups would not exclude unions. They still would have a role in helping the worker to assert his unique interests, and workers have a right to form them. Solidarism understands that there are competing interests and tensions between management and labor, but it rejects the notion of an inevitable conflict between the two (as it rejects the broader, Marxian notion of class conflict). It seeks to balance and reconcile interests among different classes, economic groups, and rungs on the economic hierarchy.

3. The social order demands strong family life. Even in Pesch’s time, he felt compelled to talk about the need for a “restoration” of the family. “Capitalism”—more correctly, economic liberalism—had had the effect of loosening family bonds (an observation that even Marx had made), and communism deliberately *sought* to do this. The family is crucial for economic life because sound religion and virtue are needed to help men properly control and regulate their economic activities, so that the common good can be promoted. The family, of course, is the prime former of religion and virtue in new generations.

4. While new structures—the occupational groups and institutions embodying them—are important, the stress on the importance of the family indicates that—for the solidarist—structures alone will not insure a just economy. The different kinds of justice have to be present (social,

distributive, and legal justice), which among the cardinal virtues is the particularly important one for society. Social charity must also be present (i.e., respect and regard of the different social classes for each other, a Christian charity that extends broadly within a culture and nation—the “civilization of love” that Pope John Paul II talked about). This is something even higher than justice since justice is a cardinal virtue and charity—social charity is a particularly social expression of the virtue of charity—is a theological virtue. In fact, according to 1 Corinthians: 13, it is the highest of the theological virtues.

5. One cannot expect in a fallen world that good will can be the sole motivating force for all, or even most, people in society—even in the *best* of times. Self-interest and self-love are always present, and indeed, they have a rightful role in economic life; they can also be destructive forces, however. So, the solidarist seeks to *regulate* them—as he would regulate freedom, in general (the existence of which makes man uniquely dignified)—in accordance with the higher standard of justice and in a way that respects both the individual and the community. (This is a bit like James Madison in Federalist 10 saying that faction is good and necessary for political liberty, so a political order must take care not to destroy it but to control its effects or, if you will, *regulate* it.) While, as stated, formation in religion and virtue are vital, structures are needed. The occupational groups play a regulative role on those within their ranks (e.g., insuring standards of quality and competence for those entering their fields of work, regulating workplace conditions, playing a role in insuring just wages and just pricing). Since these groups are also advocates for their own interest and could become self-serving or seek monopolistic advantages, however, government also must play a regulative role through its laws as the final backstop to protect the broader public and insure that the common good is promoted. The solidarist, then, sees government as having a role in economic regulation, but the presence of occupational groups enables it to take a step back. The regulatory state that we are so familiar with—it has increasingly become a “regimented state,” because of *excessive* government regulation—is not a part of solidarism.

6. Economic freedom is certainly a good thing, but it cannot be unrestricted nor can there be arbitrary individual action. There needs to be a principle that regulates the use of this freedom—the principle is human well-being or dignity, which involves carrying on economic activity in accordance with the natural law for the promotion of the common good. In practical terms, this affects the “what” and “how” of

production, pricing, and incomes. While valuable and certainly playing a crucial role, competition cannot be *the* regulative principle. In fact, while the solidarist recognizes that there are market inclinations and forces, he would not accept them as rigid “laws”; such a notion comes from the Enlightenment. This means that “capitalism” in the following sense of the word is rejected by the solidarist: a type of economic structure that stems from individualistic freedom to pursue gain, *and* where the principle of individualistic economism prevails in such a way as to serve predominantly the interests of those who own capital, especially money capital. (“Economism,” by the way, is defined as the reduction of all social facts to their economic dimensions; supply and demand become the only important factors in decisions; and ethics has no role in economic decisions. Pope John Paul II criticized economism—specifically using the term—in his encyclical *Laborem Exercens* [1981], #13.)

7. There needs to be a restoration of the notion of the social use of property, in keeping with the traditional classical-Christian understanding. As perhaps first enunciated by Aristotle, the best arrangement of property is that it should be privately owned but with a sense of using it with an awareness of the needs of our fellow man and the overall community. The implication of this is that ownership cannot be seen as an end in itself, but as the means for an orderly providing-for of the people living in society. This involves the principle of the universal destination of created goods, so that we must share with others when they are in need—and when there is extreme need the rights of ownership must give way to the right of a person to survive.

8. On the grounds of both principle and practicality, solidarism rejects the suppression of private ownership of the means of production and distribution, or any kind of sweeping nationalization. That does not mean that all government ownership is to be rejected out of hand; it would depend on whether its effect would be to raise or lower the common well-being, and if the genuine needs of the people would be provided for better if it were done. In any event, it would have to be well justified if it were sought, and would be the exceptional case—not the norm. For such areas as mail, transit, and municipal ownership of utilities, government ownership could work, but solidarists tend to be critical of it in other economic fields. They make it clear that government ownership would not be the best way to achieve *socialization*—i.e., *not socialism*—which is understood to mean use so that all can benefit, in line with the principle of the universal destination of created goods.

9. To achieve such socialization, the solidarist favors the associational bodies mentioned—occupational groups. The solidarist would like to see the whole economy organized associationally: at the local level—which is especially important because of the principle of subsidiarity—regionally, and nationally (some solidarists have advocated something like a kind of third national legislative chamber, where the occupational groupings would be represented).

10. In line with the need to achieve socialization, a planned economy is an appropriate thing—instead of just the willy-nilly progression of economic life—but it would not be a planned economy in the sense of regimentation, detailed schemes, and dictates from government. Families and businesses plan their economic actions—indeed, one wonders if the current credit turmoil would have been substantially averted if more of them had been more responsible in their economic planning—so it is only reasonable to expect that planning for the whole economy should be done, with government as the prime guarantor of the common good obviously playing an important role.

11. Since government particularly has this task of insuring the common good, it cannot be indifferent as to how wealth is distributed; it always has to insure that commutative justice prevails in the matter of wealth distribution. (This is a question, by the way, that was always a concern of the classical-Christian tradition, going back again to Aristotle.) In some way, government must see that there is a just distribution.

12. The just wage, a particular concern for the solidarist, is a central way of advancing commutative justice. The standard for a just wage is this: Everyone should have at least the minimal amount needed for a living condition corresponding to the attained cultural level of a particular society, and one that is truly worthy of man and provides for the due maintenance of his family. Solidarists make the point that if there were the provision of a just wage across the economy, the state would have to play much less of a role in public assistance. While market forces are involved in setting wage levels, they cannot be the sole determiner. The more fundamental standard of human dignity must always govern. The just wage might also be called a *family wage*—Pope John Paul II specifically used that term in *Laborem Exercens*, #19—and we would not expect the level of compensation for a single worker to be the same as for one (generally a husband-father) supporting a family. To help achieve a just and family wage, the solidarist looks positively at such approaches as profit-sharing and family wage escalators.

13. In line with the need for a just wage, there must not be absolute freedom of contract in employer-employee relations. In other words, one cannot say that just because a worker has agreed to a certain level of remuneration that is not adequate for him and his family to live in dignity, this makes it a just wage. This is not something that is simply a matter of human choice, and in any event, such inadequate remuneration typically occurs because of a worker's unequal bargaining power (so that there is a lack of commutative justice).

14. It was mentioned above that a worker must not be seen as a mere factor of production. The worker must be ensured adequate rest and relaxation; he cannot be driven past the point of endurance. It follows from the discussion of the importance of the family above that the worker must have adequate time for his family role and responsibilities. He must also have time for his religious responsibilities. The workplace generally cannot be permitted to depersonalize him. In recognition of the fact that workers are reasoning creatures, solidarists have sometimes called for workers to participate as appropriate in workplace decision-making. The conditions of work and the attitudes of the worker must enable him to realize—in a true spirit of solidarity—that he is not merely serving the financial interests of his employer, but also helping to promote his nation and all of mankind and that his labor—like all good work—is a calling.

15. The solidarist is concerned about just pricing. Prices must be reasonable for both the producer and the consumer. A just price is one that covers costs and yields the producer or trader a reasonable gain (i.e., a profit). Commutative justice must be upheld: there must be payment in accord with the true value of a good or service; to have a morally legitimate exchange, there must be an equality of the things being exchanged. This means, for example, that the consumer has no right to the *lowest* possible price. If a price is not sufficient, someone—probably many people—on the producing and distributing side suffers. As stated, making a profit is important, but profit-making cannot be the governing principle in pricing. The principle of satisfaction of wants has to be governing, and this shapes the true value of the commodity. The profit that normally would be expected to be earned would be the normal level of profit for one's country or occupation, but even a higher one could be legitimately gotten so long as it accords with the value of what one provides.

16. Trade cannot be absolutely free. This would likely violate commutative justice, because nations are not evenly matched; each one

cannot always derive the same advantage as another or others from a regimen of free trade. (This was something recognized by Pope Paul VI in his encyclical *Populorum Progressio* [1967], #56-59.) The solidarist doubts that the entire world benefits from absolutely free trade; only certain nations do. Further, if a country is flooded with foreign products, its own domestic production cannot gain ground.

A few issues that immediately present themselves with solidarism are these: 1) it is not clear if it would not be too static and discourage risk-taking, entrepreneurship, and innovation; 2) it is not clear how it would work with an increasingly international-oriented economy, since Pesch developed it at a time before that existed to a substantial degree; 3) developing and making occupational groups work would be difficult, since there is little experience with them in most countries—and what experience existed was mostly quite some time ago—and Pesch makes clear that they would have to be developed voluntarily without governmental mandate; 4) unions may not be enthusiastic supporters of occupational groups, because they might see themselves, rightly or wrongly, as weakened and their role comprised; and 5) in the U.S. specifically, a) the kind of collaboration within an industry to help set labor and product standards and in playing a role in setting prices might run afoul of our notions of anti-trust, b) the kind of economy-wide structuring called for might be difficult with our federal system, and c) it is not clear that as long as there is any amount of government involvement—even as a backstop—in the occupational groups' economic regulation that it would not be held by the courts to be an unconstitutional delegation of governmental power to the private sector, as was the fate of the industry codes under the National Industrial Recovery Act during the New Deal.

While the church, of course, does not embrace any one economic system or, set of policies, it is always required that the Church's social teachings be *fully* upheld (irrespective of the imperatives of ideology or any economic theory). Solidarism was an attempt to do precisely that.

In compiling this short discussion of the principles of solidarism, the following sources were consulted:

Heinrich Pesch, S.J., "A Solidarity Work System," from Pesch's *Lehrbuch*, vol. 2, put into pamphlet form by John Doebele.

Heinrich Pesch, S.J., *Ethics and the National Economy* (tr. Rupert J. Ederer; Manila: Divine Word Publications, 1988; originally published by Herder & Co., Freiburg, Germany, 1918).