

METHOD

Journal of
Loneragan Studies

Vol. 3, No. 1

March 1985

METHOD

Journal of Lonergan Studies

General Editor: Mark D. Morelli

EDITORIAL BOARD

David Burrell
Notre Dame
Matthew Lamb
Marquette
Frederick Lawrence
Boston College
Eugene Webb
Washington
Patrick H. Byrne
Boston College
Terry Tekippe
Notre Dame Seminary
Elizabeth Morelli
Loyola Marymount
Sebastian Moore
Boston College

Frederick Copleston
Oxford
Frederick E. Crowe
Regis College
William Johnston
Sophia
Bernard Tyrrell
Gonzaga
Michael Gibbons
Manchester
Timothy P. Fallon
Santa Clara
Michael O'Callaghan
Marist College
Thomas McPartland
Seattle
Philip Boo Riley
Santa Clara

David Tracy
Chicago
Hugo Meynell
Calgary
Walter E. Conn
Villanova
Ben F. Meyer
McMaster
Robert Doran
Regis College
Eileen De Neeve
Thomas More
Geoffrey Price
Manchester
Carol Skrenes
Loyola Marymount

Method aims, first, to promote original research into the methodological foundations of the sciences and disciplines; second, to further interpretive, historical, and critical study of the philosophical, theological, and methodological writings of Bernard Lonergan; and, third, to encourage interpretive, historical, and critical study of thinkers, past and present, who address questions, issues, and themes in a manner that brings to light the foundational role of the intentional subject of consciousness.

Institutional Subscription (yearly) \$20.00
Individual Subscription (yearly) \$12.00

Orders Prepaid in U.S. Funds Only

A biannual journal, Method is published in March and October. Contributors are requested to follow the University of Chicago Manual of Style in preparing manuscripts. Address manuscripts and related correspondence to the editor and all other correspondence to the manager, Method: Journal of Lonergan Studies, Department of Philosophy, Loyola Marymount University, Loyola Blvd. at W. 80th Street, Los Angeles, California, U.S.A. 90045.

Copyright Policy: All materials published in Method: Journal of Lonergan Studies are copyrighted by Method. Submission of an article to Method entails the author's agreement to assign the copyright to Method. Articles, Dialogues, Notes, and Book Reviews appearing in Method may be reproduced for research purposes, for personal reference, and for classroom use without special permission and without payment of a fee. This permission does not extend to copying for general distribution and for the creation of collected works or anthologies. These and all other rights are reserved.

Method is sustained by Loyola Marymount University

ISSN: 0736-7392

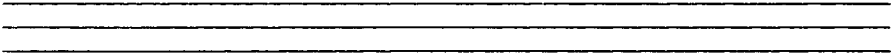
Cover Design by W. Hew Elcock

Copyright 1985 by METHOD

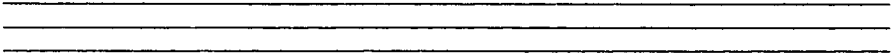
METHOD is published by The Institute for Integrative Studies, Incorporated.

METHOD

Journal of Lonergan Studies



CONTENTS



A NOTE ON THE PREFACES OF INSIGHT F. E. Crowe, S.J. 1

THE ORIGINAL PREFACE Bernard Lonergan 3

LONERGAN'S ECONOMICS William Mathews, S.J. 9

REVERSING RORTY Hugo Meynell 31

Book Reviews:

PRICE MARKUPS AND MORAL DECLINE John F. Maguire 49

A Review of An Inquiry into the Poverty of Economics
by Charles K. Wilber and Kenneth P. Jameson.



Selected articles appearing in METHOD are indexed in the
PHILOSOPHER'S INDEX

IN THIS ISSUE OF METHOD

In "A Note on the Prefaces of Insight" F. E. Crowe points out that the Preface found in Lonergan's Insight is not the one that accompanied the manuscript when Lonergan first set out in search of a publisher. It was only after a discussion with T. Michael Longman of Longmans, Green, and Company that Lonergan undertook to produce the Preface of Insight with which we are now familiar. The original Preface, then, published here for the first time, should provide new evidence of Lonergan's aims, his strategy, and his conception of his readership. It is not a mere assemblage of jottings preparatory to a serious writing of a Preface; neither is it a rough version of the Preface that was actually published. There exists at least one rough version of the original Preface which is worthy of an interpreter's attention; and there can be no doubt that considerable thought determined its final shape. In short, the original Preface is itself a finished product, judged adequate by its author both as a communication of his larger aim in Insight and as a strategic "first word" to serious readers of that work. So it is that this early Preface, even if found excessively oblique or wanting in some other respect by a publisher concerned to facilitate an average reader's textual understanding, should nevertheless offer a multitude of carefully-arranged clues to the interpreter who seeks an understanding of the mind of Insight's author.

In "Lonergan's Economics" William Mathews provides a much-needed overview of the place of Lonergan's economic ideas relative to current economic thought and practice. Mathews gives special attention to Lonergan's view that the present economic problem is not primarily a moral one of greed and self-interest; rather it is a problem of understanding and education.

In "Reversing Rorty" Hugo Meynell defends the aspirations of classical epistemology against the view put forward by Richard Rorty in Philosophy and the Mirror of Nature. Without upholding empiricism, Meynell defends an account of the empirical foundations of knowledge against Rorty's objections, and undertakes to expose not only absurd but also horrifying consequences of Rorty's 'behavioristic' account of knowledge.

In the review article, "Price Markups and Moral Decline," John F. Maguire praises Wilber and Jameson's An Inquiry into the Poverty of Economics for its break with fixed ideas that obscure the reality of contemporary capitalist dynamics, and he gives special notice to the radical critique of the phenomenon of business cycles in that work. However, Maguire takes issue with the authors' claim that Marxist analysis is "the only coherent theoretical structure which does not see recurrent cycles and depression-like conditions as an accident." Lonergan's essay on monetary circulation [summarized in the Mathews article] is another such structure which deserves the attention of economic theorists and critics.



BERNARD J. F. LONERGAN

1904 - 1984

'My aim was ... to seek a common ground
on which men of intelligence might meet.'

[Photo courtesy of V. Rice]

A NOTE ON THE PREFACES OF INSIGHT

F. E. Crowe, S.J.
Regis College, Toronto

The story of the two Prefaces of Insight -- the one actually published, and the original, discarded Preface now appearing in Method -- is part of a wider history of Lonergan's efforts to get his work published. That wider history should some time be written in more detail, but meanwhile here is an outline, constructed partly from personal memories, but checked at key points from letters I received from Lonergan and letters he received from his publisher.

Lonergan had finished his work on Insight and, with the help of volunteer typists, had got a typescript ready for a publisher, by mid-summer of 1953. Though in the Preface now being published in Method he gives his writing period as ending in September, 1953, I presume he gave that date as marking the end of his stay at Regis College and his departure for Rome. I am sure the typescript was ready in early August, for I arrived at Regis then, to find that Lonergan had gone off for a much-needed holiday, but had left the typescript in his room with word that I might read it. Naturally I did so, with enthusiasm that I could hardly contain, spending two or three weeks of time that I badly needed, and should have been using, to prepare my classes.

From Rome Lonergan wrote at the end of October (letter dated "Feast of Christ the King") to say that he had submitted the work to the censors at the Gregorian University. These apparently worked with commendable speed, for in January, 1954, he had already begun to look for a publisher (letter dated May 5, 1954). Publishers were not falling over one another to acquire the work, but in a letter of June 13, Lonergan was able to report that he had sent his MS to Longmans, Green and Company, in response to their request for a look at it.

This did not mean, however, that the lights were green; in fact, they remained amber all that summer and into the fall. Lonergan spent his vacation that year at Heythrop College, England, and stopped in London both going and returning. On both occasions he had long conversations with T. Michael Longman -- now deceased, but Lonergan's good friend during

these trying days. Longman reported the difficulties that made his firm hesitant, but was himself keen on publishing the book and promised he would "do his damndest" to bring his colleagues around (Lonergan's letter to me, September 24). The eventual result, on the Longmans side, was acceptance of the work and, on Lonergan's side, the writing of a new Preface. (There were also some fifty pages of revisions, completed some months after the new Preface, but they need their own account and would make another story.)

In this brief outline belongs the story of the two Prefaces. The one completed by August, 1953, was shorter, consisting of only eight pages of typescript, and ended, naturally, with a paragraph of acknowledgements. Conveniently, the last page contained only that paragraph, for by the spring of 1954 Lonergan had more acknowledgements to add, and was able to do so by a simple retyping of page 8. (One can notice, in fact, a slight difference in the carbons as between page 8 and pages 1 to 7.)

For my account of the new Preface, the quite different one actually published in 1957, I rely partly on the memory of a conversation I had with Lonergan nearly thirty years ago. As I recall it now, T. Michael Longman took Lonergan out to lunch, probably on the latter's way to Heythrop in the summer of 1954 (there is a letter from Longman, dated July 8, 1954, with such an invitation), and over food and drink kept pumping Lonergan on his reasons for writing, his hopes for the book, etc. At the end of the meal he said very simply, "Why don't you put all that into your Preface?" Lonergan narrated this as evidence of the diplomatic finesse of his publisher-friend. It was certainly effective, for he went to work during vacation to produce a new Preface: there is a letter from Longman acknowledging receipt of it, dated August 26 the same summer. I myself received a copy of the new Preface that fall (letter to me of October 16); this is the one that was actually published in 1957 (with an inconsequential change in the acknowledgements after the Index had been compiled), and there is no reason to suppose it differs from the form Lonergan gave it at Heythrop in the summer of 1954.

This brief history of the Prefaces of Insight will have, I think, more than merely anecdotal interest, for we have hardly even begun to study the genesis of that overwhelming

work, and any bit of history that illuminates those years between 1949 and 1955 is bound to be welcome. More information might be available in the Longmans archives too, for I know that in the letter that went with his typescript in May, 1954, Lonergan included "five pages single spaced in outline of general idea" (sic, in a letter to me, June 13, 1954). One wonders what those five pages said, what input they made to the new Preface, and whether so precious a treasure is still recoverable.

THE ORIGINAL PREFACE OF INSIGHT

© 1985 Bernard Lonergan

Rational self-consciousness is a peak above the clouds. Intelligent and reasonable, responsible and free, scientific and metaphysical, it stands above romantic spontaneity and the psychological depths, historical determinism and social engineering, the disconcerted existential subject and the undeciphered symbols of the artist and the modernist.

Yet if man can scale the summit of his inner being, also he can fail to advert to the possibility of the ascent or, again, he can begin the climb only to lose his way. If then he knows himself as in fact he is, he can know no more than that he has been cast into the world to be afflicted with questions he does not answer and with aspirations he does not fulfil. For it is the paradox of man that what he is by nature is so much less than what he can become; and it is the tragedy of man that the truth, which portrays him as actually he is, can descend like an iron curtain to frustrate what he would and might be.

Facts, it is said, are stubborn things. But there is a sense in which, I believe, it is true to say that the facts about man can be outflanked. For a change in man, a development of potentialities that are no less real because, like all potentialities they are latent, not only is itself a fact but also can be a permanent source of new facts that cumulatively alter the complexion of the old.

So it is that the present work is a program rather than an argument. It begins not by assuming premises but by presuming readers. It advances not by deducing conclusions from

the truths of a religious faith or from the principles of a philosophy but by issuing to readers an invitation, ever more precise and more detailed, to apprehend, to appropriate, to envisage in all its consequences, the inner focus of their own intelligence and reasonableness. That focus, it will be claimed, is insight. But to apprehend the focus is to gain insight into insight, to pierce the outer verbal and conceptual exhibitions of mathematics, of science, and of common sense, and to penetrate to the inner dynamism of intelligent inquiry and critical reflection. To appropriate the focus is both to know and to know what it is to know one's own intelligence, one's own reasonableness, one's own essential and restrictedly effective freedom. To envisage the focus in the full range of its implications is to discover for oneself what is meant by being, by objectivity, by metaphysics, by ethics, by God, and by evil.

Frankly, even as a program, even as a sketch that offers only to indicate the detailed map that is needed, the present work may be reproached for excessive ambition. But if I may borrow a phrase from Ortega y Gasset, one has to strive to mount to the level of one's time. The twentieth century has been described as the end of the Renaissance. Some four centuries ago there was projected a new world: new nations had arisen in new political constellations; a new art was matched with the promise of a new science; and new philosophies were disseminated through a new education. That new world has been realized, but the ideas that fostered its genesis have been discredited by its maturity. What was so new has become so old. To have been educated is no longer a matter of speaking Latin and writing Greek. Modern art would puzzle Raffaello, as modern technology would astound da Vinci. The new nations are not in Europe, and the issues of modern politics seem transcribed from the pages of Utopia. Einstein has revised momentarily the thought of Galileo, and Heisenberg has contended that good Laplace, like Homer, nods. The novel outlook that is transforming the natural sciences cannot but affect profoundly the methods that were transferred with so sedulous a fidelity from the natural to the human sciences. Not even Renaissance ridicule of the Middle Ages has been able to prevent a rebirth of interest in logic. Not even the Enlightenment's insistence on the autonomy of

man has been able to prevent the recurrence of theological themes under the guise of existentialist philosophy.

So it is that a new world has been bequeathed us and yet we, the heirs of the Renaissance, have been denied its spirit of bold confidence, of venturesome assurance. For we know too much in too many fields, we have witnessed too much suffering in too many unexpected quarters, to purchase confidence by an easy exuberance of feeling or to accept words of assurance without answers to our questions. Nor was the basic question missed, when the late Prof. Ernst Cassirer, towards the end of a long and highly productive career, endeavored to communicate within a brief compass some of the main conclusions of his vast erudition and ever penetrating thought. Just what is man? Answers, he remarked, have been worked out by theologians and scientists, by politicians and sociologists, by biologists and psychologists, by ethnologists and economists. But not only do the many answers not agree, not only is there lacking some generally accepted principle that would select one and reject the others, but even within specialized fields there seems to be no method that can confront basic issues without succumbing to individual temperament and personal evaluations.

In the midst of this widespread disorientation, man's problem of self-knowledge ceases to be simply the individual concern inculcated by the ancient sage. It takes on the dimensions of a social crisis. It can be read as the historical issue of the twentieth century. If in that balance human intelligence and reasonableness, human responsibility and freedom, are to prevail, then they must be summoned from the dim and confused realm of latent factors and they must burst forth in the full power of self-awareness and self-possession.

If such is the urgency of personal appropriation of rational self-consciousness, the difficulty of achievement should not discourage attempts at making a beginning. If the extent and the complexity of modern knowledge preclude the possibility in our time both of the uomo universale of the Renaissance and of the medieval writer of a Summa, at least the collaboration of many contains a promise of success, where the unaided individual would have to despair.

Still a collaboration has its conditions. It supposes a common vision of a common goal. It supposes at least a tentative idea that would unify and coordinate separate efforts in different fields. It supposes a central nucleus that somehow could retain its identity yet undergo all the modifications and enrichments that could be poured into its capacious frame from specialized investigations.

It is with the conditions, preliminary to an effective collaboration, that the present work is concerned. For in the measure that potential collaborators move towards a personal appropriation of their rational self-consciousness, in the same measure they will begin to attain the needed common vision of the common goal. In the measure that they discover in themselves the structure of developing intelligence, in the same measure they will share a tentative idea that can unify and coordinate separate efforts in different fields. In the measure that they reach the invariants of intellectual development, in the same measure they will possess a central nucleus that retains its identity through all the possible developments of human intelligence.

Prof. Cassirer has told us that, from the viewpoint of a phenomenology of human culture, the explanatory definition of man is animal symbolicum rather than animal rationale. But in the measure that men appropriate their rational self-consciousness, not only do they re-establish the animal rationale but also they break through the phenomenological veil. For, as will be argued, they can reach a universal viewpoint from which individual temperament can be discounted, personal evaluations can be criticized, and the many and disparate reports on man, emanating from experts in various fields, can be welded into a single view.

But if I believe that man's self-awareness and self-possession can add a further, overarching component to Prof. Cassirer's portrayal of man, it is not to be overlooked that a possibility is claimed and not an achievement. I could not convey my meaning without venturing into many fields, into mathematics and physics, into the subtleties of common sense and depth psychology, into the processes of history, the intricacies of interpretation, the dialectic of the philosophies, and the possibility of transcendent knowledge. I

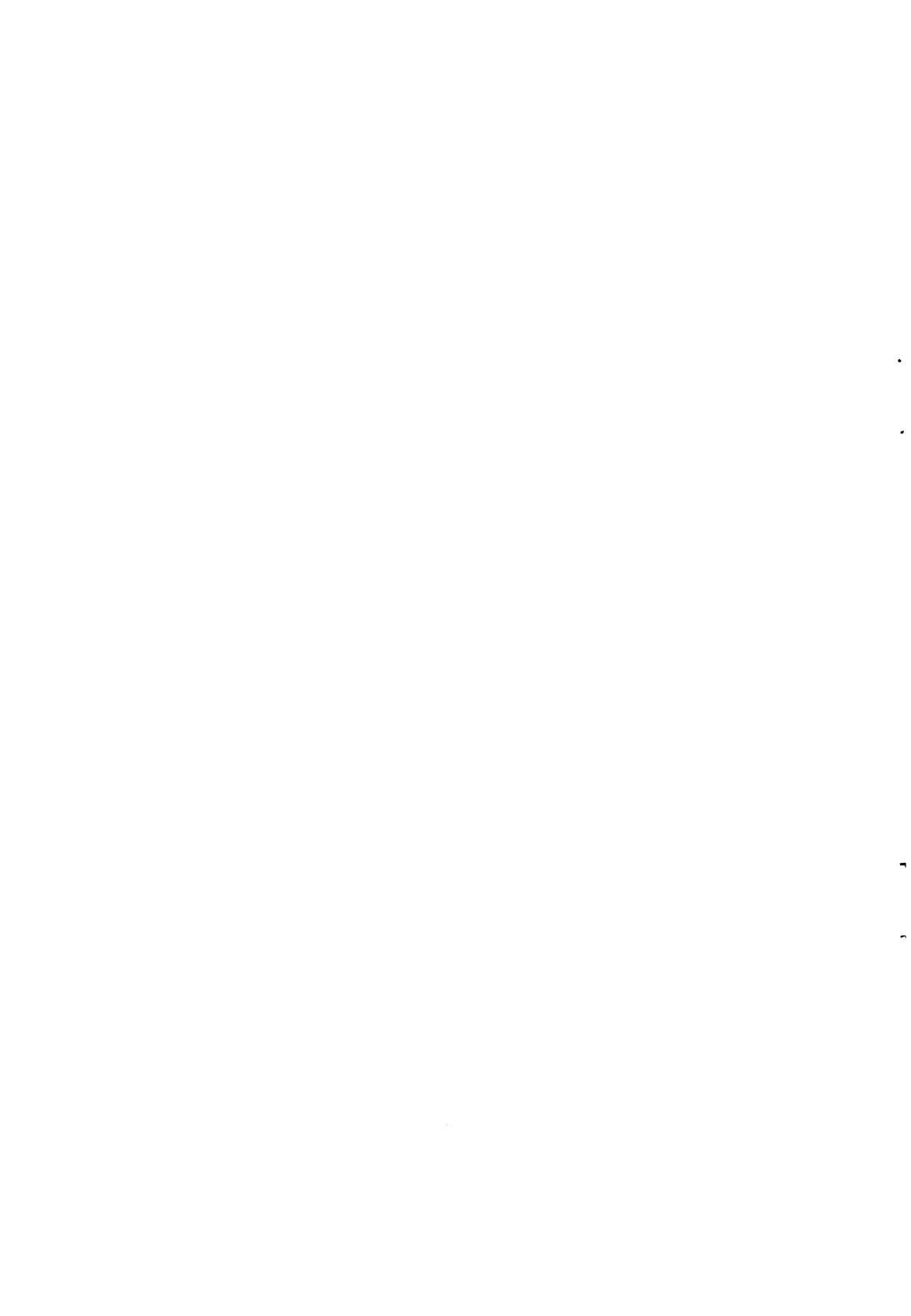
would not wish anyone to entertain the fanciful nonsense that I can speak with authority or even competence in so many fields. I do not expect many experts to recognize their science in the formulations that suit my purpose. Yet, perhaps, I may hope that there will be some that share my preoccupations and interests, that will divine what I am endeavoring to say and will proceed to say it more adequately, that will grasp how my ignorance and oversights can be remedied without completely invalidating the fundamental structures that make possible a common vision of a common goal. Finally, if in any measure that hope is realized, the relative isolation of my efforts will have ended and the preliminary conditions will begin to be fulfilled for the collaboration I would merely initiate.

It is customary to conclude a preface with an acknowledgment of one's indebtedness. Naturally I am inclined to think in the first place of the teachers and writers who have left their impress upon me in the course of the twenty-seven years since first I was initiated into epistemological issues. But so long a gestation contains too many half-lights, too many detours, for me to indicate in a brief yet intelligible fashion my proximate sources. So it is that I must be content to restrict my expression of gratitude to immediate benefactors: to the staff of L'Imaculée Conception, Montreal, where the underlying studies on Gratia Operans¹ and Verbum² were undertaken; to the staff of the Jesuit Seminary, Toronto, where I enjoyed the freedom to write the present work; to the Rev. Joseph Wulftange, Rev. Joseph Clark, Rev. Norris Clarke, Rev. Frederick Crowe, Rev. Frederick Copleston, and Rev. Andrew Godin, who generously read the typescript and gave me the benefit of reactions and criticisms from specialists in different fields; to the Rev. Patrick Plunkett who labored (to my shame, rather vainly) to reduce the solecisms of my style; and to the Rev. Eric O'Connor who was ever ready to allow me to draw upon his knowledge of mathematics and of science.

June 1949 to September 1953

¹ "St. Thomas' Thought on Gratia Operans," Theological Studies [Woodstock, Md.] II(1941), 289-324; III(1942), 69-88, 375-402, 533-578.

² "The Concept of Verbum in the Writings of St. Thomas Aquinas," Ibid. VII(1946), 349-392; VIII(1947), 35-79, 404-444; X(1949), 3-40, 359-393.



LONERGAN'S ECONOMICS ¹

William Mathews, S.J.
Milltown Institute, Dublin

The production of a standard of living has taken on an enormous complexity in the modern world. Since the Industrial Revolution we have moved towards a production process comprised of such things as robots manufacturing robots, which in turn are incorporated to manufacture the consumer goods which enter into the standard of living. The addition of micro computers has further complicated the process. Its historical emergence has run ahead of our efforts to understand its dynamic and rhythms. Many believe and live with the expectation that the standard of living grows slowly and steadily from year to year. Yet the twentieth century confronts us with the unavoidable economic realities of the depression and of the current recession. This gives rise to the question, is the production of a standard of living inherently governed by trade cycles? A further possibility might be that at certain phases it could grow wave-like from one level to another, if allowed, in history. Obviously the Industrial Revolution was not a matter of continuous slow growth. It was more like a take-off through which the whole standard of living was eventually raised. The emergence of capital equipment, and the subsequent mass production of motor cars, airplanes, televisions, and micro computers, etc., seems to have caused a wave-like rather than a gradual increase in the standard of living. But if this is the case, the question arises, what historical variations have to occur in finance in order to accommodate such a process? An annual slow growth in the money supply will obviously create problems for an economy at a point of take-off, just as a rapid growth would create problems for one in decline.

The standard of living possible, granted current technology, has not been attained world-wide. Why, it might be asked, is this so? It may be suggested that while technology constitutes a principle of acceleration of the standard of living, the present stone age theory of money and finance, the debt trap, etc., and of its adaptation to the production process, is really acting as a brake. As Lonergan has remarked in conversation, those running current economies have one foot on the accelerator and, at the same time, the other

foot on the brake. Because there is so much misunderstanding, the bungling goes unnoticed. The repercussions are all the more pervasive because modern economies, to an extent unprecedented, are exchange economies. Almost all human activities are now performed in exchange for money. Money and exchange enter into every dimension of human life. Not to have money is to be dead, economically. A crisis in finance, then, becomes an enormous life crisis in the lives of the members of the economic community. It follows that at the present time those who control the money supply, be it in or for the family, company, city or nation, exercise unprecedented power over those who are dependent upon them. The shy genius in the master-slave species, the creditor and debtor, needs to be coaxed out onto the stage of genuine criticism. Modern creditors, however, have not individuals but rather nations and continents in their debt. There has resulted what can only be termed a third political world view and force comparable to both capitalism and socialism, namely financism.

The point is nowhere more clearly brought out than in the present absurd relation that is developing in finance between the Southern American continent and the world financiers. Some imaginable consequences of those policies have been dramatically presented by William Clark in Cataclysm: The North-South Conflict of 1987.² The control over the histories and destinies of peoples being exercised by financiers, the major creditors of the world, is comparable to that exercised by capitalists over the working class in the nineteenth century, or more recently by totalitarian socialist regimes over individual freedoms. Financism, through its creation of the debt trap, has acquired immense political power. Yet because it has remained a hidden and tacit ruler, even to some extent over capitalism and socialism, it has hardly ever been the object of intelligent and weighed social criticism. Although management and trade unions endlessly negotiate wage settlements, borrowers are rarely in a position to negotiate the terms of a loan. The financiers own the whole deck of cards. And yet, very little effort is being made to understand the tacit power structures of finance. Is it economic or power considerations that force developing national economies to borrow from the external financial capitals of the world, rather than to a greater extent develop

their own internal methods of finance? Clark in his book draws attention to the need for intelligent criticism when he describes the banks as fragile dinosaurs, top heavy, and with out-of-date brains. Lonergan, in his treatment of pure surplus income, the income available in an economy to finance new developments rather than sustain existing ones, draws attention to that same need for understanding and criticism:

Enough has been said to show that pure surplus income is at the nerve centre of free economies. . . . At the root of the depression lies a misinterpretation of the significance of pure surplus income. . . . Now it is true that our culture cannot be accused of mistaken ideas on pure surplus income as it has been defined in this essay; for on that precise topic it has no ideas whatever.³

The present world of finance has to become an object of intelligent and enlightened criticism.

Lonergan's early work in economics was entitled An Essay in Circulation Analysis.⁴ His central interest was in understanding the ways money can circulate in an economy and how it can adapt or not to the rhythms of the production process. His major contribution to economics is, then, in the field of theory, the theory of the circulation of money. The key economic categories are production, exchange, and finance. The methodological categories are variables, constituted by functional rather than social relations, and dynamics. From his analysis there arises an immense clarification of the scientific structure of economic theory. Granted Eichner's concern with the scientific status of economics, it could be argued that Lonergan's explanation of the economy in terms of a verifiable system of dynamically related variables confers a scientific status on that discipline.⁵

Lonergan's conclusion is simple and challenging. Where most might conclude that the economic problem is one of overcoming greed and self-interest, he maintains that it is really one of understanding and education:

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.⁶

Greed and self-interest will always be a part of economic life, calling for continuing moral conversion. But if there is a moral imperative facing humankind at the present time in the economic realm, it is simply to be more understanding of economic processes and critical of the misunderstandings that are causing dysfunctions. The building up of the human good is currently blocked on a massive scale because of an absence of understanding in current financial practices, and because of the presence of unchallenged misunderstanding. There is need for a massive social awakening and reorientation of human wonder and understanding in education, business, and family life.

These introductory remarks illustrate an aspect of the present context of economics. They will be followed by some reflections on the biography of Lonergan's interest in the economic problem, and on the structure and content of his theory of macroeconomics. In this way, I hope, it will become clear that Lonergan's work could constitute the basis for an enlightened critique of finance.

I

Lonergan's interest in economics was not casual. Professor Rice has remarked that as a comparatively young boy in Buckingham, one unusual thing about him was that he read the stock exchange page in the newspapers.⁷ Professors McShane and Gibbons have offered some reflections on the biography of Lonergan's interest in the problem of economic theory.⁸ Much recovery work remains to be done here. For present purposes I will single out one early experience, the depression. The depression, the crash of 1929 and the decade of economic stagnation which was only resolved with the outbreak of the second world war, surrounded him experientially with the basic problem. It also coincided in time with the early and most significant part of his quest. On many occasions in his Lectures on the Philosophy of Education he refers to the depression as a breakdown in the good of order:

The most obvious example there, is the economy. You can have a depression and it is not for lack of raw materials; it is not for lack of factories and railways; it is not for lack of capital -- money is going begging;

it is not for lack of people willing to work. It is just that the whole set-up has gone screwy; it won't work. . . . In a depression you can see an absence of the good of order.⁹

And as a major stepping-stone in economic history:

To take an example: histories of economics written prior to 1930 were written under the guidance of an economic science that, with the depression became discredited. There was a radical change in economic thinking that became generally accepted with the depression, but that had not been generally accepted prior to the depression. That change in the view of economists as scientists at the present time would change historical evaluations of what was going on in the 19th century and earlier periods.¹⁰

He views the economy as a good of order. That good of order will be mastered by understanding and bungled by misunderstanding. The problem posed by the depression is not an elementary one. It has to do with the whole structure of economic order. This fact is important when we come to interpret Lonergan's economics. It is not about prices or wages or interest rates, but about the whole structure of the economic good of order within which production, prices, wages, and interest rates are elements.

At the time of the start of the depression Lewis Watt posed for Lonergan the problem, "you starve the workers to keep capitalism going, or you feed the workers and you ruin capitalism."¹¹ The question relates to that of a just wage. If one pays the workers an adequate wage one will fail to make profits and one's business will close down. If one does not pay an adequate wage one will make profits at the expense of the poor. In the thirties, in the same vein, Clifford Douglas, who pioneered Social Credit, maintained that there was a permanent discrepancy between A, the total purchasing power of consumers, and A+B, the total cost of production.¹² Because entrepreneurs on the one hand pay wages, and on the other wish to sell their products at a profit, somehow there was a shortfall in the wages paid and as a result the flow of consumer goods in society was blocked. What, Lonergan wondered in the early thirties, was wrong with Douglas' theory? He was to spend almost fourteen years articulating his own response. One brief comment, in the preface to his proposed solution given in 1944, illuminates that long period:

To discover such terms is a lengthy and painful process of trial and error. Experto crede. To justify them one cannot reproduce the tedious blind efforts that led to them; one can appeal only to the success, be it great

or small, with which they serve to account systematically for the phenomena under investigation. Hence it is only fair to issue at once a warning that the reader will have to work through pages, in which parts gradually are assembled, before he will be able to see a whole and pass equitable judgement upon it.¹³

His conclusion was that a dynamic context was needed in order to approach Douglas' problem. It was not sufficient to explore the differential in money circulation between wages and prices by taking a situation of static equilibrium.

By 1944 Lonergan had worked out the basic elements of his solution to the problem of the dynamics of an economy in terms of relations between the three elements, production, exchange, and finance. In the first section he had distinguished between the production of consumer goods, clothes for instance, and producer goods, sewing machines. He had also distinguished between a consumer goods money circuit and a producer goods money circuit, cross-over paths linking those circuits, and a redistributive area. In the third section in the analysis of money movements in the different circuits, there was the basis of a critique of the financial procedures which had caused the depression. But no one could make sense of it and he had to give it up. It must have been an extremely painful cross-roads in his life. It was the giving up of a most serious quest, largely because of the incomprehension of the economists of the time. We find here another illustration of Progoff's dictum that "we grow by delays".¹⁴

Later there were intermediate efforts at return. While teaching in Rome he was interested in collaborating with Kevin Quinn, S.J. on a work on economics, but that did not get off the ground. In the late sixties, when Method in Theology was grinding to completion, he indicated in a number of correspondences his interest in returning to the work. These led to the serious return and public resumption of the work again in 1978.

On the continuity of the question Lonergan spoke recently in a symposium, The Question as Commitment:

I worked on one question for fourteen years, getting nowhere. I wrote one hundred and twenty pages, but didn't find anyone who could see any sense in it. Six or seven years later a colleague read it, found it extremely interesting and helpful, and agreed to collaborate -- but he went off to Zambia to teach. The question is still genuine and authentic. Next term I shall be attacking it publicly.¹⁵

In that recent work a number of things stand out. Firstly, the earlier division of the analysis of macroeconomic processes into production, exchange, and finance, is retained but greatly clarified. The next section of the present essay will offer some reflections on those categories. Secondly, an historical component is added to the unhistorical but systematic analysis of 1944 of production, exchange, and finance. Thirdly, in the prefaces to his most recent lectures and writing, Lonergan claims that explanation in economics is a search for the significant variables of an economy and their interrelatedness.

The addition of economic history to his systematic work parallels Lonergan's addition, earlier, of an historical dimension to his systematics of the Trinity. Schumpeter's concept of economic science as historical -- "Rather it is an incessant struggle with the creations of our own and our predecessors' minds"¹⁶ -- possibly influenced him on this, as well as his parallel shift in theology. What is added, however, is not any economic history, but those aspects which clarify the basic question in the systematics, *viz.*, What are the significant variables of an economy? The question, like all others, unfolds as a narrative and derives its meaning from its history. So we see that Lonergan's concern with economic history was related to his question about the systematics of finance and its relations in the economic process. There results a clearer specification of the heuristic of the question. The system of variables is to be understood in the threefold elements of an economy -- production, exchange, and finance.

A second addition in his latest work comes in the preface to the 1981 and 1982 texts and pertains to the problem of discovering a system of significant variables.¹⁷ It is of major significance because at the present time there is considerable debate in economics about the variables of an economy, and a sense that those currently employed have served their time and need to be replaced with something more adequate. So this addition provides a possible link between Lonergan's analysis and what is currently happening. It also brings into focus the question of the scientific status of economics and of how it can be resolved.

Even the briefest biographical reflections bring before us clearly the astonishing length of the quest -- initially

fourteen years, and then later on, about five further. It was not some kind of distraction in Lonergan's life but something deadly serious, as serious as Insight and Method in Theology. His work on economics is a foundational element of his intellectual autobiography. In some ways it obviously prepared him for the long slogs of Insight and Method in Theology. For a central quality of Lonergan was his ability to stay with one fundamental problem for great time spans. But it also has to be seen as a basic quest in its own right. In Lonergan's life I detect three basic quests: An Essay in Circulation Analysis, Insight, and Method in Theology. Those three works express the real original creativity of Lonergan.

As well as the length there is also the breadth of the quest. Lonergan was concerned with a problem which embraces the whole field and horizon of economics. The orientation was total rather than partial. His interest was in the dynamic relations constitutive, not of a part but rather of the whole of the economy:

All science begins from particular correlations, but the key discovery is of the interdependence of the whole.¹⁸ When one understands the rule of a mathematical series, in it one understands the interconnectedness of every term and relation in the series. The same holds true of the dynamic rule governing economic processes. The dynamic rule differs utterly from a mathematical one in that it is a framework for collaborative creativity. The terms in it are instances of creativity or understanding, of coming to know, or of coming to act and produce. It is interesting to parallel this quest for a total perspective in economics with the total perspectives of Insight and Method in Theology. Both aim at a certain comprehensiveness. The emphasis is on the unity rather than on the parts. I am reminded here of Bohr's quest to explain the periodic table of the chemical elements. Either you explain the whole thing or nothing. Yet once the explanation is forthcoming in terms of the four basic quantum numbers, it sets the context from which the chemistry of any particular element is done. The same seems true in economics. When the basic terms and relations of the framework for collaborative creativity of the discipline are established, they set the framework from which a whole host of particular

economic problems are tackled. Consider how the functional specialties of theology establish the context of particular theological problems.

Given the length and breadth of the quest, we should not underestimate the difficulty of clarifying what precisely was the question Lonergan was grappling with. If we take Collingwood's remarks on the logic of question and answer seriously, we will have to discover that question for ourselves.¹⁹ The present essay would hope to contribute, however imperfectly, to that discovery. It could be speculated that those who read Lonergan's work in the forties did so with different questions in mind, and hence misunderstood it. To the extent that that question is not in the minds of current economists, there will be required a change of intellectual interests and orientation, an intellectual conversion, if it is to become meaningful for them. Lonergan's insistence on the present authenticity and genuineness of that same question is an affirmation of its current importance. The present economic community simply cannot afford to ignore a possible central question.

II

To the preceding biographical considerations must be added some reflections on the basic categories of the work. A first point is to clarify the given of the problem: Lonergan's interest in macroeconomics, in aggregates, aggregate production, income, investment, and so forth, and in the dynamic relations between such entities. A quotation will focus the matter sharply.

Where microeconomics attends to particular products, particular quantities, particular prices; macroeconomics attends to aggregates, to the gross national products, GNP, to the price level, P, particular prices are 'p'; to the quantity of money available in the nationaleconomy, if you add to it or subtract from it look what happens; to the rate of inflation; to the extent of unemployment. These things as aggregates change; and it is understanding those changes in these aggregates that is the economic problem at the present time.²⁰

This quotation defines the field to be studied and understood. With respect to particular economies it can be further clarified through consulting some standard economic texts such as Gordon's Macroeconomics or Rostow's The World Economy.²¹

The field poses the question. But a question is always an anticipation of something. Watson, at a certain stage in his quest to understand the structure of DNA anticipated that

it was a crystal, and later, a crystal with some form of helical structure.²² So he had a guiding anticipation. Although he did not know the precise crystal or helical structure, he knew the kind of answer he was looking for. Before taking up the details of Lonergan's specific answer it will be helpful to ask, What type of general anticipations did he have? What type of an answer was he after? A clarification of this will greatly help our understanding of his question. Two elements can be discerned. Firstly, the quest is for the dynamic rather than for the equilibrium relations constitutive of production. Changes in the velocities of circulation of goods and money will be a central interest. In this respect the understanding sought contrasts totally with "Accountancy Economics" which can tend to dominate political thinking about an economy. The real indicators of economic health are not simply income and expenditure -- the budget, but rather quantities and velocities of money and changes in those in relation to consumer and producer goods, etc. over significant time spans.

Secondly, it is anticipated that the answer will be in terms of a system of functional relations between the significant variables of the field. This dimension of Lonergan's expectation is closely related to the more general problem of the structure of scientific explanation in the social sciences. For it can be asked, what sorts of explanations do social scientists anticipate? Despite very basic differences in their explanation of an economy, there is some evidence that Lonergan and Keynes were in agreement that explanation in economics is a matter of finding functional relations between variables. The following passage from Keynes, even though it is not sufficiently suggestive of the dynamics of economic processes, provides an image in which the question of the variables of an economy and their interrelatedness can be grasped:

We have now introduced money into our causal nexus for the first time, and we are able to catch a first glimpse of the way in which changes in the quantity of money work their way into the economic system. If, however, we are tempted to assert that money is the drink which stimulates the system to activity, we must remind ourselves that there may be several slips between the cup and the lip. For whilst an increase in the quantity of money may be expected, cet. par., to reduce the rate of interest, this will not happen if the liquidity-preferences of the public are increasing more than

the quantity of money; and whilst a decline in the rate of interest may be expected, cet. par., to increase the volume of investment, this will not happen if the schedule of the marginal efficiency of capital is falling more rapidly than the rate of interest; and whilst an increase in the volume of investment may be expected, cet. par., to increase employment, this may not happen if the propensity to consume is falling off. Finally, if employment increases, prices will rise in a degree partly governed by the shapes of the physical supply functions, and partly by the liability of the wage-unit to rise in terms of money. And when output has increased and prices have risen, the effect of this on liquidity-preference will be to increase the quantity of money necessary to maintain a given rate of interest.

Whilst liquidity-preference due to the speculative-motive corresponds to what in my Treatise on Money I called "the state of bearishness", it is by no means the same thing. For "bearishness" is there defined as the functional relationship, not between the rate of interest (or price of debts) and the quantity of money, but between the price of assets and debts, taken together, and the quantity of money. This treatment, however, involved a confusion between results due to a change in the rate of interest and those due to a change in the schedule of the marginal efficiency of capital, which I hope I have here avoided.²³

In chapter 18 of The General Theory, Keynes sets forth in summary his position. It boils down to a set of relations between dependent and independent variables:

Our independent variables are, in the first instance, the propensity to consume, the schedule of the marginal efficiency of capital and the rate of interest, though, as we have already seen, these are capable of further analysis.

Our dependent variables are the volume of employment and the national income (or national dividend) measured in wage units.²⁴

This distinction between dependent and independent variables has been criticized:

What this means is that in the typical neoclassical explanation there usually is not a single 'cause'. Instead, we would have to say that all exogenous variables 'influence' the effect in question. In economics then, the philosophical idea of a single 'cause' is usually out of place.²⁵

It seems that some economists recognize that their variables are defined, not in terms of cause and effect, but rather by means of implicit definition.²⁶ Variables and relations constitute a circle such that the variables define the relations, the relations define the variables, and understanding grasps them in the circle of variables and relations.

What specific functional relations or variables are employed by Lonergan in his analysis? The basic unity of the economic process is divided into the elements of production, exchange, and finance. That division corresponds to the breakdown of the economic question, Why is this an economic community? into three interrelated sub-questions. The clarification and appropriation of those questions for ourselves will be a central move in coming to terms with Lonergan's approach to the economic problem. Many current economic studies address themselves in great detail to parts of one or other of those questions. Few, if any, address the three questions in their interrelatedness. Appropriation of the questions involves appropriation of a horizon on economics which can be filled out indefinitely.

The first question asks, What are the dynamic relations constitutive of the production process? Many economists, with their interest in money and finance, tend to overlook this dimension. A simple image will help the matter. How, one could ask oneself, given a supply of cloth, does one produce clothes? The basic consumer commodity is a suit or a dress, and so forth. But in order to manufacture such commodities, sewing machines in great numbers are needed. So producer commodities are sewing machines. However, as technology progresses, a machine tool industry develops which manufactures machines to manufacture sewing machines. Machine tools become producer commodities for those manufacturing sewing machines, just as sewing machines become producer commodities for those producing clothes. So we find that in the process of producing clothes there are at least three interrelated levels of manufacturing. On the higher level are manufactured machine tools. On a middle level are manufactured sewing machines. On a basic level are manufactured clothes. Production divides into a basic and higher stages:

The division is, then, neither proprietary nor technical. It is a functional division of the structure of the productive process: it reveals the possibilities of the process as a dynamic system, though, to bring out the full implications of such a system will require not only the next section on stages of the process but also a later section on cycles.²⁷

Traditional economics holds that the higher stages stand in a multiplier relation with the lower. The introduction of sewing machines and of machine tools multiplies the possible number of garments which can be manufactured. Lonergan

states it as a point to line and point to surface relationship. These are functional relations in the production process. They are distinct from social relations -- for instance, relations between management, workers and unions.

Such is a somewhat static view of the production process. The real problems arise when we try to understand its dynamic unfolding in time. What happens, for instance, if accelerations or decelerations occur in the manufacture of sewing machines or of machine tools? How do those accelerations or decelerations affect the production of basic consumer commodities? Do those changes simply perturb a basic equilibrium situation or slow growth within equilibrium? Or, on the other hand, are waves and trade cycles involved? Forrester has argued that a two-tier production process inevitably gives rise to waves or cycles in demand over time.²⁸ Lonergan's position is that, as well as stagnation, equilibrium in which slow growth takes place, and trade cycles, there is also the possibility of a pure cycle or wave in the production process.²⁹ In this pure cycle, initially the manufacturing of producer goods such as sewing machines or machine tools accelerates more rapidly than that of consumer goods. As the acceleration of the producer goods decreases towards zero, the acceleration of consumer goods increases, until production is raised from a lower to a higher velocity in a wave-like fashion. The conclusion would be that the basic standard of living rises in time, not slowly, but in a wave-like fashion, with slow growth between waves. If this is the inherent dynamic relational structure of the production process, then to the extent that it diverges from the kinds of expectations that the members of a community have about the standard of living and changes in it, enormous problems will result. It should be clear, then, that the production process is not arbitrary but constituted by some system of dynamic relations. Basic disagreements about the nature of those relations underline the fact that there is a question which has to be resolved. While mastering the specific relations is difficult, the first step on the journey towards their determination is simply to awaken to the question.

The production process is constituted by a set of dynamic relations and temporal rhythms. But in current economies it takes place in the context of exchange. Goods and services are exchanged for money. This brings us to the second basic

question, What is the structure of exchange? It can be approached simply by wondering, What are all the significantly different things which money can do? Money can be used to buy consumer goods, suits and dresses or, more generally, clothes; to buy producer goods, sewing machines or machines for manufacturing machines; to pay salaries to those who manufacture dresses, or sewing machines, or machines that make machines; to pay taxes, be invested, saved, loaned, and so forth. The question is posed, not in the abstract, but rather in the context of the production process. The different types of exchanges of money are all linked with different activities in the production process. The question which asks about them finds itself referred back to our first question. The discovery that the two questions are linked is absolutely crucial.

If a first element in the exchange question is that of the significant money exchanges, the second concerns the fact that money circulates. It does not simply go from A to B, but from A to B, B to C, C to D, and so on. It is always going from someone to someone. Within the family there are the flows of income, borrowing, expenditure, and saving. Consumers of a standard of living pay entrepreneurs for their products. Entrepreneurs pay wages to those who produce the goods which enter into the standard of living. On one level, then, money circulates between consumers and entrepreneurs. As goods emerge from producer to consumer, so money returns from consumer to producer. Manufacturers of clothes buy producer goods, machines. They pay the manufacturers of such goods. Those manufacturers in turn pay wages to their workforce.

In the movement of money certain aggregate circuits can be detected. Note that we are not dealing with individual payments but with aggregates of the same types of payments. There are the aggregate payments of money by families for consumer goods and the aggregate payment of wages to those manufacturing consumer goods, for instance. A circuit will be constituted by a linked set of such aggregate paths or arteries that close on themselves. The set of circuits on which money travels in an economy is finite. The circuits are also interrelated. Accordingly, the question arises, What is the complete set of interrelated money circuits in an economy? This is a very simple and naive question.³⁰ Yet few texts on economics bother with it.

Loneragan's circulation diagram [p. 24 below] is his answer to this question.³¹ The fE' from I' to O' represents the expenditure by consumers on consumer goods in a given time interval. $c'f_0'$ represents the outlay of entrepreneurs to consumers in wages in the same interval. Similarly, fE'' and $i'f_0''$ represent the outlay of manufacturers purchasing producer goods and the outlay of the producers of such goods in wages in a given time interval. These, then, are the two major money circuits. $c'f_0''$ and $i'f_0'$ represent cross-overs between the circuits. The horizontal and vertical arrows represent the redistributive area where there can be a net influx or outflow of money from the circuits due to credit creation, taxation, or investment.

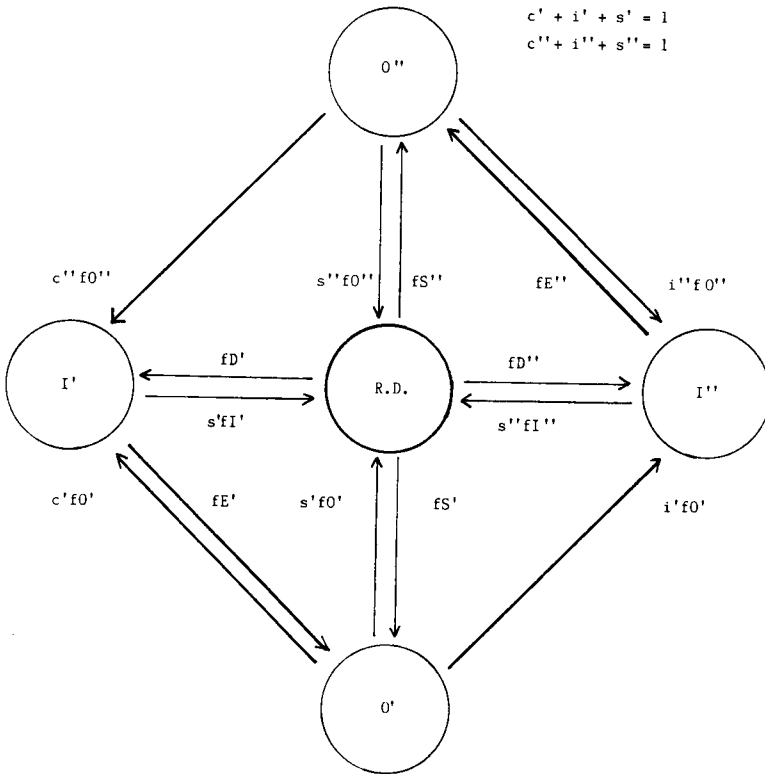
The problem, then, is to determine the complete system of significant money circuits. The clue as to what is significant and what is not, is given by the significant divisions of the production process. If the functional relations between the manufacturing of consumer goods -- clothes, etc. -- and producer goods -- sewing machines and so forth -- are the significant ones in production, then there will be parallel distinct, but functionally related, money circuits. Just as the production process divides into a basic and higher stages, so also money circulates in a basic and higher circuits. The circulation of money in the basic circuit between wages and expenditure is for the consumption of a standard of living. The circulation of money in a higher circuit between wages and expenditure is for the manufacture of capital equipment which in turn will generate a standard of living.

Money held in reserve for a defined purpose will be said to be in a monetary function. Five such functions are distinguished: basic demand, basic supply, surplus demand, surplus supply, and a fifth redistributive function.³²

Of central importance here is the way in which the question of the significant money circuits is unavoidably linked with that of the significant functional relations in the production process. The questions, though distinct, are interrelated and should never be treated in isolation.

As our wonder has to awaken to the questions of production and exchange, so also it has to awaken to the question of finance. Financial questions arise most clearly when an economy is in a state of rapid change, be it take-off or collapse. Consider an economic community about to embark

DIAGRAM OF RATES OF FLOW



on a major expansion. Suppose the quantity of money circulating in the consumer and producer circuits is kept constant. The financial question can be entered by wondering, Under those circumstances is expansion possible? Because production is for exchange, the only way in which it could be expanded would be by increasing the frequency of circulation of money in the circuits, thus generating a higher turnover frequency. On the present presuppositions, which clearly put before us the way money is constrained to flow, there are no other possibilities. Analysis reveals that economic take-off is impossible if the quantity of money in the circuits remains constant.³³ Anyone who studies that analysis will be left in no doubt about the unavoidable interdependence of production, exchange, and finance in an economy.

It has been established that changes in the amount of money circulating in the producer and consumer circuits are necessary in order to finance an economic take-off. The next set of financial questions examines possible changes. Their source is the redistributive zone of the money circuits. Through credit creation, money can flow from that sector into the consumer and producer circuits, but only through the channels fS' , fS'' , fD , and fD'' .³⁴ Through, for instance, taxation or savings, money can be removed from those circuits for redistribution, but only through the channels $s'f0'$, $s''f0''$, $s'fI'$, and $s''fI''$. By raising or lowering the interest rate, bankers can alter the rate of the flows of money into the circuits. The question now arises, How should money be introduced or removed from the producer and consumer money circuits if an economic expansion is to be intelligently promoted? For not all expansions of the money supply will result in an expansion of the production process and of the standard of living. Some could be absorbed in a wages and prices inflationary spiral. That possibility should not paralyze expansions in the money supply, for there are alternatives that generate new investment and economic developments. Keynes, as the long quotation above indicated,³⁵ seems to have been concerned with much the same question, but the context from which he approached it was utterly different. He does not seem to have so clearly linked the question of growth in the money supply with the dynamics of basic and surplus production and the exchange networks of an economy. Two very different economic horizons and related

research programs are the result, and their comparison and contrast would be an extremely interesting and worthwhile task.

A fundamental financial principle of considerable importance emerges from the fine details of Lonergan's analysis of the problem of finance. The financial rule governing intelligent economic expansion in an exchange economy is that the movement of money from the redistributive zone to the basic consumer and surplus producer circuits must be adapted to the dynamic and cyclical rhythms of the production process. If the production process is such that it grows all the time by a small percentage, then financing it is simple. If at certain points it takes off and grows, wave-like, from one level to another, financing it is complex. There are two phases in financing a pure cycle of economic development. In the first phase extra funds have to flow into the surplus or producer circuit, but not into the basic consumer circuit. Savings, investment, and profits have to increase. When the acceleration of the surplus stage of the expansion has peaked and is decreasing, savings, investment and profits have to decrease with it. Money, in quantity, has now to be made available and redistributed to the basic circuit so that the fruits of the capital investment can be reaped worldwide. The autonomy of money circulation in each of the circuits, and of variations in such circulation in relation to phases in the production process, has to be respected. Accordingly, there arises the possibility of a financial ideal and of deviations from that ideal:

The foregoing is an outline of perfect adaptation to the pure cycle of the expanding productive process. However, the actual course of events is governed by the actual lack of adaptation to the pure cycle.³⁶

The ideal is the perfect adaptation of the quantity and circulation of money to the production process. Deviations will be failures in finance to adapt. According to Lonergan, one of the root causes of the depression was the failure of financial procedures to adapt to the inherent dynamic of the production process. The same seems to be true of the current recession.

At this stage the basis for a critique of finance begins to become clear. Certain financial strategies, such as the siphoning of money through a permanent imbalance in the cross-overs from one circuit to the other, can be seen as actually operating against the dynamic of the production process.

There results one of a possible series of what Byrne has called economic dysfunctions.³⁷ The solution to such dysfunctions is understanding and education.

It is one thing to be critical of financial procedures in an economy where the redistributive sector and the production of both consumer and producer goods lie within a national frontier. It is quite another matter to rise to a critical viewpoint on an economy where, for instance, the creditors are in one country, the producers of producer goods are in another, the producers of consumer goods are in another, and the final consumer market is in yet another. Such a critical viewpoint is a need of our time. The viewpoint will be of finance on the macro level. It will not eliminate problems on the micro level. But the macro field determines the state of the ocean on which the microeconomic ships sail. If it is calm, they reach their destinations. If it is stormy, they founder and sink. Through the economy we are all connected, micro and macro, national and international. The human economic community is one. Financial dysfunctions affect us all.

The central aim of the present essay has been to awaken and generate some interest in Lonergan's question about the structure of the economic process of producing a standard of living. It will have been successful if the reader's wonder has awakened to the following problems: How are commodities produced? What are the significant types of exchanges? How is an expansion financed? That awakening is not unlike the experience described by John Maynard Keynes in the preface to his General Theory:

The composition of this book has been for the author a long struggle of escape, and so must the reading of it be for most readers if the author's assault upon them is to be successful, -- a struggle of escape from habitual modes of thought and expression . . . The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds.³⁸

There is the sense that an era in economics and in economic theory is at an end and breaking up. It is accompanied by all the usual confusion, uncertainty, and insecurity that normally accompanies a scientific revolution. There is no shortage of prophets of doom and gloom. Very many despair of finding a way forward, particularly by the operation of

human wonder and understanding. On the other hand, it is acknowledged that understanding and articulating one's basic questions or problems is the beginning of wisdom. Until that understanding and articulation has been achieved, individuals, communities, and cultures remain directionless. When foundational questions have been articulated, even though they may not have been resolved, at least the way forward is clear. It is only a matter of time before a solution is reached. It is my contention that the economic questions posed by Lonergan in his work on economics are foundational. This does not mean that they constitute the whole spectrum of economic questions. His questions are foundational in the sense that the resolution of further, and perhaps more apparently urgent problems, depends upon their prior resolution. Progress must be through them, not around them. The ultimate intellectual immorality is the rejection of known foundational questions. In the present climate of intellectual confusion and drift, the clarification by Lonergan of such basic issues is a source of hope. We are not quite so directionless as we may think. It is time for a collaborative group to rescue Lonergan's economic work from its present obscurity.

NOTES

¹ The present essay is a development of an input paper for the session on economics at the International Lonergan Symposium held at Santa Clara University, March 15-18, 1984. I would like to thank the participants, especially the members of the panel on Lonergan's economics, for their contributions to the clarification of my ideas.

² William Clark, Cataclysm: The North-South Conflict of 1987 [London: Sidgwick & Jackson, 1984].

³ An Essay in Circulation Analysis, 1978, §14 on pure surplus income. The quotes are from pages 82 and 87. See also the 1982 text, p. 68.

⁴ Complete bibliographical details of Lonergan's work on economics have been worked out by N. Graham under three headings:

a. A Catalogue of Lonergan Materials on Economics: Manuscripts, Articles, Reviews, Class Notes, etc., Oct. 4, 1983;

b. Compendium of Paginations and Revisions in Lonergan's Manuscripts on Economics, August 1983;

c. Details of Transcripts of Lonergan's Seminars in Economics, Boston College, 1980-1983, Sept. 1983.

At the present time (July 30, 1984) Lonergan's work remains unpublished, but I hope that will be remedied in the not too distant future. In my essay the following abbreviations

are used. References to a text of the Essay in Circulation Analysis are indicated by 'Text', followed by the date. References to lecture notes are indicated by 'Lectures', followed by the date. For a basic statement on production, exchange, and finance see Lectures 1981/2, p. 11.

⁵ A. S. Eichner, "Why Economics is Not Yet a Science," Paper No. 7, presented at The Clarence Ayres Memorial Lecture Session, Association for Evolutionary Economics, New York, Dec. 30, 1982.

⁶Text 1982, p. 82.

⁷ This point was made in a presentation of elements of Lonergan's biography by Prof. Valentine Rice at the Sunday morning session at the International Lonergan Symposium, March 18, 1984.

⁸ P. McShane, Lonergan's Challenge to the University and the Economy [Washington, D.C.: University Press of America, 1980], Chs. 7 & 8, esp. pp. 117f. and 132f.; ed. Matthew L. Lamb, Creativity and Method [Milwaukee, WI: Marquette University Press, 1981], pp. 556f., esp. pp. 562-3; and M. Gibbons, Ibid., pp. 529f.

⁹ I am quoting from the unpublished text, transcribed and edited by James and John Quinn in 1979. It is available at most Lonergan Centers. See pp. 39 and 57.

¹⁰Ibid., p. 322.

¹¹Creativity and Method, p. 562.

¹²Ibid., p. 563.

¹³Text 1978, p. 5.

¹⁴At a Journal Workshop [New York: Dialogue House Library, 1977], p. 135.

¹⁵Eds. Cahn and Going, The Question as Commitment [Montreal: Thomas More Institute Papers/77, 1979], p. 32, also p. 110.

¹⁶Schumpeter, History of Economic Analysis [London: George Allen & Unwin, 1961], p. 4.

¹⁷Text 1982, pp. 10f; Lectures 1981-2, p. 11.

¹⁸Text 1982, p. 53.

¹⁹ Collingwood, Autobiography [Oxford: Oxford University Press, 1957], Ch. V, esp. p. 31.

²⁰Lectures 1981-2, pp. 6-7.

²¹Gordon, Macroeconomics [Boston & Toronto: Little, Brown & Company, Second Edition, 1979]. W. W. Rostow, The World Economy [Austin & London: University of Texas Press, 1978].

²²J. Watson, The Double Helix [Middlesex: Penguin, 1970], pp. 34-35, 47, 52.

²³ Keynes, The General Theory of Money, Employment and Interest [London: Macmillan & Co. Ltd., 1964], pp. 173-174.

²⁴Ibid., p. 245.

²⁵L. Boland, "On the Best Strategy for Doing Philosophy of Economics," Review of D. M. Hausman, Capital, Profits and Prices, An Essay in the Philosophy of Economics, in British Journal for the Philosophy of Science, 34 [1983], 387-392.

²⁶Insight: A Study of Human Understanding [New York: Philosophical Library, 1958], pp. 12-13, 375, 392, 435, 437. A study is needed of the use made by Lonergan of implicit definition in a wide range of his writings.

²⁷Text 1982, p. 26.

²⁸In J. J. vanDuijn, The Long Wave in Economic Life [London: George Allen & Unwin, 1983], pp. 119f.

²⁹Text 1982, §8, pp. 35f.

³⁰I am reminded of Einstein's remark that he discovered the theory of relativity by asking questions about space and time that only children ask [Erikson, Toys and Reasons [New York: Norton, 1977], p. 140]. Perhaps more childlike questions are needed in the realm of economics to see things with a new freshness and clarity.

³¹Text 1982, p. 54. ³²Text 1982, p. 32 ³³Ibid., p. 60.

³⁴Samuelson, Economics [Tokoyo, 11th Ed., 1980], pp. 282f. This procedure seems somewhat arbitrary and needs to be made an object of critical scrutiny.

³⁵See Note 23 above.

³⁶Text 1978, p. 87.

³⁷"Economic Transformations: The Role of Conversions and Culture in the Transformation of Economies," Paper Submitted to the International Lonergan Symposium, Santa Clara University, March, 1984. Section IV considers dysfunctions in much greater detail than is possible in this introductory essay.

³⁸General Theory, viii.

REVERSING RORTY

Hugo Meynell
University of Calgary

Richard Rorty's principal concern throughout his influential book, Philosophy and the Mirror of Nature,¹ is to contest that claim, that mind is the mirror of nature, which he takes to be characteristic of traditional philosophy. What is implied by this claim? Evidently the assertion that "mind is the mirror of nature" is metaphorical, since no-one takes the mind to be literally a mirror; but what literal sense is conveyed by the metaphor? There are two obvious possibilities: -- (i) that just by contemplating nature, without using our minds in any active way, we may come to 'reflect' nature in the sense of making true judgments about it; (ii) that our minds may come to 'reflect' nature, in the sense of coming to make true judgments about it, by following a certain set or sets of procedures. I will take for granted here that it is quite wrong to suppose that mind is the mirror of nature in the former sense. We do not come to find out the chemical processes within white dwarf stars, or the domestic habits of the people of ancient Ugarit, by passive contemplation of what lies about us. But I believe that mind is a mirror of nature in the latter sense; and that Rorty is wrong in denying this. I shall try to argue the point in two ways: first, by showing that the position leads to consequences which are paradoxical to an intolerable degree; second, by defending against Rorty's attacks some accounts given by philosophers of how we actually can come to make true judgments about the world.

It seems essential to Rorty's position that the 'correspondence' theory of truth is erroneous, and that the notion of 'truth' is simply internal to particular types of discourse.² It is not the case for him, apparently, that truth is a matter of a relation between what is stated within types of human discourse, and facts which largely are and are as they are prior to and independently of human discourse. On the other hand, Rorty wishes, very properly in my view, to dissociate himself from the opinion that we really bring the world into existence in the process of "getting to know about" it.³ How-

ever, it seems to me that, with the addition of a premiss which few would deny, the position which he maintains leads inexorably to the one which he repudiates. This premiss has been brought to the attention of recent philosophers by Alfred Tarski, who has made famous the principle that 'p' is true if and only if p.⁴ From what Rorty says, it looks as though whether 'p' is true depends on nothing over and above the rules and methods of procedure governing human discourse about p. So, assuming Tarski's principle, whether it is the case that p also depends on nothing over and above these rules and methods. For example, whether there really was such a person as Moses, and whether there really are such things as black holes, depends on the savants within the relevant disciplines. If one follows through Rorty's principles, in other words, granted one additional and not very controversial assumption, it would seem that astronomers and historians, rather than finding out what is the case prior to and independently of their own inquiries, bring into being the states of affairs they are supposed to be investigating in the course of 'investigating' them. The states of affairs in the universe depend on the say-so of savants, rather than what savants say being true or false, as nearly everyone else would suppose, according to whether the relevant states of affairs are the case or not. The existence of ichthyosauri at an earlier era in the oceans of the earth, and the presence of red giant stars in our galaxy, depend on what palaeontologists and astronomers say; rather than the truth of what palaeontologists say on the matter depending on whether there were or were not ichthyosauri; and the truth of what astronomers say depending on whether there are or are not red giant stars in our galaxy. I submit that this is a little hard to swallow.

Rorty's views may not require any "idealist metaphysical underpinnings"⁵; but if the essence of idealism is that there is no material world prior to and independent of our discourse about the world, they lead straight to idealism.⁶

Epistemology is concerned with the question of how, by the use of our minds, we are able to come by knowledge of states of affairs like the ones mentioned earlier, which, except on idealist assumptions, largely obtain and are as they are independently of our minds. According to Rorty,

epistemology is not a proper area of inquiry at all; its very existence is based on a mistake. What is the truth on any topic, in Rorty's view, is simply to be established by the experts on that topic; there is no method which they all follow or all ought to follow, which it might be the business of the epistemological branch of philosophy to clarify.⁷ Knowledge consists of statements which are generally agreed upon, at least by those members of the community who are officially recognized as experts on the relevant topics; and the question of how and why they come to make the statements they do is one to be answered by the empirical psychologist.⁸

Rorty is quite right, I believe, in holding that it is of the essence of epistemology to maintain that there are two components of human knowing; that on the one hand, there is a 'given'; and on the other hand, there is a set of mental procedures which one is supposed to apply to this 'given' in order to establish what is the case.⁹ Many examples, both familiar and recondite, show the plausibility of this account. I wish to know whether my small daughter has come into the livingroom wearing her muddy boots; investigation of the floor of that room, and the perceived presence or absence of muddy marks, will provide evidence relevant to determining whether she has or has not. Similarly, fossils in a rock may provide evidence to a palaeontologist as to whether there flourished in the pre-Cambrian era a certain type of organism, marks on a document evidence to a historian about the course of a battle in the past, tracks in a cloud chamber evidence to a physicist as to whether a fundamental particle of a certain description exists. In all these cases, one may distinguish on the one hand the observed evidence, and on the other hand the process of inference by which one establishes the relevant fact on the basis of it. There are of course many conceivable ways of accounting for the observed evidence in each of the cases that I mentioned; my daughter's entering the room in muddy boots, the existence of the type of organism or fundamental particle, are accepted as accounting for all or most of the relevant evidence, in a manner that alternative suppositions do not. Epistemologists have tried to clarify and codify both aspects of this process, which seems, at first sight at least, to be instructively similar in the very different cases to which I alluded. There is appeal to evidence available to the senses; and justification of the alleged

fact as the most satisfactory available way of accounting for it. But according to Rorty, all such efforts have been failures; and investigation of the issue shows that such failure is inevitable. I shall try in what follows to contest this claim. But first it is necessary to present Rorty's argument in sufficient detail to do it adequate justice.

I

What is it (asks Rorty) to conceive the mind as a "mirror of nature"? It is to think of knowledge as "accurate representation, made possible by special mental processes, and intelligible through a general theory of representation".¹⁰ For all the notorious differences between the types of philosophy which derive from Frege and Russell on the one hand, and from Husserl on the other, they do have one crucial feature in common. In Kantian fashion, they try to put philosophy in the position of judging science and other areas of culture on the basis of alleged special knowledge of their 'foundations'. To be sure, analytical philosophy differs from its Kantian prototype in conceiving representation in linguistic rather than mental terms, and thus attempts to exhibit the representation through philosophy of language rather than quasi-psychologically in a "transcendental critique"; but the basic conception is the same.¹¹ Traditional philosophy, from Descartes through Kant to the analysts, is dominated by the picture of the mind as a great mirror, containing representations of reality some of which are accurate, some not, and susceptible to elucidation by "pure, empirical methods". Short of this picture, the idea that knowledge consists in accurate representation would never have occurred to anyone.¹² One reason for the persistence of this conception is that it seems to promise some future to philosophy; since if empirical psychology is recognized as being capable of telling us all we wish to know about knowledge, philosophers may well seem to be out of a job. This was an issue at the end of the nineteenth century, when analytical philosophy and phenomenology were both inaugurated as a way out of the apparent impasse.¹³ However, the protests against the assumption that culture needed 'grounding', and against the pretensions of the theory of knowledge to be able to perform this task, made for example by Friedrich Nietzsche and William

James, went largely unheard.¹⁴ But the issue is still more inescapable now.¹⁵

The very possibility of a philosophical, as distinct from a psychological, "theory of knowledge", depends on the assumption that knowledge is a matter of adding something by the mind to what is given to the senses.¹⁶ But this distinction, between an empirical given and what is imposed upon it by our mental faculties, has been criticized on a number of occasions during the history of the analytical movement; and the criticisms came to a head in the early nineteen-fifties.¹⁷ Notably, Wilfred Sellars has attacked the "myth of the given"; Quine, the distinction between necessary and contingent propositions.¹⁸ Both criticisms are at bottom behavioristic, and derive from the thesis that "justification is not a matter of a special relation between ideas (or words) and objects, but of conversation, of social practice".¹⁹ Sellars and Quine both attack logical empiricism by in effect raising questions about the privilege it claims for certain assertions, as direct reports of what is supposed to be 'given' to sensation. Quine asks how an anthropologist could ever discriminate sentences which natives confidently and constantly assert, "into contingent empirical platitudes on the one hand and necessary conceptual truths on the other".²⁰ Sellars for his part demands "how the authority of first-person reports of, for example, how things appear to us, the pains from which we suffer, and the thoughts that drift before our minds differs from the authority of expert reports on, for example, metal stress, the mating behavior of birds, or the colors of physical objects".²¹ Crucial to his argument are the premisses that "there is no such thing as a justified belief which is non-propositional, and no such thing as a justification which is not a relation between propositions." So to speak of our (non-propositional) acquaintance with redness as 'grounding' our knowledge of the proposition that something is a red object is always wrong.²² So far as Sellars is concerned, the certainty of a subject's reports of his own pain derives from the fact that other persons are not disposed to question it, not the other way about. In Quine's view, private events in the mind are an idle hypothesis which explains nothing. "In fine, if assertions are justified by society rather than by the nature of the inner episodes they express, there is no point in trying to isolate privileged episodes."²³

But, it may be asked, why should we suppose that fundamental epistemic notions should be accounted for in behavioral terms? What grounds are there for supposing that "Smith knows that p" is a matter of the status of Smith's statements among his fellows, rather than of a relation between some subject and some object, between nature and its mirror?²⁴ The answer is, that the only alternative seems to be to take knowledge of inner states as premisses from which our knowledge of other things is normally inferred, and without which knowledge would be ungrounded.²⁵ But it is not really coherent, and does not in the last analysis make sense, to suggest that human knowledge has foundations or grounds.²⁶ It should be remembered that to say that truth and knowledge "can only be judged by the standards of our own day" is not to say that it is the less important, or "more 'cut off from the world'", than we had supposed. It is just to say "that nothing counts as justification, unless by reference to what we already accept, and that there is no way to get outside our beliefs and our language so as to find some test other than coherence."²⁷ The fact is that justification has always been as described here, in behaviorist terms; only the professional philosophers have thought it might be otherwise, since only they are haunted by the bogey of epistemological scepticism.²⁸

What Sellars and Quine oppose as "residual Platonism" is not so much the hypostatizing of non-physical entities, as the notion of 'correspondence' with such things as the final court of appeal for evaluating present practices. Unfortunately both of them, for all that it is incompatible with their basic insights, substitute for this correspondence to physical entities, and specifically to the basic entities, whatever they turn out to be, of physical science.²⁹ But when their doctrines are purified, they converge on a single claim -- that no account of knowledge can depend on the assumption of some privileged relation to reality. Their work brings out why an account of knowledge can amount only to a description of human behavior.³⁰

What, then, is to be said of these "inner states", and of the direct reports of them which have played so important a role in traditional epistemology? For a person to feel is nothing else than for him to have an ability to make a certain type of non-inferential report; to attribute feelings

to babies is to acknowledge in them latent abilities of this kind.³¹ Non-conceptual, non-linguistic 'knowledge' of what feelings or sensations are like is attributed to beings on the basis of potential membership of our community. Babies and the more attractive animals are credited with having feelings on the basis of that spontaneous sympathy which we extend to anything humanoid, in contrast with the mere "response to stimuli" attributed to photoelectric cells and to animals which no-one feels sentimental about.³² It is consequently wrong to suppose that moral prohibitions against hurting babies and the better-looking animals are "ontologically grounded" in their possession of feelings; the relation of dependence is really the other way round.³³ Similarly, we could not be mistaken in supposing that a four-year-old child has knowledge, but no one-year-old does; any more than we could be mistaken in taking the word of a statute that eighteen-year-olds can marry freely but seventeen-year-olds cannot.³⁴ (There is no more "ontological ground" for the distinction which it may suit us to make in the former case than in the latter.) Again, such a question as "Are robots conscious?" calls for a decision on our part whether or not to treat robots as members of our linguistic community.³⁵ All this is of a piece with the insight brought into philosophy by Hegel, that the individual apart from his society is just another animal.³⁶

If philosophers give up their vain ambition to find 'solutions' to the so-called "problem of knowledge", what is there left for them to do? Seventy years after Russell's and Husserl's attempt at a salvage-operation, we are back with the problem which faced them: -- "If philosophy becomes too naturalistic, hard-nosed positive disciplines will nudge it aside; if it becomes too historicist, then intellectual history, literary criticism, and similar soft spots in the 'humanities' will swallow it up."³⁷ Quine seems disposed to take the first way out. After arguing that there is no hard boundary-line between science and philosophy, he appears to draw the moral that science can replace philosophy. But it is not at all clear why science, rather than art, politics or religion, should take over the vacated area.³⁸ Quine admires the natural sciences, and evinces a fastidious distaste for the apparently ineliminable fuzziness of the humanities; but it is difficult to see his preferences in the matter as in the last analysis any more than aesthetic.³⁹

The other option looks more promising; and the way forward in this direction has been shown especially by three philosophers, Wittgenstein, Heidegger and Dewey. Each of these first tried to find a means of making philosophy 'foundational', and each of them broke free of the presuppositions underlying such an attempt in their later work.⁴⁰ This later work was "therapeutic rather than constructive, edifying rather than systematic."⁴¹ That is to say, it was aimed to help their readers, and society at large, to pass beyond outworn vocabularies and attitudes; and no longer to 'ground' intuitions and customs which prevail at present.⁴² On such a view, while knowledge does consist after all in what we are justified in believing, justification is "a social phenomenon rather than a transaction between 'the knowing subject' and 'reality'."⁴³

II

I agree with Rorty that, if the mind is to be the "mirror of nature", "the given" must be no myth; that there must be some basis in experience on which supposition is to be erected and in relation to which it is to be justified, if any hypothesis is to be true of a world which exists independently of our suppositions. Science is taken by Sellars to be the measure of truth;⁴⁴ but the reason why it is the measure of truth, if it is, cannot be provided without what amounts to an appeal to epistemological foundations. Short of these, as Rorty says, one may properly ask, why science, and not rather politics or religion? But the most obvious route to the articulation of such foundations is blocked off by talk about "the myth of the given". Of course, if all that is at issue here is that the most widely-admired scientists say what they say, and that one had better defer to them if one wants to get on in the world, there arises no problem of foundations. The problem only arises if one claims, as I think the vast majority of people would, that what the most widely-admired scientists say is liable to be true of a world which largely existed prior to and independently of them and their sayings. Is it not very odd at once to make this claim, and to deny that there is any basis (or foundation) for it?

Sellars has offered an argument, which is accepted by Rorty, to the effect that the kind of 'foundations' proposed

for knowledge by traditional epistemologists cannot in fact be provided. Sellars' fundamental point in this connection is that statements can be justified only by other statements, and not by supposed data of experience.⁴⁵ Now it appears to me that there is a sense in which this is true, and a sense in which it is not; and that the distinction between these senses is fundamental to this whole issue. Suppose I am asked by someone outside the room I am occupying whether there is a black cat in it. I look up, observe or seem to observe a black cat a few feet away from my eyes, and report that there is. Now it seems clear to me that my experiences as of a black cat, whether I state that I have enjoyed them or not, do in a sense provide grounds for my report that there is a black cat with me in the room. No doubt I could have had just such experiences as of a black cat if quite other things were suitably disposed in my visual field (as might be the case in a psychology laboratory), or if my cerebral cortex were electrically stimulated in the appropriate way. But, given that I have no reason to suspect such special circumstances, I have excellent grounds in my experience for supposing that there would have been a black cat in the room whether I had attended to the matter -- soliciting the relevant experiences by properly disposing my sense-organs -- or not. Now I could well report the experiences which are the ground of my claim; but Sellars provides no good reason that I can see for denying that the experiences are the grounds of my claim, whether I report them or not. The statement that I am enjoying sense-experiences as of a black cat is grounds for the statement that there really is a black cat where there seems to me to be, in a slightly different sense from that in which my sense-experiences as such are so; but that by no means shows that the sense-experiences as such are not grounds at all.

Difficulties have been raised by recent philosophers against the notion that one can report experiences as such, as distinct from publicly-observable states of affairs in the world. Now my experiences as of a black cat, I want to say, are, to coin a phrase, experientially basic; that is to say, there is nothing which grounds them in the same way in which they ground my belief that there is a black cat in my vicinity. What has given rise to difficulties, I think, is that the reporting of such experiences as such is not lin-

quisitically basic. As has been argued ad nauseum by philosophers, and quite correctly, since the appearance of Wittgenstein's Philosophical Investigations, we could not speak of our experiences as of black objects unless we could speak of black objects. But given that we do have a language in which we can report standard types of event in a public and inter-subjective world, there seems no good reason why we should not refer to 'private' and 'subjective' events, such as feelings or sensations, by an extension or modification of that language. I can say, "I have a visual sensation as though of seeing a black cat," without committing myself as to those hypothetical experiences of other persons, and subsequent experiences of my own, which would be to be expected if there really were such an animal in my immediate environment.

That 'private' experiences may be the basis for judgments about things in the 'public' world, in the kind of way that I have sketched, does not imply that strict logical entailment must be involved. The best explanation for my having the experiences that I have as though of a black cat may well be the real presence in my vicinity of a black cat, without its being the case either that the presence of the black cat strictly entails my enjoyment of the experiences, or that my enjoyment of the experiences strictly entails the presence of the cat. The real presence of the black cat in my neighborhood commends itself as the best way of accounting for the relevant experiences -- just as, in more recondite instances, do the actions of a general on a particular battlefield in the remote past, or the presence of a previously-unsuspected heavenly body at an unimaginable distance in space. (Not, of course, that we commonly prize apart the having of experiences and the making of judgments on the basis of them in this kind of way; this only becomes worth doing when what comes to be known on the basis of perception is very different from what is perceived, or when, as in the present instance, we are thinking about how our ordinary claims to knowledge are justified.) Now logic, in the strict sense of the word at least, while it does facilitate the business of finding out about the real world on the basis of our experiences, is incapable in principle of exhausting what is involved in it, as has been quite evident since Hume's

remarks on induction, and has been re-emphasized in our own time by Sir Karl Popper and others. To concoct a hypothesis is not a matter of logic, at least in anything but a misleadingly broad sense of the term; nor is the matching of logical deductions from a hypothesis with items of experience. But both of these steps are essential aspects of finding out, on the basis of experience, about a world which exists (according to all but strict philosophical idealists) largely prior to and independently of our experience.

I am by no means trying to argue for empiricism; but I am trying to defend against Sellars and Rorty one cardinal thesis of empiricism, that there is a sense in which knowledge depends on, has 'foundations' in, experience. I have contested the view that the thesis that it is so dependent is incoherent; and I have admitted, but dismissed as irrelevant, the claim that the dependence of knowledge of the real world on experience cannot be reduced to logic in the strict sense. It appears to follow from this that it is incorrect to hold, in the manner of Rorty, that what makes one's opinions knowledge is nothing more or less than their acceptance by other members of one's community. According to nearly everyone else's account of the matter, knowledge is true and well-founded belief about a world which exists and is very largely as it is whether anyone holds true beliefs about it or not. Such true belief is apt to be arrived at (to cut a long story short) by attention to experience, by envisagement of hypotheses, and by acceptance as probably or certainly so in each case of the hypothesis best corroborated by the experience. (I shall later sketch an argument to the effect that the contradictory thesis is self-destructive.) So far as pressures towards social agreement promote such mental activities, they are apt to increase knowledge, and so far as they inhibit them, they are apt to hinder it; but social agreement is at this rate certainly not constitutive of knowledge.

In this connection, it is worth considering the following valid argument: --

If there were no experiential given, we could attain no knowledge of any world of things and events existing largely prior to and independently of ourselves.

But there is no experiential given.

Therefore we can attain no knowledge of any world of things and events existing largely prior to and independently of ourselves.

The conclusion is what is generally known as idealism, to which Rorty seems committed all but explicitly. The tradition which Rorty attacks affirms the first premiss, and denies the conclusion by dint of denying the second. Sellars appears to assert the second premiss, and to avoid idealism by denying the first. But I believe that Rorty is quite right in affirming the first premiss. Is it not rather odd, after all, to claim that we do or might gain knowledge of a real world independent of ourselves without such knowledge being grounded in experience? If there were grounds which did not at least include experience, what could these be? And in what non-Pickwickian sense can knowledge without grounds count as knowledge at all?

The argument taken from Sellars is, I think, Rorty's most serious warrant for his conclusion that knowledge cannot be grounded in experience. That derived from Quine seems based on a misunderstanding. Suppose one concedes to Quine his famous contention that no hard-and-fast distinction can be drawn between analytic statements and empirical truisms. This does not begin to imply that there is not a profound distinction, in degree if not in kind, between analytic statements and empirical truisms on the one hand, and immediate reports of sensations and observed states of affairs on the other; and thus, between statements less or more subject to modification in the light of experience. There would not be the least difficulty in an anthropologist finding out the difference, in the case of a tribe he was studying, simply by distinguishing between those indicative statements which were used and agreed to by members of the tribe only within a restricted range of circumstances, and those which were still used and agreed to in totally different circumstances.

I have tried to show that it is possible to defend an account of empirical foundations of knowledge against Rorty's objections. Is it possible to show that such an account is positively preferable to the one supplied by Rorty? It seems to me that it is, and this basically for two reasons; that Rorty's position, unlike its rival, gives rise to paradoxes which are an affront to common sense, and that it is actually self-destructive. I have already remarked that, with the addition of a premiss which nearly everyone would accept, his position leads to idealism, to the view that human beings

by their thought or language make up the "real world" in the process of coming to "know about" it. Rorty maintains that we have no way of getting outside our beliefs and our language to find any test for truth other than coherence.⁴⁶ This is plausible by dint of being true in one sense, false in another. It is indeed true that we can never believe what is outside the range of our beliefs, or talk about what is beyond the scope of our talk. And yet it is also true that we can extend the range of our thought and of our discourse, by the kind of attention to experience and envisagement and testing of hypotheses which I have already described. Someone sees a tiny disc through a telescope, and postulates the existence of a planet of which no-one before, perhaps, had any conception. In this kind of way, the scope of our discourse and of our true belief has come to extend vastly further than it did, say, five centuries ago; although pulsars and white-dwarf stars and radio-galaxies apparently existed then, we know of their existence now, though our ancestors at that time had no conception of them.

The same process of observation, hypothesis, and testing, which has led from their view of the world to ours, is almost certain, if indeed it is allowed to continue, to lead from our view of the world to something different in the future, which will be 'truer', in virtue of closer correspondence to the world as it really is. Just as we know that there is a giant planet outside the orbit of Uranus, whereas the predecessors of Adams and Leverrier did not, for all that there did already exist such a planet; so our successors are likely to come to know of the existence of many objects of whose existence we do not know, for all that they already exist. We can, in an indirect way, transcend the beliefs and the ways of speaking of our own place and time, by understanding how observation, hypothesis and testing gave rise to them, and are liable to modify them in the future. It is only with this crucial qualification that it is possible to accept Rorty's claim that truth and knowledge can only be judged by the standards of our own day. We do not simply accept the say-so of our most prestigious contemporaries about what is true, and what is to count as knowledge; we can have some inkling at least of the mental processes by which the allegedly true propositions constitutive of knowledge were arrived at, and by which they may be shown in future to be false.

I agree that appeal to "inner processes" as the final arbiters of truth is the only alternative to behaviorism; but I believe that this alternative can be justified. The fact is that each of us learns in his own experience what it is to observe, to inquire, and so to discern what is probably or certainly so from what is probably or certainly not so. Admittedly our capacity for doing so would be at best greatly impaired, at worst totally non-existent, if such mental capacities were not described in our public language; but of course they are so, as I illustrated in the last sentence. It appears to be false as a matter of common experience, though one would infer it from what Rorty says, that we learn the word 'true' simply in the context of deference to the opinion of the majority, or of the socially-approved 'experts' in any field. On the contrary, we learn its meaning and use at least partly in the context of the use each of us makes of his own powers of observation and inquiry.

Rorty labels his own account of knowledge as 'behavioristic'; but I think it can be shown actually in the last analysis to be incompatible with behaviorism. As I understand it, a strictly behaviorist analysis of the proposition "Smith knows that p" would be a matter of Smith's disposition to assent to the statement that p and to act in a manner which was otherwise appropriate, and of the disposition of those in Smith's environment to evince approval of his expression of the belief that p. But what about Jones's knowledge that Smith knows p? On Rorty's account, it would apparently have no bearing on anything to do with Smith, but only with the behavior of Jones, and the reaction to this by persons in Jones's environment. The upshot is that behaviorism, which is invoked by Rorty as an alternative to the correspondence theory of truth, is in fact indissolubly wedded to it; since on behaviorist assumptions Jones's knowledge about Smith's knowledge must correspond to that behavior of Smith's which is an expression of his knowledge, if it is to count as 'knowledge' at all. Rorty protests that knowledge is by no means "cut off from the world" on his account; but if what is actually the case about x, quite apart from what I and others in my environment believe about x, has no bearing on my knowledge of x, as would seem to follow from what Rorty says,

then it is difficult to see how knowledge could be more "cut off from the world" than that.

But quite apart from these antinomies with regard to behaviorism, Rorty's position can be shown to be self-destructive. Either he is advancing his position as justifiable on general principles against contradictory ones, or he is not. If he is not, there is no point in listening to him. If he is, he is implicitly committing himself to the proposition that one tends to get at the truth about things by justifying one's position on such general principles. But it is just the existence of such principles which is asserted by that classical epistemology which Rorty attacks.

It is perhaps worth pointing out that behaviorism of the type advocated by Rorty has consequences which are horrifying as well as ones which are absurd. (One might speak in this connection of reductio ad horrendum arguments; and suggest that a philosopher to whom it was demonstrated that his opinions entailed, for example, that all Caucasians ought to be shot at birth, or all Mongoloids might as well be consigned to slave labor, should feel somewhat uncomfortable with these opinions, even if he were under no immediate obligation to admit them as false.) Whether organisms feel pain depends, according to Rorty, on whether the linguistic community deems them to do so; so far from its being the case, as it is on the assumption of the correspondence theory of truth, that whether we truly believe an organism to be in pain depends on whether it is in pain or not, and would be so or not independently of our belief. On Rorty's view, an organism on a newly-discovered planet would be "capable of feeling pain" just as soon as it suited the human visitors to that planet to say that it did. The mangled and screaming hare, on our own planet, "feels pain," if at all, only in virtue of our attributions. It may be noted that this is a very convenient doctrine, especially as applied to human beings with whom we happen not to feel sympathetic. Whether the question, "Do lonely old women who own cats feel pain when burned alive?" has an affirmative answer, is a matter which we decide, on Rorty's account; for them to feel pain in the circumstances is for us to include them in the range of our sympathies, for them not to feel pain is for us to fail to do so. I submit that this is at once a consequence of Rorty's position, and both morally horrifying and grossly implausible.

Rorty maintains that only those who are haunted by the bogey of philosophical scepticism are concerned to raise epistemological questions, to seek for 'justifications' of knowledge-claims which are not a matter of social consensus. But there is at least one other source of epistemological concern; the need to distinguish in non-arbitrary fashion between knowledge on the one hand, and what merely purports to be knowledge on the other. Granted the assumption that there is a real world prior to and independent of human society, at first sight at least one may have a legitimate concern to distinguish between those beliefs, whether widely and confidently maintained or not, which are likely to be true of it, and those which are not. Even the most mutually-consistent beliefs of the most prestigious group of natural scientists could not make it to be the case that the moon consists of green cheese, if the moon does not consist of green cheese. On the contrary, we believe what scientists tell us about the matter on the assumption that their methods are the right ones for getting at the truth about the constitution of the moon, and (except on an extreme idealist view) the constitution of the moon as it would have been even if mankind had never been in a position to inquire fruitfully about it. What differentiates methods liable to achieve the purpose, from those not so liable, is the proper concern of that aspect of philosophy which is known as epistemology. In spite of the claims of Quine and Rorty, epistemology as thus conceived cannot be taken over without remainder by empirical psychology. This is because psychology is the science concerned with why people actually behave, think and speak as they do; whereas epistemology deals with how they ought to speak and think if they are to find out what is the case about the world.

Rorty maintains that knowledge does not need foundations any more than does culture in general. I would answer that knowledge and culture are both equally in need of foundations, and that to search for and articulate them is probably the most important task of the philosopher. Just as it is a good idea for us to be able to distinguish at least in principle between legitimate and spurious claimants to the status of knowledge, so it is useful and indeed increasingly urgent, given the magnitude of the dangers confronting us, to attend to the difference between what tends to enhance culture, and

what tends rather to destroy it. Rorty commends the 'therapeutic' function of philosophy, and its use in dissolving 'outworn' conventions of speech and behavior. But what can 'therapy' amount to, when one has no articulate notion of what constitutes health, what sickness, and why? And what could it be, on Rorty's view, for a convention of speech or of behavior to be 'outworn', except for it no longer to be the fashion for people to conform to it?

III

I believe that it is Rorty's great merit to have drawn out the consequences of the principles underlying much contemporary philosophy. Yet I do not think he has drawn them out quite to the bitter end; had he done so, he would have revived idealism in an extreme form.

The human mind is, after all, the mirror of nature, in precisely the sense that this is denied by Rorty. That is to say, by the proper use of our minds, we can find out what is the case about a world which exists largely prior to and independently of our minds. It is, and will remain, a central task of philosophy to set out what it is for the human mind to be the 'mirror' of nature in this sense, to show how it can be so, and to work out the implications of the fact that it is so. However, I believe that Rorty is quite correct in maintaining that the mind cannot be the mirror of nature in the sense at issue unless there are 'foundations' of knowledge at least roughly of the kind sought by Descartes, and again by Russell and Husserl at the beginning of the present century. Furthermore (and perhaps this is the hardest saying of all) I think that Rorty is also right that the attempt of recent philosophers to find the mirror of nature in language as opposed to mind is mistaken. The reason for this can be stated briefly as follows. Language may be understood either merely as an ordered series of noises or marks, or as such a series as expressive of mental acts. In the former case, the problem of how language relates to an extra-linguistic reality is insoluble; in the latter case, it remains exactly where it was before it became fashionable to couch epistemological problems in linguistic as opposed to 'mentalistic' terms. The moral is that to search for the foundations of knowledge in language rather than in mind is to make half-hearted concessions to a behaviorism which cannot but be destructive of knowledge when consistently carried through.

NOTES

¹ Princeton University Press, 1979. All references not otherwise assigned will be to this work.

²Cf. pp. 28-281.

³ I believe he states this at one point, but cannot now find the reference.

⁴A. Tarski, "The Semantic Conception of Truth," in Logic, Semantics, Metamathematics [Oxford: Clarendon Press, 1956].

⁵p. 174.

⁶ Of course none of the classical representatives of idealism (Berkeley, Schelling, or Hegel) were quite so extreme as this.

⁷p. 211.

⁸Chapter 5.

⁹p. 168.

¹⁰p. 6.

¹¹p. 8.

¹²p. 12.

¹³p. 165.

¹⁴p. 4.

¹⁵p. 165.

¹⁶p. 168.

¹⁷p. 169.

¹⁸p. 169.

¹⁹p. 170.

²⁰p. 173.

²¹p. 173.

²²p. 183.

²³p. 174.

²⁴p. 175.

²⁵p. 177.

²⁶p. 178.

²⁷p. 178.

²⁸p. 181.

²⁹p. 179.

³⁰p. 182.

³¹p. 184.

³²p. 189.

³³p. 190.

³⁴p. 187.

³⁵p. 189.

³⁶p. 192.

³⁷p. 168.

³⁸p. 171.

³⁹p. 202.

⁴⁰p. 5.

⁴¹p. 6.

⁴²pp. 11-12. ⁴³p. 9.

⁴⁴ See W. C. Sellars, Science, Perception and Reality [London: Routledge & Kegan Paul, 1963], p. 173.

⁴⁵Cf. Rorty, op. cit., p. 183.

⁴⁶p. 178.

BOOK REVIEWS

PRICE MARKUPS AND MORAL DECLINE

John F. Maguire

University of California, Berkeley

©1984 *New Oxford Review*. Reprinted with
permission from the *New Oxford Review*
[1069 Kains Ave., Berkeley, CA 94706].

An Inquiry into the Poverty of Economics. By Charles K. Wilber
and Kenneth P. Jameson. Notre Dame: University of Notre Dame
Press, 1984. Pp. 281. No price given.

The familiar canard that economics is "the dismal science" has a gnostic ring to it. The lofty 'humanism' that refuses to include economics within our common canon of literacy, echoes an even loftier gnosticism, which in the ancient world unscrupulously consigned economics to the lower depths (because economics, it was said, belongs to the "world of motion"!). Thus derogated, economics came to be associated with "evil days" (dies male) here below. Motion, in the perspective of the gnostics, represented earthly darkness and confusion, and economic motion (what today we would call the circulation of goods and services) was at the heart of this darkness. Economics was regarded as a dismal affair (this, literally, from dies male).

All this, of course, goes against the Christian sense of things. In truth, the world of motion is good (God is its author), not evil. The world of economic motion is therefore good, not evil. Indeed, the circulation of goods and services is a form of the circulation of being (per modum cuiusdam circulationis, as the scholastics say), and being is good. Therefore, the circulation of goods and services is a good. What is bad is the disorder that is introduced into this circulation by acts of injustice.

In the spirit of these affirmations, I would like to pursue a line of thought suggested to me by Charles Wilber and Kenneth Jameson's acute and interesting Inquiry into why it is that today the discipline of economics is intellectually impoverished, notwithstanding its admirable technical accomplishments.

Wilber and Jameson contend that a "too-easy separation of moral values and economic behavior is . . . impossible and destructive"; and that an economics divorced from social ethics is an impoverished economics. This impoverishment, the authors claim, is manifest in both of the economic philosophies that now dominate the public debate; it is manifest in Keynesian theory and in free market laissez faire theory. Both theories present empirically inadequate models of the actual workings of the economy; but this fact, Wilber and Jameson suggest, is not unrelated to the fact that both theories fight shy of larger questions of social justice.

Laissez faire theory is based on the thesis that the free market economy is self-stabilizing and self-equilibrating. According to this theory, as it is summarized by Wilber and Jameson, "it is not the economy that is in crisis, but it is government meddling that is keeping an otherwise healthy economy from self-stabilizing." The contrary position is associated with the name of John Maynard Keynes, who held that the economy is by itself fundamentally unstable, and that discretionary and prudent state intervention could restore and maintain full-employment equilibrium; and that this restoration, moreover, would allow -- even facilitate-- the development of free markets as the most efficient means to allocate scarce resources.

With the catastrophe of the Great Depression of the 1930s, "laissez faire economics seemed discredited and the activist policies of Keynesian economics became the dominant force." This remained true "until the doldrums of the 1970s"; but in the 1970s and early 1980s Keynesian economics was badly shaken by the sharp rise of both inflation and unemployment ('stagflation,' so-called). Bewildered, the Keynesians could find "nothing in their toolkit" to fight inflation and unemployment at the same time.

With Keynesianism in default, into the arena came a revised version of laissez faire theory: supply-side economics.

The appeal of supply-side economics is easy to understand. In its pure form, supply-side economics maintains that inflation can be stopped without unemployment. How? By utilizing tax rate cuts to increase aggregate supply, the hope being that by reducing tax rates enough, 'savings' will be invested so that real output will increase enough to raise tax revenues even with the lowered rates.

Here, alas, the debate stands: on the one hand, a fleet-handed supply-sidism; on the other hand, an empty-handed Keynesianism. The American public, unsurprisingly, is wary -- wary to the point of nearly succumbing to some sort of gnostic pessimism concerning the discipline of economics. (After all, as Bertolt Brecht once said, "Brains can't fill the pantry of the poor.")

All has not been in vain, however, in the labor of the economists -- helped, if you like, by some contradictors. Today we see more clearly that economic questions and ethical questions are intimately related, and that the keenly felt "poverty of economics" is the result of economics' obstinate boycott of ethics. And this insight, besides assuring us that the dignity of economics consists in its being (humbly) the handmaiden of ethics, provides us with lines of inquiry which run counter to both Keynesianism and supply-sidism.

It is one of the great merits of Wilber and Jameson's book that the authors go beyond the terms of the contemporary debate. Drawing upon the work of Michal Kalecki and Alfred Eichner, Wilber and Jameson break with a large set of the fixed ideas that hide the reality of contemporary capitalist dynamics under an ideological veil.

Specifically, they advance a radical critique of the phenomenon of business cycles (i.e., the cyclical alternation of periods of expansion and contraction, of boom and bust). This approach strongly recommends their work, for the impact of business cycles affects the very foundations of personal and family life. As Jacqueline Rorabeck Kasun has written,

It is clear that business cycles . . . have been accompanied by profound changes in men's daily lives. Fundamental activities and goals are denied to many members of a modern industrial community during depression; many people are denied the satisfactions that come with having a job and earning a living; marriage and family are foregone or deferred by many; many families are deprived of the experience of making a home together. During prosperity such fundamental deprivations are much less common.

In a word, life itself is alternately impoverished and enriched for a large part of the community during the course of business cycles. This is true even though there appear to be certain kinds of dissatisfaction and disappointment which are peculiar to prosperity.

Wilber and Jameson draw our attention to the special way in which prices are set in markets within which a few business firms have a substantial market share. According to standard textbook economics, the level of aggregate prices simply varies with the level of aggregate demand. This textbook view does not distinguish between firms that have a substantial market share (i.e., oligopolistic firms) and firms that lack a substantial market share (i.e., firms competing in less concentrated industries). Now,

In a perfectly competitive world faced with falling aggregate demand, if a firm began unilaterally to raise prices to maintain profit margins, it would lose its customers But if firms are not competitive, they need worry much less about [loss of customers to competing firms selling at lower prices] because of their power to set prices and control product demand.

Wilber and Jameson adduce evidence showing that in general, a firm that can set prices will tend to raise prices in the face of falling demand in order to keep its profits high. Competitive firms would lower them to increase sales in the same circumstances. The usual description of such behavior is that firms now generally engage in some form of markup pricing.

The growth in importance of large, non-price-competitive firms contradicts the usual [Keynesian and laissez faire] policy assumption that prices will likely come down in a recession.

Just the reverse:

with large firms predominant, a downturn will bring not only rising unemployment, but also rising prices -- in a word, stagflation.

Because of its market power, the oligopolistic firm can increase the margin above costs in order to finance its intended investment expenditures.

If this is accurate (and there is evidence to support it) then the prices [the oligopolistic firms] select must be based on some predetermined objective.

Indeed, the markup price (the price above direct costs) is set

to maximize the growth of sales revenue over time as a means to preserve or enlarge the firm's market share, subject to the requirement that a certain specified level of profits be maintained. Firms will thus set prices at the levels which will most help them achieve this goal.

Hence the strategic importance of the markup price, or price markup over direct costs:

In a markup pricing system direct costs are calculated, profit requirements are added on, and investment plans are thrown in on top of that. Thus there are now three components of price: (1) direct costs (labor, materials, rent, etc.), (2) a target level of profits to satisfy shareholders, and (3) funds to reinvest for further growth. This third component is the part tacked on to ensure an optimum growth of sales revenues. Its inclusion is defended on the grounds that the large oligopolistic firms in the U.S. rely primarily on internal sources of funds (i.e., retained earnings) to finance their fixed capital expenditures.

In 1980 retained earnings of corporations were \$333 billion while personal savings amounted to a much smaller \$104 billion. This retained earnings figure is "directly tied" to the practice of markup pricing, for as John Cornwall has noted,

In large corporations, pricing policy is related to investment policy. When firms need to increase investment outlays and lack the internal funds to do so, they tend to raise prices in order to assure the necessary financing.

In this way, the actual prices charged in the market do not reflect current demand conditions; rather, a markup factor intervenes, with the price (now) set on the basis of "some goal for profits and implicitly upon some goal for investment. Thus a given investment program can be financed by manipulating the price of output."

Here we begin to see the secret of 'stagflation'. As already indicated, "With large firms predominant, a downturn will bring not only rising unemployment, but also rising prices -- in a word, stagflation." Markup pricing allows the larger firms to weather recessions, even though in some measure these firms are the cause and perpetuators of the recessions.

Instead, the working class, who have lost jobs and bargaining power, and the small businesses, who must contend with reduced demand, rising interest rates, and higher costs in general, are the innocent victims. When it becomes politically impossible to continue the recession, the government moves to strengthen the economy. In the meantime, workers have lost much time and much power and many small competitive firms have been driven out of business.

In addition, if the leading oligopolistic firms

(for whatever caprice) decided to postpone their investment programs, then aggregate demand would fall and eventually output and employment would fall in response to diminished demand. Thus, a downward cycle would have been generated.

However,

Once a down-swing begins, it feeds on itself, creating further movement in the same direction.

On the other hand,

Once an upswing has begun, it too is cumulative.

It would appear, on the basis of Wilber and Jameson's discussion, that the best way to rationalize business-cycle fluctuations -- the best way to overcome stagflation -- would be to socialize the investment function (I am using the term 'socialize' here in a Thomistic sense, not in a 'socialist' sense). Wilber and Jameson do not use the term "socialization of the investment function," nor even the term "democratization of the investment function," although they do -- and very rightly -- call for "labor participation in management, particularly in investment decisions."

But the essential point, I would argue, is to socialize the investment function by making sure that all prices -- certainly including markup prices -- are, as scholastic economic ethics has always demanded, just prices. Within this perspective, it is not enough to "democratize the investment function"; the investment function (in the private and public sectors) must be rationalized or socialized in accordance with the traditional principles of just exchange. To be sure, this 'socialization' of the investment function presupposes, as a practical matter, an effective degree of "economic democracy." But there is a point even more fundamental, and that is that the essential purpose of the "democratization of the investment function" is the socialization of this function.

Unfortunately, the just price doctrine of scholastic economics is too little known in the United States. Therefore the true measure of markup prices -- that is, the measure in terms of which these prices can be seen as departing from justice -- is not taken. Hence the populist moralism (but no clear ethics) in Michael Harrington and Tom Hayden's call for 'democratizing' the investment function.

Charles Wilber and Kenneth Jameson, by contrast, know something of the scholastic tradition of economic ethics, but not enough to prevent them from writing (out of their own post-Keynesian perspective) that, with respect to business-cycle theories, the Marxist analysis ("whatever our views

on [its] correctness let us appreciate it for the insights it provides . . .") is "the only coherent theoretical structure which does not see recurrent cycles and depression-like conditions as an accident."

In actual fact, the modern scholastic tradition in economics is also an exception to the conventional notion that business cycles are a phenomenon that is superimposed upon the normal course of capitalist development. In particular, I have in mind the work of the learned Canadian Jesuit Bernard J. F. Lonergan on Circulation Analysis (1944). Fr. Lonergan holds that cyclical tendencies are "solidly grounded in a dynamic structure of the productive processes" of capitalist economies. He holds that recurrent cycles and depressionlike conditions are not accidents, nor wholly or directly the product of discreet acts of misconduct, but the product of cumulative misconduct.

Thus Lonergan would include the discipline of economics within a compass of a larger discipline, whose mission would be to study not, first of all, cycles of business progress and decline, but cycles of ethical progress and decline, of which business cycles, in their turn, are a function.

According to Lonergan, cycles of moral progress or decline are sustained according to whether "cumulative insight" or "cumulative bias" predominates in a culture. There is moral progress when cumulative individual, group, and general insight inform thought and guide action; there is moral decline when cumulative individual bias, group bias, and general bias (i.e., acceptance of the way things are without attending to the past errors which lead to the present state) deform thought and misguide action.

Lonergan's general theory of cycles of moral progress and decline is too complex to summarize here, but suffice it to say that, in accordance with the tendency of group bias to "exclude some fruitful ideas and to mutilate others by compromise,"

. . . there arises a distinction between the shorter cycle, due to group bias, and the longer cycle, originated by the general bias of common sense [acceptance of the way things are]. The shorter cycle turns upon ideas that are neglected by dominant groups only to be championed later by depressed groups. The longer cycle is characterized by the neglect of ideas to which all groups are rendered indifferent by the general bias of common sense.

In this way we experience cycles of moral progress and moral decline.

For just as progress consists in a realization of some ideas that leads to the realization of others until a whole coherent set is concretely operative, so the repeated exclusion of timely and fruitful ideas involves a cumulative departure from coherence. The objective social situation possesses the intelligibility put into it by those that brought it about. But what is put in, less and less is some part of a coherent whole that will ask for its completion, and more and more it is some arbitrary fragment that can be rounded off only by giving up the attempt to complete the other arbitrary fragments that have preceded it or will follow it. In this fashion social functions and enterprises begin to conflict; some atrophy and others grow like tumours; the objective situation becomes penetrated with anomalies; it loses its power to suggest new ideas and, once they are implemented, to respond with still further and better suggestions. The dynamic of progress is replaced by sluggishness and then by stagnation. In the limit, the only discernible intelligibility in the objective facts is an equilibrium of economic pressures and a balance of national powers.

With respect to Wilber and Jameson's contention that "the only coherent theoretical structure which does not see recurrent cycles and depressionlike conditions as an accident" is Marxist analysis, I cite, by way of reply, not only Lonergan's Circulation Analysis but his great work Insight: A Study of Human Understanding (1957), which contains a masterful generalization of (Lonergan's own) economic cycle theory into a basic theory of progress and decline in the human community.

Of course Lonergan is well aware that Marx's is the only other theoretical structure that (correctly) does not see recurrent cycles and depressionlike conditions in capitalist development as accidental or superimposed. But in Lonergan's account Marx's diagnosis, in its own turn, becomes a datum of the problem; it becomes far more what needs to be explained than what explains:

There is the minor principle of group bias which tends to generate its own corrective. There is the major principle of general bias and, though it too generates its own corrective, it does so by confronting human intelligence with the alternative of adopting a higher viewpoint or perishing. To ignore the fact of decline was the error of the old liberal views of automatic progress. The far more confusing error of Marx was to lump together both progress and the two principles of decline under the impressive name of dialectical materialism, to grasp that the minor principle of decline would correct itself more rapidly through class war, and then

to leap gaily to the sweeping conclusion that class war would accelerate progress. What, in fact, was accelerated was major decline which in Russia and Germany leaped to fairly thorough brands of totalitarianism. The basic service of the higher viewpoint will be a liberation from confusion through clear distinctions. Progress is not to be confused with decline; the corrective mechanism of the minor principle of decline is not to be thought capable of meeting the issues set by the major principle.

Wilber and Jameson's discussion of markup pricing in the oligopolistic sector of the U.S. economy is a superb instance of the expansion of the claims of intelligence in the face of compound group and general bias, a compound so potent today that, as Lonergan puts it, "men of practical common sense become warped by the situation in which they live and regard as starry-eyed idealism and silly impracticality any proposal that would lay the axe to the root" of the objective incoherence.

This is why, as Wilber and Jameson found, "The immediate response to any demand for labor participation in management, particularly in investment decisions, is to write it off as ideological and impractical."

It is to the credit of the authors of An Inquiry into the Poverty of Economics that cumulative bias of this sort does not deter them.

