

## STARTING ECONOMICS: AGAIN

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The title is very directly inspired by a book that reached towards such a fresh starting: *An Introduction to Modern Economics* by Joan Robinson and John Eatwell.<sup>1</sup> At the conclusion in it of a critical survey of the story of modern economics one finds the final remark: “It is time to go back to the beginning and start again.”<sup>2</sup> The book and the effort were not a success, for a variety of reasons one of which I will consider a little later in this short introductory essay.<sup>3</sup> My question to you here and now is, Might this present volume succeed where other such efforts have failed?

I have the privilege of introducing the volume. It originated with Philip McShane’s suggestion of a collaboration of people interested not only in economic reform but in expressing the root of the challenge in a simple and immediately interpersonal mode.<sup>4</sup> His hope was that a relevant shift of conversation would

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<sup>1</sup>London and New York: McGraw Hill, 1973, 51. I refer to this work below as **RE**.

<sup>2</sup>**RE** 52.

<sup>3</sup>I touch on the question of modelling in economics, drawing on McShane’s treatment of **RE** in *Economics for Everyone: Das Jus Kapital* (Halifax: Axial Publishing, 1998) especially 29-31. The work is available through [www.axialpublishing.com](http://www.axialpublishing.com). On Joan Robinson’s work, and her unacceptability and exclusion by the establishment, see Marjorie Turner, *Joan Robinson and the Americans* (Armour, NY: M.E. Sharpe, 1990). Her work depended heavily on the work of Keynes’ contemporary, Michael Kalecki. On Kalecki in relation to Lonergan, see B. Lonergan, *For a New Political Economy*, ed. Philip McShane, *Collected Works of Bernard Lonergan* 21 (Toronto: University of Toronto Press, 1998), the index under *Kalecki*.

<sup>4</sup>P. McShane, “Do You Want a Sane Global Economy?” *Divyadaan: Journal of Philosophy and Education* 21/1 (2010) 19-36. I want to take this opportunity to thank McShane for his helpful and generous assistance in helping me make a start, again, in my long-term efforts to understand Lonergan’s economics, which began when I was fortunate

occur, and indeed that shift is intimated by the phrase in my first paragraph: “my question to you here and now.” This is an unusual phrase, especially if there is a sense in which you are led to take it with utmost seriousness. How might it be put, or in what context, that we might take it thus: with utmost seriousness?

The various collaborators in this volume try to provide that mood by placing their reflections in a personal context. The context of their talk, then, is not of broad economic theory or general economic practice but of the economic backgrounds of their own early lives and the changing structures of the past century. This is quite evident in the essays by Shute, O’Leary and Zanardi. McShane deviates in this volume, as I will note in a moment, towards a larger perspective, but what he considers to be his key essay on the problem takes its start from his boyhood involvement in a small bakery business. That essay is worth musing on in the present effort. It is the lead chapter in McShane’s recent book, *Sane Economics and Fusionism*.<sup>5</sup>

The McShane essay following this one points towards a subtle type of conversational presence that is not part of present culture. I will treat that new type of presence in a less dense manner than McShane in the second part of my own essay, titled “Keeping Promises.” I say no more about it here, except to note that I attempt to exploit the range of the word *keeping* in that essay to show that what we need to do, in future economic relating, is to build into our conversations, as an existential presence, a luminousness about the attitude of promising that is dominant in the essay by Michael Shute. People make promises to each other, and are led to **note** their promises in a way that echoes the invention of money. And further, there is the larger meaning of nature’s promise that is to be kept, and the still larger meaning of respecting nature’s promise. But we must come

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enough to take Lonergan’s seminar on “Macroeconomics and the Dialectic of History” at Boston College in 1979.

<sup>5</sup>Halifax: Axial Publications, 2010. Available through [info@axialpublishing.com](mailto:info@axialpublishing.com). The book will be referred to throughout the present volume as **SEAF**.

towards these meanings gradually and patiently, in something like the manner illustrated by the following four essays.

It is possible to make the main point of this volume without pushing towards that larger view of intelligent exchanges, and in doing so acknowledge the source of the new view that we propose.<sup>6</sup> The view has its origin in the work of a Canadian, Bernard Lonergan (1904-1984), who discovered, though a decade of patient labour when he was in his thirties, the fundamental flaw of twentieth century economic thinking. He pushed on to formulate the solid scientific solution to the problem.<sup>7</sup> In his last years he made a further attempt to gain attention for his achievement, and in one of those years of lecturing on the topic he summed up the solution to present economic crises very bluntly and simply:

There exist two distinct circuits, each with its own final market. The equilibrium of the economic process is conditioned by the balance of the two circuits: each must be allowed the possibility of

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<sup>6</sup>McShane returns to this problem of the main point at the end of his essay, “The Meaning of Credit,” but repetition from different angles is beneficial. The full view we wish to communicate is that of Bernard Lonergan. That view includes not only his economics but also his view of self-understanding (roughly, the book *Insight*) and his view of collaboration (roughly the book oddly titled *Method in Theology*) which is a program for global omnidisciplinary collaboration. Zanardi’s essay leads towards that collaboration in its conclusion. The core view, however, is that pointed to in the quotation given at note 8 below.

<sup>7</sup>Lonergan’s work was done between 1930 and 1944, but never published. He returned to the subject in 1977-83, but his writings remained unpublished until the end of the century. The early work appeared in volume 21 of his Collected Works, *For a New Political Economy* (see note 3 above). His later efforts were integrated into volume 15 of the same series by three editors, Frederick Lawrence, Patrick Byrne and Charles Hefling Jr. That volume’s title is *Macroeconomic Dynamics: An Essay in Circulation Analysis*, from the same press, 1999. The two Lonergan works are referred to below as *CWL 15* and *CWL 21*.

continuity, of basic outlay yielding an equal basic income and of surplus outlay yielding an equal surplus income....<sup>8</sup>

I cut off the quotation prior to its introduction of further complexities, because we are already on unfamiliar territory, but the main point is there, and it emerges quite simply in the essays to follow. There are basic consumer goods like bread; there are goods that are used in providing these consumer goods, like dough-mixing machines. This second set of goods is called *surplus goods*, but you must think of the word *surplus* as meaning nothing more complex than “over and above consumer goods.” There is a making and buying and selling of consumer goods that is tied into a final basic market, and the same is true for the surplus goods: there is a final surplus market. Why the word *final*? The word *final* points to the fact that there is a sale that gets the stuff out of the economic process to one of two types of consumer. But note that Lonergan’s point is so so simple. There are, unavoidably, in any economy beyond berry-picking, two types of consumer. There are consumers of bread; but there are also the consumers of the dough-mixing-machines that are used—and used up slowly—to make bread.

But I have said enough to reach the starting point of Shute’s essay. In that essay there is given, in Figure 1, a fundamental diagram. As Shute points out there, the challenge is to understand, to make one’s own, that diagram.<sup>9</sup> This “making it one’s own” is the major cultural difficulty that we face, and it is faced here in simple fashion in the three essays by Shute, O’Leary and myself. Why is this “making it one’s own” so difficult? Because each of us brings different blocks of baggage to such simple presentations, even though the presentations are

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<sup>8</sup>*CWL* 15:175.

<sup>9</sup>McShane comments further on this diagram at the conclusion of the essay that follows this one. Occasionally others refer implicitly to it, but, as McShane points out, such pointers do not ask for work to be done by you: they are pointers to issues that emerge from the discovery of the basic variables. It is very difficult to write about these basic variables without touching on these larger issues.

geared to get round them. Let me return to Robinson's and Eatwell's book to illustrate a key problem of baggage and the way around it that is being used here.

**RE** comes amazingly close to the diagram that Shute names Figure 1.<sup>10</sup> What **RE** is doing is following up on the simple insight that there are two flows of goods. But the follow-up is crippled by another apparently simple insight: "let's think up a model." The model seems so close to what we were considering: bread and bread-making-machines. **RE** presents a corn-sector and a machine-sector. The question is posed, How do they work together? Are the authors not on the same track as Shute, as Lonergan? The sad, simple, yet subtle answer is, NO. There is the simple crippling of the effort by the modelling mentality that Robinson could not escape, no more than establishment economics can. One needs a firm and honest grip on the restricted place of modelling to stay real, so to speak. As you'll see, neither Shute's grandfather nor O'Leary's father dealt with model seas or model fish.

But what is it to **deal with** the cornfields of nineteenth century England or the oceans of twentieth century Maritime Canada or the vineyards of twenty-first century Maharashtra?<sup>11</sup> It is to stay in control, as a community, of the goings-on of nature and human invention in the provision of bread and fish and wine. The larger historical context of that control is the question raised by Zanardi in his essay, an essay that springs from O'Leary's suggestion that **making sense** is the key to our troubles: or rather I should say making sense of what it is to make sense.

For both these contributors **making sense** has the helpful ambiguity of, I may say, science and technology. There is the making which is provision that gives the style, the sense, of our lives. But there is the prior making that is simply understanding

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<sup>10</sup>See **RE** 89. See also McShane, *Economics for Everyone* 90.

<sup>11</sup>Nashik, about 200 kilometres from both Mumbai and Pune, has been called "The Wine Capital of India." Nashik, as it happens, is the locus of an up-coming conference (9-11 September 2010) on Lonergan's economic thinking.

what is going on. Yet that **simply**, as we noticed with the modelling problem, is not simple.

Here there is a need to be frank about what is missing. All of us in this volume have emphasized in simple or complex ways that what is missing is an operative advertence to the fundamental variables.<sup>12</sup> In science one moves to such variables slowly and patiently from sifting through descriptive differences. The differences may even be beyond present observational capabilities, and indeed quite unavailable to present practical exploitation. Still, the reach for understanding is not cut back on such accounts. So, spectral analysis reveals fine differences of radiation, and light bends our minds towards further discoveries and practical applications. Frankly, what is missing out of present theoretical economics is the scientific spirit of honest inquiry.<sup>13</sup>

How might we bring forth that spirit within the stale traditions of the present economic establishments, Wall Street, World Bank, whatever? That is a topic for the second part of my essay, which follows that of Michael Shute. It is further, a topic in the essay by O'Leary, who points to the deep dynamic religious reach in all of us to bring forth meaning in life from the experience of loving mystery: "From the experience of love focused on mystery there wells forth a longing for knowledge."<sup>14</sup> Such a bent would seem to be at the heart of what Lonergan calls *Cosmopolis*,<sup>15</sup> a global collaboration committed

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<sup>12</sup>But I should add to that emphasis the fact that we emphasize the need to spread the word, to talk of the failure of present economics in terms that are all the clearer for coming from our own personal grip on the simple mistake at the root of the muddle. There are certainly other flaws, gross flaws regarding credit-giving and money-making for instance, but our focus relates to the possibility of some effective shaking up of a complacent establishment.

<sup>13</sup>Philip McShane deals with this in the final essay of this volume.

<sup>14</sup>B. Lonergan, *Method in Theology* (Toronto: University of Toronto Press, 1990) 109; quoted by O'Leary at note 17 of her article.

<sup>15</sup>Lonergan described 'Cosmopolis' as a need in history in the final section of chapter 7 of *Insight, CWL 3* (Toronto: University of Toronto Press, 1992). He wrote of it there in the early 1950s. It was 1965 before

to making sense. But its methodological structure is the homely interdisciplinary collaboration whose identity is the topic of later essays here.

One characteristic of the new collaboration, however, is worth noting in conclusion. “The general bias of common sense involves the disregard of timely and fruitful ideas; and this disregard not only excludes their implementation but also deprives subsequent stages both of the further ideas, to which they would give rise, and of the corrections that they and their retinue would bring to the ideas that are implemented.”<sup>16</sup> Lonergan’s idea of two-circuit analysis was a timely idea that emerged at the time when Keynes’s commonsense bias was taking over economics. The present volume seeks to invite you, the present herenow reader, “Thee, AndThee, Andy,”<sup>17</sup> to hug that basic idea in the old tradition of tree-hugging,<sup>18</sup> to walk forward in a group, in the shadow of Gandhi, that would bring salt to bear on the Establishment’s unsavoriness.

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#### ABSTRACT

This first essay of the volume sets the scene for the cumulative work of the five contributors. The issue is the emergence of a genuine science of economics that is based on identifying the real, and simple, variables of production and consumption. That identification is the task of the group of essays to follow. Here attention is drawn to the fact that we do not seek models to guide us but concrete promising insights into how we may improve our standard of living by seeking

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he arrived at an identification of its nature as a massive omnidisciplinary collaboration.

<sup>16</sup>B. Lonergan, *CWL* 3:254.

<sup>17</sup>The terrible pun emerges in the following essay by McShane.

<sup>18</sup>I think of the Chipko movement in India, and the Uttarakhandi women, but also of British women linking hands against nuclear power. But how are we to effectively link hands in order to mind an idea of promising exchanges in 10,000 villages? (For this image, see McShane, *SEAF* 27 (noting “the 10,000 villages” that he uses “as an image of the globe”).

the beginnings of clarity about the two fundamental circular flows of goods and monies.