Colloquium on Bernard Lonergan's Economics and the Global Financial Crisis
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Response to Rev. Michael Czerny, S.J.'s paper: ***The international monetary and financial systems: Who's moving any reform?***

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Like many of you here, I too would have loved to have Rev. Czerny physically present with us. But given his many responsibilities and duties, we are at least fortunate to have his paper, which Fr. Bob Doran has so graciously read for us. I am indeed honored to respond to Fr. Czerny's paper, though I do consider myself utterly unworthy of this honor. Before I offer some comments on Fr. Czerny's paper, I wish to first share with you some background that perhaps led to my being here today.

In Spring 2009, as I was completing my doctoral studies here at Marquette, I shared with Fr. Doran two co-authored papers that were to be published, one in the Journal of Business Ethics and the other in the Journal of Public Policy and Marketing. Both these papers were related to my doctoral dissertation that was aimed at constructing a normative ethical framework for marketing with impoverished populations, also characterized as the base or bottom of the pyramid market. After reading the papers, Fr. Doran suggested that I should have a look at Lonergan's economic model and also recommended that I attend the conference that Msgr. Liddy was organizing at Seton Hall later that year. So, I did have a look at Lonergan's economics and did attend the Seton Hall conference. I must confess that while I do have some idea of Lonergan's economic model, I am hardly proficient in it. I was heartened to hear at last evening's panel that Lonergan himself found it difficult to articulate his model to economists.

Let me now offer a few comments on Fr. Czerny's paper. At the outset, Fr. Czerny draws our attention to the element of human agency in matters relating to the common good and that affect the entire human race. It is through human agency that the important aspects of the common good are either enhanced or compromised. If what contributes to the common good is not something that is predestined or that happens by chance but instead is the result of human choices, or decisions or procedures, then this implies that these choices, decisions, and procedures can be oriented towards what enhances the common good. But how do we ensure that such orientation takes place? This question is the focus of the Note and Fr. Czerny's paper.

The proposal that is being made is of a global authority or supra national authority that will exercise the necessary universal jurisdiction over the financial and monetary systems and over other components vital to the common good. This proposal raises a number of questions. First, what does universal jurisdiction imply? Second, what is meant by the financial and monetary system?

With regard to universal jurisdiction, the note states that "it is a matter of an Authority with a global reach that cannot be imposed by force, coercion or violence, but should be the outcome of a free and shared agreement and a reflection of the permanent and historic needs of the world common good" and then later "So the World Authority should consistently involve all people in a collaboration in which they called to contribute, bringing to it the heritage of their virtues and their civilizations" (p. 24). In my opinion, a free and shared agreement involving all people sounds very utopian. Further, jurisdiction implies exercising authority or control over. In the above statements there is no indication of any power component. If the purpose of creating this global authority is to ensure the existence of free and stable markets that serve the common good of everyone, how does this authority go about making this happen if it does not have any powers allotted to it. Thomas McMahon points out that power is what transforms the notion of justice and provides the equation of "rights + power = justice." The note mentions the power element only in the conclusion: "this transformation will be made at the cost of a gradual, balanced transfer of a part of each nation's powers to a World Authority…" (p. 40). It is quite likely, and this is something that Fr. Czerny point out, that the note downplays the notion of power because it understands the danger of too much concentrated power at the top and therefore introduces a governance structure marked by subsidiarity and articulated into several layers and different levels working together. I feel that there would still need to be some clarity as to how this global authority will exercise jurisdiction so as to create free and stable markets.

With regard to the financial and monetary system, the note acknowledges the complexities involved. But would the global authority have to regulate all financial and monetary transactions globally? This is obviously not clear from the note or from Fr. Czerny's paper. From a Lonerganian perspective, finance and money flows occur in the basic and surplus circuit and as a redistributive function. Would an understanding of the different money flows help to identify those that the global authority would be more effective regulating? It does appear that the discussion to form a global public authority is propelled by the "existence of monetary and financial markets of a predominantly speculative sort that are harmful for the real economy" (p. 23) and the field of investment banking and the growth of shadow markets which have no controls and limits (p. 36).

Fr. Czerny mentions two case studies to illustrate some of the points that the note raises and that he makes. The first case titled "Too Big to Fail" basically refers to the big megabanks that had to be bailed out. At the end of the case study, Fr. Czerny states: "Anything 'too big', which smothers what is of normal and functional size, is a clear counter-illustration of the principle of subsidiarity." This statement begs the question as to what constitutes normal and functional size. However, I think the point being made is important. Instead of having just a few banks who control the financial market, having a number of banks increases competition and lowers risk.

The other case study "The Mouse that Roars" is about the success of the Malta Financial Services Authority' Supervisory Council in vigilant monitoring and competent supervision of the financial services sector in Malta. Coming from India, I am a bit skeptical of the replicability potential of this model across the world. Further, this case example seems to suggest an additional bureaucratic mechanism, an approach that I am not sure Lonergan would be in agreement with, a point that Joseph Bishop makes in his article in the Lonergan review (2010, vol. 2, no. 1).

I would like to share one observation: if the purpose of reforming the international monetary and financial system is to create free and stable markets that serve the common good for everyone, then it is only natural that businesses that operate in these markets also be at the table of planning and decision making about what these reforms will look like. I am not sure how much that perspective has been incorporated in the note. Though, I somehow get the feeling that Fr. Czerny is leaning towards it in his paper.

Fr. Czerny invites us to think radically and I have been contemplating whether to share with this audience a recent development in marketing thought. After teaching two classes of marketing this morning, I finally decided that I would. Given the last minute nature of this reflection, kindly forgive me if I am sketchy and perhaps incoherent. Over the last eight years or so, there has been an emerging paradigm in marketing thought labeled the service-dominant logic of marketing (S-D logic) that distinguishes itself from the traditional good-dominant logic. The foundational proposition of S-D logic is that organizations, markets and society are fundamentally concerned with the exchange of service – the applications of competences (knowledge and skills) for the benefit of a party (www.sdlogic.net). S-D logic claims that service is the common denominator of exchange, that is, service is exchanged for service. It embraces concepts of value-in-use and co-creation of value rather than the value-in-exchange or embedded-value concepts of goods-dominant logic. Service as a fundamental unit of exchange would bring another perspective to Lonergan's model but the Lonerganian framework could also contribute to the theoretical development of S-D logic. I think that more reflection in this area might help in developing a system of international finance and monetary flows that can enhance the common good.