

Lonerger's Reception among Economists: Tale of a Dead Fish and an Agenda for Future Work

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Abstract

Bernard Lonergan's economics was developed in the 1940s, presented to a wider audience through his Boston College seminar in the 1970s, then published in the *Collected Works* in 1998 and 1999. It has attracted a small but devoted following among philosophers and theologians but the impact of Lonergan's work among professional economists has been almost zero. There are some parallels in the bifurcated reception of Lonergan's philosophical work, though there has at least been some impact on philosophers. This paper briefly reviews the history of Lonergan's interactions with economists, and the reception of his work among them. Some reasons for the bifurcated reception are considered. It then outlines an agenda for future work on Lonergan's economics that will facilitate engagement with mainstream professional economists.

Introduction

A great deal has been written on Lonergan's economics, mostly by philosophers and theologians associated with him, but it has not attracted much attention from economists¹. The bifurcated reception is interesting to investigate, both for insights into the nature of Lonergan's economics, and the nature of mainstream professional economics over the period since Lonergan wrote.

The next section of the paper reviews the production of Lonergan's economics, from his reading in the 1930s to the manuscripts of the early 1940s, through to his renewed interest in the 1970s. I then turn to the reception among economists, and examine various explanations that are offered for the lack of interest. We are not in my view yet compelled to the residual explanation - that it is not very good economics - and the final section of the paper sets out an agenda for engagement with professional economists.

Production

As is well known among Lonergan scholars, he produced two economic manuscripts “For a New Political Economy” written around 1942, now published in volume 21 of the *Collected Works*², and “An Essay on Circulation Analysis” written 1944, now published with subsequent changes and additions in the volume 15 of the *Collected Works*.

It is worth reviewing the history of the production of these manuscripts as it is relevant to their reception by economists. Frederick Lawrence's introduction to volume 21 of the *Collected Works* provides a great deal of background information, and the other main sources of

¹ The literature on Lonergan's economics includes Mathews, W. A. “Lonergan's Economics.” *Method* 1985 3(1): 9-30; Shute, M. “Economic Analysis within Redemptive Praxis: An Achievement of Lonergan's Third Decade.” *Lonergan Workshop* 1985 (14): 243-64; Byrne, P. “The Economy: Mistaken Expectations.” *Lonergan Review* 2010 2(1): 10-34; De Neeve, E. *Decoding the Economy* Montreal, Sherbrooke-Valois 2008; Hoyt-O'Connor, P. *Bernard Lonergan's Macroeconomic Dynamics* New York, Mellen 2009.

² *Collected Works* refers here and elsewhere to the partially completed 25 volume University of Toronto Press edition under the editorship of Frederick Crowe and Robert Doran. The date of the “For a New Political Economy” manuscript is discussed by Frederick Crowe in an appendix to Volume 21 of the *Collected Works*. Incidentally, McShane's suggestion on pxxiv of his introduction to the volume that it was Lonergan's intended primer on economics seems inconsistent with Lonergan's 12 June 1982 letter to Jane Collier, as Lonergan states he is working on a primer, and the only economics manuscript he seems to have been working on is published in volume 15.

information are Lonergan's own reflections³, William Matthews' account of Lonergan's intellectual development⁴, archival material including letters and reading notes, and Lonergan's personal library held by the Lonergan Research Centre at Regis College in Toronto⁵.

Lonergan was not formally trained in economics, though unusually for a major theologian he had the training and aptitude in mathematics necessary to read professional economics literature. He studied mathematics, languages and philosophy from 1926-30 at Heythrop College, where he was exposed to Catholic social thought through one his teachers, Lewis Watt. Lonergan's interest in economics in the 1930s grew through observing the suffering of the Great Depression, his concern about the consequences for democracy of economic collapse, a sense of the inadequacy of existing Catholic writing on economic matters, and possible connections of economics with the historical schemes he was toying with in an early essay *Panton Anakephalaiosis*⁶. It is not the purpose of this paper to assess the proposed explanations of Lonergan's interest in economics. The relevant point is that he came to economics mainly through reading, with little connection to professional mainstream economists⁷.

³ Cahn E. and C. M. Going (1977). *The Question as Commitment: A Symposium* Montreal, Thomas More Institute; and Lambert P., C. Tansey and C. M. Going (1982). *Caring About Meaning: Patterns in the Life of Bernard Lonergan* Montreal, Thomas More Institute.

⁴ Matthews, W. A. (2005). *Lonergan's Quest: A Study of Desire in the Authoring of Insight* Toronto, University of Toronto Press.

⁵ I appreciate the assistance of Danny Monsour in tracking down materials in the archives when I visited Toronto in November 2009.

⁶ *Panton Anakephalaiosis* was written in the mid 1930s and published in *Method: Journal of Lonergan Studies* 1991 9(2): p139ff. with an introduction by Robert Doran and Frederick Crowe.

⁷ This reading was prodigious, with detailed notes from the 1930's and early 40' in the archives on Heinrich Pesch *Lehrbuch Der Nationalökonomie: Teaching Guide to Economics*, Lionel Robbins *Essay on the Nature and Significance of Economic Science* 1932, Frank Knight *Risk Uncertainty and Profit* 1921, Schumpeter *Theory of Economic Development* 1911/tr1934 and *Business Cycles* 1939, Hayek's *Money and the Trade Cycle* 1933, Roos *Dynamic Economics* 1934 among others. Although there are no notes in the archives on Keynes *General Theory* 1936, the discussion in the 1942 manuscripts suggests Lonergan was familiar with it. Lonergan has picked out most of the important works of economic theory relevant to his project, with a bias towards authors with classical liberal views. Kalecki's work in macrodynamics was available in English by the end of the 1930s but was not well known – partly as a result of Keynes influence as editor of the *Economic Journal*. An intriguing question is whether Lonergan had read Schumpeter's *Capitalism and Socialism and Democracy* in 1942 before composing the manuscripts, because Schumpeter's pessimistic assessment of prospects for capitalism, and prophesied bureaucratic suffocation of the entrepreneur connects with Lonergan's views. Some of Schumpeter's ideas were signalled in previous publications such as "The Instability of Capitalism." *Economic Journal* 1928. Another intriguing question is the connection between Lonergan's work and Hayek's *The Road to Serfdom* published in 1944, with its similar

The next stage of the story is somewhat murky. Having produced the manuscripts Lonergan had to work out what to do with them. Lacking professional connections with economists it seems he charged others with seeking feedback on the manuscripts. Fred Lawrence's introduction in the *Collected Works* states Lonergan "spoke of passing the fruits of his labours on to experts in the field and getting little, if any, reaction or encouragement"⁸. Lonergan himself in correspondence with Jane Collier⁹ wrote "Friends had my typescript read by economists in Toronto, Montréal, Boston, and St Louis. The opinions convinced me that the time is not yet ripe, and so my essay remained in my files until I came across Kalecki".

This is consistent with Lonergan's remarks in an interview around the same time, reproduced below, which I've drawn on for the title of the paper:

"Interviewer: Why did you leave your paper aside and unpublished?

Lonergan: Economists didn't make head or tail of it. I didn't want to publish a dead fish, eh?

Interviewer: You consulted economists?

Lonergan: Yes I had consulted a fellow who was in charge of the Tax Foundation in Canada ...He was in contact with a professor at McGill about the manuscript. Also in Boston, through Joe Flanagan, and St Louis, it was shown to economists, you see."

Interviewer: This was later on?

Lonergan: No, at the time. I got no encouragement from anyone I showed it to in 1944.

.....

Interviewer: What were the objections of people who saw your manuscript?

Lonergan: They didn't know what it was all about.

Interviewer: They weren't familiar with Kondratieff?

Lonergan: Oh yes, they knew Kondratieff.

Interviewer: Was there something peculiar about your model?

Lonergan: Well yes. They had never seen anything like it. No one has that."¹⁰

It seems from the remarks that it was the 1944 manuscript which was shown to others. The identities of the "friends" who were charged with obtaining feedback, and the economist or economists who read the manuscript are not given. Who are the likely candidates?

critique of the totalitarian nature of economic planning.

⁸ *Collected Works* Vol 15 pxl.

⁹ This is the 12 June 1982 letter from Lonergan to Jane Collier referred to in an earlier footnote.

¹⁰ Lambert P., C. Tansey and C. M. Going (1982). *Caring About Meaning* p182-3.

One candidate is his former student and friend Eric Kierans. Frederick Crowe states that “Kierans, previously a student of Lonergan in Loyola College Montreal from 1931-33, was in close touch with Lonergan after Kierans moved back to Montreal in 1945. It was at this time that Lonergan gave Kierans the “For a New Political Economy” manuscript.” which was lost for many years before turning up in 1986. Crowe also notes “the contact Kierans mediated for Lonergan with McGill professors and other economists”¹¹ in the period from 1948 that Kierans was at McGill in Montreal. Candidates for the McGill economists include Jack Weldon, Bertram Kierstad and Earl Beech¹². Contacts in Boston and St Louis are obscure.

Kierans himself was not overly impressed with Lonergan's contribution. Some have dismissed Kierans' opinion as reflecting his own limitations as an economist, or unwillingness to fully engage with Lonergan's model, or just failing to “see the light”. These sorts of defence mechanisms against adverse opinions of Lonergan's economics are unfortunately common in the existing literature.

After the shelving of the economics manuscripts in the late 1940s Lonergan's energies switched to philosophy and theology, leading to the publication of his masterpiece *Insight* in 1957.

The next stage in the production of Lonergan's economics was the renewal of his interest as *Method in Theology* approached publication, eventually appearing in 1972. Again a variety of reasons have been offered for Lonergan's interest at this time in economics. Lonergan had much the same reaction to the economics of JB Metz and some of the liberation theologians in the late 1960s and early 1970s as he had to the economics of Catholic theologians in the 1930s¹³. In a natural law framework it is of course important to get the economics right if the moral theology on which it is based is to be right. Another factor was the ferment in the economics profession in the early 1970s, partly because of the rise of heterodox traditions such

¹¹ *Collected Works* Vol 21 p319-20.

¹² Kierstad and Beech are named as Lonergan's McGill contacts in the early 1950s, in a letter from Eric Kierans to Eileen De Neeve 23 May 1989. Eileen De Neeve suggested Jack Weldon as a possibility in recent correspondence about the issue. I arranged a search of the Kierans papers held by the National Archives in Ottawa, but this shed no further light on the matter. I'm grateful for the generous correspondence of Eileen De Neeve and Ken Melchin in Montreal, Doug Macouilller in St Louis and Fred Lawrence in Boston as I have sought information on Lonergan's economics contacts.

¹³ Lonergan sent Philip McShane a postcard in 1968 along these lines, discussed in Fred Lawrence's introduction to volume 15 of the *Collected Works* pxi.

as Post-Keynesianism and partly because of the inability of mainstream models to explain and offer helpful policy advice during the period of stagflation which followed the OPEC oil crises. Lonergan saw connections between what he was doing and the work of the Post-Keynesians, particularly the work of the Polish economist Michael Kalecki who was becoming better known at that time¹⁴. Lonergan perhaps saw an opportunity for vindication of his earlier explorations in economics. Perhaps his own work, like Kalecki's, would be appreciated after a lag of several decades.

The move to Boston College in 1975 offered the opportunity to read further in economics and rework his 1944 "Essay in Circulation Analysis" manuscript. From 1978 he taught a Boston College seminar "Macroeconomics and the Dialectic of History" to a small but admiring group. The teaching and reworking of his manuscript continued until poor health intervened in 1983. The 1942 manuscript "For a New Political Economy" was forgotten. A 1975 lecture "Healing and Creating in History" set as reading for the Boston College seminar seems to have taken its place as the contextualising essay around the terse analysis of the "Essay in Circulation Analysis". My interpretation is that the 1942 manuscript was an early exploration of the economics, but became redundant as Lonergan narrowed his focus to the analytical questions. The 1942 manuscript was part of the path rather than being the conclusion of his economic investigations, though it is easy to see why theologians and philosophers have been attracted to it more than the "Essay on Circulation Analysis"

¹⁴ Among the Post-Keynesians, he seems to have been attracted to Joan Robinson's work (temperamentally an outsider like Lonergan) and the essays in Alfred Eichner's *A Guide to Post-Keynesian Economics*. Above all though Kalecki's *Selected Essays on the Dynamics of the Capitalist Economy 1933-1970* published in 1971 which made available his macrodynamic modelling from 1933-1970. At this time he also read voraciously in history economic thought, including Schumpeter's *History Economic Analysis* posthumous published in 1954, and the early issues of the new specialist journal *History of Political Economy*. On the advice of Eric Kierans he had also been reading back issues of the *Economic Journal*. At this time expectations were a hot topic among economists, and Lonergan found Robert Gordon's *Macroeconomics* which provided the first textbook level treatment of the new theory of rational expectations.

Reception

It is the reception of Lonergan's economics among economists, rather than philosophers and theologians, which is the topic of this paper. In sharp contrast to the admiration of the “Essay in Circulation Analysis” among the small group around Lonergan, many of whom were involved in the Boston seminar, the mainstream professional economists who encountered the Essay have found it eccentric and not worth the trouble of pursuing further. For instance, puzzlement was the reaction of the two economists Francis McLaughlin and Harold Peterson from Boston College who attended a workshop connected with the publication of volume 15 of the *Collected Works*. Also Eric Kierans’ reaction mentioned earlier.

The best indication of the interest of professional economists in a work is the treatment in standard reference works, professional journal articles written about the work, and citations. Perhaps the most widely used multivolume reference work is *The New Palgrave Dictionary of Economics* first published in 1987 edited by J. Eatwell, M. Milgate and P. Newman. The editors managed to attract the top names in the field to contribute essays on economists and a very wide selection of topics in economics. If criticised, it was mainly for giving too much space to heterodox economists, especially the Post-Keynesians, who were then very much in decline after the peak of their movement in the late 1970s. There is no entry on Lonergan and an extensive search of likely topical entries reveals no trace of Lonergan's work. A new and expanded edition was prepared in 2008 by S. Durlaf and L. Blume, and the electronic version is searchable. A full text search of the new edition for Lonergan revealed zero hits.

The *Journal of Economic Literature* published by the American Economic Association abstracts and indexes an extremely inclusive list of economics journals as well as books likely to be of interest to economists. Again there is no trace of any impact of Lonergan's work on professional economists. Turning to citations, I have been unable to find a citation of Lonergan’s work in a journal or book which would be regarded by economists as part of the professional mainstream literature. Thus the contrast is stark between the reception among a small group of philosophers and theologians, and the reception among economists.

Why?

I would now like to explore reasons for this bifurcated reception. There are some similarities with the reception of Lonergan's work in philosophy and theology (a small group is deeply appreciative, though disappointed with the mainstream interaction with and impact of Lonergan's work) but the economic work is my concern here.

I will deal with possible reasons in turn:

1) Circumstances of Production. Lonergan's isolation from mainstream professional economists has already been discussed. Temperamentally and by virtue of his circumstances teaching for most of his life in Catholic theological institutions, he had to rely on others for dissemination of his work. Among his close associates none could be regarded as a professional economist, except perhaps Eric Kierans, and he was increasingly absorbed in politics.

In my view, while these circumstances were unhelpful, similar circumstances have not stopped other work being recognised after a lag. Kalecki is the obvious example. Another is Von Thunen's spatial equilibrium analysis.

2) Delayed Publication. As has been discussed, the economic manuscripts were not published until the late 1990s, though Lonergan's position and teaching at Boston College meant that knowledge of the existence of the manuscript was reasonably widespread from the 1970s. Access to copies of the manuscript was not restricted in any way.

It has now been over 10 years since the publication of the relevant volumes of the *Collected Works*, and so this explanation for the bifurcated reception is starting to wear thin. Improved communications, especially the Internet have made Lonergan's work quickly and easily accessible to anyone interested. Many Lonergan websites around the world make texts available for downloading. Citation half lives of works of economics are short, and even if we make the assumption that the work was unknown before publication, there is no modern precedent for a work which has not been cited for this length of time attracting interest.

3) Form of the Work. The "Essay in Circulation Analysis" is not easy work to come to grips with. Philosophers and theologians have generally assumed the difficulty is that it is a technical work of economics, and they are not economists. Those with a background in economics however, don't find it easy either. In fact the opposite. The terminology is unfamiliar, notation

is unusual and not always consistent, nowhere is there a clear system of equations representing in the model, nor do predictions or policy advice flow from the model. There are few clues in the text about how the model fits into the literature of economics. It is quickly clear to an economist reader that a substantial investment of time is needed to translate the “Essay” into a digestible form.

Economists are professionally trained to ask whether the expected benefits justify such investments. It is difficult for the economist to form expectations of the likely benefits, but the information that other economists have not found the investment worthwhile, that theologians mostly write complete rubbish economics, as well as the markers of heterodoxy in much of the secondary literature on Lonergan's economics, do not encourage fulsome expectations of benefits for the typical economist reader. In some ways philosophers and theologians have an easier time with the work than those trained in contemporary economics.

The form of the work is a barrier, but not in my view the fundamental reason for the bifurcated reception.

4) Response That the Work Calls For. As has been observed of Lonergan's other work, it has an almost therapeutic quality, and calls for some sort of conversion from the reader.

This suggests another plausible candidate explanation for bifurcated reception. The response the work calls for makes the expected benefit function not smooth, but discontinuous. This means that investments of time up to the point of conversion yield modest benefits, but beyond a critical point - the point of discontinuity in the benefit function - the benefits investment to come larger and increasing as investment increases. If the population of readers is heterogeneous then some readers would be expected to make a zero investment in the work, while others would make very large investments. Although the prediction from the model is consistent with observation, it is hard to say though whether this is really what is going on with the reception of Lonergan's economics.

5) Fashions in Economics. Lonergan's own explanation for the lack of interest in his work seems to have been that the time is not right for it to be received¹⁵. There are several things he could mean by this. Perhaps he means that price theory dominates contemporary economics,

¹⁵ Lonergan's explanation that the time is not ripe appears in the letter to Jane Collier cited earlier, as well as in the *Caring about Meaning* interview.

whereas he is offering an analysis of aggregate flows. Perhaps he means that economics must become properly dynamic - "cross the Rubicon" - before his contribution can be fully appreciated. Another possibility is that the intensification of the economic cycle in the future will refocus the attention of economists on models of the cycle.

None of those variants of Lonergan's explanation are terribly convincing. In the 1940s price theory was not dominant, and other economists were engaged in a sort of aggregate analysis of the essay, and there was intense interest in the economic cycle. This variant is perhaps more plausible for the late 1960s. Commentators on Lonergan's economics have liked the second variant that economics cannot appreciate his work because it is not yet properly dynamic. The problem with this though is that even when Lonergan wrote in the 1940s others were offering similar dynamic economic models, and by the time he returned to economics in the 1970s dynamic economics had advanced well beyond what Lonergan was doing. If there is anything in this explanation I suspect it is to do with Lonergan's account of expectations within his dynamic economics. The problem with the third variant is that the economic cycle is if anything becoming less prominent and the monetary authorities (at least in developed countries) are becoming more adept managing the cycle. The crisis of 2008 was not a cyclical phenomenon, but an institutional failure.

6) The Work is Not Very Good Economics. This must be the default position if the other explanations do not succeed.

Agenda

I do not believe that we yet are forced to the default position, although this appears to be where the few professional economist readers of his work have ended up. To engage economists I believe something like the following is necessary:

A) Contextualise Lonergan's economics, both within 1940s macroeconomics and contemporary economics. This means careful consideration of the influences on his work and connections with other similar work. The section of Fred Laurence's introduction to volume 15 of the *Collected Works* on "Lonergan's Interlocutors" pxlili, and parts of Matthews' *Lonergan's Quest* are a good start but much more is needed. To do this properly, expertise in the history of economics for the relevant periods is required. If done well, contextualisation would provide pathways into Lonergan's economics for both historians of economics and contemporary economic theorists.

B) Translate the text of the "Essay in Circulation Analysis" into a clear and compact system of differential equations. This would dramatically lower the investment required by economists to consider Lonergan's model, and provide some assurance about its coherence.

C) Tone down the rhetoric of the special character of Lonergan's economics, and the sense that one needs some sort of secret knowledge passed from master to disciples to truly grasp Lonergan's economics. This is offputting to economists, and looks suspiciously like an entry deterring strategy commonly employed by monopolists. It is a strategy that would attract the attention of anti-trust authorities in other contexts.

The project that Neil Ormerod and I are coordinating at Australian Catholic University, "Transdisciplinary Vision of Bernard Lonergan: Theology, Economics and Finance" is concentrating on A) and B). A number of professional macroeconomists are involved in our group, and there is the specialist expertise in the history of economics required to make progress on contextualisation. One of the components of the project for which we have funding is mathematising the "Essay in Circulation Analysis", and carrying out the mathematical consistency checks on the model which are then possible. We hope this will clarify the nature and properties of Lonergan's core model. I find it incredible that this is not already been undertaken.

Conclusion

Whatever verdict eventually emerges on the value of Lonergan's economics, it is impossible to avoid admiring his achievement. I respect the depth of understanding he reached of state-of-the-art economics in the 1940s, an understanding reflected in the macrodynamic model he built that seems to compare well with contributions of professional economists of this period.

Finally, we must be careful with the criteria we use to evaluate his economics. This is not just the historiographical point about contextual vs retrospective evaluation¹⁶. As Lonergan explains, his aim is understanding of the economic process, not prediction and policy control, and so it is fair to evaluate his models according to whether they facilitate this understanding.

¹⁶ Mark Blaug *Economic Theory in Retrospect*. 5th edition Cambridge, CUP 1996 offers an economists account of the historiographical issues, and a more nuanced account may be found in Jacob Viner *Essays on the Intellectual History of Economics* edited by Douglas Irwin Princeton University Press 1991, or Quentin Skinner "Meaning and Understanding in the History of Ideas." *History and Theory* 1969 8: 3-53.