

Fusion 3: Implementing Lonergan's Economics

It seems best to begin with some contextualizing. There is an obvious first context that is given by the abstract of this paper, made available at an early stage of our venture. It was titled "Implementing Lonergan's Economics", and is as follows:

"The paper deals with the nine generic meanings of implementation, eight of which are to emerge within functional collaboration, and the ninth is to be the set of implementations that constitute the external relating of the inner cyclic collaboration. For convenience I image that structure as The Tower of Able, but it is nothing more than the revision of Lonergan's *Insight* view of metaphysics in the light of his final identification of cosmopolis. That tower is eventually - perhaps by the end of this millennium - to be a secure multi-disciplinary culture of explanation, integral in its invariant and relatively invariant shared global methodological view. Initially, however, in this century, it can only be stumbling and fragmented, opposed especially by centralist tendencies of both the left and the right and by a culture of descriptive philosophy.

The paper will cut back from the broad topic to focus on the stumbling that is the seeding of a fresh meso-economics. Still, that cut-back is optimistic in that the stumbling within the fragment that is economic reform is to be central to the eventual emergence of an effective and beautiful control of human meaning.

Three key features of that reform during this next decade are identified through the use of the context of nine generic meanings. A first feature is Lonergan's identification of the nature of money, and the normative concomitance of its flows with human inventiveness. The second feature is the need to communicate that, globally, in grade twelve economics. The third feature is the Lonergan community's opportunities and responsibilities in regard to the genera of implementation, the identification of money, and the effective teenage global communication."

The presentation holds to these topics, with one twist: I treat an element in the

content of the third paragraph at the very beginning. The decision to do this relates to the possibility of effective communication of what has probably already disturbed or intrigued the reader: the mention of nine genera of implementation in the very first line. It seems to me that this strange claim can be made relatively obvious by the strategy I follow, and that in itself is a strange claim. But **that** strangeness is a topic for the section to follow. Let me, then, get on with that path to obviousness.

1. Credit

In *Economics for Everyone* I used a homely manner of presenting the key notion of credit. A group of villagers have gathered in the tavern. The village - you must imagine with me - is on an island where, so far, the plough has not been invented. There are musing about island prosperity. The lady who runs the local horse-racing course suddenly comes up with the bright idea of, somehow, harnessing the spade to the back of a horse. The bank-manager pauses over the suggestion, muses over its concrete possibilities within the island's aspirations, and remarks, "I have to given you credit for that".¹

"I'll have to give you credit for that." A very Irish expression, with a broad meaning beyond inventions and banking, but it gives the mood and mode of proper credit-granting. Later we need to add layers of complexifying contexts regarding, not the possibilities, not just of the village, but of the 10,000 villages that I use as an image of the globe. Let us, however, keep our focus on the conversation of banker and inventive lady, and only slowly enlarge our perspective.

In *Wealth of Self and Wealth of Nations* there is a chapter titled, "the Economy of Truth", and it begins with a relevant quotation form Robert Heilbroner: "Behind all the symbols, however, rests the central requirement of faith. Money serves its indispensable purposes as long as we believe in it. It ceases to the moment we do not. Money has well

¹See *Economics for Everyone: Das Jus Kaptal*, Axial Publications, Vancouver, 1998, 19.

been called the promise men live by.”² The Chapter in *Wealth of Self* goes on to invite the self-digestion that is the answering of the question, ‘What is faith or belief?, and I would note that already we are odds with a truncated culture that simply does not or cannot do the required self-digestion. How does one break through this massive block? But that question puts us ahead of our strategic climb.

Back to the banker: and now we call in a very smart man whose views have been neglected for over one hundred years: Joseph Schumpeter. I draw on his 2-volume work *Business Cycles*, written in the late 1930's, where he addresses the question of credit in various places.³

Banks are not there to ‘force their money upon people,’⁴ nor ‘do they congratulate themselves if they are *loaned up*.’⁵ A banking committee is not ‘an automaton’ but understanding and attentive to purpose and situation, ‘judging the chances of success of each purpose and, as means to this end, the kind of man the borrower is, watching him as he proceeds ...’⁶ ‘It should be observed how important it is for the system of which we are trying to construct a model, that the banker should know, and be able to judge, what his credit is used for and that he should be an independent agent. To realize this is to understand what banking means.’⁷ ‘The bankers function is essentially a critical, checking, admonitory one. Alike in this respect to

²R.L.Heilbroner, *The Economic Problem*, New Jersey, 1972, 532.

³*Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*, McGraw Hill, New York and London, 1939. Keynes light-weight suggestions and the war served to kill the book’s influence. I refer to the volumes below as *Business Cycles I or II*. Hansen?

⁴*Business Cycles II*, 640.

⁵*Ibid.*, 641.

⁶*Ibid.*

⁷*Business Cycles I*, 116.

economists, bankers are worth their salt only if they make themselves thoroughly unpopular with governments, politicians and the public. This does not matter in times of intact capitalism. In the times of decadent capitalism, this piece of machinery is likely to be put out of gear by legislation.⁸

We return to Schumpeter in the conclusion, but perhaps you are already moving with me into the recalling of the goings-on of 2008 and 2009 as not unrelated to the question of being 'put out of gear by legislation'. Those goings-on are simply a going-on of bad banking, my favorite illustration of which is Robert McNamara's entry into the banking scene as chair of the World Bank. He came from big business and bombers to banking in 1968. That year the Bank's annual borrowings were \$735 million, the cost to the pentagon of a few F-111 fighter-bombers, or less than a month's fighting in Vietnam. So McNamara plunged forward to a quite new crazy type of lending.⁹ The craziness continued as an unquestioned cultural ethos. There were, of course, sane voices. Peter Drucker, the father of management studies, wrote in 1983, "By now we know, as Schumpeter knew fifty years ago, that every one of the Keynesian answers is the wrong answer"¹⁰ But who are the 'we'? Certainly the **we** does not include those running the show in the 25 years since Drucker wrote: his **we** is an ineffective **we.**, an effete **we** The effective **we** continues to be those who take an operative stand against Schumpeter's view of banking and credit.

And it is here that I make my case for nine genera of meanings of implementation by posing, very concretely, the question of shifting from effete to effective. I can put Drucker's essay into the context of Lonergan's comment in *Method in Theology*, on decay: "The better educated become a class closed in upon themselves with

⁸*Ibid.*, 118.

⁹See Deborah Shaply, *Promise and Power: The Life and Times of Robert McNamra*, Little, brown and Co., Boston, 1993, 468. There is a relevant page-long quotation from the page on pages 116-7 of *Economics for Everyone*. XXX 3-pages in Financial Crisis article.

¹⁰Peter Drucker, 'Schumpeter and Keynes', *Forbes*, May 23, 1983, 125-6.

no task proportionate to their training. They become effete.”¹¹ I put the question concretely. We may agree with the better-educated Peter Drucker, or at least with Heilbroner and Schumpeter: but are we “a class closed in upon themselves”, ourselves? There you have it: the problem of method as it has emerged in our times, “the monster that has stood forth in our day.”¹² How are we to move from effete to effective, to a community of efficient causes that would incarnate “the reason why a science forms a unified whole”?¹³

2. A Credit-worthy Bridge

How are we to bridge the gap between effete and efficient? We may well agree round a table in Seton Hall about Schumpeter’s view of credit, but how is that view to hit the streets running?

We are back to the brooding of Lonergan between 1930 and 1965. Was what emerged in 1965, “vital, intelligent, mine and catholic,”¹⁴ an empty dream, a groundless utopia? “Is my proposal utopian? It asks merely for creativity, for an interdisciplinary theory that at first will be denounced as absurd, then will be admitted to be true but obvious and insignificant, and perhaps finally be regarded as so important that its adversaries will claim that they themselves discovered it.”¹⁵ So far, it seems, most Lonergan students regard the division of global labor as some sort of handy filing system for academic output. But the output Lonergan intended was a change in history, a change in 10,000 villages. The change needs re-direction in each village and each village school. That change needs the back up of a respected body, say 1000 persons, of

¹¹*Method in Theology*, 99.

¹²*Ibid.*, 40. The monster is more fully identified in *Insight*, chapter seven, section 8.

¹³Lonergan, *Topics in Education*, 160.

¹⁴Lonergan’s scribbled flourish at the end of his discover page of February 1965. Mine was doubly underlined.

¹⁵Lonergan, concluding “Healing and Creating in History”, *A Third Collection*, 108.

theoretical persons, on the front interdisciplinary edge of economic pragmatism. They are to live within what is now an embarrassing doctrine of banking behavior as mused over and mediated internationally by a 100 doctrinal leaders of a new pragmatism. Their foundational grounding is in the team work of 20 elders dedicated to the self-luminous sifting and fantasy of dialectic and foundational stand-taking. The sifting is made possible by a fresh lift of history by a gallant 100 innovators in envisaging what, really, has been going on in the history of credit and creativity. So, a thousand others are needed to re-interpret Keynes and Schumpeter, Walras and Cantillon in a cunning genetics of pragmatism. Such pragmatism, finally, needs village presence,¹⁶ searching and researching anomalies with the full foundational enlightenment of the entire team of 22,220 members.

Clearly, this is a distant vision, a King-sized view before Obama was dreamed of. But are there perhaps adversaries that, in the present clear economic shambles, might like to claim such “No Thank You, Mankiw”¹⁷ creativity as their own? We, who respect Lonergan, cannot wait for such inadequate luck.

When I began the Cantowers, April 1st, Easter Monday 2002, I drew a parallel with the Irish revolution of 1916, led by a school-teacher and a few poets. They occupied a few strategic buildings and, foolishly, a city park. They faced an empire on the edge of its own colonial folly. Serious economic thinking faces now, opportunely, an empire of establishment economics puttering round in its own conventions of stupidity, a colonial eating of the heart of humanity. What are we to do?

Lonergan’s two basic contributions to civilization are his economic analysis and

¹⁶“The practical economist as familiar a professional figure as the doctor”, **FNPE**, 37.

¹⁷I am recalling the title and the thesis of Bruce Anderson and Philip McShane, *Beyond Establishment Economic: No Thank You, Mankiw*, Axial Publishing, 2002. Mankiw was given over a \$1,000,000 to write his muddle text, *Principles of Economics*, which is presently being taught in places as different as Dublin and Seoul. Mankiw was later an advisor to George W Bush.

his thematic of multidisciplinary functional collaboration. If we are to be marginally honest, is it not time that we faced his invitation and challenge? I list here six areas of non-functional economic intervention: there are more pointers elsewhere, and more to come from our collaboration.¹⁸

First, then, there is a matter of competence. What Lonergan envisaged is a democracy of sufficient understanding of economic rhythms, like the democracy of gear-shifting in automobiles. Is it too much to ask his present disciples that they rise to more than usual street competence of the future, especially as it may well be the only entry most of them have into the world of theory?

Secondly, there is the challenge of influencing school economics. Texts are to emerge later, but what is needed now, and feasible, is the supplementing of present texts - that have to be taught in fairness to students - with a few initial classes that, as well as raising the issue of the good life and good credit, raise bluntly the deep yet obvious mistake that I mention next.¹⁹

Thirdly, there is the challenge of a multi-faceted intrusion into present economics that would draw attention to the massive mistake regarding basic variables.²⁰

Fourthly, there is the central issue raised in this short article: the issue of the nature of credit, implicitly raising - at many levels - the question, What is money? The level at which I raised the question here was one that fitted in with my prime objective: to draw attention to the need for a global functional effort if we are to shift up to a new culture of global decency. That shift involves a heterarchy of levels from village bankers

¹⁸See chapter 6, "Proximate Pragmatics", of *Pastkeynes Pastmodern Economics: A Fresh Pragmatism*.

¹⁹See below, note 22.

²⁰It seems best to note here a strategy not listed: that of comparison and contrast. Present economic theory, application, criticism, is grounded in erroneous fundamental variables, and overlaid with stupidities about money, credit, market indicators, interest rates, government responsibilities. These flaws certainly need exposure. But the larger challenge is the redoing of the statistical work of the past century, as best we can, in the light of the new variables.

to ministers of finance and to a world bank. The heterarchy needs a complex and lengthy pragmatic treatment within the ninth genus of implementation, even though the doctrine seems simple. What is not simple is the detailed psychic shifts and the therapeutic ventures required for many of these shifts.

Fifthly, there is a massive foundation theoretical effort needed that is quite beyond present economists. Without the doctrines emergent from such foundational efforts, the subtle idiocy of treating money not as a promise but as a commodity, will continue in its casino frenzy.

The doctrine has to lift, with the discontinuity of a radical paradigm shift, the theoretic praxis that the eighth specialty, incarnated eventually in 10,000 practitioners, has to impart effectively to banks and businesses, villages, cities, nations and aggregates of nations. We need 10,000 present ninth-genus inadequate practitioners to help expose - and dethrone **effectively** - the destructive idiocies of city councils and of structurally-greedy businesses like Wal-Mart.

Sixthly and finally, I return to the issue of school education, but now with a nice mix of the immediate and the remote.²¹ Under *secondly*, above, there was the immediate possibility of competent (*firstly*) Lonergan people persuading grade 12 economics or social studies teachers to build into the accepted course, say, my single class on proper economic variables.²² Populations of texts and self-understanding teachers can only emerge later, but there is the possibility of some nudging by competent persons towards at least advertence to what I call the Childout Principle.

²¹The mix is apparent in the division of the first of my *Divyadaan* articles on the subject, and in the drive of those articles, listed below. For Lonergan the crisis of democratic economic reform was one of education.[1] “The Reform of Classroom Performance”, *Divyadaan. Journal of Philosophy and Education*, (13) 2002, 279-309; [2] “The Wonder of Water: The Legacy of Lonergan”, *Ibid.*, (15) 2004, 457-75. [3] “How might I become a better teacher?”, *Ibid.*, (16) 2005, 359-82; [4] “What Do You Want?”, *Ibid.*, (17) 2006,248-71.

²²The class text, first given to a grade 12 group in Australia, is available on the Website: as part of *Prehumous 1*, “Teaching High-school Economics: a Common-Quest Manifesto ” and similarly in *Functional Nocturnes CanTower 46* “An Effective Strategy of Economic Reform”.

The Principle is generalized empirical method applied in the classroom: “When teaching children geometry, one is teaching children children.” This can add a gentle pressure towards the psychic change of children and teachers in all grades. Only such a psychic change can generate the local and global tonalities of the new democratic economics that was Lonergan’s dream.

Finally, what of the title above **Fusion 2? *Fusionism*** names a movement that is to emerge from mature appreciation of the statement, “fuse into a single explanation.”²³ That single explanation, an inner word, is to be the context, the Standard Model, shared by the Tower Community, 22,220 persons in the model I use, to aid imagination. It may emerge in the 22nd century: that depends on our humble efforts to take Lonergan seriously. Within that community there is to be a core grip on global rhythms. “Once the nature of the variations in system expenditure in the cyclic process of evolution ... manufacturing activities of bankers’ banks (*central creation*) are, ipso facto, solved.”²⁴ This, however, is quite beyond present academics and governments, with no serious notion of money or its normative credit flows.

But a decision is required of you, putting you, unsystematically and unapologetically on page 250 of *Method in Theology*. You may even decide to remain economically and functionally incompetent: but even such an incompetent can be willing to nudge the local grade 12 teacher to try out the key 8-page introduction to the new economic variables in a single class-hour.

²³*Insight*, 587[610].

²⁴*Business Cycles II*, 650.