

Common Good Through the Lens of Catholic Social Teaching: A Case Study for Principles of Macroeconomics

Monica E. Hartmann
University of St. Thomas
Department of Economics
mehartmann@stthomas.edu

July 10, 2023
DRAFT

Abstract: After receiving the Nobel Prize, Jean Tirole often was asked how our discipline contributed to our well-being. He wrote the book, *Economics for the Common Good*, for the general public to answer this question. As university professors, we also are confronted with this question by our students, how economics can support the common good. This is especially true in our principles' classes. While considering social welfare issues, it is sometimes a challenge to keep class discussions focused while recognizing different perspectives about what constitutes social welfare that our students may bring to class. For example, when it comes to discussions of tradeoffs between the efficiency and fairness of NAFTA, and its relevance to the common good, many instructors are at a loss as to how to even approach such a discussion, given our discomfort and lack of expertise with the requirements for economic fairness. We find it helpful to anchor the discussions with ideas found in our university's mission, ideas from a sponsoring faith group and concepts that students encounter in other classes in the core curriculum. This paper gives two examples of how this anchoring might be accomplished. The Principles of Economics classes offer a wealth of opportunities to discuss important issues related to ideas of social welfare. For example, the discussion of the natural rate of unemployment is ripe for class discussion. While unemployment is the focus of both examples, others might apply this same approach to other topics. In the case of our own Catholic university, there is a wealth of writing from Catholic teaching that may contribute to discussions of social welfare. We utilize the writing from two recent popes, and we ask our students to analyze these ideas through the lens of economics. Alternatively, Tirole suggests following an exercise rooted in philosophy to discuss equitable considerations. Our goal is to encourage our students to examine these equity issues often ignored in our lectures, but so important in daily life. We believe that colleagues at other faith-based universities and even secular universities will find ways to modify what we have done to address other social welfare issues important to Catholics and non-Catholics alike because equity considerations are a particular concern for Generation Z students.

Key words: Active learning, principles of economics, common good, teaching methods, economics education.

JEL Codes: Role of Economics, Role of Economists, Market for Economists (A11)

Introduction

The social sciences and their focus on understanding societal institutions and practices have much to say about the impact of these institutions and practices on the common good. Economics, in particular, with discussions of resource allocations and the distribution of goods and services, has much to say about our success, or lack thereof, in promoting the common good. It is our experience that some of the most interesting discussions in our economics classrooms ask our students to look at the implications that various economic policies have for the promotion of the common good. In this paper, we present the details of two such classroom exercises.

Long before we ever get to one of these discussions, we must impress upon our students the difference between what are commonly known as positive economics and normative economics.

Within the realm of positive economics, we strive to investigate and explain how the economy actually works. As such, we focus on descriptive, and even predictive, statements which describe the working of the economy. For example, every student of economics learns how the interaction of demand for and supply of a good or service interact to determine the price of that good or service in the market place. Using that familiar model, we also are able to predict what happens to that price when there is an increase in demand or in supply.

Often, we are dissatisfied with a particular market outcome and seek to make changes. For example, for reasons related to pollution or congestion, we may decide that the market produces “too much” of a particular good or service. Further, we might devise policies, for example a tax, to reduce the market-produced level of output. Here we enter the realm of normative economics where after evaluating an economic outcome we propose economic policies to improve upon that outcome. That is, we find ourselves making prescriptive, rather than simple descriptive, statements. This is because economic policy has the potential to make significant contributions toward promoting the common good.

When evaluating an economic outcome, we do so based on the economic efficiency of the outcome and also based on how fair the outcome is to the affected parties. For example, in discussions of NAFTA we demonstrate that society as whole is better off with lower barriers imposed on trade from the agreement but acknowledge that while the benefits from trade are dispersed throughout society, the damages may be strongly concentrated among the relatively few. When we are dissatisfied with a particular outcome, either due to its inefficiency or due to its unfairness, we propose economic policies designed to remedy these deficiencies and to promote the common good.

While both efficiency and fairness are desirable and important qualities and important for any discussion related to the common good, most economics instructors are much more comfortable discussing the economic conditions required for an efficient outcome. Economic efficiency requires both productive efficiency, which means that it is not possible to produce more of one good without producing less of at least one other good, and allocative efficiency, which means that the proper mix of goods is being produced so that no other mix would make even one person better off without making at least one other worse off. The objective conditions required for productive and allocative efficiency are relatively easily demonstrated either graphically or mathematically. Unfortunately for the economist, no parallel set of objective conditions exist that would similarly guarantee an equitable outcome. This makes the economist much less of an expert when it comes to discussions of economic fairness and not as comfortable engaging in those conversations.

Economists possess tools to address the instances of an inefficient market outcome (i.e., market failure). However, these policy recommendations that lead us to an efficient outcome often led to many individuals being made better off while others are made worse off. The solution to this inefficiency is often justified by pointing out that the winners will gain more than the losers will

lose. In theory, the winners could more than compensate the losers, making everyone better off. Yet this compensation rarely takes place. If the winners were those who had little in the first place and the losers had much, this remedy may even promote fairness. However, the remedy aimed at efficiency will be problematic when the losers have little to lose and the winners were already doing quite well. In a case such as this one, we are forced to either prioritize efficiency over fairness, or the opposite. In such a case it is not at all clear that the policy to promote efficiency will actually promote the common good.

When it comes to discussions of equitable distributions of resources, tradeoffs between efficiency and fairness, and their relevance to the common good, many instructors are at a loss as to how to even approach such a discussion, given our discomfort and lack of expertise with the requirements for economic fairness. As instructors at a Catholic university, and perhaps even for instructors at secular institutions, it seems to us that a discussion based on Catholic Social Teaching is at least one legitimate place to begin. For us, it has the added benefit of allowing our students to apply what they might have learned in their classes in Theology or Catholic Studies and begin to see the strength of interdisciplinary learning and of a liberal arts education. For non-Catholics, many religious and atheists, have grown to admire Pope Francis and are curious to hear what he says on various social topics (Barna, 2014; Ravitz, 2015; Massey, 2015). Thus, what he has said can be used to initiate conversation on equitable issues.

Alternatively, Nobel Prize winner Jean Tirole suggests the following thought experiment to define the common good to discuss equity issues:

“Suppose you have not been born, and therefore do not know what place you will have in society, what your genes or who your family will be, or even what social, ethnic, religious, or national environment you will be born into. Now ask yourself, “In what society would I like to live, knowing that I might be either a man or a woman, endowed with good or bad health, from a rich or poor family, well-or-ill-educated, atheistic or religious, a person who grew up in a big city or the middle of the countryside, or one who could seek fulfillment in work or adopt an alternative lifestyle. (Tirole, 2014, pg. 2)”

While people still may disagree on how the fairness and relative importance of equity in defining common good, it still decreases some of arbitrariness on define common good. Tirole points out this experiment forces one to abstract away from their current economic and social conditions. You are placed “behind the veil of ignorance” an exercise rooted in the tradition dating back to Thomas Hobbes and John Locke and continued development of Immanuel Kant, Jean-Jacques Rousseau, John Rawls, and John Harasanyi (Tirole, 2014, pg. 2).

Though we imagine many instances within the Principles of Microeconomics and Principles of Macroeconomics courses where an approach that employs the lens of Catholic Social Teaching could be a fruitful one, this paper focuses on two particular classroom exercises from the Principles of Macroeconomics course. The exercises have the benefit of showing our students that some of the best sounding policies can have unintended consequences, making it unclear whether the policy will actually advance the common good. Our students have a keen interest in policy debates. Being able to identify a likely unintended consequence of a particular policy further sparks their interest and makes clear to them the importance of careful economic analysis. The ability to understand the implications of one’s decisions is a necessary skill that our students must acquire to be successful in the business world and elsewhere.

Background

In the Principles of Macroeconomics course, discussions of labor markets, unemployment and employment policies lend themselves well to the inclusion of issues from Catholic Social Teaching as important pieces of these discussions. In particular, the ideals of the Dignity of the Human Person and the Dignity of Work fit quite naturally into these discussions. One sees this in the 1996 statement on *A Catholic Framework for Economic Life* from the United States Conference of Catholic Bishops. Here they wrote that “(a)ll people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and

join unions or other associations.” The statement that all people have the right to productive work suggests that there is a moral imperative that we must pursue policies that reduce unemployment. This imperative motivates further discussion of possible policies and their anticipated success in reducing unemployment. At the same time, these policies ought to address “decent working conditions” and “just wages and benefits”. When a particular policy promotes one of these goals at the expense of one or more others, the discussions on building institutions to create an inclusive economy get really interesting. For example, minimum wage laws, overtime pay legislation and worker safety regulations are actions that are meant to address “decent working conditions” and “just wages and benefits”. However, these policies also will raise the cost of hiring a worker and may cause employers to choose to hire fewer workers, leaving more individuals without “productive work.” Thus, it is not necessarily obvious that these policies aid the well-being of the worker, on net. The number of unemployed individuals may be high or low for a variety of reasons.

Macroeconomists are keenly aware that unemployment varies across time within a particular economy through the boom-and-bust periods of the business cycle. Unemployment rates also tend to be different for different groups of individuals based on their age, educational attainment or ethnicity. Of particular interest for one of our classroom exercises are unemployment rates that vary across countries. For example, the data show that European countries experience persistently higher rates of unemployment than does the United States. While there may be many contributing factors that help to explain this difference, some undoubtedly have to do with European policies designed to improve the working conditions for its workers, which increase the cost to a firm to hire a worker. These include government restrictions on the dismissal of workers that are designed to promote job security, government-mandated vacation periods, higher minimum wages than in the U.S., more generous unemployment benefits than in the U.S., and more powerful labor unions than in the U.S., among others. Economists say that these “intrusions” into the free labor market

introduce labor market rigidities. While flexible wages and benefits may adjust to eliminate a surplus of workers seeking employment, rigid wages and benefits may leave us with persistent unemployment.

As is usually the case when there are two or more desired goals, we are faced with a tradeoff between maximizing the number of workers employed and achieving the improved working conditions intended by the policies that lead to these labor market rigidities. As is also usually the case, individuals will disagree about the proper balance between these competing goals. Many would agree that to go “too far” in either direction (employment at the expense of working conditions, or vice versa) is not a good idea, though there will be general disagreement as to what constitutes “too far”. This tradeoff presents a terrific opportunity for discussion and debate among the students in our classes.

At our institution, the Principles of Macroeconomics class is taken by students in their first or second year. The class size is relatively small, with the enrollment capped at 30 or fewer students. Many of the students are taking the course to satisfy an allied requirement for an intended business major, while other, non-business majors take it to satisfy the social science requirement in our core curriculum. There are also typically a few students in each class who are intending to major in economics.

The Classroom Exercises

We have created two exercises (which appear in the appendix) to introduce Catholic Social Thought into Principles of Macroeconomics courses. The first exercise focuses on unemployment rates across countries as well as the government policies and institutions that make labor markets less responsive to changes in market conditions. Students identify how these structural rigidities in the labor market affect the desire for someone to work, as well as the firm’s willingness to hire an employee. While these “intrusions” into the free labor market may raise the unemployment rate,

there are benefits to *society* from implementing these labor policies. Students are then asked to explain why Catholic Social Thought would be supportive of having these structural rigidities present in the labor market. For a secular classroom setting, alternative phrasing of the question is provided. Using Jean Tirole's thought experiment rooted in philosophy, students are asked why society may benefit from implementing these rigidities. Finally, students explore why the German Catholic Church (or the German unions) in 2003 were supportive of loosening laws that protected German workers. This allows students to examine the trade-offs of these policies that one weighs.

These series of questions are presented to students once we have covered the following topics in class:

- Different types of unemployment rate
- Natural Rate of Unemployment (NRU)
- Relationship between NRU and the production possibility frontier (optional)
- Critique of how unemployment rates are calculated
- Pros and cons of generous unemployment benefits
- Unemployment insurance in the US versus other countries (optional)

As time permits, one can incorporate the exercise into lecture any time after covering these topics. See assignment in Appendix for additional commentary for the instructors wishing to adopt it or modify for their own needs.

The second exercise explores the relationship between productivity, unemployment, and well-being. Students are assigned a reading from the San Francisco Federal Reserve Bank. Students learn that productivity raises (lowers) unemployment in the short (long) run and those long-term productivity gains are associated with higher real wages. In class, students read an excerpt from the encyclical *Laborem Exercens* (Latin: Through Work). Here Pope John Paul II defines "work" and how he classifies the two dimensions of work: an objective and a subjective sense of work. Students explore how technological advancements and production techniques that have automated

production affected both dimensions of work. While productivity gains have lowered production costs, raising demand for labor and raised real wages (strengthened the objective sense of work) in the long-run, the more automated work has diminished the subjective nature of work. It entails less ownership, investment into the final product's quality by workers and thus less pride may be taken in the work outcome. An alternative set of questions are asked in a secular class to promote discussion of the adverse effects of increased productivity. Because economics is a study of trade-offs, students also are asked to point out the economic gains workers have received from these productivity advancements. In the final question, students identify ways consumers and producers can enhance the subjective sense of work/dignity of work. We want students to examine their role as consumers today (and employers in the future) for supporting the dignity of work.

These questions can be assigned once one covers the chapter on productivity. More specifically, students must know the factors that influence productivity as well as the link between productivity and long-term growth (e.g., production possibility frontier and per worker production functions).

Conclusion

In both exercises, students explore how labor market rigidities affect employment decisions from the employer and employee perspective. They also examine their individual role in promoting dignity of work. Writing questions that places students in the role of decision maker has the added benefit of actively engaging the students in their learning. Dale [1969] and Stice [1987] have shown with active learning students retain 90 percent of what they do (e.g., simulate a real experience) versus only 50 percent of what they hear and see (e.g., lectures and movies). Playing a role allows students to simulate the economic and Catholic Social Thought thinking process. Because many students primarily rely on inductive reasoning, they can first start out analyzing an issue within a basic scenario as described in the exercises and then branch out and form a general conclusion.

Finally, we fully expect that colleagues at Catholic universities will find ways to expand upon the exercises that we have proposed. In addition, we believe that colleagues at other faith-based universities and even secular universities will find ways to modify what we have done to address many of these issues which should be important to Catholics and non-Catholics alike.

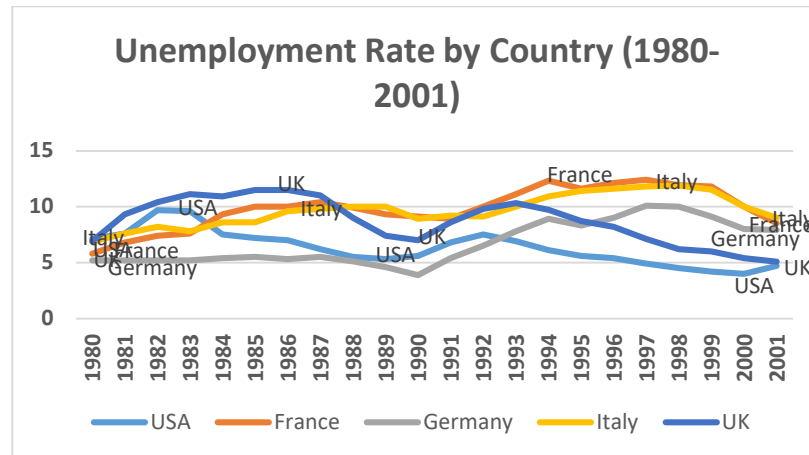
References

- Barna (2014). "What Do Protestants Think of Pope Francis" March 17, 2014.
<https://www.barna.com/research/what-do-protestants-think-of-pope-francis/>
- Boudette, Neal. "Searching for solutions, Germany May Tackle – Economic Woes Lead Some to Say Beloved Job Law is Ripe for Rethinking." *The Wall Street Journal*, February 28, 2003.
- Dale, E. (1969), *Audio-visual Methods in Teaching* (3rd ed.), New York: The Dryden Press; Holt, Reinhart, and Winston.
- Euromonitor International. *Unemployment Rates*. Retrieved from Euromonitor Passport database on February 9, 2018.
- Massey, Alana (2015). "Take what you need and leave the rest: why atheists love Pope Francis." *The Guardian*, September 23, 2015.
<https://www.theguardian.com/world/2015/sep/23/non-catholics-who-love-pope-francis>
- Pope Francis. "Videomensaje del Santo Padre con motivo del 57º Coloquio de IDEA "Logremos una Argentina Sostenible." IDEA Foundation and Union of Representation of Popular Economy, October 14, 2021, Argentina. Address.
<https://www.vatican.va/content/francesco/es/events/event.dir.html/content/vaticanevents/es/2021/10/14/videomessaggio-idea-colloquium.html>
- Pope John Paul II. *On Human Work : Encyclical Laborem Exercens. September 14, 1981.*
https://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens.html
- Ravitz, Jessica (2015). "The Pope: Not just for Catholics anymore." CNN, September 15, 2015.
<https://www.cnn.com/2015/09/13/us/pope-francis-non-catholic-flock/index.html>
- Stice, J. (1987), *Developing Critical Thinking and Problem-solving Abilities*, New Directions in Learning and Teaching Series, No. 30, San Francisco, CA: Jossey-Bass.
- United States Conference of Catholic Bishops. A Catholic Framework for Economic Life. November 1996. <https://www.usccb.org/resources/catholic-framework-economic-life.pdf>

Appendix

Employment Exercise #1:

Why were unemployment rates so high in Western Europe relative to the US? See figure below.



- a. Structural rigidities in the labor market are institutions and policies that prevent the market from operating freely, moving resources to their optimal use. Here are examples of structural rigidities in the labor market that prevent the economy from working efficiently.

Note to instructors: walk the students through each rigidity, so they understand what each one entails and how they are present in the U.S.

- 1. Government restrictions on the dismissal of workers*
- 2. Unemployment benefits are more generous than U.S.*
- 3. Minimum wages are higher than U.S.*
- 4. Government-mandated vacation periods*
- 5. Unions are more powerful than U.S.*

- b. How does each of these structural rigidities listed in part (a) affect the desire for someone to work? How does each one affect the firm's willingness to hire an employee? In addition, how do each of the labor market rigidities affect frictional and structural unemployment and ultimately natural rate of unemployment?

Note to instructors: Pair off students and assign half of the groups to take on the role of an employer and the other half as an employee. Then ask students to answer these questions based on their assigned role. Then discuss as a class when students have completed the question. Students ultimately learn that the lack of flexibility causes higher frictional and structural unemployment. If short on class time, have students answer these questions only for the first two rigidities while you give them the answers for the remaining ones.

- c. Catholic Social Thought (CST) supports having these structural rigidities present in the labor market. Explain why CST or other religious and nonreligious groups may support them

even though they raise unemployment. Identify the benefits to society from implementing these policies, such as higher minimum wages, government restrictions on dismissal of employees, and higher unemployment benefits.¹

Note to instructors – See below for some sample answers students might provide.

- *Minimum wages – Living wage allows workers to support their families.*
 - *Government restrictions on dismissal of employees – Research has shown constant fear of losing a job adversely affects workers health and reduces job satisfaction and performance. (Source: Tugend, Alina. “Uncertainty About Jobs Has a Ripple Effect” *The New York Times*, 5/16/14)*
 - *More generous unemployment benefits during pandemic (increase in total pay and length of time receiving payments) allowed workers to better support their families during times of unemployment and reduce the expansion of the labor problems to other sectors. (“Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy, 117th Congress, June 14, 2022, testimony of Sharon Parrott, President, Center on Budget and Policy Priorities, Before the House Committee on the Budget)*
- d. These rigidities in the European labor market have been present since post-WWII but become problematic starting in the 1990s when there was an increase in globalization (both in trade and production) and a shift toward skilled-based technological jobs.

Circle the correct words to complete the sentence to explain why globalization exasperated how structural rigidities raised unemployment.

1. Increase in globalization and the shift to skilled-based technological (raises/lowers) demand for unskilled workers.
 2. Given (1), wages for lower-skilled labor would (rise/fall).
 3. But, if you have high minimum wages, strong unions, generous unemployment insurance, etc., you (can/cannot) lower wages to market levels for less skilled workers in response to the drop in demand for their services.
 4. Given (3), jobs will (remain in Western Europe/ outsourced to other parts of the world).
- e. In 2003, with the unemployment rate close to ten percent, German union representatives and politicians discussed the possibility of loosening the rigid rules that protect German workers. The German Catholic Church even supported the introduction of these laws. How can the Church’s actions in Germany be consistent with Catholic Social Thought?²

¹ **Alternative phrasing of question 1C:** “Suppose you have not been born, and therefore do not know what place you will have in society, what your genes or who your family will be, or even what social, ethnic, religious, or national environment you will be born into. Now ask yourself, “In what society would I like to live, knowing that I might be either a man or a woman, endowed with good or bad health, from a rich or poor family, well-or-ill-educated, atheistic or religious, a person who grew up in a big city or the middle of the countryside, or one who could seek fulfillment in work or adopt an alternative lifestyle.” (Tirole, 2014, pg. 2) Given this setting, explain why you may support of having these structural rigidities present in the labor market even though they may raise unemployment. Identify the benefits to society from implementing such policies, like higher minimum wages, government restrictions on the dismissal of employees, and higher unemployment benefits.

² **Alternative phrasing of the question 1E:** In 2003, with the unemployment rate close to ten percent, German union representatives and politicians were willing to discuss the possibility of loosening the rigid rules that protect German

For background purposes, in their 1996 statement on *A Catholic Framework for Economic Life*, the United States Conference of Catholic Bishops wrote that “(a)ll people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and join unions or other associations.”

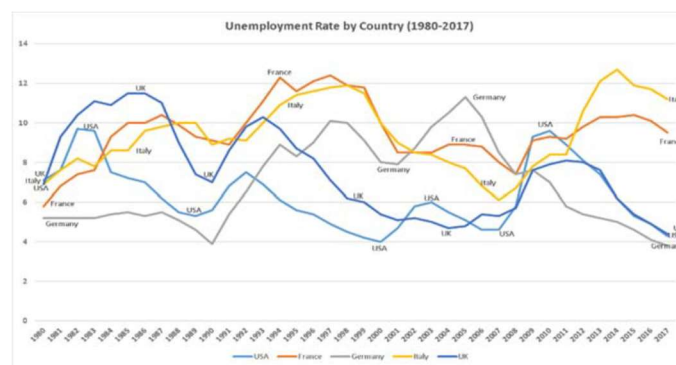
Note to instructors:

The statement that all people have the right to productive work suggests that there is a moral imperative that we must pursue policies that reduce unemployment. At the same time, these policies ought to address “decent working conditions” and “just wages and benefits”.

Here is some additional information you might provide students to give them historical economic context on what was occurring in Germany in 2003. Germany and France were in a recession in the early 2000s. The Euro was introduced in 1999. As confidence increased in the Euro, raising its value, EU exports became more expensive, making it difficult to propel the economy with export sales. The UK was hurt as well because their main trading partners had a weak economy.

Sample Answer: The statement that all people have the right to productive work suggests that there is a moral imperative that we must pursue policies that reduce unemployment. At the same time, these policies ought to address “decent working conditions” and “just wages and benefits”. For example, minimum wage laws, regulations to protect worker rights and support for labor unions are meant to address “decent working conditions” and “just wages and benefits”. However, these policies also will raise the cost of hiring a worker. They may cause employers to choose to hire fewer workers, leaving more individuals without “productive work.” Thus, it is not necessarily apparent that these policies aid the worker’s well-being on net.

- f. Discuss current U.S. policies with respect to labor and their impact on employment.



Note to instructors – Sample discussion points. Post 2008-09 crisis: We are going in the opposite direction. Our labor market is becoming increasingly more rigid. We have more restrictive immigration policies leading

workers. How can the union’s actions in Germany be consistent with their mission to improve the conditions of their member’s employment such as wages and benefits, working conditions, and rules governing employment, to name a few?

to skilled (tech) and unskilled workers (agriculture) shortages. We are imposing higher trade tariffs making imported items including those inputs necessary for goods produced in the U.S. more expensive. As a result, production in the US is higher relative to other countries, possibly raising structural unemployment.

TBD: Add discussion of Tirole's protect the person, not the job

Employment Exercise #2

1. Why are economists concerned about productivity levels? Read for the next class "The Productivity and Jobs Creation: The Long and The Short Run of It." *Federal Reserve Bank of San Francisco Economic Letter 7/17* Please be prepared to discuss your answers to the questions below in class.

a) How does the macro versus micro perspective on productivity differ?

Answer: The micro perspective focuses on how productivity shifts production across industries, while the macro perspective focuses on how productivity affects total employment.

b) How does increasing productivity affect total unemployment in the short run? Explain why.

Answer: In the short run, productivity gains increase unemployment. Plants, for example, can produce the same level of output with less labor so they cut labor cost by letting workers go.

c) How does increasing productivity affect total unemployment in the long run? Explain why.

Answer: In the long run, productivity gains decrease unemployment. It drives the cost of labor down resulting in an increase in the quantity of labor demanded and raises demand for labor in other areas of the company.

d) In the long run, what is the relationship between productivity growth and real wages? Think about the intuition on why this is true.

Answer: positive

2. Catholic Social Thought on Labor - How does Pope John Paul II define "work" and how does it compare to how you define work?³

Excerpt from Laborem Exercens (Latin: Through Work)

THROUGH WORK man must earn his daily bread and contribute to the continual advance of science and technology and, above all, to elevating unceasingly the cultural and moral level of the society within which he lives in community with those who belong to the same family. And work means any activity by man, whether manual or intellectual, whatever its nature or circumstances; it means any human activity that can and must be recognized as work, in the midst of all the many activities of which man is capable and to which he is predisposed by

³ Skip for secular setting,

his very nature, by virtue of humanity itself. Man is made to be in the visible universe an image and likeness of God himself, and he is placed in it in order to subdue the earth. From the beginning therefore he is called to work. Work is one of the characteristics that distinguish man from the rest of creatures, whose activity for sustaining their lives cannot be called work. Only man is capable of work, and only man works, at the same time by work occupying his existence on earth. Thus, work bears a particular mark of man and of humanity, the mark of a person operating within a community of persons. And this mark decides its interior characteristics; in a sense it constitutes its very nature. ... (Source: John Paul II, Pope. *On Human Work: Encyclical Laborem Exercens*. Washington, D.C. (1312 Massachusetts Ave., N.W., Washington 20005): Office for Publishing and Promotion Services, United States Catholic Conference, 1981.)

Answer: discussion depends on what students share with the class.

3. Given the centrality of the value of human life in the teachings of Pope John Paul II, we need to factor that into our decisions as well. Later in the encyclical, he distinguishes between work in the *objective* sense and work in the *subjective* sense. How do they differ?

Note to instructors: You may consider including in the exercise additional paragraphs from the encyclical where Pope John Paul II describes in more detail the difference between the objective and subjective nature for work. Freshmen, who this exercise was designed for, may have difficulty reading the encyclical and thus decided to provide them a description instead.

*Answer: Objective sense – the actual production of the good or service
Subjective sense – the act of human person; human dignity (e.g., work requires labor to engage intellectually, personally invested in the production, care about the quality of service they provide, takes pride in their work; it is part of their identity)*

4. How might Pope John Paul II view technological advancements and production techniques like the assembly line that have automated production affecting both dimensions of work?⁴

Sample answers:

Objective sense – improved ... Technological advancements raised productivity and thereby lowered production costs and raised demand for labor in the long run and raised real wages for employees. But this also led to larger sized firms. One achieves economics of scale at a larger production level leading to consolidation in the market.

Subjective sense – weakened ... Have observed work to be more mindless with automation. Workers also have less ownership, investment into the final product's quality, and thus less pride in the work. Also note

⁴ **Alternative phrasing of question 3 and 4** – Suppose you have not been born, and therefore do not know what place you will have in society, what your genes are, or who your family will be, or even what social, ethnic, religious, or national environment you will be born into. You also do not know if you are in good or bad health, from a rich or poor family, well-or-ill-educated, or one who could seek fulfillment in work. Given this, answer the following question: technological advancements and production techniques that have automated production, such as assembly line, have increase productivity, but at what cost for the worker?

that the short-run unemployment is associated with not only a loss of income, but a loss of contributing to society, feeling useful.

5. Economics is a study of trade-offs. We need to consider that while technological advancements may have diminished the subjective sense of work, are there any economic gains that labor may have received from these technological advancements?

Note to instructors - Sample answers: increase productivity led to a) lower priced items and higher standard of living, b) decline in average workweek, and c) shift in the long-run aggregate supply allowing the market to be able to employ more workers without experiencing inflation.

6. How can consumers and producers enhance the subjective sense of work/dignity of work?

Note to instructors - Sample answers:

Working conditions in garment factories (slave labor) – be mindful of where you as a consumer (supplier) purchase (produces) your goods and inputs, respectively

Don't always put profits before employees – invest in safe working conditions; don't expect employees to put work before their families.

Nonprofit motives running business decisions: *The Refugee Assistance in MicroEnterprise Project in Florida*

- Catholic Charities USA has partnered with the SunTrust Foundation to support piloting microbusiness programs. They provide entrepreneurship training as well as low-interest small, credit-building loans to refugees who want to start a business. The program also has a wider objective “to foster integral human development, which is centered on the inherent dignity of the human person, each of whom is much more than the sum of his or her economic activity.” “It’s a whole different type of lending,” Currie said. “We’re not just concerned with a person’s credit score. There’s a human element that’s involved. I get very emotional when I think about it; you’re changing someone’s life.” (Source: Catholic Charities USA.

“Microbusiness Programs Help Fledgling Entrepreneurs.” April 21, 2018.

<https://www.catholiccharitiesusa.org/story/microbusiness-programs-help-fledgling-entrepreneurs/>

Quality Public Education *provides an opportunity to participate in the labor market and support family. Also, unemployment rates fall with educational attainment.*

Pay attention to the news. *In 2022, Pope Francis said “Let us renew our commitment to building the future in accordance with God's plan: a future in which migrants and refugees may live in peace and with dignity.” Once again, such forced migration could be linked to the lack of work opportunities in one's home country.*

Hire the youth – *US Chambers Committee wrote a report to provide strategies on how to successfully employ the youth in companies. This drive to hire the youth would help address one of Pope Francis’ concerns. In October 1, 2013 interview with the journalist, Eugenio Scalfari that appeared in La Repubblica, Pope Francis said that the two biggest social evils which need to be addressed are the loneliness of the old and the unemployment of the young. He stated: “The young need work and have neither one nor the other and the problem is that they don't even look for them anymore. They have been crushed by the present. ...” “We are*

running the risk of having a generation that does not work. From work comes a person's dignity. From work ... comes a person's dignity .. When we isolate the young ... we strip them of the possibility of belonging and the young have to belong." Source: Wallace, Kathryn. "The Pope: how the Church will change". Interview with Eugenio Scalfari, Translated from Italian to English La Repubblica. October 1, 2013. http://www.repubblica.it/cultura/2013/10/01/news/pope_s_conversation_with_scalfari_english-67643118/

One may want to share with students the youth unemployment around the world in 2013 and today to give context on why the Pope is concerned. One may even point this does not even consider the decline in labor participation rate over time.

<i>Youth Unemployment</i>		
	<i>2013</i>	<i>2023</i>
<i>US</i>	<i>16.3%</i>	<i>6.3%</i>
<i>Canada</i>	<i>14.5%</i>	<i>9.6%</i>
<i>Argentina</i>	<i>19.48%</i>	<i>6.3%</i>
<i>Egypt</i>	<i>34.1%</i>	<i>17.82% (2021)</i>
<i>France</i>	<i>23.98%</i>	<i>17.9%</i>
<i>Italy</i>	<i>37.3%</i>	<i>22.3%</i>
<i>Japan</i>	<i>6.8%</i>	<i>4.7%</i>

For secular classrooms, one can reference the U.S. Chamber of Commerce's report on the importance of hiring the youth. (Source: U.S. Chamber of Commerce. "Making Youth Employment Work: Essential Elements for a Successful Strategy." 2015. https://www.uschamberfoundation.org/sites/default/files/medianploads/021927_Youth_Employment_FIN.pdf)

7. Dignity of Workers: In 2021, Argentina's IDEA Foundation and the Union of Representation of Popular Economy⁵ cosponsored a colloquium on ways to promote business development and protect the dignity of all workers. Here is the speech, Pope Francis made to the attendees. It has been translated into English.

"I want to salute the space for dialogue that the Idea Foundation and the Popular Economy Workers Union have proposed. I sincerely hope that it is a moment of true exchange that can collect the innovative contribution of employers and workers who fight for their dignity and their families.

Several times I have referred to the noble vocation of the entrepreneur who creatively seeks to produce wealth and diversify production, while at the same time making it possible to create jobs. Because I will not get tired of referring to the dignity of work. What gives dignity is work. Those who do not have a job feel that they are missing something, they lack that dignity that work itself gives, that it anoints with dignity.

⁵ The Instituto para el Desarrollo Empresarial de Argentina, also known as IDEA, is made up of 400+ largest companies in Argentina and organize collective bargaining between employees, the unions, and the government. The Union of Popular Economy represents informal and self-employed workers.

Some have made me say things that I don't support: that I propose an effortless life, or that I despise the work culture. Imagine if that could be said of a descendant of Piedmontese⁶, who did not come to our country wanting to be supported, but rather with an enormous desire to roll up their sleeves to build a future for their families. It is curious, the migrants did not put the money in the bank, but: bricks and land. The house, first. They looked forward to the family. Family investment.

Work expresses and nourishes the dignity of the human being, allows him to develop the capacities that God gave him, helps him to weave relations of exchange and mutual aid, allows him to feel as a collaborator of God to care for and develop this world, makes him feel useful to society and solidarity with their loved ones. That is why work, beyond the fatigue and difficulties, is the path of maturation, of fulfillment of the person, which gives wings to the best dreams.

This being so, it is clear that subsidies can only be temporary aid. You cannot live on subsidies, because the great objective is to provide diversified sources of work that allow everyone to build the future with effort and ingenuity. Because they are diversified, they open the way for different people to find the most appropriate context to develop their own gifts, since not everyone has the same abilities and inclinations.

Along this path, I believe that the dialogue between employers and workers is not only essential but also fruitful and promising. Thank you for this colloquium that you have raised with such a noble purpose. ...”

- a. How does Pope Francis view the role of entrepreneur and the value of work?
Entrepreneurs “produce wealth and diversify production”, create jobs, and “provide diversified sources of work that allow everyone to build the future with effort and ingenuity.”
- b. According to Pope Francis, what gives people dignity? Explain in your own words. Is giving them a job enough?
The Pope believes work gives dignity.
- c. Pope Francis makes a reference to family investments. What type of investments households make in addition to their home? Also, what does this have to do with macroeconomics (e.g., production possibility frontier, per worker functions, productivity, standard of living)?
Investing in education increase in human capital.
- d. Does the Pope view subsidies as permanent? If not permanent, what should firms be doing?
Subsidies are temporary. Firms should “open the way for everyone to find the most appropriate context for developing his or her gifts.

⁶ The northwestern part of Italy is called the Piedmont region. Many of their descendants immigrated to Argentina.