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Notes On Two Articles Of Father Francisco Araneta, S.J.

J. EUGENE POIRIER

IN a first article, published in this magazine,¹ Father Francisco Araneta, S.J. presented an analysis of the economic situation in the Philippines, which tended to show that the Minimum Wage might need to be lowered, at least for some parts of the country.

In a second article,² in answer to an objection, Father Araneta, invoking the principle: what is economically right is also morally right, justified on moral grounds the conclusion of his previous economic analysis.

Readers familiar with ethical and moral principles may have been perplexed by the economic conclusion and its moral justification. Indeed, ethical and moral principles definitely teach us that the right wage is the family living wage. As a matter of fact, this is true, according to the principle invoked by Father Araneta, precisely because the family living wage is the economically right wage. Some readers may ask: How, then, could Father Araneta affirm that the Minimum Wage in the Philippines is the economically right wage, when it seems evidently but half of what is required to support a family decently, according to human dignity? Moreover, how can he suggest that the same Minimum Wage, according to true and sound Economics, may actually be too high, at least for some parts of the country?

We seem to be in a dilemma. Either the family living wage is not the morally right wage; or, the principle: what is economically right is also morally right, must be false.

As a contribution to the solution of this difficulty, may we be allowed to present a more detailed analysis of the principle invoked by Father Araneta, and see how it applies to the domain of wages.

THE PRINCIPLE

What is economically right is also morally right, provided that this principle be related to a true and sound notion of Economics. As a matter of fact, it is implicitly contained in the real notion of Economics.

Economics may be considered from two different angles: first, *in itself*; secondly, *as a science*.

In itself, Economics is that human activity which, by transformation of the material world through the principal instrumentality of human labor, seeks the satisfaction of human needs (directly material and indirectly spiritual)³ in a human way, amidst institutions essential in themselves, yet mutable in their contingent elements throughout the progressive development of civilization.⁴

As a science, Economics is that practical knowledge which explains the manifestations of economic activity, discovering and determining its laws of evolution,⁵ and which applies the same laws in directing economic activity towards its end.

Now, as a *human* activity, Economics essentially has a double end: a *proximate end*: the satisfaction of human needs in a human way; a *remote end*: the final end. The satisfaction of human needs is proper to *economic* activity; the final end is proper to *human* activity. There exists a harmonious relation between the two ends, since the proximate end, being that of a human activity, necessarily connotes the final end of man.

But the science of human activity in relation to its final end is the moral science. Therefore we must conclude that

Economics, being part of the whole human activity, is subordinated to the moral science inasmuch as it is related to the final end of man. And thus economic activity must receive from moral science its purposes and its general norms of action.

This does not imply that, *as a science*, Economics is *directly* subordinated to moral science, but only that it is subordinated to it in an *indirect* manner, receiving from it its purposes and its general norms of action.⁶ Indeed, as a science, Economics has its own specific object: that human activity which seeks the satisfaction of human needs in a human way. This object distinguishes it from all other sciences, including moral science. In fact the specific object of moral science is human activity *in relation to its final end*. Thus only when considered from this angle is human activity directly subordinated to moral science. When considered from the standpoint of *the satisfaction of human needs in a human way*, it is but indirectly subordinated to moral science, inasmuch as, *being human*, it necessarily connotes a relation to the final end of man. Hence, as a science, Economics is *autonomous in its proper field*, that is, in relation to its proximate end: the satisfaction of human needs, which terminates economic activity. It has, therefore, its own methods, its own techniques and its own principles of evolution *in the pursuit of its proper end*: the satisfaction of human needs in a human way.

Now the fundamental principle of moral science may be expressed in the following manner: that is morally right which is in conformity with *right reason* (either natural, or illuminated by Faith). In fact right reason directs human activity towards its final end. But right reason requires that all activity be according to its own nature and fulfill its proximate end. Therefore, in order to be morally right, Economics, *as an activity*, must evolve according to its own nature, seek the satisfaction of human needs in a human way, and thus correspond to the real notion of Economics. Therefore, what is economically right is also morally right, provided that the principle be related to a true and sound notion of Economics.

The principle thus stated does not involve a tautology, i.e., the repetition of the same idea under cover of a different wording, since each part of the statement refers to a different specific object. In other words, the principle states that, in order to be morally right, that is: in relation of conformity to the final end of man, economic activity must be right from the economic viewpoint, that is: in reference to its proximate end: the satisfaction of human needs in a human way.

To understand the full impact of this principle and to avoid all possible ambiguities, we must furthermore make a clear distinction between the technical aspect and the economic aspect. The *technical* aspect, in the strict meaning of the term, considers only the organization of production in itself, without reference to the satisfaction of human needs; or, only the organization of consumption in itself, without reference to the conditions of production. The *economic aspect* takes into account the two poles of economic life: production and consumption, simultaneously. It considers the organization of production with reference to the proximate end of economic activity: the satisfaction of human needs in a human way. It is clear, therefore, that there is no identity between the technical aspect and the economic aspect, although both may accidentally coincide in concrete reality. Hence the principle does not state that what is technically right, in the strict meaning of the term, is also morally right; but it states that what is *economically* right is also morally right.

An immediate consequence of this analysis seems obvious: *economic activity cannot be economically right, unless it be morally right.* Indeed, *being a human activity*, it is necessarily subordinated to the moral principles. Therefore, to be economically right, Economics at each step of its progressive development must be morally right. Yet it is only by examining whether it is in conformity with its true nature that we can judge of its moral quality; because, in order to be morally right, Economics, as an activity, must evolve according to its own nature, seek the satisfaction of human needs in a human way, and thus correspond to the real notion of Economics.

APPLICATION

The application of the principle: what is economically right is also morally right, to the domain of wages, may lead to ambiguous interpretations.

In fact since ethical and moral principles definitely teach us that the right wage is the family living wage, we seem to be in a dilemma: either the family living wage is not the morally right wage; or the principle must be false.

To solve this dilemma we may be tempted to conclude that, *because* the Minimum Wage is morally wrong, the economic analysis which tends to justify it *must* be false. But this argument is invalid, since, as we have seen above, the morality of economic activity depends on its conformity with its true nature. The economic analysis might be false, and consequently its conclusion may be *economically and morally* wrong. Yet this has to be shown by a direct argument against the economic analysis itself. Indeed we can judge of the moral quality of an economic activity *only* by examining whether it is in conformity with its true nature or not. And this demonstration pertains to Economic Analysis.

As a matter of fact, the difficulty in solving the dilemma is only apparent. It lies in the way we express a true principle: what is economically right is also morally right. The word *right* is an ambiguous term, when applied both to Economics and to Moral science. It can point to the *best possible* rate of efficiency, or to the *only possible* one in the circumstances. In the first meaning, what is economically right (the best possible rate of efficiency) is not only morally justified, but is even desirable inasmuch as right reason requires that economic activity fulfill its proximate end to perfection. In the second meaning, what is economically right (the only possible rate of efficiency in the circumstances) is merely *morally permitted* and justified in the circumstances, since no one is morally obliged to the impossible. And this last meaning is certainly the one which pervades all of Father Araneta's economic analysis, since he takes into account the actual circumstances of the Philippine economy.

This distribution between the *best possible* rate of efficiency and the *only possible* rate of efficiency in the circumstances is of capital importance. As a matter of fact the implications behind the statement of the principle that what is economically right is also morally right are quite different when made in reference to one or the other meaning of the ambiguous term. When it signifies the *best possible* rate of efficiency, it includes a family living wage as a prerequisite to the satisfaction of human needs in a human way, since human labor is the principal instrument of economic activity. Then everyone may enjoy peacefully the economic prosperity which the principle implies. But when the statement of the principle indicates the *only possible* rate of efficiency in the circumstances, it clearly emphasizes that something is wrong somewhere in the economic process itself. It then becomes urgent that well-informed economists find the causes of this maladjustment, and together with the members of the economic community help bring back the economic activity to a higher level, as postulated by its proximate end; the satisfaction of human needs in a human way.

CONCLUSION

Therefore, if the lowering of the Minimum Wage is economically right, it is also morally justified. But this fact imposes on each and everyone of the responsible members of the economic community a moral obligation to find ways and means of gradually bringing back the wages to their economically and morally desirable level: the family living wage. The methods, techniques and principles called for pertain to economic science and, as such, are only indirectly subordinated to moral science.

Father Araneta is right in asking from anyone who wants to attack his moral conclusion to challenge, in the first place, his economic analysis of the concrete situation in the Philippines.

¹ Francisco Araneta, "Revision of the Minimum Wage Law", PHILIPPINE STUDIES III (March, 1955), 59-69.

² Francisco Araneta, "The Scope of Economics in its Relationship to Morals", PHILIPPINE STUDIES III (December, 1955), 389-402.

³ Cf. Pius XII, *Allocution to the Congress of International Exchange*. (March 7th, 1948). "The purpose towards which economic life tends by its very nature and that the individuals must also endeavor to obtain in the diverse forms of their activity, consists in bringing within reach of every member of society, the material conditions required for the development of their cultural and spiritual life." Translated by the author from the French version to be found in: *Encycliques, Messages et Discours de Léon XIII, Pie XI, Pie XII sur les Questions Sociales* (Lille: La Croix du Nord, 1954), p. 233.

⁴ There are many definitions of Economics; practically, each textbook has its own. We have adopted this one for our brief note, because it seems necessary to give a sufficiently complete notion of Economics in order to understand the full value of the principle discussed in the text. Definitions of Economics based on a mere empirical and positive analysis of reality usually neglect a most important factor: the human factor.

The expression: *in a human way*, which often comes back in the present study, means: *in accordance with man's nature*. It does not mean: *in a moral way*, although it implies this meaning, since it connotes a necessary relation to the final end of man. The expression: *in a human way*, distinguishes economic activity from mechanical and purely animal activity. In other words, it forbids us to treat man as a machine or as an animal. The satisfaction of human needs in a human way implies the respect of man's *freedom* and *dignity*, it postulates the possibility of satisfying the *various individual tastes*, and, in general, calls for *means in accordance with man's nature*.

⁵ We purposely use both terms: *discovering* and *determining* its laws of evolution, because they correctly emphasize the two aspects of Economics as a *practical human science*. Indeed, every practical human science is necessarily empirical and normative, at the same time. *Empirical*, inasmuch as it deals with a concrete human activity known to us by a positive analysis of reality which makes us *discover* its laws. *Normative*, insofar as all activity tends to a proper end (Economic activity, to the satisfaction of human needs in a human way). Now there is a science of activity as tending to its proper end: that is, *Metaphysics*. We must, therefore, have recourse to metaphysical principles, if we want to obtain a full knowledge of Economics. In fact, those principles help us to *determine* further the laws of economic evolution, and thus, complete the theory we acquire from the positive analysis of the concrete facts. Note that similar remarks could be given about *Psychology* and *Sociology*. All three auxiliary sciences are a prerequisite to a complete development of Economic science.

⁶ There is an *intrinsic* subordination of all human activity to moral science, since all human activity can be considered in relation to the final end of man. Therefore, Economics, as a science, is also *intrinsically* subordinated to Moral science, since it deals with a human activity. Nevertheless, this subordination is only *indirect*, because Economics deals with human activity *only* insofar as it seeks the satisfaction of human needs in a human way. Moral science alone is concerned with human activity in relation to its final end. This distinction is sufficient and necessary to safeguard the autonomy of Economics, as a science.