Comments on Paul St. Amour's "An Introduction of Lonergan's Macroeconomic Theory

John Davis, Economics, Marquette University

I focus on Lonergan's place in the history of economics and how he combines economics and ethics.

1. The economic order is not conceived as a purely natural process but as a humanly organized activity which has a set of ends, goals, or purposes which are intrinsic to the nature of human life. This departs from the Neoclassical view of the economy as a naturalistic, utility-driven, self-equilibrating process, intervention in which is irrational. For L production is not for its own sake but for the sake of broadening and deepening a community's standard of living.

2. L provides a dynamic theory of growth rather than static theory of resource allocation. Thus human activity is dynamic and changing, and directed at human improvement. The means are "the long-run effects of technological advance and new capital formation … in some combination of increased population, reduced work, and improved living standards."

3. The two dimensions (or circuits) of economic expansion distinguished by L (production of basic and surplus goods and services) takes us back in the history of economics to nineteenth century classical economic theory prior to the twentieth century rise of neoclassical economics theory (which does not have a concept of the surplus). Classical economic theory was about economic growth and its social distribution between classes. Neoclassical economic theory is individualist and about the allocation of given resources; it ignores technological change.

4. Classical economics was revived in Keynes's macroeconomics. Keynes' view of economic policy as counter-cyclical shares L's goal of avoiding booms and busts and moderating swings in economic growth. (They also both reject Schumpeter's boom and bust technology cycle.)

5. L's circulation analysis (the 'baseball' diagram) shares many of the characteristics of Keynesian macroeconomic circular flow reasoning, including the two dimensions of economic expansion (what we call consumption and investment), the idea that the economy *as a whole* (not market by market) is an equilibrium system that expands production over time. This is reflected in the interdependence of the two circuits of economic production.

6. L recognized that equilibrium systems can be out of equilibrium, and explained this in terms of imbalance between the two circuits, one cause of which is when finance of the production process is mis-directed. This is also consistent with Keynesian macroeconomics. The relationship between finance and production is not a strong suit of contemporary economics.

7. The 'egalitarian shift' L recommends indeed promotes not only effective demand but the well-being of those who are worst off.