

91900DTE070, Third discussion, 22 June 1977, TC 919 (this will be 917 on the recordings, which should be changed to 919)

Question 1: Would you please specify the meaning of ‘whole’ and ‘unity’ in your analysis of things as a unity-identity-whole?

Lonergan: There are three senses in which the word ‘one’ is used. You can say ‘one more’ as a result of experience, or ‘one’ in the sense of an intelligible unity; that is the ‘one’ that you know by insight. And there is the ‘one’ you know in judgment when you apply the principles of identity and contradiction: one and the same, this and nothing else, all of this and nothing of anything else. So we have unity, the principle of individuation from experience, one more car, one more man, one more woman, one more child: one in the sense of ‘another one.’ And ‘one’ in the sense of intelligibly one: there is an insight or a series of insights that relates all parts and aspects to one another. And finally, there is ‘one’ in the sense of identity, one and the same. The thing is a unity by 1 and 2: in the sense of one as another, and the sense of an intelligible unity. And it is an identity by 3, as unity corresponds to judgment. And it is a whole by 2 and 3 together, an identity that includes everything that belongs to itself. So experience, understanding, and judgment gives you unity, identity, whole.

Question 2: What is the relationship of prime potency, the potency of lower levels in nature for higher forms, and potency as a metaphysical element? Would you comment from your present perspective on your relating in *Insight* of potency and finality?

Lonergan: Aquinas distinguishes between first and second potency, first and second act, where first act was the same as second potency. The simplest example: eye, sight, seeing. Eye is first potency, sight is second potency and first act, seeing is second act. The first potency is a ground of possibility, potency in the sense of a faculty, of intellect, will. Second potency is a form or habit perfecting a first potency, and second potency is also called a first act. Second act arises when the faculty actually operates, when the thing actually exists. Aristotle has it that soul is in the body as sight is in the eye.

Prime potency is potency on the lowest possible level, Aristotle’s *materia prima*, prior to any categorization whatever. When you get to a category you’ve already had an insight. But you know something before you get to an insight. Prime potency is the pure case of that, for any insight whatever. Prime central potency is individuation, and prime conjugate potency is space-time, the multiplicity of space-time apart from any ordering by Euclidean or Riemannian geometry or any other geometry.

You can have an eye without sight. Finality is the order, the relation of anything to something else, to what it is for. The eye is for sight, but you can have a blind eye. The finality there is vertical. The potency does not necessitate the act; it has no exigence for the first act. But if you can’t see, you haven’t got sight; that is horizontal finality. First act to second act: there is an exigence for the second act if you have the first act. In general, lower levels are in potency to higher levels as first potency to first act. They can have but need not have higher forms. Potency is a metaphysical element, as potency defined by the isomorphism: as potency is to form is to act, so experience is to understanding is to judgment. So you have a set of terms and relations, and the terms define the relations and the relations define the terms. And all are verified in the

fact that when you know anything you have experience, understanding, and judgment in the knowing, and potency, form, and act in the known. That refers to all instances of proportionate being, namely, being known by experience, understanding, and judging.

Present perspective: When I was writing books in Latin, I was talking to an audience who did metaphysics first, so I spoke to them that way. Now, if there is a certain amount of knowledge of intentionality analysis, one can bypass the metaphysics insofar as one is dealing with conscious human living. You will need the metaphysics to talk philosophically about natural objects, the precognitive realities. You'll need it when you are dealing with certain basic questions with regard to man: Does he exist, is he one, and so on? But in most discussions of human affairs, you are dealing with people as experiencing, understanding, judging, deliberating, and loving. Consequently, a detour through metaphysics, while it is always possible to talk about potency, form, and act all along the line, there is no need to do so, because you are already talking about them in their prime case, the prime analogate.

Question 3: To what extent does the notion of emergent probability provide an invariant heuristic structure for theology and in particular for ecclesiology?

Lonergan: Emergent probability is relevant to anything in this world insofar as new structures, new schemes of recurrence, new operations become possible, probable, actually emerge. So it is relevant for theology insofar as new theology in the minds of theologians emerges, or in the minds of those who learn from theologians. So as long as you have anything new, you have emergent probability, when you have the possibility of it or the probability of it or the actuality of it. And similarly with regard to the Church: insofar as anything is possible, probable, or actual, there is room for applying the heuristic structure of emergent probability.

Question 4: In what context and at what point was the term 'praxis' introduced into your work? What is its meaning, and how should it be differentiated from the Marxist use of the term?

Lonergan: Well, I don't know if I've ever used it before. I introduced it explicitly in a paper read to the Catholic Theological Society of America, in Toronto a week or so ago. And that lecture is to be repeated tomorrow evening.

The notion comes out of the Aristotelian contrast between conduct and product, *praktein* and *poiein*. Products pass beyond the control of their maker. If you make the nuclear bomb, it doesn't mean that you are going to decide when and where it will be exploded. Someone else may gain possession of it and do that deciding. Product is a matter of technique, and your products may remain in your possession and control or they may not. But there is a field in which technique is relevant, insofar as the products pass beyond the control of the maker. The maker will have to have the technique of making, but he needn't have the deciding of what is to be done with it. I make the motorcar, but I don't decide at what speed you are to drive it or how many pedestrians you are allowed per annum. The conduct results from one's own choices.

Conduct is a matter of choosing something for an end. So conduct is what is meant by praxis, and praxis is governed by *phronesis*, which is translated into Latin as *prudentia*, and in current translations of Aristotle as practical wisdom, knowing how to get along. Now that is the Aristotelian sense of the thing. Look up a good edition of *Nicomachean Ethics*, and you will find the word in the index, and you can find all the passages listed, and similarly with the word

technē; technique guides making, *phronesis*, rather practical wisdom guides praxis, knowing what will work, how to get along, whom to see and all that.

Now, Marx uses this Aristotelian notion, but in the context of dialectical materialism, a materialist dialectic of history. Consequently, dialectic too: he took it from Hegel and said that he put Hegel's dialectic on its head, turned it upside down. But if you want to know what Marx precisely means by praxis, you have to conceive conduct as it is guided by the materialist dialectic of history, and as it is guided by this materialist dialectic of history used to interpret nineteenth-century capitalism. In his appeal to praxis, he is reacting to the same thing that I'm reacting against, namely, the political philosophy that conceives the state and consequently the economy as a matter of technique rather than praxis. The Greek political philosophers: Plato with the Republic and the Laws particularly, Aristotle with his Ethics and Politics, were concerned with, What is the function of the state? It is to produce good men. If you produce good men, you'll have a good state, and if you don't, you'll have a mess. But from Machiavelli on in the West, this business of giving people good precepts and trying to make them good, the trouble is that it doesn't work. You have to have techniques for making things work. And modern politics: in Hobbes and Locke and so on, theories of the state, are fundamentally theories of a technique. in England. Hobbes was concerned with some way to handle the civil war. They were killing one another off for some time in England. He worked it out in terms of the monarch, and surrender of all rights to the monarch. Locke worked it out in terms of property; the function of the state is to defend private property. Let everyone have his rights. You can read about this in Leo Strauss, *Natural Right and History*, and other books. Economics has been conceived, especially from Adam Smith on, as a technique. We bring in the profit motive, the motive of gain and maximum satisfactions, and on that basis you calculate what will happen. It is economy as a technique. You set up the situation, and you get the system, and this system, according to the theory, will give you the best possible results, the optimal results; and then if it doesn't work then it's just too bad; people are at a loss. And that is where we are.

Now, in South America they talk about conscientization. They want to have people knowing what they are doing, what's going on, and what they are doing. They want to make them people whose praxis will remedy the economy. They get that idea from Marx. Getting that idea in its generality is perfectly all right. I want the same thing. I want and am concerned with an economics that will become effective through an education and a public opinion. The difference is in the tool. Marx's tool was universal revolution, and initially and de facto ongoingly it is a technique of force. My tool is education, and its technique is persuasion. Of course, get them young, eh? They say get them when they're Jung and easily Freudened. Teaching in Rome, of course, I was always teaching possible future bishops, and it is easier to teach them then before they get the red socks on!

Question 5: Could you specify how your functional macroeconomics relates to the praxis of moral values?

Lonergan: The praxis that brings moral values into play is a praxis aware of what makes the economy function properly, and, further, willing to do whatever is needed to make it function properly: not out of fear of punishment because of laws and terrific penalties for those that don't do what the bosses say, but because they know that's what is worthwhile and that's what is right. Give them the ideas, and reveal to them that the thing can be done, and by good will they will do

it. Now, as you know, that doesn't take human nature into account. We are right back to what Machiavelli objected to. But that is the human condition. Either you are converted and live, or else you are unconverted and everything is a mess, and that is the social responsibility. Such praxis does not exist at the present time because an economics that brings to light the precepts immanent in the workings of an exchange economy is generally unknown, in fact generally inconceivable. It runs counter to positivism. It runs counter to the political philosophy of the modern Western world. And it runs counter to the assumptions of economics, which are in terms not of praxis but of technique.

All I have at the present time is what I had thirty-three years ago. I set it aside then because I had given it to six or seven economists to read, and they couldn't figure out what on earth I was trying to do. So praxis, in a sense, is a new idea. It is all right if you believe in free will and good people and so on, but the modern world doesn't talk about that sort of thing, and newspapers don't talk about that sort of thing very much. And of course, because people want to put an end to all the evils of the modern world and do good doesn't mean that *they* know what's to be done. That's part of the problem.

Question 6: What political consequences could be heuristically anticipated from the implementation of functional macroeconomics?

Loneragan: Well, very briefly: If actually and successfully implemented, that is, if men are converted intellectually, morally, and religiously in the broad senses of those conversions, one could anticipate the elimination in the wealthier countries of billion dollar abuses of industrial and commercial institutions and their trade unions, of government departments and their pork barrels including the educational pork barrels, and so on. Trying to straighten out the trade circuit by deficit government spending, well, it is the best they have thought of, but it arises because they don't understand why the cycle occurs and what you have to do to prevent it. And to prevent it, you have to change men's minds and hearts, particularly their minds: that is the real problem. Most people are insulted if you suggest that they have something to learn!

Question 7: How would your functional macroeconomics ground a criticism of present socialist centralization and capitalist monopolistic process?

Loneragan: Well differently. With regard to socialist centralization I'd suggest that one read Jane Jacobs, *The Death and Life of Great American Cities*, Random House, 1961, and pay attention to what she is doing and what the people she criticizes are doing. The people she criticizes are the people who design garden cities, ideal homes, made by planners. Jane walks the streets and has insights into concrete situations. In general, the planners go by general concepts and plans and general notions about the good life. Planning is the work of conceptualists, people who have general ideas but don't get down to the business of understanding, going around and seeing what works and what doesn't work and what's the difference between the two. Jane goes into one neighborhood and finds that everyone was perfectly secure, there is nothing to worry about. Why? Well, she keeps her eyes open and connects with a number of eyes on the street. It was a close-knit neighborhood. Everyone is interested in everyone else's children, and if the boy runs out in front of the traffic, his father would be told by the friendly butcher or somebody. And

so on. And it is not intimacy at all, but everyone is on speaking terms. You have to read her to get all her ideas, because she has insights into all sorts of situations. It's a thick little paperback.

The contrast with the planners was the social worker who went into a daycare place, and he was concerned with the fact that when it came five o'clock, time for the children to go home, half of them were terrified, and half were not in the least bit concerned. And he found out where they went, and he found out that those that went through a good neighborhood, where there were plenty of eyes on the street, felt perfectly safe, but the kids that went into a garden city were terrified, and they would be stopped by bigger children, and their pockets would be turned out, and if they were a little hesitant they would get beaten up. It was a place not designed to be a neighborhood. It was based on big ideas. Free enterprise is the work of people with ideas on just what people really want and how to provide it, in what quantities, and then go ahead and risk their shirt on the project. The entrepreneur is a person who has an extremely accurate understanding of just what can be done and how you can do it and how you can market it.

I know a man who was a scholarship boy in the school that I taught in, and he didn't have the money to go on to university after college. He started off as a traveling salesman for a flour company, and by the time that his commissions on his sales were rivaling the salaries of people at the head office and they started chiseling on him and he quit, and he went in with a few others to advertising and kept his eyes open for an industry that was getting into trouble for lack of good management. He felt he could provide the good management. And he found three in all. He got the banks to back him for a takeover, because the banks didn't want – they had the first mortgage, but they didn't want to crowd out the other creditors and get a bad name with those other creditors. They wanted to keep their business, and so they were willing to back him. And he said to me that he had nothing whatever to fear from any big company. The only people he had to fear were other small people like himself who knew just what was going on all along the line. You don't have that sort of people in big business.

Now, on the other hand, the planners, what do they do? They don't risk their money. They want more and more taxes, so they can do more and more stuff, and they are not the key people on the job, with real risks and so on. So the question is between intelligence and general conception. Planning is a device of people who don't know what to do. Like committee meetings. There are, of course, big works that call for planning and so on; this isn't across the board; but in general the more intelligence there is in running things the better off they are going to be. And of course by intelligence I don't mean the intelligence of people that are out to skim others; that is another form of intelligence.

Now, with respect to capitalist monopolistic practice, it is just the device to avoid the diminution of profit that results whenever the ratio of maintenance, improvement, growth to the gross national product decreases. That is bound to go on continuously in an expanding economy because maintenance, improvement, growth is an accelerator, and the more it accelerates the bigger the standard of living becomes, the bigger the proportion of the GNP goes to standard of living. Now, what is the advantage of the monopolies? The monopoly means that you can get profit even if there is no profit. And where does it come from? It is squeezed from the other fellows who haven't got the monopoly. Either their profits go way down or they go out of business.

Question 8: What modifications of your early circulation analysis does the modern element of economic acceleration call for?

Loneragan: Well, the modern element is the take-off. Once you get the maintenance, improvement, growth, functioning, you can keep on expanding indefinitely, but there is a primary setup needed to be able to do that. During the Second World War, Roosevelt was able to say that the States would produce a bomber a day. Well, Siam could not do that. You have to have an industrial setup before you can make such announcements. And it takes a long, long time to get people to move out of the traditional economy into an exchange economy. When the Panama Canal was being built a lot of local labor was employed, but the trouble was that people would be happy to work for a day and then take a rest, they had got all the money that they were accustomed to get in that one-day salary. And what did they do to introduce American-style economy? They got Sears Roebuck catalogues and distributed them among the wives. It is a long process.

That is about the modern element in economic acceleration. It is just one type of acceleration. In the traditional economy, you don't distinguish between capital and consumer expenditure. You distinguish between ordinary and extraordinary expenses. And the extraordinary expenses are maintenance, when you have to buy a new stove or have the roof fixed or do something like that: if that is what is meant by the modern element in economic acceleration.

The analysis is perfectly general. Its form is a distinction between acceleration, velocity, and the constant of integration, three basic notions. The relations between these three, both in the order of goods and services and in the order of monetary movements, are of equal generality. The conditions of possibility of proper functioning are of equal generality. Their applications, of course, are multitudinous, and their applications are not easy. There are industries, whole industries, which are not determinately either in improvement and growth or in standard of living, goods and services. Energy: you can skip from one to the other, it depends which switch you pull. Transportation: well, what can you transport? Anything. So calculating and predicting the future on this basis: it isn't a tool for the statistician. It is a tool for the moralist. The applications are multitudinous and would call for vast research programs conducted by experts, to get out of the theoretical and on to concrete proposals. What we need is what Toynbee called a creative minority that will gradually increase and work at it and attract others. At the end of the First World War, when the Russian Revolution was going on, I was reading the newspapers and saw the cartoons in the Ottawa Journal of the people with the long black beards. Marx hadn't made it in Canada by 1920. The general idea of Marx until fairly recently was that Marx was an old man with a long white beard who wasted his life writing books in the British Museum, but our problem is that we didn't have other old men wasting their time working for a better cause in the same field. So Marx took some time. We can expect the same.

Question 9: How would you relate the study of J. Collins and F. Lappé, *Food First: The Myth of Scarcity*, to your developing macroeconomics?

Loneragan: The thesis there is – I haven't seen the book but I know Joe – that the multinational corporations go into a country that needs to be developed and they start up some enterprise that is very profitable for themselves and they hire local people and pay them fancy salaries, and people in hordes move from the farm where life is pretty hard and move into the cities in the hope of even being on the waiting list for a job. And if the farms are deserted, then the food isn't

provided, and they starve. And the economists defend this, of course, on the principles that the mainline economics is equilibrium theory, and from equilibrium theory you can deduce that free enterprise yields the best results, the best possible results. And consequently, the free enterprise of the multinational corporations is just giving the whole world the advantage of enjoying the things of the other developed nations. And I think the theoretical premise is mistaken, and Collins and Lappé show that its actual results are starvation, on a worldwide scale.

Question 10: You said yesterday that it will take a century or more before economic analysis as you have proposed it will become praxis. In the meantime we have and are able to understand schemes of recurrence and alienation through inadequate economic practice. There must be some way, however incomplete, of exercising and promoting emancipatory practice in the interval between now and the schemes of recurrence of sound economic practice. Would you comment?

Lonergan: Well, we can know very well and right away that things aren't working well and that there are all sorts of evil effects and what they are and that they are going to keep on recurring as long as current conditions remain. But the praxis I'm thinking of is something to put in its place. The thing wrong at the present time is not merely that people are bad; it is that people have not been taught or they have been taught badly. They understand what they are doing, and they understand the best people that are available, and there are different schools and so on, but that is common. But if you want to promote praxis, what have you got to do? You have to give people the right ideas, and that is intellectual education; and you have to lead them to good will, the willingness to carry out the right ideas. Unless they know and choose it is not praxis, because praxis means knowing and choosing. If the goal is praxis, if the goal is people knowing and choosing, there are techniques of education and public opinion and so on, but you have to eliminate large-scale ignorance, the inertia of the present situation; and that is what takes time. My estimate of a hundred years is perhaps optimistic, perhaps pessimistic; they are not all going to be saints. But it is very easy to teach people not to step on the accelerator every time they step on the brake. And that is the sort of precept that I'm concerned with.

I set aside my manuscript about 33 years ago, but things are better now, and that is why I'm changing my tune. There is a Pole by the name of Kalecki, and about 16 of his essays have been published by Cambridge University Press in 1971, *The Dynamics of the Capitalist Economy*. The first essay was in 1933, and it was already ahead of Keynes and his general theory of employment, and so on, which was in 1936. And the ideas in that book fit in very closely with mine, and there are people who use him a lot at Cambridge, England; his use elsewhere is minimal. However, there is a beachhead, an entry. *Insight* was published twenty years ago, and at the present time Harper & Row are negotiating to bring out a paperback and hope to do so by next spring. So things do change.

Question 11: Does your approach to economics assume the private ownership of production facilities and a market mechanism or does it look to a socialist arrangement which emphasizes public ownership and public planning of production and distribution?

Lonergan: Well, certainly I want free enterprise, insight into the concrete situation. There are certain things that have to be planned, and so on, but insofar as an economy is developing – the cutting edge – what you need is all the intelligence you get and the risks being taken privately.

When an industry becomes so stagnant that all it does is to keep on doing what already has been done, well, then there is the possibility of it being taken over by the public and staffed by friends of the government, and so on, all of them having votes so that they're well treated.

In Canada, we have two railways, and the Canadian Pacific is privately owned while the Canadian National is publicly owned. When Regis College was living beside the shunting yards, the word was that breakage in the shunting yards – couplings, and so on, joining cars together – was far higher on the Canadian National than on the Canadian Pacific, both in the same shunting yard. The things that were tolerated in the government-owned thing were not tolerated in the privately owned thing. And that is common experience. However, ownership is not an economic but a juridical notion. What I consider desirable is a maximum diffusion of possible initiative. A friend of mine in Montreal, his mother was German, and he had German relatives in Detroit, and the German immigrants worked in the factories, and when they were too old to work in the factories, they set up their own little machine-tool shops, and they made machine-tools for the industries, and they gave their sons college education. But the sons work in the factories and have no ambition, because there's no opening for initiatives any more. And what do their sons do with their spare time? They sit at home and watch television. The situation has changed. Now, you have supermarkets, and you have to have a car to get there, and so on. There has been a wholesale elimination of initiative, with the result that the sons with college educations work in the factories and watch baseball and hockey games on TV the rest of the time, because the initiative has been crowded out. Schumacher's *Small is Beautiful*: and that is one of the beauties of it. My insistence is that before you have concepts or general rules, you have to have insights into the concrete situation or else what you do is inept.

There was recently an article that I read about young farmers who went to Russia to see how they were doing things. And the boss would decide, well, we'll start harvesting tomorrow morning at 6 o'clock. And at 6 o'clock they would find that there was a heavy dew the night before, and they all know that you're just going to jam your machines going into that. Doing the harvesting, you have to wait till the dew dries up. But boss had said 6 o'clock, so it had to be 6 o'clock. So they went ahead with machines, and they all clogged. They had good reasons for not getting the work done. That's the way things run.

Question 12: How would your *Method in Theology* relate to the various liberation theologies, e.g., Gustavo Gutierrez? How should theology contribute to the critique of the dehumanizing social institutions?

Lonergan: Well, I was in the same small discussion group as Gustavo Gutierrez at the Notre Dame meeting at the end of May, and he volunteered the remark that the weakness of the liberation theologies in South America was their ignorance of economics. They know the problem exists; they are ahead of us on that. He insisted that basically they were Christians appalled by the social situation in their countries and working to the best of their ability to improve the situation. He didn't accept the distinction between the rich and the poor countries. He said that in Peru there were richer people than any of us had ever met. Of course, one might say two or three, but anyway; he wasn't accepting that. He was a quite a fine person, very quiet: of course it is hard to get much said with Hans Küng there!

How does theology contribute to the critique of dehumanizing social institutions? Well, first of all, theology has to discover man, man in his historicity, and all it implies. And that is a great leap forward that hasn't occurred yet, or only in certain soft spots.

However, I'm all right on the right. In the *Osservatore Romano* last year, there was on three occasions an ongoing account of *Method in Theology*. It has been translated into Italian. On each occasion the article was over two columns long. And I asked Walter Abbott about one author, and he said he writes for the *Osservatore Romano* only at the request of Benelli or the Cardinal Secretary of State. He was quite favorable. At least ...

How should theology contribute to the critique of dehumanizing? First of all, being thoroughly human, self-appropriation, oneself in all it implies: intellectual, moral, and religious conversion, which are ongoing processes in personal development; doing theology on that basis, and then being in interdisciplinary work with the social scientists, the social and cultural and political philosophers and scientists. We had with us at Notre Dame eight or nine psychologists, demographers, social scientists. And they were top people. They knew all about constitutive meaning, for example; at least the sociologists did, and a lawyer from the University of San Francisco: top-level contemporary thinking. They have their expertise. I remember Carrier, President of the Gregorian for some time, with a sociology degree from the Sorbonne, once said to me, This theologian in ecclesiology, he's worked out very good things on society and what society is, but of course it isn't up to the level of what the sociologists have done. We have to be able to learn from these other people, and to learn one has to get to know them. You learn from them – you can't learn from them by becoming experts in their field, but by interaction. They'll tell you, Well, that's wrong, or this would be much better if you did this; and so on.

Questions from the Audience

Question: Do you recall what clued you into the business cycle?

Loneragan: I was interested in economics because my professor of ethics in philosophy published a book on Capitalism and Morality. And I went back to Canada in 1930 in the height of the depression. I was the moderator of the student annual, and the year before, the thing had cost the sort of money you could get before the 1929 slump, and it was a rather posh annual with photographs and art work and all the rest of it, of all kinds. And when I was told I was moderator, the Rector said to me, 'We can't afford to lose five cents. Do you understand?' Well, trying to get people to advertise in the annual that year was asking for the impossible almost. We did get about a quarter of what we got the year before, but the economic problem was a concrete reality. Moreover, the air was full of nostrums and proposals of how to solve it, and one of them that seemed rather plausible was Social Credit. Their theorem was $A + B$. $A + B$ is the selling price of goods, and it includes the production costs of consumer goods but also the cost of the factories that build the consumer goods. But the wages that come out are just the wages of the production, not the price of the factories; that was the production of ten, twenty, thirty years ago. Consequently, there is insufficient purchasing power. The selling price is $A + B$, but the money available to buy is just the A . And if you think that through, you get the idea of two processes and a cross-over and a variation in what these two processes do, and it took a long time.

Question: That, then, would be before Schumpeter published his volumes.

Lonergan: Which ones?

Question: The *Business Cycles* of 1939.

Lonergan: Yes.

Question: What do you think of the liberation bishops and their democratic socialism?

Lonergan: Well, I suppose it is the best thing they can think of.

Question: How does it fit in with your work?

Lonergan: Well, it doesn't work if it is socialism.