

SANE ECONOMIC THEORY AND THE FAILURE OF RELIGION

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Introduction

My effort in this essay is directed towards staying in continuity with the previous essays, yet lifting the discourse into two existential contexts. There is the existential context that is pointed to by using the word *religion*. There is the existential context pointed to by using the word *theory*. My goal is to get you to think in terms of your own religiousness and to face, within that religiousness, the question raised in my talking about theory as an existential context. In a sense, I am pushing for a rescue of the two spheres, the sphere of religion and the sphere of theory.

Our efforts in this volume have been collaborative and, in tune with that approach, I tackle first the issue of theory. It is the issue that was tackled subtly by both Shute and Brown, and pushed forward by McShane. I will return to their presentations in relation to my own in the concluding section. It is important to indicate clearly that their presentations lie behind and give meaning to my effort here in sections 1 and 2, which deal with the understanding of an exchange economy, and what occurs when that understanding is absent. Section 3 of my essay turns to the need for a new vision within the Christian response to the present economic crises. Section 4 broadens the reflection to a consideration of religion in any of its many forms, but it does so in a way that invites a larger cherishing of the meaning of religion and the role it plays in the struggle of history. Section 5 moves forward from that invitation to sharing with you the questions that relate to the strategy adopted here in posing for you and us the question, 'Do you want a sane global economics?' The final section 6 brings the challenge of that question into an integral and practical challenge of our daily living and makes way for the next essay by Zanardi.

1. Understanding the Exchange Economy and the Moral Response

Have you ever tried to figure out how something works? It could be an engine, or a computer, or a camera. It could be a business, or a town or a family. These are all quite different, but it seems apparent, doesn't it, that to figure out how something works you need to 'figure.' You need to wonder about the significant parts and their relationships and come up with a framework that grasps how those parts and relationships flow in ways that make the thing... work, or not work. Then you can figure out what to do, but before then you'd just be guessing. The implications of this are not so significant if you are figuring out a camera, but if you are figuring out an economy it can be a matter of life and death.¹

From the previous articles, we get a great picture² of the real variables of an exchange economy, with the flows of the two circuits, their demand and supply functions, and the concomitant flows of payments that support production, all moving towards the goal of an appropriate and improving standard of living for all. Again, it seems that an understanding of these variables, rhythms, and dynamics is essential in order for economies to work. Further, when economies work, people not only survive, but the material conditions are in place for societies and cultures to emerge and thrive and provide a reflective space for ongoing improvements in human living.

Given that I am the daughter of a fisherman, whose father was also a fisherman, I am able to pick up sympathetically on the theme from Mike Shute's article above. When my grandfather fished lobster off the Nova Scotia coast in Guysborough County, he would have had a fairly small boat and wooden traps along with his own ingrained sense of the water's rhythms, currents, and potential hazards. My dad, a generation later, has a larger boat with sonar and GPS, and lighter wire traps, but he still needs to know the water, which takes years of being on it and

¹The shift in significance is the topic of Zanardi's essay.

²*Picture* is used here figuratively, but there are the complexities behind the usage that relate what follows here, and its understanding, to the process of imaging. More on this in section 5.

learning its rhythms.

In fishing, the two circuits and their rhythms involve the difference between the fish that get caught and eaten (or paid for) and the traps that accelerate the process of fishing that allow more people to eat. Learning the water's rhythms, the rhythms of the lobster, the seasonal shifts, and working well with this will account for improvements to production and increased incomes. However, major improvements in technologies for production, such as better traps, larger and stronger boats, and navigational technologies, account for shifts that, eventually, yield increasingly greater production and improvements to the standard of living. In a generation, the standard of living changed for my family from relative poverty (my grandparents did not have indoor plumbing until the 1980s) to relative comfort.³

In order for major economic expansions of the surplus circuit to take effect and to have the best long-term benefit to the standard of living, it is important that these expansions are supported through investment by⁴ the basic circuit. It is then important that the expansion of the surplus circuit, once it has reached its peak, slowly transitions to an expansion of the basic circuit. Preventing this from happening, either through preventing a major surplus expansion or through preventing a major basic expansion, also prevents an improvement to the standard of living. Therefore, understanding the variables, circuits and their rhythms and allowing them to work well *is a moral response*.⁵

³I want to state that fishing in Canada is highly controlled by governments, so fishers require licenses and follow imposed quotas, but are also open to government support through Employment Insurance and other programs throughout most of the year. In this way, they are different from other non-seasonal workers who may be considered 'self-employed.'

⁴My use of the word *by* here provides food for thought. Behind it lurks all the problems of the reassignment of labour, the promise of plans to extend, and the promise of banking support, and so on. I can echo the words of the previous authors regarding the challenge of working with Figure 1.

⁵"From economic theorists we have to demand, along with as many other types of analysis as they please, a new and specific type that

2. What Happens When We Misunderstand? Mistaken Directions

There is no shortage of examples of good intentions actually making situations worse rather than better. Why is that? Economic issues can be incredibly complex, and often we like simple explanations and simple solutions. My husband and I often talk about our 'famine history,' with him being originally from Ethiopia and me being of Irish heritage. We've talked about the response from Canada to the 'Ethiopian Famine' in 1984, a famine that had very little to do with drought (which was the official story) and very much to do with political cruelty and mismanagement (as with the Irish Famine).⁶ Of course, in Canada, all we saw was images of starving children, but we didn't see the full context. Ethiopia was an accomplished country, the birthplace of humanity, one of the earliest Christian countries, with a rich history of independence and beautiful culture. It was beyond inadequate (other words like patronizing and irresponsible come to mind) for us to characterize what was happening in the way that we did—as an opportunity for charity.

reveals how moral precepts have both a basis in economic process and so an effective application to it. From moral theorists we have to demand, along with their other various forms of wisdom and prudence, specifically economic precepts that arise out of economic process itself and promote its proper functioning." B. Lonergan, "Healing and Creating in History," *A Third Collection: Papers by Bernard J.F. Lonergan, S.J.*, ed. Frederick E. Crowe, S.J. (New York/Mahwah: Paulist Press; London: Geoffrey Chapman, 1985) 108. First published in *Bernard Lonergan: 3 Lectures* (Montreal: Thomas More Institute Papers/75, 1975). Included also in *CWL* 15:97-106.

⁶Recent reports from the BBC are raising serious questions about where some of the aid money collected during the 1984 famine went. It is undeniable that some was diverted to the TPLF (Tigray People's Liberation Front) to buy weapons in their effort to overthrow the government, which was quite brutal. They succeeded, but unfortunately have been no less brutal in their tactics. See Martin Plaut, "On the Trail of Ethiopia Aid and Guns," http://news.bbc.co.uk/2/hi/programmes/from_our_own_correspondent/8548412.stm.

I was 12 at the time, and my husband to be, also a young boy, had already been arrested and tortured for opposing what the government was doing. He spent the next several years in prison and eventually left Ethiopia as a refugee.⁷

Clearly, my example above speaks of political realities that direct and misdirect economic decision-making. However, the point stands that the moral response to economics cannot be considered outside of the proper functioning of economic rhythms. If we want to help, we must understand first. Doing the right thing means that we must know what to do to ensure that the major surplus expansions emerge and then peak and then make way for major basic expansions. We must understand how pure surplus profit (during a major surplus expansion) functions, not as an income for CEOs and upper level management, but as a ‘social dividend’⁸ that is to be reinvested in the major surplus expansion to allow for an eventual major basic expansion and the end goal of an improved standard of living for everyone.

A couple of the mistaken directions commonly taken will be familiar. They tend to be the results of ‘demand-side’ approaches and ‘supply-side’ approaches that both lack a sense of the economic circuits and rhythms. The misunderstanding begins with the analysis that allows for a polarisation of demand-side, or consumer, and supply-side, or producer, interests. The mainstream capitalist analysis sets out a basic single circuit that involves a flow of payments from consumer to producer and goods/services from producer to consumer with injections of finance and government involvement (through

⁷Ethiopia has endured two brutal dictatorships since the 1970s, and with a fake election set for May 2010, there is sure to be more violence suffered by the people, while the international community says nothing and does business with the dictator, Meles Zenawi. This is in the context of another famine, while the Zenawi government sells Ethiopian land to Saudi Arabia and others for export production. See John Vidal, “How food and water are driving a 21st century land grab,” *The Observer* (Sunday, 7 March 2010), posted on <http://farmlandgrab.org/11514>.

⁸Lonergan makes several references to the ‘social dividend’ in his later economic essay. See *CWL* 15:81.

investment/savings, taxation, subsidies, etc.).⁹ This is a simplified model, which tends to identify economies and markets as automatic mechanisms that work best when self-interest and the profit motive are ruling. Conservative economists will claim that there should be minimal interference with the market (although, politically, they are quite happy with government subsidies that favour, or bail out, key industries), but if there is a downturn (or slowdown of an expansion), then conservative policies tend to favour support for producers, or supply-side. In contrast, the more 'liberal' economists will consider some level of regulation, often favouring support for the consumer/labour end, or demand-side, as essential to improving or sustaining economic growth.

I have been using the vocabulary of theory here, and it brings to your attention in one of two ways the need for illustrations, such as those provided by the previous articles. If it reads clearly to you, it is because these are the context of your reading. If what I wrote is obscure, it is because the illustrations need to be adequately digested. So, let's get concrete again, and see how mistaken directions can be explained in the two-circuit framework. Let's say that someone has a good idea for a new technology in fishing traps. They will be lighter, easier to make, and cheaper. The production gets going and word gets around. There is a need for investment in this production so that it can expand to its fullest potential, with efficient factories and sufficient materials and labourers. The surplus circuit producers experience an increase in 'pure surplus income'¹⁰ or profit, the function of which is to be reinvested in the major surplus

⁹Recall that the drive of this volume is towards understanding and drawing attention to the elementary mistakes of present economics. On the broader issues there are details in Bruce Anderson and Philip McShane, *Beyond Establishment Economics: No Thank You, Mankiw* (Halifax: Axial Publishing, 2002).

¹⁰Pure surplus income or profit in a quite strict sense is a complex topic that needs more than an aside to elucidate. It can be thought of for the present as income that is extra, not needed to maintain the present standard of living. Lonergan distinguishes between normal profit in a steady state and 'pure surplus income' that emerges from a major surplus expansion and the function of which is to be invested in that expansion as a 'social dividend.' Lonergan, *CWL* 15:81, 132. See note 8 above.

expansion. The benefits of this expansion will be felt first in improved incomes of labourers, whereby income crosses over from the surplus to the basic circuit, but does not drain the surplus circuit, as investments continue to support the expansion (the circuits are balanced). This investment is essential for the expansion to proceed (financial institutions act in a redistributive role to literally 'give credit to good ideas.'¹¹) Once the full potential of the expansion is met, production should slow down to a steady rate. It is then that there must be a decision to support a major basic expansion. This means that the surplus circuit is allowed to slow down to a steady state and the basic circuit experiences the acceleration of production that comes from the use of improved nets that can catch more lobsters at a higher rate.

The process just outlined, moving from a minor to major surplus expansion to a slow down and shifting to a major basic expansion that improves the standard of living, is a process that is not automatic, but must be *intelligently and democratically managed*. If not, then expansions may not occur, or may be extended at the expense of the other circuit. So, the two areas of mistaken direction involve, first, the prevention of the major surplus expansion, and, second, the prevention of the major basic expansion. Typically, there tends to be support for major surplus expansions, as industries, financial institutions, and governments direct their efforts to finding new ways for expansion to emerge. There can be problems, however, if a major expansion is underway and consumers and labourers do not read the rhythm of the expansion properly, understanding that it must be invested in first before the full benefit will reach the basic circuit. For instance, labour unions may see the major surplus expansion as an opportunity to lobby for increases in wages and benefits. This demand could have the effect of halting a major expansion

¹¹“But what we are viewing here is a deepening acceleration, a general shift in ideas that generates something beyond short-run random changes in enterprises, something that involves series and clusters of fresh enterprises. That type of adjustment calls for an increase of money to circulate: more precisely, aggregate increments in monetary circulating capital.” Philip McShane, *Economics for Everyone: Das Jus Kapital*, 2nd ed. (Halifax: Axial Publishing, 1998) 97.

before it actually reaches its full potential, hence cutting off the full benefit that could be eventually received by labourers, had the expansion been allowed to peak.

A more common mistaken direction, however, involves the prevention of a basic surplus expansion. Often industries, financial institutions, and governments will give support by way of investment to major surplus expansions. However, they often fail to recognise that these major surplus expansions are temporary and will, or should, slow down to a steady state after they peak. The focus then should be on the major basic expansion, ensuring that the benefits of the major surplus expansion are felt in an eventual rise in the standard of living for the community. The problem is that once this slowdown begins, there is panic. The instinct of industry, finance and government is to try to sustain the expansion indefinitely. Rather than shifting to a major basic expansion, the basic circuit is drained, thus leading to the common experience of increased wealth for the already rich and increased disparity for those struggling.¹²

3. Christian Response and the Need for a New Vision

These are days when concerns about economic justice are fierce and urgent, and for good reason. It is easy to target multinational corporations and large industries, as often they are focused on their own profit, returns for shareholders, and ongoing expansion, often to the detriment of communities and the environment. It is clear, given the recent cases in the US of the sub-prime mortgage scandal, the Bernie Madoff scandal, the big auto industry bail outs, and so on, that industries, financial institutions, and governments are more than missing the mark on how economies are well managed. However, it is also

¹²Decisions by financial institutions involving the use of savings and investment, as well as government decisions regarding taxation and trade also will have an effect of misdirection if the expansions of the circuits are misread. The consequences that Lonergan outlines include “the favourable balance of foreign trade, the colonial economy, the fate of the fatherland or the mother country, on armaments and wars, on unemployment, deficit spending, transfer payments, blocked investments, union exigencies, and inflation.” See *CWL* 15:82.

disheartening that the responses are so inadequate, and lack any explanatory analysis. In fact, they tend to fall back on the Keynesian demand-side, government regulation approach, which still suffers from an inadequate framework and a lack of analysis of the circuits and their phases.

Many people coming from a Christian faith background share these concerns about economic justice. Christian leaders and organizations have been vocal about the need for a fair distribution of wealth, for a just wage for workers, for social and economic supports for the vulnerable, and so on. These are moral principles arising from the deeply felt values of human dignity, the common good, and the preferential option for the poor. So, why am I referring to the 'failure' in the title of this article? It is not a failure specific to Christians, but it is one that has gone on much too long. Its reversal requires the shift from a narrow vision of charity toward charitable justice in a way that seeks an understanding of economic systems and structures, rather than the uncritical application of moral principles to systems and analyses that do not and cannot work. The best thing that Christians who want to help those in need can do is get concretely literate about economics. I'm thinking of the efforts of people like Moses Coady and Jimmy Tompkins of the Antigonish Movement in the 1930s and '40s in Canada's east coast. These were Roman Catholic priests driven both by their vocation to guide people in their faith to become fully free and independent people, as well as by their conviction that democratic economics was essential to this freedom. They organized study clubs in remote fishing villages, so that fishers could learn to read, write, and take charge of their lives. They helped ordinary people start workers and consumer cooperatives and credit unions, so that they could manage their economic lives and reinvest in their communities. It was remarkable! Today, the Coady Institute at St Francis Xavier University in Antigonish, Nova Scotia teaches international students the cooperative principles, through programs such as 'Asset Based Community Development,' which uses the traditional knowledge

of communities to build sustainability.¹³ The fundamental and necessary following step is to move toward an explanatory analysis, but concrete work is essential for grounding the explanatory framework.

There is a need for new moral principles, grounded in the economic rhythms and phases of the circuits, rather than applied from without. The just wage needs to be redefined in terms of the new framework, so that new practical imperatives emerge, such as: 'make sure the crossovers balance,' 'don't drain the circuits,' 'give credit to good ideas,' and 'the proper goal of an economy is a standard of living.' These all need to be adhered to democratically in order for the just wage and the common good to make sense concretely.

I'll briefly go back to my concrete context. In the days of my grandfather, the Christian response of Coady and Tompkins supported fishers in a way that taught the tools for ordinary people to gain some level of independence from the dominating powers and interdependence through strengthened community. It was clear that figuring out the rhythms of their economies was essential to this process, the process of improving the standard of living, the process of economic justice. If we push this figuring so that it is part of our own daily rhythms, those of children in schools, those of local business people, of farmers, fishers, bankers, etc., then we can begin the slow process of education that must be the ground of economic change and of social improvement.¹⁴ One of the most inspiring shifts emerging these days is in the area of food security. Farmers' markets are booming, the **Slow Food**¹⁵ movement is emerging, community

¹³See Alison Mathie and Gord Cunningham, "From Clients to Citizens: Asset-Based Community Development as a Strategy for Community-Driven Development (The Coady International Institute, St Francis Xavier University, January 2002) accessed at http://www.mystfx.ca/institutes/COADY/text/about_publications_occasional_citizens.html.

¹⁴"Finally, coming to grasp what serious education really is and, nonetheless, coming to accept that challenge constitutes the greatest challenge to the modern economy." *CWL* 15:119.

¹⁵**Slow Food** is "a non-profit, eco-gastronomic member-supported organization that was founded in 1989 to counteract fast food and fast

supported agriculture and community gardens flourish. People are connecting with the earth and each other in new ways. However, there is such a struggle ahead. It is one that can only be met with intelligence and collaboration if we are to transcend the crises of our time. This, I hope, will bring about a new Christian response, and a new way forward for everyone.

4. The Broader Religious Context of the Way Forward

My title speaks not merely of the Christian response, but of the response of religion, and indeed, the failed response. So, what I write of Christianity can be said in general regarding religion. I wrote, in section 3, that if we are to face the massive global problems, there is a shift required “from a narrow vision of charity towards charitable justice in a way that seeks an understanding of economic systems and structures, rather than the uncritical application of moral principles to systems and analyses that do not and cannot work.” I was writing of Christianity, but now I wish us to think of the shift as a common global possibility emerging within religious consciousness itself.

We cannot go far in this topic here. However, we can indicate that the shift involves the emergence of new patterns of human attention to the divine and new patterns of prayer. It involves meanings of *The Coming Convergence of Religions* that take up and go past the meanings contemplated by Whitson.¹⁶ But at a minimum it requires an emergence in our religiousness of the challenge to **make sense** of life, in a meaning of *make sense* that is already available to us in our spontaneous hearts.

The challenge is coming from the growing up of humanity through that spontaneous orientation towards making sense. That growing up is associated with science. I want to note, however, that my use of bold-faced type here points to the fuller meaning

life, the disappearance of local food traditions and people’s dwindling interest in the food they eat, where it comes from, how it tastes and how our food choices affect the rest of the world.” See the Slow Food International website: <http://www.slowfood.com>.

¹⁶Robley E. Whitson, *The Coming Convergence of World Religions* (New York: Newman, 1971).

of making that we take for granted: the making of roads and taller buildings, of hospitals and transport, of toothpaste and drugs, of food and foibles. Furthermore, if we are honest, the challenge is to our religiousness: we are incarnate spirits in the world. So, the shift from charity or its equivalent in the spectrum of religiousness to 'a way that seeks an understanding of economic systems' is not a luxury: it is a necessity of our living in these times.

The need for a shift weaves into our daily reach and longing for the divine. How, and how intimately, it weaves into that reach can be brought out by considering the characteristics that belong to serious religiousness. I am thinking of those characteristics that are identified by Friedrich Heiler and presented by Bernard Lonergan in the context in which he is writing about the "experience of love,"¹⁷ "in a friendly universe."¹⁸ In that context, one cannot but observe that the divine is somehow the ultimate *maker of sense*.

How is sense made, whether the maker is divine or human? The divine making is acknowledged to be deeply mysterious, and bowing to such mysteriousness is again at the heart of religion, its focus. But here we find the nub of our orientation towards sense: "from the experience of love focused on mystery there wells forth a longing for knowledge,"¹⁹ and that welling is aided, lifted forward, by history as it surrounds us with human makings, makings of sense meshed with makings of nonsense.

5. Our Way Forward

Our way forward in history is so often a stumbling, and this is abundantly true when it comes to the making of an economy, whether local or global. So, the making of a global economy, no exception, is a mesh of sense and nonsense, and the nonsense has all the possibilities of deprivation and war that we touched on earlier. But are we helped forward towards better sense-making

¹⁷B. Lonergan, *Method in Theology* (Toronto: University of Toronto Press, 1990) 109.

¹⁸Ibid. 117.

¹⁹Ibid. 109.

by our venture here? We return to the promised consideration of the manner in which these previous articles have been moving in relation to that way forward. For simplicity, I'll refer to the previous articles as Shute and Brown.

Briefly, what the three articles (including the present one) do is illustrate the normal intelligent way forward in economic sharing. More broadly, they illustrate normal science and normal teaching, where by normal I really mean normative. One is faced, in some concrete situation, with a messy problem, like that of repairing the weir. Shute and Brown illustrate how the problem is tackled and solved in a realistic way: there is patient figuring leading to suggestions that emerge into accepted norms that enter the lives of the people. However, those who are seriously pushing for a better control and understanding of these norms push on into formulating systematically the discoveries. Think of this in terms of good creative cooking. The production of a new dish is helped forward, and even blossoms into other possibilities, by being written up coherently as a set of contents and operations.

The present article, beginning with the two last paragraphs of section 1 and following forward through section 2, does something equivalent to formulating the recipe and adding dos and don'ts. But the formulation has richer meaning in so far as the climb indicated by Brown, Shute, and McShane has been followed, not just through a sympathetic reading, but also by some personal venturing into thinking about these or equivalent illustrations of the need of economic collaboration.

The ending of an article on 'Sane Economics' is not the best place to try to rescue the word *theory* from its misuse and disorientations. That misdirection is a much deeper issue than those considered in section 2. A verified theory is simply the ordered understanding of some situation that is of importance to us and that we wish to improve. That verified understanding can be expressed in an order of words, and controlling the words can at times pass for understanding. Think of the memorized 'definition' of a circle of your school days. My article adds such words, but the way forward, the way into their meaning, is the way of illustration, of concrete interest in available problems.

6. Today's Way Forward

There are movements of revolutions all around us that I would identify as breaking out into the articulation and activity of the inner drive to make sense. It leads me to suggest that there is a general economic revolutionary slogan that is available to us: **Make Sense, Not Money!** Indeed, the slogan has been an undertow all along in these essays. "We should make a note of that" expressed an idea in Shute, and it meshes with the larger view expressed by McShane and Brown of the making of money, that lead to a sense of the ambiguity of the phrase *making money*. The notes, the promises, are made—in a sane economy—in order to keep sane rhythms of production and progress alive and well, not just locally but globally. That makes sense. Certainly it makes more sense than the other extreme, which nonetheless is a dominant assumption of much of the present orthodox economics: **Making Money Makes Sense.**²⁰

The deep yet simple issue, of course, is the meaning of *making sense*. The issue is not just making sense, but asking what does making sense mean? Education, for any ethnic background or religious creed, means making sense of the tradition in which one is, and in its fullness it reaches out to the place of that tradition in history. But the core question is there from the beginning: What does making sense mean? Go figure.

* * *

ABSTRACT

A more elaborate elementary economy of fishing is considered here than that provided by Shute. The broader complexity of economic progress is attended to briefly, in the context of Lonergan's view of profit as a social dividend. The function of that dividend is a global well-being that pivots, for its effectiveness, on the luminousness regarding promises discussed in the previous essay. This essay draws attention to a force in that effectiveness that is to be brought forth from all patterns of religious commitment. The issue is to make operative the human drive to make sense.

²⁰Recall note 10 above.