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Dear Fellow and Director,

Certainly, ask Fr Maloney of Miltown Park for a copy of my "Circulation Analysis" for your personal use.

Some notes on the genesis and present state of the MS may be clarifying.

In the late twenties I was a student of philosophy at Heythrop College then near Chipping Norton, Oxon. Fr Lewis Watt taught the course on ethics and published a book on 'Capitalism and Morality' (Cassell). It alerted me to the danger of 'intelligent self-interest' coming to mean in economics the equivalent of Realpolitik in affairs of state.

On returning to Canada in the summer of 1930 I found workers unemployed, the wealthy destitute, and media retailing practical solutions. Major Douglas' Social Credit caught my attention. I was in no position to correct his empirical work, but his solution seemed manifestly inflationary. It was a puzzle that occupied me off and on until 1944. By then I had an MS of about 120 pages and, through friends in Montreal, Toronto, Boston, and St Louis, sought qualified opinion. Opinions varied but I was not encouraged to continue.

By and large the 1944 MS is also the 1978 MS. What happened was that I came across Michal Kalecki's 'selected essays on the dynamics of the capitalist economy' and was delighted by his phrase, Workers spend what they get, capitalists get what they spend. It reminded me of my 1944 diagram. In 1978 I began a course on macroeconomics in the theology department here. Since then the 1978 edition of Circ. Anal. has been revised a number of times and further revisions are still in process.

My main sources have been the Economic Journal, A Guide to Post-Keynesian Economics by a dozen contributors with a preface by Joan Robinson and edited by Alfred Eichner (Distributed by Pantheon Books, a division of Random House) and, in exploration of earlier wisdom, J. A. Schumpeter's History of Economic Analysis.

I beg you to excuse my delay in answering you. There were the pressures of the school year ending, of commitments to groups in Montreal, and of health complications.

In those circumstances I did not succeed in putting together for you the genetic context and the present situation of my VMS. That I very much wished to do.

You spoke of difficulty in interesting students in analysis. My experience has been that one needs in one's class at least a minority that are quite intelligent, that can recognize the existence of a problem, that can delight in clues to its solution. A few successes will set them talking and their talk will excite the interest of others. The process can snowball.

On the other hand, rigorous deduction from a set of consistent postulates is an exercise in the art, rather the drill, of marking time. One is repeating in other words what already was implicit in the postulates. This can be exhilarating when one understands the beauty of systematic thought and the powers of assimilation it gives. But this beauty is discerned only by the initiated, and I should say the initiation is a matter of problems, clues, discoveries, and the coalescence of discoveries into solutions. This is the earlier stage in intellectual development.

With thanks for your stimulating letter, I am

Respectfully,

Bernard Lonergan S.J.

Bernard Lonergan

P. S. There occurs to me an illustration of the contrast between intellectual initiation and the grander sweep of theory. It occurs in Schumpeter, History of Economic Analysis, from the bottom of p. 240 to the end of the first paragraph on p. 243. It is on the value of Quesnay's tableau, not as an expression of physiocratic doctrine, but simply as a tool yielding a tremendous simplification, an easy access to quantitative relations, and an apprehension of the interlocking interdependence of all parts of an economy as a closed system. Further it offers other advantages that are lacking in Walras' set of simultaneous equations. A 'trouble-shooter' exercises his intelligence in the concrete situation. He asks not what is wrong with the design of this machine but what has gone wrong in these materials.