Lonergan's Economics and Diagrams by Phil McShane

19. August 2011 11:39

5 attachments (total 225.5 KB)

4 diagram...pdf
Download(43.6 KB)

diagram 4...pdf
Download(46.5 KB)

diagram 1...pdf
Download(43.1 KB)
Download all as zip

Dear All,

some of you are already in the flow of this discussion, either from earlier involvement or through my 2011 Bastille Day effort to stir interest in this new beginning with the topic "**there are two types of firm**". Some of you are asking for a way to talk to interested people. My present bent is to get people interested in the simple error that lies at the basis, rather than get involved in more complex considerations. Do, please, pass this on: none of it - text or diagrams - is copyrighted.

So I attach four diagrams, as a unit and separately. They seem almost sufficient in themselves, without commentary. It is, it seems to me, a neater approach than that which I give either in chapter one of *Sane Economics and Fusionism* or in *Economics for Everyone*. I regret now not taking some such approach in the summer of 1977 when I covered the total 1944 typescript of Lonergan twice...... indeed I now wonder whether that "total coverage" nudged Lonergan towards his approach. He reported that my effort was successful and one autumn day in 1977 he greeted me in his room in Boston by saying he had solved the problem of running his seminar, "I'll just read it to them twice!" This approach has led to a tradition of complex comparisons etc etc: I still remember discussions of the 1980s - involving Lonergan - bogged down in issues like the Eurodollar!

The present mess, American and elsewhere, is massively complex, but it seems to me that the way into basic reconstruction is a common take-off from the fourth of these diagrams, but communally gripped by the climb through the first three. More short term large-scale reconstructions are possible and must be made actual, but my interest is in the genesis of a broader *ethos* and a deeper reform.

The first diagram is that standard miss-direction that occurs in the first month of economics classes .... hardly needing a comment to you, but the teaching is quite another matter here and throughout: especially if you are dealing with establishment-formed people, or people in a hurry for the broader vision.

So: pedagogically you get to the second diagram by thinking concretely of the needs of the baker or the barber etc etc. the symbols are pretty evident, except perhaps **m**: **m** stands for maintenance AND **MORE**, where the **MORE** points to innovation. In a first teaching it is best to stick with maintenance, and also to use numbers as I normally do in presentations, with 5% of whatever going to maintenance in a non-expanding economy. Also of course for starters I leave out banks etc. The key issue is to get the correction into the bones and neurodynamics of the interested party.

The second diagram adds the maintenance firms. Good listeners will raise questions that you - or I - should try initially to hide in an introductory presentation .... e.g. the notion of function that gets us away from houses in the suburbs and factories in the ...boonies, or wherever. The third diagram brings in that trouble with D_2. [I find that demand function is neatly handled pedagogically by talking of a weekly allowance in the pocket or a monthly salary].

And then *voila* one arrives at the Lonergan two circuit thing: the fourth diagram is simply a topological shift from the third.

Yes, the troubles begin then: governments, debt-accumulations, banks, stock-tradings, hedgefunds, Credit Default games, etc .... the whole mess of derivatives. But what we need to expose is the underlying error that has given us [1] a massive accumulation of distorted statistics [2] a distorting freeing of economic considerations from money as promise, so that we now have the commoditization of money that has landed us in this global mess. The road we need to make plausible is that symbolized by the word **concomitance** [the biggest entry in the index of *For a New Political Economy*]. The major problem is nurturing that concomitance within the double rhythms of the cycles in local and global economies, a massive problem of something like a three dimensional spherical two-layered Fourier analysis.

But also there is a need to make plausible and hopeful the slow beginnings of economic science, and it seems useful to quote myself on the topic.

"A parallel helps me here, and it is a helpful sobering parallel for you. You will find the beginnings of understanding the process of taking the measure of money in *For A New Political Economy*. [Chapter 3, "Transition to Exchange Economy" is the key, but one must add section 49, "The Financial Problem, as well as, e.g. section 44, on the variations of profit and the principle of the level floor, "which will have to be accepted, developed and put into effect"(page 93), and pointers in chapters 9 and 10.] That beginning is like the beginning of scientific hydrodynamics, a study which took solid shape in the work of Horace Lamb *Hydrodynamics*, Cambridge University Press, 1897. [Close to 800 pages] It was a favorite zone of mine in my physics days, and I delighted in finding this year the four volumes of Sir James Lighthill's papers in the field: *Collected Papers of Sir James Lighthill*, Four Volumes, edited by M.Yousuff Hussaini, Oxford University Press, 1997 [a hundred years after Lamb: I like the parallel with the economics works dates.... giving a 100 year lag in scientific advance in economics from Lonergan of 1997-9!] They point to the collaborative possibilities of handling global movements of waves, including fish and fiords. In that possibility one can envisage a global networking of the microwaves of both economic circuits, intertwined with banking .... AND the over-rated secondhand trade symbolized by Wall St. Stock-trading **will cease to be news**:news: business news is to be about business.

The big books of 2097 will be a decent beginning. The concomitants of the basic variables will be sorted out up-front. Then the quantity theory of money will be shelved like phlogiston theory in favour of the precision of an analysis of non-consumer circuits in terms of production periods. A dynamics of inflation-minimization and of flexible exchange rates will be tackled. What of the random variables? There will always be the equivalents of earthquakes and tsunamis, but the equivalents of nuclear idiocies at sea - in general the derivatives' business - will be identified and placed beyond the pale of decency."[*Sane Economics and Fusionism*, 49-50.]

We thus might come to look forward to a New Covenant of Global promise, even perhaps including a billion half-acre gardens [one sixteenth of present arable land!]

Phil

Tags:

Related posts

Ways to get into Functional Collaboration by Phil McShane I have been asked by people in and out of the seminars[1] to suggest ways to get going in, a...FuSe 3: Functional Research into Lonergan's Collected Works by Phil McShane FuSe 3: Functional ...An Illustration of Functional Interpretation from Economics by Phil McShaneAn Illustration of Functional Interpretation from Economics, meshed with Contextualizations. Philip...

Comments