

## **Reinterpreting the Motor Car Analogy in Bernard Lonergan's *For a New Political Economy***

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### **Introduction**

Economics as a discipline and as a social science and practice is very hard work to practice well. Many economists are in fact very conscientious in their practice. My own approach to the critique and study of economics has been based, at least in part, upon an adaptation of the Socratic method from the history of philosophy which, in the first instance, can be read as negative, critical, and skeptical. This aspect of philosophy quickly appealed to my desire for independent thinking as a young student, especially in its capacity to expose the ignorance of those who presented themselves as authoritative experts, ... to expose what the expert does not know and even further where there may be the pretense of knowledge when in fact there is none. This of course doesn't mean, in the Socratic tradition, that the critical philosopher or incisive skeptic has more knowledge, but rather he/she may only be discovering the 'holes' in the expert's knowledge without necessarily knowing what might fill that hole. This, as in the story of Socrates, can lead fatefully to serious trouble with the powers that be in any institution or society. This certainly can be the case when from a philosophical perspective one proceeds to criticize the limitations of a venerable and admittedly powerful discipline such as economics.

In fact as is the case with many disciplines, there is usually considerable patience for a fair degree of self-criticism from within the discipline by those who are recognized as having paid their dues and earned their keep, but criticism from outside the recognized field of practice is another matter altogether. We will see in the discussion that follows that this is part of the challenge for the sustained and, in my view, important Lonerganian critique of economic theory and its alternative theoretical proposals. It is a perspective regarded as coming from a thinker, trained as a philosopher and theologian, who is regarded as someone outside the field of economics itself. And so his work on economics and its legacy is harnessed with a debilitating and ongoing catch-22 – 'there can be no experimental validation without entry into the

field of practice, and there can be no entry into the field of practice without experimental validation.’<sup>1</sup>

### **An Admission of Misunderstanding**

Economics as a way of thinking had primary responsibility for the 2008 financial ‘Crash’. Economists were then, and still are, key policy advisors in key institutions – financial and governmental, and they by many estimates, both internal and external to the field, performed poorly during the crisis working with the wrong assumptions so that their models failed to adequately grasp the complexity of the economy.<sup>2</sup> There is now especially a widespread recognition of a need to reform at least the finance and banking sectors of the world’s economy.<sup>3</sup>

In a more positive vein there has been some effort to re-think economic theory in relation to efforts to revitalize local communities. This is not an easy undertaking and yet shortly after the 2008 financial ‘Crash’ when there was a resurgence of such efforts a colleague and I took on our own humble version of such adventure by co-authoring a paper on the topic of economy and economics entitled “*New Hope and Vigour to Local Life*”.<sup>4</sup> The paper was prepared for an international conference at Seton Hall University in New Jersey that was to examine the economic theory of Lonergan who, at least in this venue, was well regarded as having made important contributions to thinking critically about economics. We were prepared to characterize his thinking as outlining a strikingly novel method by which people and their communities can engage in a process of establishing viable local economies. As well, Lonergan’s concerted discussion of human historical development in a variety of texts struck us

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<sup>1</sup> [This footnote and some of those that follow have been developed in response to James Duffy’s judicious promptings to say something more about the radical and revolutionary reachings implicit in this essay.] There must be in this proposal a commitment to identify and make operative ideas and to avoid the circle of illusion which we are referring to as a ‘catch-22’ in economic thinking and practice presently, where ideas are not tried because they are thought not to work and thought not to work because they have not been tried. A related catch-22 has to do with experimental validation. If “general conclusions depend much more on the validity of general principles of interpretation than on accuracy of factual detail” (CWL 21, 9), then the meaning of “experimental validation” depends upon one’s general principles of interpretation.

<sup>2</sup> See the podcast at <https://www.bbc.co.uk/programmes/w27vq16t> where Ian Goldin of Oxford University’s School of Economics presents in a recent *BBC Report on “After the Crash”*, Oct.18/18 an extensive self-critical evaluation of the field of economics.

<sup>3</sup> See Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York: Viking, 2018).

<sup>4</sup> Peter DeMarsh and Hugh Williams, “New Hope and Vigour to Local Life” in *The Lonergan Review: The Journal Of The Bernard J. Lonergan Institute*, Vol. II, No.1 – spring 2010, pp. 261–275.

as unique, profound, and compelling by any intellectual standard. Of this much we were certain at the time of preparing our paper.

Neither of us were Lonergan scholars; instead our offering was intended to supplement Lonergan's work and was based upon our extensive practical experience in local community development and organizing work.<sup>5</sup>

Our own reflection on Lonergan's more technical economic thought was based primarily on his *For a New Political Economy* (FNPE) text edited by Philip McShane.<sup>6</sup> There we read Lonergan arguing that an adequate education in economic dynamics can enable a correction in the pervasive economic dysfunction our societies seem to recurrently suffer under, ground a more democratic management of the economic system, and foster much better economic decision-making by individuals, groups, and their institutions. There are some Lonerganians such as McShane and his colleagues who energetically claim that Lonergan in fact has discovered the basis for a much more effective economic science. Because of an absence of credible practical applications of the theory to concrete situations which in our view amounts to an absence of experimental validation, we at the time of our writing felt it necessary to hold in abeyance our own endorsement of the theory.

We acknowledged that his theory may very well provide good reasons for believing in its coherence, potential usefulness, and general analytical importance. But this did not yet constitute an empirical economic science in any meaningful sense. Our paper instead concentrated on the ethical and political implications of Lonergan's theory with its emphasis on the importance of democratic guidance of the economy, and its goal of increasing the opportunities for leisure and a better standard of living without necessarily being dependent upon ever increasing material growth and development.<sup>7</sup> Lonergan seemed to us to

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<sup>5</sup> In our view there clearly is what can only be called a revolutionary dimension to Lonergan's work which has been given a special focus in Philip McShane's reading and interpretation of this work, and which Christians in particular should be considering carefully. It can be given striking focus in two recurring questions that occur in McShane's recent writings. The first question is posed by McShane: "Do you view humanity as possibly maturing—in some serious way—or just messing along between good and evil, whatever you think they are?" The second question was posed by Lonergan in 1935: "What is to be done? Shall the matter be left to providence to solve according to its own plan, or does one consider that providence intends to use (us and) our leaders as conscious agents in the furtherance of what it has already done?" See McShane's essay "Foundations of Communications" in *Seeding Global Collaboration*, Patrick Brown and James Duffy, Editors, (Vancouver: Axial Publishing, 2016) at pages 163 and 169.

<sup>6</sup> Bernard Lonergan, *For a New Political Economy* (Toronto: University of Toronto Press, 1998).

<sup>7</sup> Lonergan's position in FNPE on a sustainable steady state economy and its guiding economics is that there is no intrinsic impossibility to a steady state

be speaking of a deeper and more qualitative sense of human development that perhaps had important affinities with the relatively new and important area of ecological economics that should be further explored.<sup>8</sup>

As for the more technical aspects of his economic theory, we wrote at the time –

We are ... doubtful that the macro-economy can be treated simply as a mechanism, requiring only a clear analysis and better operating instructions to allow for more rational management and the application of clear ethical standards. The social relations that are removed and the destructive economic cycle that is decried seem to us to be inherent qualities of the present system. ... attempts to separate economic dynamics from the associated social relations seem to us a process of abstraction. Lonergan's goal is more competent management of the system rather than fundamental changes to the mechanism which is presented as, in some sense, fixed. In the language of his image of motor-car mechanics and drivers, he seems to be primarily concerned with improved driver education and a conscious choice of destination and driving style, rather than with a fundamental redesign of the internal combustion engine.<sup>9</sup>

In contrast McShane in his editor's introduction identifies this analogy of the motor-car as a central image for summarizing the theory's analytical and normative novelty and significance for the field of economic theory. Economic theory and advanced economic thinking, in Lonergan's assessment, remains similarly pre-occupied with the more common sense optimal behaviour of drivers and the rules of the road while ignoring and overlooking both engine and drive chain mechanics. In Chapter 7 of FNPE "An Outline of Circulation Analysis", Lonergan indicates the importance of this analogy for his theoretical work. Misconstruing this analogy, as I believe we did, leaves us sorely disoriented in approaching this radically new economic thinking. In a brief

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economy. But we do have to do a lot of thinking and a lot of educating before we can hope that our exchange processes will move smoothly and effectively from an expanding economy into a steady state phase instead of falling traumatically and painfully into prolonged social misery and even increased environmental degradation and disasters. See *CWL* 21, 100.

<sup>8</sup> In my recent exchange with Duffy this issue which I'm calling ecological economics arose again in that much (if not all) depends upon humans discovering "how to efficiently divide up the work – which the ecological crisis is demanding we do." Here some reference to Pope Francis' astonishing and relatively recent encyclical *Laudato Si* which from the point of view of church teachings and general culture raises the crucial importance of ecological concern and competence to new heights not just for economics but for theology, ecclesiology, and spirituality. See also footnote #13 below.

<sup>9</sup> "New Hope and Vigor to Local Life," 264–65.

but dense three pages Lonergan gives us a key synopsis of the crucial meta-theoretic viewpoint and of the crucial theoretical methodology of his argument. Here Lonergan uses the motor-car metaphor or analogy to pose the challenge of reaching for and grasping the full significance of more effective analytical work on economy and economics. It is as if one has to get some sense of the analogy before one can commit to the theoretical work, or even, more modestly, to the simpler yet concerted effort to read of FNPE what one can. This paper is basically an admission of misunderstanding that perhaps will lead to a proper understanding and hopefully some degree of implementation, at least in some small corner of this troubled world of ours.

In his reach for a higher viewpoint Lonergan argues that the older political economy made important but partial and incomplete discoveries of economy giving us rules for acting that had purpose and application only for certain particular cases but ultimately proved inadequate for the larger whole of the total economic context. There clearly was and is the need for an effort to formulate a higher viewpoint yielding fundamental laws inevitably seeming quite remote from the more familiar situations described by our common sense talk of markets and prices.

The necessity of some degree of rational control is now evident. The crucial question is what and where will be the locus of control? The resolution of this irksome question now has to do with the very survival of our democracy and of our species.<sup>10</sup>

It is Lonergan's theory of circulation analysis that is said to provide the basis for the new and effective use of the scientific method in the field of economics. It is Lonergan's own effort to answer this question encountered and posed by the higher viewpoint proposing to guide such control. It provides a superstructure of terms and theorems based upon an analysis of typical economic phenomena – classes and rates of payments (expenditures and income) mutually conditioning two fundamental circuits – basic and surplus. There is an internal mutual conditioning for each circuit impacted by external conditions of transfer flows from one circuit to another. Thus there is this twofold conditioning in the monetary order correlated with the conditioning constituted by rhythms of goods and services production. This results in an overarching frame of reference that models macro-economic activity as a function of variations in rates of payment (now measured by monetary exchanges) and thus defining the conditions of desirable activity and the causes of undesirable activity as in economic breakdown. But such a theoretical development also has a logic to be attended to, including norms and procedures involving common sense economic descriptions, more sophisticated and technical statistical measurements, and the higher theoretical analysis that reaches beyond the limits of both common sense description and statistical measurements for

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<sup>10</sup> There is the moral vice of greed but moral virtue and its good intentions are not enough to drive the economy. We need to understand how an economy works.

classifications yielding terms defined by the interrelations of the whole or larger context in which they are embedded. This necessary human intellectual work of reaching and straining for a higher viewpoint, according to Lonergan, is lengthy and painful, and subject to much trial and error. But it must be part of the necessary work of any truly effective science of economics.

Lonergan, as we can see, distinguishes between descriptive economics, statistical economics, and analytical economics. Descriptive economics tends to be based upon common sense language and thinking that attempts to develop generalizations based upon our ordinary everyday experience and understanding of economy. Statistical economics develops a more specialized terminology for the use in measuring identifiable data. Analytical economics is quite different from both these types of economic thinking as it seeks out conceptual and classificatory possibilities not according to the standards of common sense and ordinary speech, or according to the facility for measurement, but instead according to their capacity to provide notions definable in terms of the system of functional interrelationships in which they are embedded. McShane points out in his introduction how the work of Joseph Schumpeter in his *History of Economic Analysis* is important for getting some grip on the nature of Lonergan's project and how it differs from liberal theories of economy.<sup>11</sup> Schumpeter's massive work is a careful and exhaustive analytical examination of significant economic thinkers in an effort to develop a picture of the fundamentals of economy and of its actual functioning. Lonergan saw Schumpeter's own analysis as uncovering how economic theories have developed such as liberal monetary theory which has theoretical elegance and yet fails to capture how things actually work. Nonetheless there was this persistent and profound concern for the systematic relationality of the economic system that captured Lonergan's imagination. Economy is not a Platonic idea but rather many relevant species in a genetically and dialectically differentiated genus. This analytical territory, says McShane, is a very strange way of thinking for most economists and it is best approached by having some familiarity with the work of Schumpeter, by reflecting on just what he was up to. It was not ordinary history but rather a dialectical struggle towards a genetic retrieval, ordering, and reordering of past struggles towards a better grasp of the economic system by way of a higher viewpoint. The aim is to reach for a very high level of analytical and theoretical generality. It is a work oriented to universals that differs markedly from the concern with the particulars of common sense descriptive enquiry, and it is also different from the more sophisticated statistical measurements of economic phenomenon. It yields, if successful, very general but more effective interpretive principles for a better overall explanatory account of large swaths of economic phenomenon. It allows us by way of a higher

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<sup>11</sup> Joseph Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1994).

viewpoint to ‘see’ things that prior to the apprehension and employment of these principles tended to be overlooked or excessively muddled. Lonergan says that such theoretical work is a lengthy and painful process of trial and error.

In FNPE, Lonergan is developing a theoretical order and account for a massive body of facts that tends to be overlooked, at least in certain crucial aspects by both the political-economy approach to economic thinking, and by the more technical specialized scientific approach. His meta-theoretical argument is that only by way of this more comprehensive theoretical approach that both orders and grasps the facts in a better interpretive light can there be any effective testing of the theory’s practical applications.

Returning to the motor-car analogy, for conventional or orthodox economics to be preoccupied with driver behaviour and the rules of the road is to miss something fundamental – namely, the requirements of the proper functioning of the mechanism itself in terms of its engine and drive chain operations and performance. With this analogy the central issue in economics is shifted from the optimal behaviour of drivers to that of an understanding of motor and drive chain functioning.<sup>12</sup> In economic terms this means a shift in the fundamentals of economic thinking from more familiar concepts such as labour value, the measurement of capital, and the propensities of consumers, towards a more careful consideration of the two circuits of basic and surplus economic activity, the expenditures and income within each circuit, and the concomitant interrelationship between these circuits. The point of Lonergan’s analogy is not, as we had written, about improving driver behaviour without a much better understanding of the requirements of motor vehicle mechanics. Nor does it make sense in hindsight to challenge the metaphorical aspect of the illustration without having grasped this deeper meta-theoretical issue of the significance of a more appropriate economic generalization for the effective work of economic theory and analysis.<sup>13</sup>

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<sup>12</sup> It is worth noting a dissimilarity between driving a motor car and driving an economy. Both are intelligent activities, and in both cases there are demands made upon drivers. But while driving a car is a matter of acquiring practical know-how that might require hiring a driving instructor for a few weeks, driving an economy intelligently requires both a longer apprenticeship—one aimed at an explanatory understanding of how an economy functions—and a division of labor.

<sup>13</sup> A provocative suggestion was put forward by Duffy in our exchange regarding believing the scientific generalization in order to understand the mechanics of how an economy functions. (Here I must mention we have a trace, or more than a trace, of St. Augustine’s prayer for ‘believing so that one might understand.’) The suggestion is that functional collaboration proposed by Lonergan is also a believable generalization, a more profound viewpoint that elicits “a readaptation of the whole existing structure” and “calls for a readjustment of the less general conclusions” (CWL 21, 6) of the academic disciplines as we currently practice them.

Lonergan acknowledges that humans “do not stand outside the machine” and that our “choices and decisions are themselves variables in the system.”<sup>14</sup> But his crucial point is to draw attention towards the dynamic functioning of what is most basically a two-circuited credit-based economy, the proper understanding of which is as demanding, and perhaps as elusive for economic agents and even economists in the present culture, as any motor engine and drive chain is for most teenage motorists and travellers who just obtained their license for ‘wheels’. Michael Shute contends that most of us remain troubled adolescents when it comes to our grasp of the exchange economy and money – having some capacity to negotiate the common sense and nonsense of daily transactions and yet having no serious scientific grasp of the deeper issues involved.<sup>15</sup> In our paper simply we had misunderstood the issue of theoretical understanding that was at stake, and thus perhaps did not fully appreciate the full normative implications of this issue of effectiveness and efficiency in human enquiry in the face of what Lonerganians tend to frame as a massive problem of ineffective scholarship, disorienting science, and ineffective journalism. Thus, we have now a misguided global economic enterprise that Lonergan believed was in desperate need of a new and fresh viewpoint provided by a better theory, and that without this and the concerted work involved, we may be denying the possibility of the survival of our democracy, of our natural environment, and perhaps of our very species.

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<sup>14</sup> *For a New Political Economy*, CWL 21, 109.

<sup>15</sup> Michael Shute, “Preparing to Read Economic History Functionally.” (Draft, August 29, 2019).



