

A.

Econ. Spec. (2) No. 58

(Bound by single page:

(i) handwritten symbolic r_{ij} , s_{ij} , Σ (See Section 9)

(ii) interrupted 1. Sections of a Monetary Circulation)

An Outline of Circulation Analysis

1. Viewpoint

3 coherent complete pages v.g.

2. Method

3 (2-1/2) coherent complete pages v.g.

7. The Exchange Economy

(gets into the question of prices, money, supply and demand

11 pages (jotted headings on top of 1st page)

(unnumbered)

ends in mid-sentence

1. a) Prices

2. b) The Consistency of Prices

3. c) Money

4.-7. d) Demand and Supply

8.-11. e) The Nature of Prices

"Prices are the marginal comparative valuations of the community."

2 sets. Supply, demand
→ Problem

8. Prices

5 pages:

- front & (1. 7, above 1-3
back (2. handwritten (re fluid prices and competition)
front & (3. continues from 1 (stops in mid-sentence)
back (4. handwritten (re prices, acceleration, the problem
of "more money")
5. almost certainly (proposition 'to' missing) continues
from 7.11 and completes it.

f. The Dialectic of Prices

4 pages (3-1/5, incomplete)

These pages express some of the handwritten indications of 8.2 and 8.4.

1. Summary, coming close to the conclusions of the (final) Circulation Analysis, 501, p. 1, points 9-11.
2. First period: benefits of fluid prices and competition
3. Second period: pressure towards corporations, etc. drift of economies into politics
4. Solution? planning or

9. Circuit Velocities

16 pages. Would seem to be an earlier version of Circulation Analysis, 501, 9. Circulation Acceleration (pp. 42-52) and the Appendix to Section 9, 53-55.

9. Circulation Trends

5 pages, the last page having a few lines (incomplete) on each side, continuing p. 4.

These pages would seem to be an early version of the (final) Circulation Analysis, 501, 11. The Cycle of the Productive Process, pp. 63-73.

This is borne out by the equation numbers. Eqt. 15 occurs on p. 1 of these pages: Section 9 of C.A. 501 contains no equations but section 8 ends with Eqt. 14. The Appendix to Section 9 has Eqt. 15, but this Appendix may have arisen from difficulties with the Circulation Trends: see Econ. Spec. No. 59, 11, Trends.

10. Price and Process Indices

6 pages

The first three pages are related to the discussion of prices in Econ. Spec. (2) No. 58; the second three pages would seem to be a move towards the (final) Circulation Analysis, 501, 10, The Theoretical Possibility of Measurement of the Productive Process, pp. 56-62.

11. Systematic Costs and Profits

6 pages

These would seem to be a move towards Circulation Analysis, 501, 14, The Cycle of Pure Surplus Income, pp. 90-103. The question of "costs" is taken up again in section 15, pp. 104 ff.

10. The Cross-overs

2 pages (incomplete)

dealing with DG, rate of cross-over difference.

Note:

That on the second page an equation 16 occurs; that on the first page there is also an equation 16 and 17; that the second page quotes an equation 9 which occurs in the final Circulation Analysis, 501, p. 37, on which page DG was introduced. In C.A. 501, eq. 15 occurs at the end of this same section 8, Rates of Payment and Transfer, p. 41. Eq. 15 occurs in section 9, Circuit Acceleration, Appendix, p. 53. DG was discussed briefly at the end of section 9, pp. 51-52. So these two pages may have originally followed after section 9 of final C.A. 501.

B.

11. Trends

10 typed pages and

2 handwritten sketch-pages

(back of these being 2 reject incomplete typed pages

(i) re demand and supply functions, solutions, etc.

(ii) re e The Nature of Prices

See Econ. Spec. (2) N.58, 7)

Re the typed pages, see the comment on Econ. Spec.
58, C. The present analysis takes up two types of
trends: process and circulation.

2nd page contains the remark "as outlined in equations
(33) to (91) in the preceding section" which is puzzling:
the final C.A. 501 contains only (51) equations.

A.

Economic Analysis, Notes
November 1942 No. 60

This file of notes falls into two parts. The first part is handwritten, mainly extracts from Robbins, Schumpeter, etc. It remains to be dealt with in detail. It contains occasional asides, one of which I quote immediately as central:

Schumpeter and Lonergan:

My real and my circulation phases involve no distinction between growth (mere increase in size) and development (new productive combinations). For Schumpeter these two are specifically distinct - the new production functions create new situations that increase enormously the average of error and bring about the cycle(s).

However, the ideas of capital, credit, interest, etc., that Schumpeter advances appear more clearly and more generally and in more detailed a fashion. The relevance of Schumpeter's insistence on development as opposed to growth is in the concatenation of the phases, e.g. Schumpeter's development can take place in my static phase if $DQ_n > 0$ and if the new combinations are continuously offset by equal liquidations of former enterprises.

B.

Economic Analysis, 60

The second part of the file is a typescript entitled

A Method of Independent Circulation Analysis

(bound by a single interesting "beginning page" with handwritten title "Essay towards a Pure Theory of Social Economics")

A contribution to discussions at the
Conference on Appropriate Technology
(Sept. 26 - 29 1977)

Tompkins Institute, College of Cape Breton
Philip McShane

Professor Dawson has asked me to give some notion of the economic theory of Bernard Lonergan to the core participants. The theory is not available in published form: Lonergan is, at present, engaged in a book, entitled Economics and the Dialectic of History, which will place it in a larger context. His main work in economics was done, however, in the period between 1928 and 1944. At that stage, as he remarked recently (Boston Workshop, 1977) he showed his typescript to six or so economists without much result. But the climate of opinion is now changing: it is increasingly apparent that Keynesian economics, creeping socialism, gross taxation, managed economics, agro-business, macrotechnologies, etc., are inefficient, inhuman, unintelligent.

I have had the privilege of working on all of Lonergan's early manuscripts and typescripts, and also of keeping in touch with him in his present work. During the present year I gave a ten-hour presentation of Lonergan's theory at Boston College, and as a context for the presentation I provided beforehand the appended paper. Sections 3 and 4 of that paper describe two different traditions of economic thinking: the first, neglected, tradition seeking an understanding, (at its best normative), of concrete economic process, the second tradition- at present dominant in theory and practice - engages in some variety of economic statics. To these two sections, then, I would direct immediate attention. Sections 1 and 2 provide the general philosophical context. In section 5, especially around and in footnotes 123-132, there are points which relate more closely to our concern regarding regionalization, intermediate and microtechnologies, etc.

While section 3 gives some indication of the direction of Lonergan's analysis, it does not enter into it: that was the function of the workshop already mentioned. Nor would I attempt here a summary presentation. However I add immediately the initial page of Lonergan's main 130 page typescript on the subject, outlining his argument, and conclude with some further brief comments on the contrast between Lonergan's view of economic praxis and that of the Keynesian tradition.

"Outline of the Argument. The present inquiry is concerned with relations between the productive process and the monetary circulation. It will be shown 1) that the acceleration of the process postulates modifications in the circulation, 2) that there exist "systematic", as opposed to windfall, profits, 3) that systematic profits increase in the earlier stages of longterm accelerations but revert to zero in later stages, -- a phenomenon underlying the variations in the marginal efficiency of capital of Keynesian General Theory, 4) that the increase and decrease of systematic profits necessitate corresponding changes in subordinate rates of spending, -- a correlation underlying the significance of the Keynesian propensity to consume, 5) that either or both a favourable balance of trade and domestic deficit spending create another type of systematic profits, 6) that while they last they mitigate the necessity of complete adjustment of the propensity to consume to the accelerations of the process, 7) that they cannot last indefinitely, 8) that the longer they last, the greater becomes the intractibility of ultimate problems. From the premises and conclusions of this analysis it then will be argued 9) that prices cannot be regarded as ultimate norms guiding strategic economic decisions, 10) that the function of prices is merely to provide a mechanism for overcoming the divergence of strategically indifferent decisions or preferences, and 11) that, since not all decisions and preferences possess this indifference, the exchange economy

is confronted with the dilemma either of eliminating itself by suppressing the freedom of exchange or of certain classes of exchange or else of effectively augmenting the enlightenment of the enlightened self-interest that guides exchanges."

Some comments:

With regard to points 1) to 4): Keynes does not provide a theory of the economic process. The clues to such a theory, empirical in the phenomena of the business cycles, analytic in the functional distinction of the production of capital and consumer goods, were not adequately grasped by him. Variations in the marginal efficiency of capital and in the propensity to consume call for that missing analysis which gives a quite different significance to the notions of profits and of economic success. With regard to points 9), 10), 11), I would draw attention to a comment of Nicholas Kaldor's in his paper "The Irrelevance of Equilibrium Economics", Economic Journal 82 (1972), 1237-1255:

"The difficulty with a new start is to pinpoint the critical area where economic theory went astray ... I would put it in the middle of the fourth chapter of Vol.I of The Wealth of Nations ... in (that) chapter, after discussing the need for money in a social economy, Smith suddenly gets fascinated by the distinction between money price, real price, and exchange value and from then on, hey presto, his interest gets bogged down in the question of how values and prices for products and factors are determined. One can trace a more or less continuous development of price theory from the subsequent chapters of Smith through Ricardo, Walras, Marshall, right up to Debreu and the most sophisticated present-day Americans" (1240-41).

Lonergan's analysis results both in a relocation of price theory and in an original and coherent theory of distribution.

There are deeper disorientations which would take us very far afield: the disorientation of mind through the influence of the conceptualism of Scotus from the 14th century, of which centralized planning is the manifest economic counterpart; the disorientation of value through

the influence of Machiavelli from the 16th century from which easily blossomed the pseudo-economic principle of the maximization of profits, Such deeper disorientations can be remedied only by a reflective reorientation of subjectivity - especially academic subjectivity. That reflective reorientation of subjectivity should lead to the communal manifestation of that century-long national and global drift towards the systematic deprivation of the ordinary person's capacity for attention, intelligence, reasonableness and responsibility. (These four levels of consciousness are extensively treated in Lonergan's works, especially in Insight: A Study of Human Understanding, Darton Longman & Todd, London, 1957.) The academic reorientation is all the more difficult in that our departments of philosophy and of economics in Canada are deeply into those disorientations: the dominant North American philosophy shows little serious interest in subjectivity; North American economics is regularly ahistorical and uncritical. But in so far as such departments have been for generations formative of political leadership their inadequacies have become palpably and painfully manifest. I recall, to conclude my brief comments, Lonergan's view on one contribution to the huge task of constructively dismantling the errors of centuries:

"What I want to communicate in this talk on art is the notion that art is relevant to concrete living, that it is an exploration of the potentialities of concrete living, that it is extremely important in our age when philosophers for at least two centuries, through doctrines on economics, politics and education, have been trying to remake man and have done not a little to make human life unlivable" (from a workshop on education, 1959).