

Macroeconomics and the Dialectic of Decline

My interest in economics goes back to the course on ethics when I was student of philosophy at the Jesuit House of Studies at Heythrop in Oxfordshire.

The professor, Fr Lewis Watt, raised various economic questions in ethics and published that year His "Capitalism and Morality"

I returned to Canada in 1930 to find the country in the pit of a depression. Theories and fads about what was wrong were current. In particular, there was a theory called Social Credit that argued that purchasing power was systematically deficient and that the banks should issue and distribute money to make up for the deficiency. Political parties favoring Social credit were formed; in Western Canada they were victorious in elections; but the elections were provincial, not federal, and the provinces had no authority over the banks.

The argument for social credit was clear and simple; the fallacy in the argument could be uncovered only through dynamic analysis. I tinkered with the problem of working out a dynamic analysis off and on; and finally about 1943 or 44, I had a 128-page typescript.

In Canada I found no takers, but later in Rome a fellow professor teaching in the social institute at the Gregorian read the paper, liked it, agreed to collaborate in writing a book, but shortly thereafter shook the dust of Rome from his shoes and went off to the missions in Zambia.

Two years ago I chanced to discover that things in economics had changed considerably since 1944. A Polish professor anticipated Keynes in 1933 and a collection of his papers was put out by the Cambridge University Press in 1971. The Pole had influenced a number of economists at Cambridge University, notably Kaldor, Pasinetti, and Joan Robinson. W.W. Rostow had been writing on Economic Growth since 1953. And all their thinking had many similarities with my own.

When I got through this reading, I decided to try the thing out in a seminar.

The title of the seminar is Macroeconomics and the Dialectic of History. I shall say something on both of these, and begin with the dialectic

By dialectic I understand what at once is concrete, dynamic, and contradictory. A concrete process of change with opposed ~~in~~herent tendencies. People can be attentive or inattentive, try to understand or neglect understanding, be reasonable or unreasonable, be responsible or irresponsible, be in love with their parents, helpmates, and children, with the human community, with God, or any of the opposites. Such is human history, under its most general aspect, and I have studied it under this aspect in my doctoral dissertation on Grace and Freedom, in Insight in chapters 7 and 20, and in Method in Theology.

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Somewhat similar and much larger work has been done by Arnold Toynbee, Eric Voegelin, Leo Strauss. In his Massive Study of History Toynbee's first six volumes were secularist, the next five adverted to the fact that world religions emerged in decay~~ing~~ civilizations to vivify their successor civilizations. Voegelin's Order and History thought in linear fashion in his first three volumes, but the first chapter of the fourth volume explains his reasons for dropping that viewpoint and acknowledging that salvation comes to mankind, not in some single ongoing stream, but in the most diverse and unpredictable ways. Leo Strauss, esteemed by our acting chairman, Prof. Fortin, was concerned in many writings to follow through political theory the opposition between the rational and the irrational, from Machiavelli on.

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The difference between macro- and micro^{co}economics may be put by contrasting the individual person or firm and, on the other hand, the aggregate of all persons or firms within a single economy. Micro-analysis centers on exchange value, motives, initiatives. Macro-analysis is concerned with massive perturbations, booms and slumps, inflation and deflation, full employment and chronic unemployment, international relations.

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Particularly relevant to macro-analysis are WW Rostow's books

Macroeconomics

Three sectors
The death of the Great

micro - exchange value
 - bear part of individual firms
 - support probability lowest
 macro - value of paper functioning economy

vs
 - lower savings
 - labor & population
 - full employment - 23% to 10%
 - less money, credit
 - financial market
 - immediate reaction

Reform

agriculture
 transportation
 communication
 health care, utilities, food
 services
 manufacturing services

exchange
 Traditional economy / 1K + plough
 PM. Macroeconomic
 Prerequisite for take-off
 Take off
 Modernity 10% - 20% of GDP required
 High level of consumption
 Quest for quality