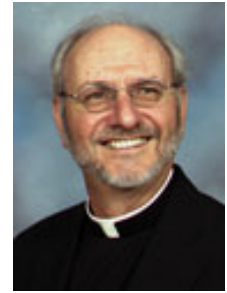


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## Economics When People Matter

Every hour of every working day news commentators announce the NASDEC and the Dow Jones averages. To the average listener the number fluctuations have little relevance. Few investors rush to their brokers unless the news indicates a clear long term trend. Even during a highly volatile day, the exchanges have circuit breakers and curbs in place to collar runaway downward trends to limit the damage.

The incessant recitation of numbers seems to serve a more fundamental purpose: every hour the market report reminds us that we are economic actors. The report reassures us the marketplace remains relatively stable so we should feel secure about our lives and what we want to buy.

While the market functions as a marvelous mechanism to produce the goods and services we need, it also has its glitches, dislocations and imperfections. When gas prices rise thirty cents a gallon in two days, the cause is less directly from the law of supply and demand than from speculation, world events and market manipulations.

The laws of market economics do not float down from heaven. They are observations about how people and firms react given certain market conditions.

For people of faith, the challenge remains to appreciate the strengths of the market, while

critiquing it from the perspective of the common good. Most important, we must resist worshipping it as divine.

With the death of John Kenneth Galbraith on April 29, 2006, economics lost a straight talking writer who brought a critique to this mystical subject. While many economists slavishly squeeze reality to fit some theory, or content themselves to count the nation's beans, Galbraith from a high perch always photographed economic activity and creatively labeled what he saw. Referring to himself as a political economist, Galbraith believed the job of the economist was to explain the issues of the day and indicate the paths to the good society.

In *The Affluent Society* (1958), Galbraith discussed the imbalance between the emphasis on private consumption, such as cars and houses and the demand for public goods, such as clean air, more parks, better mass transit and less crime. A half century later, while most Americans have garages and attics cluttered with "stuff," 46 million Americans still have no health insurance. Universal health coverage will only become a reality in the United States when government recognizes it as a public good and creates the appropriate insurance plan to include everybody.

Galbraith reflected the optimism of the New

*The Catholic Conference of KY (CCK) is an agency of the Catholic Bishops, established in 1983. It speaks for the Church in matters of public policy, serves as liaison to government and the legislature, and coordinates communications and activities between the church and secular agencies. There are 388,000 Catholics in the Commonwealth. The Bishops of the four dioceses of KY constitute CCK's Board of Directors.*

Deal with its programs of Social Security, minimum wage, labor legislation and regulation. He recognized government's legitimate role for ensuring social fairness. Market ideologues today are assaulting all these government initiatives with their philosophy of privatization and deregulation.

Recent tragedies in Appalachia's coalfields remind us that regulations and their enforcement remain essential for the good society. The rise in coal mine deaths from 22 for all of 2005 to 31 in five months of this year reflects the relaxed regulatory enforcement of government. The Mine Safety and Health Administration (MSHA) has cut its mine

safety enforcement staff, reduced the number and size of fines and weakened the ventilation regulations in mines. Without enforced standards, competition easily tempts firms to lower costs by cutting corners on safety.

John Paul II reminds us, "There are collective and qualitative needs which cannot be satisfied by market mechanisms...these mechanisms carry the risk of an 'idolatry' of the market" (Centesimus Annus #40.1). John Paul II and Galbraith would agree.

"People before profits" is not simply a slogan. It is a moral principle.

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