

Diagnosing Economic Realism

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1 Introduction

Questioning conventional patterns of thinking and acting is more likely when crises undermine confidence in prevailing views. The recent global economic crisis and public outrage over its perceived causes offer one opportunity for re-examining entrenched views about economic practices. Some suspect that the crisis was not primarily due to financial malfeasance or political corruption but to both a pervasive ignorance of the complexity of global finance and maladaptations of economic practices and political institutions to that complexity. If either greed or political corruption were at the root of the crisis, then we could continue to list the possible remedies as either endorsing centralized control of the economy (to control financial malfeasance) or trusting in the 'providential mechanism' of free markets (to reduce political meddling in the economy).

Are there no other options? The question occurs to many persons who have 'good will' but find they lack the expertise to handle complex economic questions. With the 'death of distance' and instant media access to remote suffering, persons of good will witness economic crises and the immiseration they engender but wonder about effective solutions. Emerging, then, is a yearning for substantive suggestions of how to participate effectively in promoting better economic understanding and practice.

This essay offers its own clues to better times by identifying one obstacle to economic progress and by employing the functional specialty of dialectic in diagnosing the origins of that obstacle.

The obstacle is a narrow but widely accepted psychology of motivation that assumes 'rational agency' in the marketplace is equivalent to the pursuit of perceived self-interest and so anticipates few acts of benevolence outside of close associations. This stance has its defenders who see themselves as economic realists. For them the profit motive is what drives innovation and entrepreneurship and so produces

economic expansion. While moral rhetoric is what audiences may expect from political leaders, a realist will not take it seriously as describing what actually occurs in contemporary marketplaces as self-interested individuals pursue profits.

Loneragan thought various realisms were not refutable by formal arguments. He noted the slow climb to any alternative realism required that conversion become a topic of serious conversation. For that conversation to become widespread, the economic situation may have to worsen dramatically before enough people lose faith in a prevailing economic realism.

As it is, this realism of the self-interested 'rational agent' is still largely intact. Many people assume ever-escalating incomes and the conspicuous consumption they make possible are the criteria of personal success. This view of success leads to excessive spending in the basic circuit during a surplus expansion and so exacerbates inflationary trends that threaten those on fixed incomes. In turn, these public displays of wealth and inflationary threats tend to evoke the politics of envy. Finally, Lonergan's proposal that surplus income be treated as a social dividend will seem at odds with a prevailing sense of economic liberty.¹

A political rationale is ready-to-hand for dismissing talk of a social dividend: legitimately acquired private property ought to be inviolable. What many people endorsing this rationale fear are confiscatory taxes. In contrast, what Lonergan envisioned was persons understanding markets and their rhythms and so intelligently and *voluntarily* 'spending down' their surplus income to complete the cycle with a basic expansion. Absent this understanding and response, he anticipated that the prevailing realism would dictate preservation of the high incomes, profit margins and savings enjoyed during a surplus expansion. When the surplus expansion slows and the earlier high incomes decline, if cutting the wage bill fails to protect those rates of return, then realists will think the smart thing to do is to invest in safe securities (for example, government bonds) that guarantee fixed returns.² In the meantime the government probably will be embarked upon deficit-spending programs as a way of stimulating economic activity and, in doing so, will be draining the economy of monies needed for the next surplus expansion.

Such are some standard responses to economic downturns. We muddle along, and the pattern continues of failing to complete the pure

¹ According to that view, individuals are at liberty to pursue their preferred ends so long as their actions do not restrict the liberty of others to do likewise. To justify restrictions on liberty, one must show that doing so prevents public harms; it is not enough to show that doing so will improve the lives of others, even if they are the 'greatest number.'

² A 'smart' alternative may be to find new financial instruments promising high returns equal to what investors enjoyed during the surplus expansion. One could read the disastrous fantasies of 'derivatives' and bundled home mortgages as reflecting such fantasies.

cycle with a basic expansion. The ills of such a failure are predictable. The surplus stage will yield a new population of multimillionaires living lavishly and publicly alongside a larger population experiencing no such improvement in their standard of living; and, for those whose jobs were exported or rendered obsolete, the visible prosperity of the newly enriched will seem to have been achieved at their expense. Desperate people will seek out villains when the first source of the difficulties has been a failure to understand how an economy works.³ Political instability may soon follow upon economic difficulties, but at a minimum the surplus expansion will have ended without Schumpeter's lift to a new plateau.

Commentators on Lonergan's macroeconomic theory have puzzled over how to implement his ideas and so make a difference in economic practices. One possibility is to exploit his other major discovery of functional specialization in elaborating the implications of his macroeconomic theory. Since the first four functional specialties prepare for a better practice by identifying past successes and failures and diagnosing their causes, those specialties can uncover what were once either opportunities for or obstacles to a better future. This essay is an experiment applying the functional specialty of dialectic to just one of those obstacles, namely, a pervasive economic realism that rationalizes current economic practices as 'natural,' that is, as consistent with the ontological make-up of human agents and their capacities.⁴ For such a

³ "The fact...is that no difficulty is experienced in financing the surplus expansion. It is the first step towards increasing the standard of living of the whole society, and there seems to be little evidence that entrepreneurs, financiers, engineers, workers commonly are hesitant about taking that step. The difficulty emerges in the second step, the basic expansion. In equity it should be directed to raising the standard of living of the whole society. It does not. And the reason why it does not is not the reason on which simple-minded moralists insist. They blame greed. But the prime cause is ignorance. The dynamics of surplus and basic production, surplus and basic expansions, surplus and basic incomes are not understood, not formulated, not taught. When people do not understand what is happening and why, they cannot be expected to act intelligently. When intelligence is a blank, the first law of nature takes over: self-preservation. It is not primarily greed but frantic efforts at self-preservation that turn the recession into a depression, and the depression into a crash" (CWL 15, 82).

⁴ When future generations of scholars routinely operate within the cyclic pattern of functional specialization, this type of experiment will be quite obsolete. Then, instead of this essay's narrow focus on just two views of economic realism, dialecticians will be able to draw upon research materials on all types of economic realism. The specialists in interpretation will pass along to historians their diverse readings of the research materials, and the latter will situate those readings in broader contexts of cultural advances or declines. In turn, dialecticians will receive these accumulated results of the three preceding specialties as the most up-to-date materials for their examination.

realism, to depart from those practices is to lose touch with reality and so to invite economic failure.

2 Dialectic

Dialecticians pay attention to incompatible stances on significant issues. Their primary tasks are, first, detecting which of those differences originate in ‘dialectically opposed horizons,’ and, second, evaluating any differences with such origins in terms of their compatibility or incompatibility with one or more types of ‘conversions.’⁵ To employ a medical analogy, a diagnostician first detects puzzling symptoms as deviations from a standard understanding of healthy functioning and, second, goes on to investigate their underlying causes.

This essay focuses on just two views of economic realism. The writings of Milton Friedman and James M. Buchanan represent a first understanding of economic realism; those of Muhammad Yunus and Amartya Sen represent a second. One noticeable difference is that the first two Nobel laureates write of rational agency in the marketplace as a matter of pursuing perceived self-interest. The latter two argue that, in fact, numerous exceptions occur as persons make economic decisions that reflect a broader range of concerns. How significant is this difference?

Milton Friedman surely did not use ‘self-interest’ in a narrow Hobbesian sense. An interviewer asked him in 2006 whether he defined self-interest as “what the individual wants.” He replied:

Yes, self-interest is what the individual wants. Mother Teresa, to take one example, operated on a completely self-interested basis. Self-interest does not mean narrow self-interest. Self-interest does not mean monetary self-interest. Self-interest means pursuing those things that are valuable to you but which you can also persuade others to value. Such things very often go beyond immediate material interest.⁶

That future is not here, but we need to begin somewhere; so this experiment proceeds with many questions unanswered about the varieties of economic realism, their first appearances and changes in their rationales and formulations over the centuries.

⁵ Bernard Lonergan, *Method in Theology* (New York: Herder and Herder, 1972), 250.

⁶ “*Free to Choose: A Conversation with Milton Friedman.*” *Imprimis* 35/7 (July 2006), 7. He went on to add: “If you want to see how pervasive this sort of self-interest is that I’m describing, look at the enormous amount of money contributed after Hurricane Katrina. That was a tremendous display of self-interest. The self-interest of people in that case was to help others.”

Similarly, James M. Buchanan employs ‘self-interest’ in a latitudinarian way. His contractarian theory of rights and laws does not assume that persons “behave from narrowly defined self-interest.”⁷ He imagined multiple motives moving individuals to trade the liberties of a state of nature for the stability of legal order.⁸

Amartya Sen criticized the liberal model of rational agency for ignoring evidence that persons routinely rise above an ethic of self-interest in their economic and political decisions. In doing so they must be irrational according to those endorsing the liberal model. Sen is blunt in his description of the model: “The *purely* economic man is indeed close to being a social moron. Economic theory has been much preoccupied with this rational fool decked in the glory of his *one* all-purpose preference ordering.”⁹

Muhammad Yunus departed from prevailing economic views regarding poverty in asserting that the “poor are poor not because they are untrained or illiterate but because they cannot retain the returns of their labour.”¹⁰ Why not? The primary reason is because they have no access to or control over capital. Why not? They do not inherit any capital; bankers traditionally believe both that they are not creditworthy and that the world of economic activity belongs to a minority of risk-takers called entrepreneurs; and, finally, anything the poor do earn is spent on basic consumption.

Yunus followed this diagnosis of the problem by suggesting three basic revisions in prevailing economic thought and practice. First, what if we assumed that most persons who have managed to survive are in fact skilled?¹¹ By advancing them credit might we expand their opportunities for using their existing skills to further their own development? Second, what if we assumed that most persons are potential entrepreneurs and so worthy of credit? Doing so would mean it “would become a matter of personal choice whether an individual wanted to become an entrepreneur or a wage earner.”¹² Third, to advance credit in the form of microloans seems to require that lenders step

⁷ James M. Buchanan. *The Limits of Liberty* (Chicago: University of Chicago Press, 1975), 26.

⁸ *Ibid.*, 34.

⁹ “Rational Fools: A Critique of the Behavioral Foundations of Economic Theory.” *Philosophy and Public Affairs* 6 (1977), 336.

¹⁰ Muhammad Yunus. *Banker to the Poor* (New York: Public Affairs, 1999), 141.

¹¹ “The fact that the poor are alive is clear proof of their ability. They do not need us to teach them how to survive; they already know how to do this. So rather than waste our time teaching them new skills, we try to make maximum use of their existing skills. Giving the poor access to credit allows them to immediately put into practice the skills they already know...[and] the cash they earn is then a tool, a key that unlocks a host of other abilities and allows them to explore their own potential.” *Ibid.*, 140.

¹²*Ibid.*, 207

forward who do not see maximizing profits as their economic goal. Yunus asked: “Would these types of social-consciousness-driven entrepreneurs be rare and difficult to find? I don’t think so. The more we look for them, the more we’ll meet them and the easier we will make it for a person to become one.”¹³ He envisioned economists showing how an economy could be “a challenging field for all good people who want to pilot the world in the right direction.”¹⁴

This fourth author’s language seems quite different from the appeals to self-interest by Milton Friedman. However, given the latter’s broad usage, we can ask if there are really competing views of economic realism here or simply equivocal uses of the term ‘self-interest.’ Part of a dialectician’s work includes noting significant differences in language, especially if usages generate obvious confusion. Why would the first two authors continue to employ a terminology that so easily invites misinterpretations?

The origin of the current language of self-interest lies in an eighteenth-century psychology of motivation that was part of a theory of the passions. If the ambition of those earlier theorists was to do for psychology what Newton had done for physics, they needed to identify the basic laws that governed human ‘motions.’ They assumed the passions were the basic ‘movers’ of human action, and so their task was to identify which passions were the most fundamental determinants of human choices. No consensus emerged on which specific passions were the basic determinants, but ‘self-interest’ supplied a broad enough category to cover a plurality of desires. It had the further advantage of fitting the agenda of Classical Liberalism by tolerating a variety of human goals and not insisting on a hierarchy of ends that all persons at liberty should pursue.¹⁵

Classical Liberalism is often associated with this psychology of motivation and language of interests. Recent advocates of free markets tend to speak of liberty as *the* fundamental forbearance right, that is, as freedom from interference. When they speak of liberty in any positive sense, they tend to make use of the language of ‘interests.’ Hence, rational agency in a free-market economy becomes the pursuit of perceived self-interest without interference. However, pre-twentieth-century advocates of Classical Liberalism were still close enough to a Greek tradition in political theory and to a Christian tradition in ethics that they wrote of the ‘cultivation of virtues,’ the ‘acquisition of moral character’ and the orientation of human living toward its ‘natural ends.’

Adam Smith is representative of these earlier voices. He wrote of a ‘natural liberty’ that various institutions ideally shaped so that a person acquired moral virtues beyond those needed to survive in the

¹³Ibid., 208.

¹⁴Ibid., 209.

¹⁵ The frequently used language of ‘preferences’ also reflects this retreat from an older talk of the normative ordering of the ends of liberty.

marketplace.¹⁶ For example, benevolence toward fellow citizens was both desirable and more likely if prosperity had raised many of them above the grim struggle to survive. Even before then, the institutions of family, school, church and even government were expected to play roles in directing human capacities toward moral living. Social ‘interference’ with natural liberty was, in short, a precondition to the emergence of ordered liberty.

How are we to explain the narrowing of views of liberty among later advocates of Classical Liberalism? One hypothesis is that an eighteenth-century suspicion of all religion led, first, to the abandonment of talk of a ‘common good’ and, second, to the adoption of the language of ‘interests.’¹⁷ Another surmise is that agreement on the proper ends of human living proved elusive. As noted above, the language of ‘interests’ embraces a variety of ends without insisting on any hierarchical ordering of them. If the Cartesian project of building a universal consensus fails across the disciplines, then skepticism about the proper ends of human living may follow. To use Alasdair MacIntyre’s wording in regard to ethics, we inherit irreducible moral discourses embedded in different traditions.¹⁸ Thus, a type of intellectual skepticism regarding the proper ends of human living may be at the root of the language of interests and of a narrowed understanding of liberty as freedom to pursue one’s ‘preferences’ without interference.

Eric Voegelin offered a genealogy of this reversal of classical expectations of a universally valid knowledge of human ends and moral virtues. He cited Thomas Hobbes as a transitional figure who saw in the English Civil War evidence that agreement on the highest good (*summum bonum*) was both elusive and a dangerous objective to pursue in any case.¹⁹ Augustine’s ideal of community as a group of rational persons in agreement on the things they love proved to be neither reachable nor desirable if most persons were far from rational in a classical sense.²⁰ How, then, was social order to be maintained? Hobbes notoriously recommended the threats of the Leviathan as the ultimate

¹⁶ Jerry Z. Muller. *Adam Smith in His Times and in Ours* (New York: Free Press, 1996).

¹⁷ Frederick G. Lawrence, “Editors’ Introduction” *Macroeconomic Dynamics: An Essay in Circulation Analysis*, eds. Frederick G. Lawrence, Patrick H. Byrne and Charles C. Hefling Jr., *Collected Works of Bernard Lonergan*, vol. 15 (Toronto: University of Toronto Press, 1999) [Hereafter CWL 15], lxx.

¹⁸ *Whose Justice? Whose Rationality?* (Notre Dame: University of Notre Dame Press, 1988), chapter XIX.

¹⁹ *From Enlightenment to Revolution*, ed. John H. Hallowell (Durham: Duke University Press, 1975), 69.

²⁰ For Augustine’s definition of community, see *De Civitate Dei*, XIX, 24. For the meaning of ‘reason’ in a classical sense, see Eric Voegelin, “Reason: The Classic Experience” in *Published Essays: 1966-1985*, CW 12 (Baton Rouge: Louisiana State University Press, 1990), 265-291.

guarantor of order, but Voegelin read his solution as more nuanced. If persons could not agree on the highest good as their common objective, they were more likely to agree on the greatest evil (*summum malum*), that is, death. Thus, fear of the state's power to execute the lawbreaker could be a source of stability. Additionally and more positively, if persons disagree about the highest ends to pursue, they can still find common ground in pursuing ends that protect them from basic threats to survival. Thus, a benchmark test of political programs eventually emerges: How well are citizens protected from starvation, disease, natural disasters, crime and foreign attack?

This way of assessing political and economic policies makes rational planning a pragmatic calculus of choosing effective means for satisfying basic needs. Left behind was a classical understanding of reason as a capacity to pursue the highest ends and of human nature as a spontaneous orientation toward them. A new common sense slowly took hold in the West that assumed persons are need-filled organisms pursuing the satisfaction of their needs by means of 'instrumental rationality.' The language of self-interest reflects this shift in a prevailing common sense. Efforts to make the category all-inclusive of every type of human 'preference' tends to obscure an underlying skepticism about any hierarchy of human ends and about human capacities for reaching them.

If this historical genealogy is plausible, are Yunus and Sen representatives of a pre-modern understanding of rationality and human psychology? Their vigorous rejection of the language of self-interest seems at odds with the newer common sense and its terminology. The dialectician takes note of such differences and tries to determine if any of them reflect the presence or absence of different types of conversions.

To focus on that task, let's begin with the realism for which rational agency in the marketplace is the pursuit of goods by self-interested individuals. The usual examples are of imaginable individuals engaging in economic transactions. All the parties are persons-at-liberty pursuing their diverse ends. According to Classical Liberalism, any exchange agreements are binding because the contracting parties, who anticipate subsequent benefits, voluntarily consent to these agreements. In the same way, the legitimacy of political authority rests on the consent of the contracting parties who give consent because they perceive that doing so is in their self-interest. They expect, through sociopolitical bonds of reciprocity, to satisfy more of their wants. Political institutions resulting from such a compact are, thus, similar to economic contracts in that they are instruments to satisfy the wants of the contracting parties. Hence, many will easily think of political order as subservient to economic demands.

The first view of realism tends to incorporate this ranking of economics over politics. The fundamental realities guiding public policymaking are the demands of interest groups, voting blocs and

organized constituencies. Critics of an existing distribution of power are, according to this stance, simply rivals for power whose opposition, despite its façade of moral principles, originates in their pursuit of different interests.

A preliminary diagnosis of this view of economic realism is that it exhibits moral resignation. Existing power distributions, ongoing factional rivalries and unequal economic opportunities may be far from ideal, but the realists accept that this is just the way things are. Examples of such resignation to existing conditions appear in refusals to question credit practices, in efforts by elites to justify political privileges long after their leadership ceases to benefit their societies, in pessimistic appraisals of efforts to eradicate hunger and poverty.²¹

Perhaps the fundamental issues here are different estimates of human capacities for moral development. If an estimate is low, then one who is skeptical about human capacities will not ask further questions about improving current practices. However, without new questions, there are no new answers and so no new insights into possible improvements. In this way moral resignation may be self-validating since, in dismissing further questions, it forgoes new insights into possible remedies for current ills. The cliché that virtue is its own reward has its corollary in ‘vice is its own immediate punishment.’ But is there any ‘vice’ here?

Objections to any affirmative answer will quickly appear. For example, while third-party effects of market operations sometimes generate harms, the first view of economic realism dismisses the charge that such results are injustices; instead, they are unfortunate but ‘natural’ outcomes of complex processes under no one’s complete control. Implicit here may be a skeptical stance regarding our capacities to understand and to control complex market exchanges and their consequences.

If someone claims that those who benefit from such transactions owe recompense to injured third parties, the realist will demand evidence of a contractual relation with those third parties. Absent contractual relations, the other parties may exercise charity toward harmed parties, but they are not legally obligated to remedy harms that they neither intended nor caused by illegal acts. To insist that recompense is nonetheless owed is to make contracting parties liable for wholly unpredictable consequences befalling anonymous others. The limits of our capacities to know the range of consequences of simple business transactions belie any claim that strict justice requires contracting parties to remedy unforeseeable harms to third parties.

²¹ Amartya Sen responds to such pessimistic appraisals by saying they have little factual basis and amount to obstacles to preventing famines and reducing hunger. See his “Public Action to Remedy Hunger,” Arturo Tanco Memorial Lecture. (*The Hunger Project*, 1990), 9-10.

Lest this seem an amoral position, the realist can cite the range of virtues that free markets promote. Open markets encourage self-control (for example, delayed gratification for the sake of capital formation), reliability, honesty and reciprocity. Practical demands impose these virtues if one is to prosper in the long run. However, a critic might point out that these rationales for behaving well may leave self-regarding agents at a fairly basic level of moral development and uninspired to attempt further growth.

But is further growth realistic? This question may disclose basic differences between the two views of economic realism. An affirmative response presupposes some notion of development that extends the range of goods persons can and should pursue beyond those virtues demanded for success in the marketplace. Presumably the realist who affirms such a possibility will not be skeptical about human capacities to know ‘higher’ goods and to pursue them. In contrast, a realist who is skeptical about such capacities will avoid all talk of a normative ordering of the ends persons might pursue.²²

Answers, then, to the question of further growth may reveal a fundamental difference between the two stances on economic realism. My diagnosis is that they diverge in what they assume about moral development and about a notion of ordered liberty. In regard to the latter, either liberty will remain a negative notion, that is, the pursuit of individual preferences without interference, or some positive understanding of liberty will appear as a normative ordering of

²² Buchanan evinces disbelief in a normative ordering of preferences. “That is ‘good’ which ‘tends to emerge’ from the free choices of the individuals who are involved. It is impossible for an external observer to lay down criteria for ‘goodness’ independently of the *process* through which results or outcomes are attained. The evaluation is applied to the means of attaining outcomes, not to outcomes as such. And to the extent that individuals are observed to be responding freely within the minimally required conditions of mutual tolerance and respect, any outcome that emerges merits classification as ‘good,’ regardless of its precise descriptive content.” (*Limits of Liberty*, 6) Within Buchanan’s contractarian model of social relations, the criterion for judging among the preferences of discrete individuals is procedural. “A ‘good society’ defined independently of the choices of its members, *all* members, is contradictory with a social order derived from individual values. In the postconstitutional stage of contract, those outcomes are ‘good’ that emerge from the choices of men, in both the private and public sector. The ‘goodness’ of an outcome is evaluated on procedural criteria applied to the means of its attainment and not on substantive criteria intrinsic to such outcome. The politician, who represents the citizenry, however crudely and imperfectly, seeks to attain consensus, to find acceptable compromises among conflicting individual and group demands. He is not engaged in a search for some one ‘true’ judgment, and he is not properly behaving if he seeks to further some well-defined ideal drawn from the brains of his academic mentors.” (*Ibid.*, 164)

preferences. Which understanding of liberty one endorses will likely reflect one's stance on whether *true* normative judgments are possible in regard to the varied ends that persons pursue.²³

Yunus clearly believes he is making true normative judgments. "Social consciousness can be as burning, or even more burning, a desire as greed in an individual human being. Why not make room for those people to play in the marketplace, to solve social problems, and to lead human lives to a higher plane of peace, equality, and creativity?"²⁴

If one dismisses the possibility of true normative judgments, then politics becomes the art of reconciling divergent interests without any normative ordering of competing 'wants.' Buchanan adopts this stance: "I have by implication expressed my disagreement with those who retain a Platonic faith that there is 'truth' in politics, remaining only to be discovered and, once discovered, capable of being explained to reasonable men."²⁵ To clarify his assumptions, he adds:

If 'truth' exists in politics, 'out there' for the finding of it, then, once found, does it really matter very much whether or not it is self-selected, chosen in a majority vote, imposed by judicial fiat, or obtained by a bureaucratic ukase?

To those of us, individualists and nonidealists, who reject the truth-judgment approach, the questions present genuine challenges of overriding importance. We cannot claim to play as God, and we can scarcely carry off the pretense that our private preferences reflect his 'truth.'²⁶

The references to truth 'out there' and to rejecting 'the truth-judgment approach' are clues to the origins of Buchanan's explicit skepticism. In reaction to the 'totalizing ambitions' that did so much harm in the last century, some writers conclude that claims to know any normative ordering of human ends are politically dangerous. That, however, is a political stance. In contrast, Buchanan's dismissal of truths 'out there' to be discovered by true judgments is not a political

²³ 'Judgments of value' is a usage some prefer over 'normative judgments.' Given the multiple and often muddled uses of the word 'value,' I prefer the second phrasing. In either case, this type of judgment is a correlate of a question typically asking about what is worth doing or about what should not be done.

²⁴ Yunus. 210. He implicitly affirms human capacities to act on such normative judgments. "We can condemn the private sector for all its mistakes, but we cannot justify why we ourselves are not trying to change things, not trying to make things better by participating in the economy. [...] The challenge I set before anyone who condemns private-sector business is this: If you are a socially conscious person, why don't you run your business in a way that will help achieve social objectives?" (206)

²⁵ Buchanan. 1.

²⁶ *Ibid.*, 15.

statement; it is an epistemological statement about the limits of human capacities to know what is good.

3 Conclusions

As noted above, the primary task for dialecticians is to trace some differences among views back to opposing stances on basic questions, for example, questions about human capacities for knowing what is real and doing what is good. The primary focus of the preceding pages has been on two competing views of economic realism. The first view presupposes a psychology of motivation that asserts the pursuit of perceived self-interest and satisfaction of needs are the origins of human action. This stance substitutes the modern *homo economicus* as a rational calculator of personal benefits and costs for earlier views of persons as capable of pursuing ends higher than *amor sui*. The older anthropology used the language of the ‘common good’ and ‘moral character’ as part of a cultural narrative about the social formation of virtuous citizens. The modern anthropology tells a different story about economic relations among private persons. It often begins with an act of faith in market ‘mechanisms’ that, under non-monopolistic conditions, automatically offset expected abuses of liberty through the free competition among rival interest groups. Given this faith, believers can dismiss the earlier language of the common good and moral character; for them, persons do not need to develop beyond being rational calculators of their own interests for their social order to prosper.

The first view of economic realism reflects a basic skepticism about our capacities to know any higher ends of human living. The broad term ‘interests’ allows for a pluralism of ends and so is compatible with a negative view of liberty as the pursuit of preferences without interference. The underlying psychology of motivation reflects a more fundamental moral skepticism about either the capacity of persons to know what is genuinely good or actually to achieve it. As a result, economic and political institutions are understood as forums in which self-interested persons pursue their varied ends while largely procedural laws restrain their rivalries short of violence and ideally promote the maximum satisfaction of needs for the greatest number.

The second view of economic realism does not exhibit the same low estimates of human capacities. Talk of the common good and of the development of moral character presupposes affirmations of both some higher ends as knowable and of some moral capacity to pursue them. Advocacy of ‘ordered liberty’ as an end of cultural formation poses an educational challenge in place of relying on either ‘top-down’ direction of an economy or impersonal market mechanisms that do not ask persons to be more than need-filled organisms.

So what judgments can we make about some of these differences? In particular, do any of them reflect the presence or absence of different types of conversions?

First of all, writing about truth ‘out there,’ as Buchanan does, suggests that the writer is operating within a common-sense horizon of picture thinking and probably has not undergone an intellectual shift to understanding what is real in terms of true judgments. Without that shift, objectivity will seem to be a property of real objects ‘out there,’ and knowing the truth about them requires ‘reasonable’ persons to perceive just what is there to be perceived. But moral goods and moral judgments are not ‘objects-out-there’ and so will lack this property. In contrast, one can understand objectivity as the result of multiple correlations among intentional acts and their intended objects. Then, truths are what some of those acts reach for, and the question is whether the correlations among acts and objects are ever complete.

Acts of judging, in some cases, are such reachings for completion. To deny that they ever succeed is a self-refuting claim that no one ever knows anything correctly. Perhaps Buchanan limits his skepticism to political and moral judgments, but how is this stance empirically justified? Why should epistemic success be impossible for these judgments while it occurs in others?

Perhaps the skeptic’s stance on political truth-claims has a pragmatic rationale. Today and in the past, too many have claimed to know ‘God’s truth’ and have gone on to defend their violence with appeals to divine approbation. Especially for pluralistic societies, the appeal for tolerance of individual preferences has been a survival strategy. There is, however, a further question about the origins of pluralism in belief and practice. Among the sources of diversity is the presence or absence of types of conversions. The practical political question is how social order is possible among persons exhibiting so many different degrees of moral, intellectual and religious development. Endorsing skepticism about ends and relying on procedural rules as means to social order may ‘keep the peace,’ but, insofar as the political strategy becomes an assertion of epistemic limits, it discourages further development by suggesting that there are only individual preferences and no basis for objectively judging or ordering them.

The skeptic’s stance on human capacities to know what is genuinely good is not compatible with an understanding of moral conversion as an expansion in caring about both understanding what is good and actually doing it. Perhaps what the skeptic denies is not the capacity to know higher ends but the capacity to achieve them. To some persons this denial will seem at odds with their experiences of moral development in themselves. The skeptic can reply that, while some persons display good characters, most do not. To expect that all persons, or even most, will actually pursue higher moral ends is idealistic, and this reminds ‘non-

idealists' of an eighteenth-century fantasy about the perfectibility of the species. On historical grounds they oppose this as a dangerous dream.

There is no need to share the fantasy of perfectibility in order to criticize claims that persons are 'moved' solely to satisfy their needs. Such a psychology of motivation is incompatible with experiences of religious conversion and the subsequent de-centering of a person's living away from self-concern and toward responding to the love and friendship of God. Religious conversion can engender both hope and historical perspective. The hope is that one may become a good friend; the historical perspective is that a very immature species may in time do likewise, especially if one suspects the education of ordered liberty is God's experiment in time.

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