Good evening. I thank the Senior class for inviting me to speak at their graduation. Twenty-one years ago, I sat on this stage as you do now – and the education that I celebrated that day has made all the difference in the person I have become.

I met your Seniors this past Fall when my mentor, Judy Folmar, invited me to give an economics lecture here. I was extremely impressed with their maturity, inquisitiveness, and knowledge. I am delighted in their achievements, and wish only that some of them would be joining me at Duquesne in the Fall.

Economics is often called the "dismal science." Economists are generally bewildered by the name because we love the discipline and can imagine how exciting and promising the world would look to non-economists if they could see it through our eyes. Economists have acquired the epithet because they are quick to point out why well-intentioned solutions that appear straightforward often end up achieving the reverse of their intents. Economists call this "unintended consequences." For example:

- In the 1970's, new legislation required that all automobiles be manufactured with seat belts. In the 1980's many states instituted fines for people who did not wear their seat belts. In the 1990's, again by legislation, air bags became standard equipment in cars. All of this legislation was intended to save lives. At each step of the way, economists argued that the laws would save no lives. In fact, as we look back at the data, the economists were correct. There was no discernable change in traffic fatalities (adjusting for population and miles traveled). Why? Because drivers trade off two opposing goods: time and safety. Driving slowly makes for a safe, but long trip. Driving fast makes for a dangerous but quick trip. Now, when we alter the car so as to make the car safer, we give the driver the ability to drive <u>faster</u> and yet maintain the same safety level he had before the car was altered. The unintended consequence of making cars safer is that drivers will drive faster thereby trading the unwanted additional safety for desired additional speed.

- Every few years, our attention turns to the minimum wage (the in-vogue term now is "living wage" though the difference is only in the numbers one picks). The intent of a minimum wage is to improve the standard of living for low-income workers. Economists point out that the fallacy of the minimum wage argument is that it gets the causality backward: the wage rate is not a lever that can be pulled, but an indicator that reflects an underlying reality.

  Suppose your child is sick. You take the child's temperature and find that it's 102 – bad stuff. Now, is the thermometer a lever or an indicator? If the thermometer were a lever, then the way to cure the sickness would be to scratch off the numbers on the thermometer and write in lower ones. Now, when you take the temperature, you get 98.6 and all is well. Clearly that approach leaves you with one thing – a sick child who is not getting better. The thermometer is not a lever, but an indicator that reflects the underlying reality of temperature. You can manipulate the indicator all you want, but <u>at best</u> you end up doing nothing to cure the child, and <u>at worst</u> you fool yourself that you have cured the child and so go about your business, leaving the child's condition to worsen. So too with wages. A wage is an indicator of the value of labor, not a lever that determines the value of labor.

  Knowing this, economists consistently speak out against the minimum wage (and get called Godless heathen). Not being a socially adept crowd at the best of times, economists err by first explaining why a minimum wage is bad, and only then going on to offer viable alternatives. Of course, after people hear economists argue that the minimum wage is bad, people stop listening because they're now sure that the economists are heathen. So, most people never hear the economists' viable alternative. The way to improve living conditions for low-income workers is to increase the <u>value</u> of their labor – provide low-income workers with technical training and education. When the value of their labor is increased, then their wage rate (which is only an indicator of value) will rise. Without training and education, the underlying reality does not change, but well-meaning folk are fooled into thinking otherwise. Thus, the unintended consequence of a minimum wage is to perpetuate low-income wages.

What does this have to do with you Seniors? You represent a unique confluence of backgrounds. In a real sense, you are the right people, coming along with the right tools, and at the right time in history.

- As Americans, you are citizens of the greatest economic power the human race has ever produced. You understand the creative power that resides in free markets.
- As graduates standing at the start of the twenty-first century, your careers will peak at a time when humans start to measure in months progress that was once measured in centuries.
- As Bishop Neumann students, you are trained not to fear truth, but to embrace reason, because <u>all</u> truth leads ultimately to God.
- Finally, as Christians you inherit a church that is awakening anew to Jesus' call to community.

Because of this interesting confluence, you are the ones who will usher our country through what is, in my opinion, one of the greatest social challenges and greatest opportunities for Evangelization.

Think about the society that you are about to inherit. Over the past seventy-five years, our government has taken on more and more of the responsibility for caring for the poor. Do you know what the biggest component of the federal government's budget is?

- Military? No, military spending accounts for only 15% of the federal budget.
- Interest on the debt? By the way, do you know what our federal debt is? Seven trillion dollars. That's a seven followed by a bucket of zeros. The debt is so large that we rack up interest at the rate of more than $13,000 per second. Despite this, interest on the debt only comprises about 15% of the federal budget.
- Social Programs account for about 50% of the federal budget. I'm including here Social Security and Medicare, which comprise the lion's share of Social Programs, public housing, public schools, unemployment benefits, job training programs, food stamps, etc. That's about $1 trillion annually.

That massive Social Spending has done fabulous things. We provide some aid and assistance to people who are poor, but above the poverty line. Social Spending then kicks into full gear for those who are at the poverty line and below. Note that what we define as the poverty line in the United States represents a standard of living that is roughly equal to the <u>average</u> standard of living of the rest of the world. Social Spending in this country provides care for the aged, the infirmed, single parents, orphans, the chronically ill, the chronically poor, the temporarily poor, the unemployed, the underemployed, the uneducated, the undereducated, and even for the overeducated. As a society, we go to great lengths to identify and care for those in need.

On your watch, Social Spending, as we know it, will cease to exist. I'm not looking to describe an end-times scenario. Society will not fall apart, banks will not fail, stocks will not crash. Why? Because we'll work our way through the transition. How? I don't know, but when God created us in His image, he made us (among other things) <u>creators</u>. Creating stuff (like solutions to problems) is what we do best.

So, since I've got your ear and since you'll be at the helm when the key decisions need to be made, let me give you a Christian economist's perspective on how to avoid an unintended consequence.

In the four Gospels, the poor are mentioned on twenty-one separate occasions.

- Four times the poor are mentioned as a fact.
- Six times they are called "blessed" or are singled out as a special group who will receive the Gospel.
- Eleven times, Jesus instructs the listener to give to the poor, or points out someone who has given to the poor, or talks about giving to the poor.

But, at no time, do the Gospels say one should "take" in the name of the poor.

Therein lies an interesting question. Whence comes the holiness of "feeding the poor?" Does it come from the food? Does it come from the poor? Does it come from the rich? I submit that the holiness lies in the communion – the coming together – of rich and poor and that the "feeding" is simply a catalyst for something much bigger.

Understand that "food" and "feeding" and "poor" are metaphors for "need" and "aid" and "needy." Anyone who "needs" is poor. And anyone who can provide for the need is "rich."

We say that Jesus hung out with "sinners." That's probably not the best translation because he isn't mentioned hanging out with Pharasies and Sadducees (at least not as a group) – and it's those folks he actually calls sinners. Meanwhile, he doesn't call the prostitutes and tax collectors sinners – but those are the people he hung out with.

Better than saying he hung out with "sinners" we should say that he hung out with the "marginalized" – the folks whom society deemed unworthy; the folks who were disenfranchised. Think today of the drug addicts, the drunks, the mentally ill, the fat, the ugly, the socially awkward, the economists. When Jesus talks about loving your neighbor what he's talking about is building community – which means bringing in the disenfranchised and recognizing and responding to the divine in them. The church uses the terms "humanize" and "de-humanize." To "humanize" is to enfranchise a person, to recognize Christ in the person. To humanize is to build community.

The economist, always on the lookout for motivations and behaviors, is interested in why more than half of the references to the poor use the word "give" and none of them use the word "take." I claim that is because the holiness in feeding the poor requires giving – the willful act of re-enfranchising, of building community. And it's not a one-way relationship in which the rich freely give to the poor. The poor also freely respond to the gift. The rich do not bring the poor back into community; rather the rich and the poor welcome each other into mutual community via the giving of gifts and the response of thanks. When Jesus calls on the rich to feed the poor, it's because <u>both of them</u> are hungry. Jesus' "poor" are poor because they lack food. Jesus' "rich" are poor because they lack love.

When we rely on the government to feed the poor, we dehumanize the poor by regarding them as mouths to be fed. Rather than encourage the poor to see "gift through the eyes of thanks," mandated social programs teach the poor to see "food through the eyes of entitlement."

When we rely on the government to feed the poor, we dehumanize the rich by regarding them as revenue sources. Rather than encourage the rich to "give out of love," mandated social programs instead teach the rich to "resent the government's hand in their wallets."

The Christian economist will tell you that in relying on government to feed the poor via taxation and social programs, we de-humanize both the rich and the poor by breaking the bond between them that poverty forges.

But, when the rich freely give gifts to the poor, and the poor freely give thanks to the rich, and both recognize that both the gifts and the thanks ultimately come from God, then the rich and the poor humanize each other – transforming the bond forged by poverty into a bond maintained by love. This relationship has its model in the Eucharist. Eucharist means "thanks." When we come together to celebrate the Eucharistic meal, we are both receiving food and giving thanks, and recognizing that both the food and the thanks that we share ultimately come from God. Thus, the unintended consequence of having government care for the poor is a degradation of community and a dehumanization of rich and poor alike.

As you take your first steps into the larger world that awaits you, and prepare to grapple with the conflicts of obligation and opportunity, always keep before you this truth: That which humanizes the dehumanized, that which builds community, that which summons forth the Kingdom of God is the <u>only</u> measure of success.

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