NATIONAL CATHOLIC REPO
THE INDEPENDENT NEWS SOURCE

Published on *National Catholic Reporter* (https://www.ncronline.org)
June 20, 2013 at 7:15am

Good News & Crazy News on the Economy

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Distinctly Catholic

There was good news and what I prefer to call crazy news, rather than bad news, about the economy yesterday.

Let?s start with the good news. The G-8 took steps to crack down on tax avoidance schemes that further impoverish developing countries by allowing wealthy plutocrats, and corrupt public officials and private businesspeople, to avoid paying their fare share of taxes. Eric LeCompte, President of JubileeUSA, said of the G-8 summit:

The G8's declaration is absolutely historic. What the UK, US and other G8 countries have done to address corporate tax avoidance and transparency is absolutely incredible. Three years ago when Jubilee USA and a few partners were focusing on these issues - I never would have believed that just a few years later the G8 would be addressing these systemic causes of poverty. I think we would like to see even greater moves for corporate transparency, but the foundation the G8 built will take us into a more accountable corporate world then we've seen before.

LeCompte and his team met with President Obama?s G-8 team before the summit, helping to move these issues of corporate transparency and tax avoidance to the front of the agenda. In an interview I conducted with LeCompte last month, he explained that for every ten dollars in foreign aid to the developing world sent by donor nations, fifteen dollars leaves the developing world in the form of unpaid taxes.

The G-8?s steps are important, but there is still a long way to go. The Cayman Islands do not provide tax shelters because they have nothing better to do. There is money to be made and as Pope Francis continually warns us, money has become the tyrant of our era, enslaving millions of people in poverty but also enslaving the wealthy in a grim consumer conformism that is so evident especially among our young people.

On to the crazy news. The Federal Reserve announced that it believes that the economy is continuing to improve, indeed that the improvements are coming faster than anticipated. They expect the unemployment rate to drop faster, edging below 7 percent next year. Threrefore, as they meet these targets, the Fed expects to slow down and eventually end its program of buying bonds to stimulate the economy. And the stock market plummeted.

Think of that. The companies on the stock exchange will, according to the Fed, have more customers in the future because as the unemployment rate drops, more people have cash to purchase things. As well, as the economy improves, the government spends less in unemployment benefits and receives more in tax revenues ? already the deficit projections are falling fast ? improving the overall economic picture even more. Yet, the Dow fell by 200 points.

Not enough has been written about the financialization of the economy over the past thirty years, and I am not the person to write it. But, it strikes me as deeply problematic when the perceived value of a company as registered by its stock price is affected more by a prospective fed decision than it is by any assessment of the actual health of that company. The same could be said for the effects of events in Greece or Spain on the stick market. And the response to the Fed?s rosy scenario highlights the problem: The market responds to the traders, and the short-term effects on stockholders, more than anything else. Companies may be healthy, they may be in the hands of bad management, none of that matters so much as the prospect of the traders having to pay a bit more for credit. Company managers are not judged on their ability to retain workers, so much as by their ability to drive up the value of stocks.

This is insane. It is also evil. If the late nineteenth and early twentieth century saw the growth of am industrial plutocracy that in its greed produced the need for massive state intervention in the economy in the lucky countries, and produced the horrific responses of totalitarian regimes in the unlucky countries, at least one used to know who to blame: Carnegie Steel was Andrew Carnegie?s and Standard Oil was John D. Rockefeller?s, etc. Now, the economy belongs to faceless traders and vulture capitalists. At least Carnegie and Rockefeller figured out how to produce a product faster or better. These financiers are just more sly at shuffling money, other people?s money, and taking their cut. Their cut, by the way, always comes first.

Sadly, I do not know how we address this problem. I do not think it is on the public?s radar screen very much. And, is anyone else stunned that the market has regained its prestige so soon after tanking the world economy and nearly driving it over a cliff? I agree with Cardinal Scola who said the other day that we in the West tend to think of our economic structures as ?natural necessities? rather than cultural creations. I fear that things will only change when the whole thing comes crashing down, a horrible prospect to behold not least because the poor always get hurt the first and the hardest. I am confident that the answers till not be forthcoming from Acton U, the summer program run by the Acton Institute which is deeply, and I believe wrongly, committed to undermining Catholic social teaching in these matters and baptizing the Austrian economy views that Scola was condemning. (And, people, the line about washing my hair yesterday was a joke, an old joke at that, so no excuse for not getting it. Remember the words of Fr. Gillis ? ?Whom the gods would make bigots, they first deprive of humor.?)

I hope the Holy Father will continue to forcefully pose the question: Does our economy work for man, or does man now work for the economy? I hope he will continue to speak about the ?tyranny? of money and the way it has become a great and horrible idol in our day. I hope he will continue to give hope to the poor and challenge the wealthy. Most of all, I hope the rest of us will listen. The new pope?s namesake changed the corrupt culture of his day when he first kissed a leper. It is my fervent prayer Pope Francis will have a similar, surprising effect on the culture of our day.
