THE DEVELOPMENT OF CATHOLIC SOCIAL TEACHING ON ECONOMICS: BERNARD LONERGAN AND BENEDICT XVI

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Affected by the Great Depression and the inadequacy of the “simple-minded moralism” of church commentators on economic matters, Bernard Lonergan worked on a macrodynamic economic model in the 1940s and returned to it in the 1970s. The authors here situate Lonergan’s economics in relation to economic theory then and now, as well as within his own overall project. They consider its possible contribution to the development of Catholic social teaching on economics, especially in dialogue with Benedict XVI’s encyclical Caritas in veritate. Finally, they discuss the light Lonergan sheds on the importance and difficulties of interdisciplinary work.

BERNARD LONERGAN, BETTER KNOWN in the fields of theology and philosophy, also wrote substantial works on economics. This economic work, which has only recently become widely available as two volumes of

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his *Collected Works*,\(^1\) raises interesting questions about its relationship to his overall theological project,\(^2\) to other economic theories, and to Catholic social teaching. While others have attempted to bring theological perspectives into dialogue with economics, they have rarely engaged seriously with the more technical aspects of economic thought. This is not the case with Lonergan. Evident in his economic works is a mind seeking to make contact with the best thought of his era, while at the same time striking out in original and complex paths. Unlike many theologians who comment on economic matters from a safe distance, Lonergan’s engagement with economics was deep, resulting in the development of his own original macroeconomic model, complete with mathematical expression and analysis. This was not the work of a dilettante but rather a serious intellectual effort to contribute to the development of economic theory.

This article brings Lonergan’s ideas on economics into the broader dialogue between theologians and economists, considering the challenges his work poses for both sides of this academic divide. At present neither side

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is likely to be attracted to this work without some suggestions as to its possible importance and relevance to contemporary debates.

We begin by locating Lonergan’s work in the broader context of his other writings and outlining the reasons and contexts for his engagement with economics; we consider the nature of his contribution in comparison with other economic theories and the contribution his work might make to the development of Catholic social teaching on economics as the church faces the challenges of providing moral guidance in our present context of globalization. We also consider some difficulties to be faced by such interdisciplinary projects.

GENERAL CONTEXT OF LONERGAN’S ECONOMIC WRITINGS

Why should a Catholic theologian be interested in economics? For Lonergan, it was part of a broader concern for history. Toward the end of his life, reflecting on his legacy, he would comment that his whole life’s work involved “introducing history into Catholic theology.” This concern was already evident during his early studies in Rome. In 1935 he wrote to his Jesuit provincial superior about a draft he had written of a metaphysics of history that he believed “would throw Hegel and Marx, despite the enormity of their influence on this very account, into the shade.” Without such a theory of history, he would later write, we would be facing “our secularist and atheist opponents” in the same way that the indigenous peoples of North America, “armed with bows and arrows, faced European muskets.” During this period, Lonergan also wrote other texts on the philosophy of history.

In seeking an adequate theory of history, Lonergan was opposed both to Hegel’s idealist understanding, which he saw as too “apriorist,” and to Marx’s reaction to Hegel. Lonergan proposed a philosophy of history that

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4 Quoted in Mathews, Lonergan’s Quest 73.
7 Lonergan, “Questionnaire on Philosophy” 369.
reflects on the concrete reality of history and approaches that reality by a series of approximations. The first approximation, the “position,” he named progress. Progress eventuates when human beings are authentic, that is, when they observe what he will later name the transcendental precepts: be attentive, be intelligent, be reasonable, be responsible. If these are followed, then the social order develops as new insights are appropriated and enacted, creating a new situation that calls forth further insights, judgments, and decisions. The second approximation, which Lonergan names decline, is the negation of the position; it takes into account the reality that humans do not always act authentically. They will often be inattentive, unintelligent, unreasonable, and irresponsible. Such inauthenticity works against progress and leads to a social order that is a mixture of the rational and the irrational. Further understandings, judgments, and decisions can fail to note this admixture and end up perpetuating the social surd. The third approximation, the negation of the negation, takes into account a further concrete reality in history, that of divine grace. God acts to solve the problem of evil in the world and provides the antidote to decline by enabling humans to be part of a new creation, converted intellectually, morally, and religiously to become people of faith, hope, and love.

Economics, for Lonergan, was a key element in any account of history. It was certainly not the only element. Robert Doran has shown how a fully developed position on the dialectics of history, based on Lonergan’s worldview, will need to pay attention to a range of other factors, especially the spontaneous intersubjectivity of human social relations, the development of technology, economics, politics, culture at both its day-to-day and reflective levels, human anthropology, and the dynamics of grace. In this account, the human sciences need to be taken seriously, not least the social sciences. In fact, Lonergan notes that “any reflection on modern history and its consequent ‘Crisis in the West’ reveals unmistakably the necessity of a Summa Sociologica,” a full and integrated account of human social life.

While not attempting such a Summa, which would require the collaboration of a host of scholars in a range of disciplines over a long period, Lonergan did contribute to the economic component of the integration that he foresaw. As we will show below, he recognized the need for a genuinely theoretical approach to economics. Still, his interest was never

9 Ibid. 366–68.
11 Lonergan, “Pantón Anakephalaiósí” 156.
purely academic. Rather, he had witnessed the devastating impact on human history of deeply flawed theoretical accounts both of economics itself and of the relationships between economics, politics, and culture. Thus he speaks of the 19th century’s legacy to the 20th century in terms of not simply its “intellectual vacuity” but also the “social chaos” that ensued. In particular, he notes that the 19th century’s “asinine confidence in political economists . . . has landed the twentieth century in an earthly hell.”

In his critique, Lonergan certainly has his sights set on Marxism, and later on Nazism and dictatorships in general; but not only there, for problems with liberal capitalism were evident in the Great Depression that was in full swing when he returned to Canada in 1930. His analysis of these diverse economic worldviews noted, beneath their differences, a common grounding in materialism. In 1942, he wrote of “the great materialist trinity”—“eighteenth century capitalism, nineteenth century communism and twentieth century Nazism”—and again showed his concern for their impact on humanity:

Despite their differences and oppositions, all three agree in the dedication of man, soul and body, to the goods of this world. None of them acknowledges and submits to a higher end or higher law for man. Their consequences are not a matter of abstract deduction. The experiment has been performed and still is being performed on the quivering body of humanity. The results are not pleasant.

Here we find the chief locus for understanding the place of economics in Lonergan’s theological project. Central to the problem with the economic systems enveloping the world at the time was a common underpinning that denied the transcendent—the higher end or higher law of the human person. Thus the creative vector is truncated, while the healing vector in human history is ignored.

In Lonergan’s view, if economics without theology—without an awareness of theological anthropology—was doomed to failure, so too was theology without a proper understanding of economics. This is not to say that Lonergan confuses or seeks to meld the distinct and autonomous methods of theology and economics, but rather that he wishes to interrelate the findings of each. Coupled with his intellectual and pastoral concerns was his sense that the Catholic social teaching of the time was inadequate because it was divorced from the realities of economic dynamisms (more on this below). He had learned from Aquinas that grace, even as it sublates

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12 Quoted in Frederick G. Lawrence, “Editor’s Introduction,” in *Macroeconomic Dynamics* xxv–lxxiv, at xxvii.
13 Ibid. xl.
nature, always respects nature’s proper dynamisms. In the same way, he saw that a healthy sociocultural order, while sublating the purely economic order, needs to respect the proper dynamisms of that order.

While well aware of the failures of poor accounts of economics and of history, Lonergan did not despair of theory. In fact, what he found lacking in the dominant ideologies, whether of Marxism or of liberal capitalism, was a genuinely explanatory account of the economy. It seemed to Lonergan that no one had developed an adequate set of terms and relations for the economy, in which the terms were fixed by the relations between them, and the relations by the terms. This concern for theory, as a differentiation of consciousness beyond common sense, is a staple of Lonergan's and connects with his concern for history. “For common sense is unequal to the task of thinking on the level of history.” Lonergan was well aware, in the ways we have outlined, of the havoc wreaked by poor theory. But the solution as he saw it was not to abandon theory altogether and seek to get by on common sense alone. This would simply perpetuate the slide into what he calls the longer cycle of decline, which is more insidious and devastating than any individual or group bias. What was needed was to replace poor theory with good theory, theory that reached to the heart of the matter and to the source of the confusion. It was a lesson he had learned in other areas of his investigations. For example, his study of the relationship between divine grace and human freedom in Aquinas showed him the confusion that reigns if one does not move beyond commonsense descriptions of reality to a theoretical account that finds a proper set of terms and relations, and the clarity that results when one does.

Recall Lonergan's appreciation of Aquinas's “complete formulation” and “full theological application” of the “distinction between a natural order and a supervening gratuitous order,” in Lonergan, Insight: A Study of Human Understanding, CWBL 3, ed. Frederick E. Crowe and Robert M. Doran (Toronto: University of Toronto, 1992) 550. He also speaks of grace perfecting nature “both in the sense that it adds a perfection beyond nature and in the sense that it confers on nature the effective freedom to attain its own perfection. But grace is not a substitute for nature, and theology is not a substitute for empirical human science. It is a fuller viewpoint that both reinforces the scientist's detached, disinterested, unrestricted desire to know and reveals the concrete possibility of intelligent and reasonable solutions to problems” (ibid. 767).

Lonergan also observed that, within a natural law framework, sound biology is one of the necessary groundings for the moral evaluation of methods of family planning. See the discussion in Seán Fagan, Does Morality Change? (Collegeville, MN: Liturgical, 1997) 85–87.

Lawrence, “Editor’s Introduction” liv. Lonergan's major work on this topic is Grace and Freedom: Operative Grace in the Thought of St Thomas Aquinas, CWBL 1, ed. Frederick E. Crowe and Robert M. Doran (Toronto: University of Toronto, 2000).
This last example points to a further link between Lonergan’s economics and his theological project, namely, his sense of the importance of human freedom. His argument that liberal capitalism and Marxism do not do justice to the transcendence of the human person is ultimately a critique of their failure to allow for human freedom. Liberal capitalism exalts the free play of self-interest, which easily gets reduced to consumer maximization or making a profit, so that a truly human freedom is not admitted. Freedom, in the liberal view, reduces to the right to do as one wishes. On the other hand, Marxism sees the oppression of the poor as a failure of human freedom and proposes a solution that effectively eliminates freedom, seeking to force people to be good.

For Lonergan, respect for human freedom is a necessary component of any economy. A properly functioning economy, one that provides a sustainable standard of living for all, requires democracy, which he understands as participatory and nourished by education. Economic historian Deirdre McCloskey offers support for this view in a recent work that shows how democracy creates conditions for innovation. She suggests a number of reasons for this, including the allowance of the free exchange of ideas and greater incentives for innovation under a system where the benefits cannot be completely appropriated by the state. Another reason might be that distributed decision making optimizes the use of available information and intelligence.

If Lonergan sees the importance of democracy for an economy to function as it should, he also recognizes a proper role for politics in relation to the economy. He emphasizes, however, that this cannot mean a bureaucratization that seeks to manage and plan in such detail that it curtails the spontaneous dynamisms of human ingenuity and creativity, and ultimately destroys the economy. Political interventions require an appreciation of emergent probability, Lonergan’s account of evolving world order as a complex, interconnecting set of schemes of recurrence, each scheme having a probability of emergence and a probability of survival. Humans can begin to grasp this world order and shape it, not in fully deterministic ways, but by shifting the probabilities in particular directions. An adequate economic theory will help individuals and governments understand how economies really function, and grasp the cycles actually at work. By recognizing the difference between various phases of the economic cycle, economic theory can encourage people to make wise decisions appropriate to the state of the economy, calling forth their active involvement in developing the common

20 Lawrence, “Editor’s Introduction” ix. For Lonergan’s account of emergent probability, see Insight 144–51, 234–37.
good. Lonergan was, of course, not so naïve as to believe all would follow these precepts. But if confusion reigns, based on a false understanding of how economies work, then even those of good will, who are prepared to sacrifice for the common good, will not know how to choose wisely and morally. Beyond the individual level, Lonergan is also concerned that a failure to understand adequately what it takes for economic processes to work well leaves a society open to undemocratic forces—precisely the sort of concern that led him to devote 14 years, early in his academic career, to the study of economics.

THE GREAT DEPRESSION AS STIMULUS FOR LONERGAN’S ECONOMIC WRITINGS

The specific context for Lonergan’s venture into economics was the Great Depression, which manifested serious deficiencies of the dominant liberal capitalism of the West. He could not accept that such social devastation (or, for example, the potato famine in Ireland) was necessary—the inevitable outcome of ironclad economic laws, as classical economic theory held. At the same time the severe limitations of traditional Catholic social teaching on economic matters became evident to him. One of his philosophy teachers at Heythrop, Lewis Watt, S.J., who wrote and taught on Catholic social teaching, put the question of the compatibility of some aspects of Catholic teaching and the survival of capitalism particularly clearly.21 For example, employers seeking to provide a living wage sufficient to support a family could end up out of business and their workers unemployed with no wage at all. This dilemma led Lonergan to wonder whether a problem with Catholic social teaching was that the moral precepts being offered were not grounded in a proper understanding of economic exigencies, which meant that church statements on macroeconomic questions remained inconsequential or unhelpful. This

21 Lewis Watt, Capitalism and Morality (London: Cassell, 1928). The leading Catholic authority of the day on economics was Heinrich Pesch whose Lehrbuch der Nationalökonomie, published in five volumes from 1905, was extensively annotated by Lonergan. It is now available in translation as Teaching Guide to Economics, trans. Rupert Ederer (Lewiston, NY: Edwin Mellen, 2002). Lonergan was also familiar with writers on economic policy in the English-speaking part of the Catholic world, such as Major Douglas in Canada and the distributivists Hilaire Belloc and G. K. Chesterton in England. An important source for Lonergan’s view of Catholic economic thought was Valere Fallon, Principles of Social Economy, trans. John McNulty and Bert Goss (New York: Benzinger Brothers, 1933). These writers were not well regarded by professional economists, and the unfortunate state of Catholic economic thinking flowed from the separation of theology from economics in Britain in the middle years of the 19th century. On this see Anthony Waterman, “The True Wealth of Nations in Recent Catholic Social Thought: A Review Essay,” Faith and Economics 57 (Spring 2011) 47–55.
drove him to ask, “How can you get economic moral precepts based on
the economy itself?”

As a consequence, Lonergan began to immerse himself in economic
literature as his teaching and other research allowed. He read Karl Marx,
John Maynard Keynes, Lionel Robbins, Frank Knight, Erik Lindahl, and
Friedrich Hayek, among others. Perhaps the most significant economist
for the development of his own thought was Joseph Schumpeter, whose
Theory of Economic Development and Business Cycles he thoroughly read
and annotated. Reading these works in the light of the approach to
history he had worked out in the previous decade convinced him that the
key task of economics was to explain the booms, slumps, and crashes of the
business cycle. From this understanding of the dynamics of a capitalist
economy he hoped more satisfactory moral precepts would emerge.

This conviction led to the production of two manuscripts on economics.
The first was subsequently misplaced only to be recovered in 1986 through
his friend Eric Kierans and published in 1998 as For a New Political Econ-
omy. The second, his 1944 Essay on Circulation Analysis, in which he
presented a detailed model of the economic process, was available only
in various Lonergan archives around the world until published in 1999 as
Macroeconomic Dynamics: An Essay on Circulation Analysis, volume 15 of
the Collected Works. At the time of this early research, Lonergan had
hoped to engage more widely with the economists of his time. To this end,

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22 Lambert et al., eds., Caring about Meaning 31.
23 Lonergan’s extensive notes on these writers are available at http://www.bernardlonergan.com/index.php (this and all other URLs cited herein were accessed on October 30, 2011). The originals can be found in the archives of Regis College, Toronto.
soon after he wrote the 1944 Essay, he sought feedback from economists, only to find a mixture of disinterest in and puzzlement at what he was trying to do. This led him to shelve the project and turn more fully to his theological and philosophical work, culminating in the first instance in the publication of Insight in 1957.26

In the 1970s, however, stirred to action by reading Johann Baptist Metz and Gustavo Gutiérrez, and dissatisfied with economic knowledge among Catholic theologians, Lonergan returned to his technical manuscript and began to rework it while running annual seminars on economics at Boston College from 1978 until 1983. His Macroeconomic Dynamics reflects the reworking of the original manuscript that took place during those years. At the time Lonergan saw strong parallels to his own project in the writings of Polish economist Michal Kalecki and those of the loose group of “heterodox” economists known as Post-Keynesians.27 This suggested a possible bridge between his own work and contemporary economic thought, in contrast to the lack of contact made when he originally developed his ideas.

LONERGAN AND CONTEMPORARY ECONOMICS

Lonergan was critical of the state of economics in the two periods in which he engaged the discipline.28 In the 1940s manuscripts, his criticism

26 The identity of the economists who read Lonergan’s Essay and provided this discouraging feedback remains a mystery to us, despite our archival research and inquiries. The most likely candidates are economists at McGill University, St. Louis University, and Boston College; it seems that the late Joseph F. Flanagan, S.J. (1925–2010) was one of those who acted as an intermediary for Lonergan with the economists. Michael Shute’s recent work on Lonergan’s economics mentions Michael Novak, but this refers to the period in the 1970s when Lonergan returned to economics (Shute, Lonergan’s Discovery of the Science of Economics 213). Novak’s contact with Lonergan is detailed in his “Memories of Bernard Lonergan SJ,” Journal of Macroeconomic Analysis 3 (2003) 194–204.


was fairly restrained, with his energy directed mainly to constructing an alternative macroeconomic model. When he returned to economics in the 1970s, he offered more strident criticisms of the mainstream economics of the time. The study of economics has, of course, moved on since then, so that it is worth reflecting on Lonergan’s work in relation to contemporary economics. In so doing, we find a number of differences of approach.

First, the discipline of economics is no longer in the same intellectual space it was when Lonergan was writing, either in the 1940s or the 1970s. The type of dynamic macroeconomic modeling of cycles he undertook was cutting edge in the 1940s but is no longer fashionable, though this in itself is an unreliable indicator of truthfulness or scientific fruitfulness. Contemporary economics is built around putatively rational individuals satisfying preferences subject to income and other constraints, and profit maximizing firms producing commodities that satisfy those preferences. Macroeconomic models aggregate the behavior of such individuals and firms, so that, in the terminology of the discipline, macroeconomic models need microfoundations to be credible among contemporary professional economists.

Second, Lonergan offers a different understanding of rationality. For contemporary economics, the dominant view of rationality is the consistency of the decisions a person makes to satisfy arbitrarily determined preferences. For Lonergan, to act rationally as an economic agent is to recognize the intrinsic intelligibility of economic processes themselves and to conform oneself to that intelligibility.

Third, teleology has not been part of mainstream professional economics for many years. For Lonergan, the economic process has an end or telos.

Human Behavior (Chicago: University of Chicago, 1976); or his Nobel lecture “The Economic Way of Looking at Behavior,” American Economic Review 101 (1993) 385–409. The picture painted here grossly simplifies economics, since contemporary economics is variegated, constantly changing, and notoriously disputed. Trying to generalize about professional economics is just as difficult as generalizing about contemporary theology.

The response to Lonergan’s work on economics has been limited, partly because of the difficulties it presents for different audiences. For Catholic theologians it requires entering deeply into the field of economics and becoming conversant with its issues and concerns. Lonergan’s work is technical, not descriptive, and so requires facility with mathematics on the part of the reader. Also without an understanding of economic theory and the history of economic thought, one cannot locate the significance of his contribution. On the other hand, for economists, the work comes from without, from someone not recognized as an economist. Lonergan uses a distinctive terminology not immediately familiar to economists. Moreover, it is a “complete” theory, not just a tinkering with existing models; one either enters into the logic of the exercise or one does not.

Discussing teleology in relation to economics, which has been intimately associated with utilitarian philosophy since the early 19th century, raises some terminological difficulties. In Catholic moral theology a contrast is sometimes drawn
Such an approach is entirely congruent with the Catholic natural law tradition, in which correct understanding of the telos/end/purpose of actions is the basis for moral evaluation of those actions.\textsuperscript{31} Lonergan follows and develops the Thomist tradition, in which ends are given by “human nature” and are knowable through proper understanding of the human person.\textsuperscript{32} Since humans are relational beings, such a proper understanding embraces not simply the individual person but also human social life. Human freedom is then faced with a dual responsibility: to freely choose to conform oneself to those ends that are not arbitrary but given, and to find appropriate and reasonable means to achieve those ends.

Fourth, prediction and the control of human behavior that prediction allows are the central outcomes for much contemporary economic analysis, either for the sake of private profit or for formulating government policy. Lonergan, though, as we have seen, has a keen sense of human freedom. Since people will not necessarily act according to the intelligibility of economic processes, even if they understand them, no direct prediction is possible. Predictive modeling of macroeconomic variables is further undermined by the difficulties of aggregation that Lonergan seems aware of—the wholes or systems have properties that do not seem deducible from the behavior of individuals within them.\textsuperscript{33} Without predictive models, control (for instance by a government through monetary and fiscal policy) is impossible. As we have seen, Lonergan had theological reservations about the control agenda of economics and recognized that any genuinely human economics requires democracy. What he offers instead of prediction and control is an understanding of economic principles that will enable free

between deontological and teleological moral philosophies, with utilitarianism classified as teleological. The more usual terminology in contemporary moral philosophy (and among economists) is deontological and consequentialist, with utilitarian theories classified as consequentialist. This stance reserves the term teleological for the Aristotelian-Thomist tradition of a teleological ethics. See Lisa Sowle Cahill, “Teleology, Utilitarianism, and Christian Ethics,” \textit{Theological Studies} 42 (1981) 601–29. For an economist’s perspective, see Daniel M. Hausman and Michael McPherson, \textit{Economic Analysis and Moral Philosophy} (New York: Cambridge University, 1996).

\textsuperscript{31} For instance, Christine Firer Hinze, “U.S. Catholic Social Thought, Gender, and Economic Livelihood,” \textit{Theological Studies} 66 (2005) 568–91, at 568, emphasizes that discussion of the living wage in Catholic social teaching is about not only the consequences for workers but also orienting the social order toward providing for human needs.

\textsuperscript{32} Lonergan significantly unpacks a relatively compact account of human nature in the tradition when he identifies a normative and transcultural hierarchical scale of values in terms of vital, social, cultural, personal, and religious values (\textit{Method} 31–32).

\textsuperscript{33} Lonergan, \textit{Macroeconomic Dynamics} 92.
agents in a democratic society to make intelligent decisions. According to Lonergan this kind of democratic and decentralized control is both effective and respectful of the human person.

Fifth, Lonergan introduces a category completely absent from both contemporary economics and most of the social sciences, namely evil. When speaking more philosophically, he speaks of this evil in terms of decline, that disruption of progress noted above. Lonergan recognizes that we cannot account for human dynamisms, individual or social, without recognizing what he calls the “surd of sin” because of its unintelligibility.

Lonergan’s approach, then, presents a perceptive and credible critique of economics as a science, grounded in his philosophical and theological underpinnings. What distinguishes his critique, though, is that he does not simply criticize the discipline as he sees it; but he also engages deeply with the theoretic foundations and technical apparatus of the discipline. We turn now to the basics of his theoretical contribution.

**LONERGAN’S ANALYSIS OF THE ECONOMIC PROCESS**

Lonergan’s main theoretical contribution is an analysis of what he calls the “pure cycle.” This represents the idealized dynamics of a capital-based economy, where the responses of the participants are attuned to what is necessary for the common good. Before looking at this pure cycle, Lonergan outlines, diagrammatically and mathematically, what he sees to be the dynamics of a capital-based economy as a system of flows of goods and services and counterflows of money through different phases of the economic process. Central to his analysis is the distinction between what he identifies as the basic circuit (roughly speaking, consumer goods and services that constitute the standard of living) and the surplus circuit

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35 In *Insight* 689–90 and 716, Lonergan discusses sin and its social effects. He used the expression the “surd of sin” in some of his earliest essays: “Healing and Creating in History,” in *Macroeconomic Dynamics* 97–106; at 102–3 he discusses various biases, mirroring the discussion in *Insight*. See also Brown, “‘Aiming Excessively High and Far’” 634–35.

(roughly speaking, those goods and services used to produce the basic goods and services). For Lonergan this is an explanatory and functional distinction, based on the actual use of goods and services.

The basic and surplus circuits are distinct but linked through certain flows that Lonergan calls crossovers. If these crossovers are not in equilibrium, one circuit will drain the other, leading to a collapse of both circuits. The other connection between the two circuits is the way innovations in the surplus circuit can lead to accelerations in the flow of basic goods and services and so create a higher standard of living for all. Innovations, which Lonergan understands in a very broad sense, cause a shift from one relatively stable economic stage to a new stage marked by a higher standard of living. Lonergan is particularly concerned with analyzing this transition. For him, crossovers that place wealth in the hands of workers, enabling them to purchase the products produced, play an important role in the adjustment process. The careful management of the transition is necessary if the expansion initiated by the innovation is not to end in a downturn, lowering the standard of living for all.

Lonergan argues that the downturn can be avoided, provided people understand the dynamics of the pure cycle and, understanding them, act accordingly. The pure cycle is a linked series of economic phases. The first phase of the pure cycle is an acceleration of the surplus circuit brought about by creative innovations. The surplus expansion induces accelerations in the flow of basic goods and services in the basic circuit. Eventually the pure cycle culminates in a stationary phase at a higher standard of living than at the start of the cycle. This cycle will come to completion, to the benefit of all, if all the actors involved (business people, consumers, workers, etc.) behave in accord with a proper understanding of what phase of the cycle the economy is in.

Consider, for example, the surplus expansion. This expansion generates profits that taper off after a period. Business decision makers then need to adjust their expectations of profit levels downward rather than seek to maintain profitability through layoffs, aggressive behavior toward competitors, etc. Such actions arising from mistaken expectations are in the end self-defeating and exacerbate the downturn, generating the boom and bust trade cycle observed in our economies. By contrast, the intelligent adjustment of expectations of profit levels can prevent a downturn. This would achieve the proper functioning of the surplus expansion phase of the pure cycle described by Lonergan rather than the actual trade cycles he observed in capitalist economies. Likewise, though without going into the details here, the proper unfolding of the basic expansion will require particular responses and actions from all parties. Lonergan's point is that understanding of the pure cycle is the basis for the sound decision making necessary for stable expansion of the economic
From this correct understanding, he hoped to develop simple economic and moral maxims for different phases of the cycle that could be widely understood and could guide economic decision making to serve the common good.

As noted earlier, Lonergan believes that the economy has an end, a telos. What is this telos? Lonergan speaks of economic activity as “an ordered and variable process towards a standard of living” and of the productive process as “terminating in a standard of living.” This standard of living is not the personal enrichment of individuals, but the betterment of all; it is a common good. While the standard of living is the immediate goal of the productive process, it cannot be the ultimate good of human living. Lonergan’s account of the human good is a nuanced one, with the economy serving what he calls the “good of order” that mediates between individual economic action and the attainment of the higher-order goods, such as cultural goods and interpersonal relations. The economy contributes to but cannot deliver these higher-order goods on its own.

The attainment of the good of order and, through it, an appropriate standard of living that contributes to these higher goods is undermined

37 This brief account of part of Lonergan’s theory of the cycle neglects issues such as crossovers, the role of money in the cycle, the role of deficit financing and trade surpluses, his sophisticated understanding of expectations, the possibility of effective demand shortfalls, the redistributive function, among many others. To make progress in bringing his work into dialogue with contemporary economics, we need a more precise mathematical articulation of Lonergan’s theory; this is part of our Templeton-funded research project. We are also seeking to identify any novelty in Lonergan’s model in relation to economic models of the business cycle from the 1940s. Once we get behind Lonergan’s eccentric terminology, it is clear that he shared much with cutting-edge business cycle theorists of his day, perhaps with some new insights into the monetary flows and expectations. His work, partly because of its delayed publication, has so far received no attention from historians of economic thought and no citations in mainstream economic journals.


39 Lonergan discusses the good of order in relation to economics in Insight, chaps. 7 and 18, following the earlier discussion in the Essay on the ordering of expectations through the economic cycle. We find some resonance between Lonergan’s discussion of the good of order and Adam Smith’s invisible hand, which is commonly taken to be a mechanism translating individual self-interested action into outcomes for society. Smith emphasizes the need for properly formed institutions and human dispositions for the pursuit of individual interests to generate wealth. Lonergan’s good of order, which includes a pattern of relationships and intersubjectivity, makes possible the achievement of other ends. Paul Oslington discusses Smith’s concept in detail in “God and the Market: Adam Smith’s Invisible Hand,” Journal of Business Ethics (forthcoming). Lonergan’s concept of the good of order is better developed and less susceptible to the criticisms of Voltaire’s Doctor Pangloss or Wall Street’s Gordon Gecko than the pseudo-Smithian concept.
when we fail to understand the economic process. This failure results in the cycles of boom and bust that occur in the trade cycle, that is, the actual performance of economies operating without a proper understanding of the pure cycle. In particular, a bad bust, such as the Great Depression, leaves everyone worse off than before.

As we saw earlier, Lonergan’s approach to economics is based on his Christian anthropology, including a commitment to personal freedom. Economics is not just a collection of regularities or laws that bureaucrats or politicians can use to manipulate economic levers as they seek certain outcomes.40 “The only solution that [modern economics] can ever offer to economic problems,” Lonergan observes, “is by supplying a brain trust to an incipient bureaucracy, by supplying technicians for a totalitarian state.”41 An authentic view of economics recognizes that people are intelligent and free beings, made in the image of God. The proper way to address them is to appeal to their intelligence to act in ways that further the ends of the economy of which they are part. This involves a commitment to the common good, not just their own individual good, and may involve short-term restraint or sacrifice for a longer-term good for all, including oneself.

Thus Lonergan’s economics is definitely a “political economy,” and the politics envisaged is inherently democratic. The clearest discussion is in For a New Political Economy, where he commends the “old political economy” (by which he means 19th-century classical political economy) for being democratic though mistaken and limited, and calls for a new democratic, political economy that would be “a scientific generalization of the old political economy and of modern economics.”42

It follows from this that the role of economics is to make the economic process intelligible. It is an investigative and educational role. As long as we are seeking primarily to understand economic dynamisms, we are not yet engaged at the moral level. Morality does come into the picture, though, when we get to the level of economic decision making. The goal of the economy, as we have noted, is a common good, namely, an appropriate standard of living for all. Moreover, this goal, which involves goods at the vital and social levels of Lonergan’s scale of values, provides the material

40 This makes for an interesting comparison with Hayek’s critique of planning in his The Road to Serfdom (Chicago: University of Chicago, 1944). Lonergan was suspicious of the prediction-and-control agenda he saw in most economic writing in this period. He was in sympathy with the classical liberal outlook of the 19th-century economists, though he saw that their analysis was inadequate for the circumstances of the 1930s and 1940s.

41 Lonergan, For a New Political Economy 5. Similar comments are found in the epilogue to Insight, where Lonergan laments, for instance, the “relentless modern drift to social engineering and totalitarian controls” (Insight 767).

42 Lonergan, For a New Political Economy 7.
base for higher-level goods such as culture, moral formation, and religion. The moral premises that need to guide economic decision making, however, are not a function of extrinsic considerations but are grounded in the intrinsic dynamics of the economy itself. They arise from an understanding of the goal of economic activity and the ways economic process can deliver or fail to deliver that goal. To aid understanding of the link between economic process and economic decision making, Lonergan uses the analogy of the link between motor mechanics and the evaluation of drivers’ skills: “A study of the mechanics of motorcars yields premises for the criticisms of drivers, precisely because the motorcars, as distinct from the drivers, have laws of their own which drivers must respect.” Likewise, there are properly economic laws that decision makers must respect, and it is these that Lonergan has sought to articulate.

CONTRIBUTION TO THE DEVELOPMENT OF CATHOLIC SOCIAL TEACHING

Lest theological readers get too complacent about Lonergan’s critique of economics, we should also consider his critique of church writing on economic matters. Lonergan objected to what he saw as the ill-informed moralism of church statements and hence of the actions that followed from these statements. For instance, in the Essay he argued that the reason the economic process does not serve the end of the standard of living “is not the reason on which simple-minded moralists insist. They blame greed. But the prime cause is ignorance.” This is not to say that greed is not, or cannot be, a problem, but as we noted previously, where there is ignorance of economic process even people of good will can act in ways that undermine that process. Lonergan suggests that some of the concern for the poor in Catholic circles should be directed toward the study of economics, so that action can be effective rather than misguided. Likewise, he endorsed Pius XI’s exhortation to priests to study social matters, though he suggested that this could not be put into effect until we had developed the Summa sociologica referred to earlier. In the meantime, moralizing should be

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43 For an unpacking of the full significance of Lonergan’s scale of values see Doran, Theology and the Dialectics of History. For its application to the issue of globalization see Neil Ormerod and Shane Clifton, Globalization and the Mission of the Church (London: T. & T. Clark, 2009).
45 Lonergan, Essay in Circulation Analysis 82.
46 For instance, Lonergan suggests (in an interview) that “if Catholics had spent some of their time in the British Museum . . . we might have a good answer to Marx” (Lambert et al., eds., Caring about Meaning 163), referring to the long years Marx spent researching and writing in the library of the British Museum.
suspended. This view doubtless explains Lonergan’s notable reticence in commenting on matters of economic policy from a Catholic perspective, despite the depth of his engagement with economic theory in the 1940s. His effort went instead to developing macroeconomic models that he hoped would contribute to the economic dimension of that adequate social theory.

Lonergan was doubtful about the value of Catholic social teaching of the 1930s and 1940s where the key topic was the Catholic response to the “social question” and to the particularly intense suffering of working people through the Great Depression. The papal encyclicals *Rerum novarum* (1891) and *Quadragesimo anno* (1931) and subsequent reflection on them were guiding elements of this response. As we have noted earlier, however, Lonergan argued that an adequate natural law ethic had to be based on something better than the economic analysis on which Catholic social teaching relied in the 1940s.

What of contemporary Catholic social teaching? Here, an analysis of the most recent social encyclical, *Caritas in veritate*, which addresses a range of issues connected to globalization and development, with particular reference to the global financial crisis, points to a number of areas of overlap between Benedict XVI’s teaching and Lonergan’s account of the economy.47 First, the encyclical focuses on the common good as the goal of economic and political decision making.48 Second, it highlights the need for “further and deeper reflection” on the foundational issue of “the meaning of the economy and its goals.”49 Third, it speaks of the role of freedom


49 *Caritas in veritate* no. 32, emphases original.
in the economy, recalling Paul VI’s sense of the nature of economic structures as “instruments of human freedom.” 50 Fourth, just as Lonergan denied that catastrophes like the Depression were sad but inevitable because economic laws were ironclad and beyond human influence, so the pope notes the fallacy of claiming that “the market economy has an inbuilt need for a quota of poverty and underdevelopment in order to function at its best.” 51

For all these commonalities, though, we also find areas where Lonergan’s approach to economics could offer a greater precision and clarity to contemporary Catholic social teaching, particularly in relation to the sources of moral principles for the economic sphere, the relationship between the economic and political orders, and the relation between ecology and economics.

### The Source of Moral Principles for the Economy

*Caritas in veritate* states that the economic sphere must be subject to moral principles. It is “neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner.” 52 When it comes to determining what these ethical principles might be, the encyclical tends to offer generic moral values: “the fundamental right to life of every people and every individual,” 53 the dignity of the individual, 54 the demands of justice, 55 solidarity, 56 mutual trust, 57 transparency, honesty and responsibility, 58 “the inviolable dignity of the human person and the transcendent value of natural moral norms,” 59 and right intention. 60 All these apply across the spectrum of morality; they are neither peculiar to the economic sphere nor derived from its dynamisms. Beyond these generic ethical themes, Benedict breaks new ground in speaking of the important role, in the economic sphere, of gratuitousness, communion, and the logic (or spirit) of the gift. 61 While these principles certainly challenge any account that claims that profit maximization is the role of the economy, there is no suggestion that they are derived from economic dynamisms themselves.

At the same time, though, Benedict XVI recognizes the need for something more than generic or externally-derived ethical principles for the

50 Ibid. no. 17.  
51 Ibid. no. 35.  
52 Ibid. no. 36.  
53 Ibid. no. 28.  
54 Ibid. no. 32.  
55 Ibid. nos. 32, 35.  
56 Ibid. nos. 28, 35, 38.  
57 Ibid. no. 35.  
58 Ibid. no. 36.  
59 Ibid. no. 45.  
60 Ibid. no. 65.  
61 Ibid. nos. 34, 36–39, 42.
economy. At one level, he shows this by his encouragement, at a number of points, of the involvement in the economic sphere of enterprises that are not primarily interested in profits. In this regard, he mentions “economic entities that draw their origin from religious and lay initiatives,”62 “commercial entities based on mutualist principles and pursuing social ends,”63 and business enterprises that stand “over and above the simple distinction between ‘private’ and ‘public.’”64 Benedict’s hope is that the presence of these enterprises in the business world will “steer the system towards a clearer and more complete assumption of duties on the part of economic subjects” and that the “plurality of institutional forms of business gives rise to a market which is not only more civilized but also more competitive.”65

But Benedict recognizes that even this is not enough, that we are still dealing with something external to mainstream economic enterprises. “Efforts are needed—and it is essential to say this—not only to create ‘ethical’ sectors or segments of the economy or the world of finance, but to ensure that the whole economy—the whole of finance—is ethical, not merely by virtue of an external label, but by its respect for requirements intrinsic to its very nature.”66

One point where the encyclical touches closely on this issue of requirements intrinsic to the nature of the economy is in its call, in a number of places, for the economy to follow the principles of not only commutative justice (dealing with fair treatment in relation to contractual agreements) but also distributive justice (dealing with the fair distribution of wealth).67 We now turn to this important theme of Catholic social teaching to see how Lonergan’s economic analysis offers a significant contribution to its clarification.

**The Relation between the Economic and Political Orders**

Contemporary mainstream economics holds that the market is simply about wealth creation, while any concern for the distribution of wealth pertains to the political realm.68 This separation is evident in one of

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62 Ibid. no. 37.
63 Ibid. no. 38.
64 Ibid. no. 41; see also no. 42.
65 Ibid. no. 42, emphasis original.
66 Ibid. no.45, emphasis added.
67 Ibid. nos. 32, 35, 37, 45.
68 The classic treatment is Kenneth Arrow and Gerard Debreu’s “Existence of an Equilibrium for a Competitive Economy,” *Econometrica* 22 (1954) 265–90, while expositions of the (unimaginatively named) first and second fundamental theorems of welfare economics can be found in any graduate level textbook. The question of whether distribution is intrinsic or extrinsic to economic processes has a long history in economics. For 19th-century classical economists the distribution of the surplus among social classes drove economic process, but since the marginal or neoclassical
the most celebrated contributions to contemporary economics, the Arrow/Debreu model of a competitive economy. At the heart of the model and its associated theorems lies the sharp separation of economic efficiency from the distribution of income, based on the view that intervention in the competitive price system harms efficiency and that distributional objectives can be achieved through transfers determined by the political process after the competitive market has done its work. Since the Arrow/Debreu results were derived in the 1950s, the folly of meddling with markets on distributional grounds has been deeply ingrained in anyone trained in economics and also more widely because of the cultural influence of economics. Contemporary mainstream economics has had much more influence in the Vatican over the last 20 years than previously, and it would not be surprising if this view of distribution were part of that influence (more on this later).

Within Caritas in veritate, we find two strands of thought on the issue of responsibility for redistribution. In some places, Benedict appears to criticize the mainstream economics we have just outlined:

Economic activity cannot solve all social problems through the simple application of commercial logic. This needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution.69

Here the encyclical challenges a view that sees “commercial logic,” whose basic principle is the maximization of profit, as the sole governing principle of the economy. While the political community has particular responsibility for the pursuit of the common good, economic activity also needs to be directed toward this end. It is when the two are detached, with the economy seen simply as creating wealth while the political sphere is left to deal with the redistribution of that wealth, that “grave imbalances are produced.” Redistribution, as an element of the common good, needs to find its place in the properly economic process. Hence, in the next paragraph the pope notes that justice “must be applied to every phase of economic activity,” having previously pointed out that justice includes questions of distribution.70

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69 Caritas in veritate no. 36.
70 Ibid. no. 37; see no. 34 for the discussion of justice.
At other times, though, Benedict places responsibility for the redistribution of wealth squarely on the shoulders of government, as when he treats of the distributional implications of globalization.\(^71\) In a globalized world, in which the mobility of labor and capital makes it more difficult for national governments to effect redistribution, the economy still “needs just laws and forms of redistribution governed by politics.”\(^72\) The encyclical presumes that it has rightly been the responsibility of national governments to effect redistribution, and that the new situation continues to call for politics to take the lead in this area (even if this now needs to be at a global level). Prior to globalization, “the politics of many States could still determine the priorities of the economy and to some degree govern its performance.” Indeed, Benedict notes that previous church social teaching “assigned a central, albeit not exclusive, role to ‘public authorities.’”\(^73\)

Thus we find two strands of thought in Caritas in veritate, one suggesting that redistribution is not simply a matter for the political order, the other highlighting the role of government in wealth distribution. While these two strands might not ultimately be antithetical, the encyclical itself does not offer ways to hold them together. In particular, even where it envisages redistribution finding its place within economic processes themselves, and not simply being added on from outside, it does not suggest precisely how this might work.

It is here that Lonergan’s circulation analysis offers a crucial contribution. For Lonergan insists that distribution is not extrinsic but intrinsic to the analysis of markets, and his detailed economic analysis shows how this follows from properly economic principles. In his model an economy moving from one stable state to another through the impact of innovation moves through two distinct phases. The first phase, which is antiegalitarian, leads to the creation of wealth, enriching particularly those who are driving the innovation. However, if the boom is to stabilize into a new higher state of production, there needs to be a second, egalitarian phase whereby wealth is redistributed into the hands of workers, enabling them to purchase the products produced as the basic circuit expands. Without this second phase, an economic bust will follow.\(^74\) Lonergan’s point is that this redistribution is actually part of the “logic of the market,” something that arises from economic analysis itself. It is not a responsibility that must be subsumed by or assigned to the state or the political order. It is something that a properly running economy should itself see to.

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\(^{71}\) Ibid. no. 42.  
\(^{72}\) Ibid. no. 37.  
\(^{73}\) Ibid. no. 24.  
\(^{74}\) See Lonergan’s discussion of this phase of the cycle in his Macroeconomic Dynamics 79–82. He seems to draw on Keynes’s insights about effective demand.
This is an important distinction to make, because any effective moral analysis needs to be clear about where responsibility lies for which actions. If that strand of Benedict’s thought is correct, which asserts that redistribution is the responsibility primarily of the political order, two things follow. First, it absolves economic agents from taking a direct interest in distributional matters. Second, it places the economic and political orders in tension, if not in open conflict, as the political imperative to redistribute could be viewed as contrary to the demands of wealth creation, which is seen as the prime imperative of the market. One might also argue that the schema suggested by this strand in the encyclical’s argument produces such a focus of politics on economic matters that more weighty political issues are neglected or reduced to their economic bare essentials. For Lonergan, on the other hand, economic agents have a responsibility for the redistribution of wealth, precisely as part of properly economic dynamisms. This redistribution Lonergan refers to is not social security or welfare payments, but jobs with proper wages for workers. What economic agents themselves fail to see, on present economic analyses, is that redistribution is in the longer-term interest of individual firms themselves, as well as being for the common good. This longer-term interest lies, at the most basic level, in survival. Firms can be bankrupted by downturns, and even if firms are not bankrupted, instability imposes costs on them by clouding information flows and disrupting decision making.

If Lonergan offers an express statement of the importance of moral principles grounded in the intrinsic nature of the economic enterprise, one might well ask whether he sees any role at all for the political sphere in distributive justice or in regulation of the economy. In fact, his economic writings have little, if anything, to say about such a role. This is not to say that he would deny such a role, but rather that his focus is on economic theory and on doing full justice to the reality of economic dynamisms in themselves. A proper understanding will enable all those involved in the economy—the general population, businesses, politicians—to make informed decisions appropriate to their role in economic life. As Stephen Martin observes: “Lonergan claims that if moral precepts grounded in proper economic analysis are understood and people are morally inclined or can be persuaded to follow them in a cooperative effort for the common good, the economy could be guided intelligently, intentionally and democratically.” It is precisely this sort of persuasion, rather than bureaucratic regulation, which for Lonergan is the

75 In fact Lonergan’s analysis of welfare parallels his discussion of economic colonialism. See ibid. 85
proper role of the political sphere. The politician is someone able to draw
people together, to win confidence, to help the group come to a common
decision, and to ensure that the decision is carried out. If Lawrence is right in
claiming that Lonergan holds that politics is to judge, direct, and guide the
economy, he is also right in following up this claim with the proviso that, for
Lonergan, this guidance and direction cannot be arbitrary or based on prin-
ciples that are discordant with economic dynamisms:

The notion that the role of the political order is to judge, direct, and guide the
economic order does not imply that it can operate arbitrarily upon the economic
good of order, which generally is what is understood by the idea of government
intervention into the economy. In other words, the control of the money supply,
interest rates, and taxation by the government ought itself to be governed by a
correct understanding of the economic process. Arbitrary government actions
damage free enterprise rightly understood. And the bureaucratic form of state
authority makes the damage an ongoing affair. 77

Lawrence goes on to note that a “correct understanding of the economic
process” actually benefits politics, for it frees it from being “mixed up with
economics in a way that is disastrous for both polity and economy.” 78 Thus
freed, politics can take up its role of mediating between the cultural level
of meanings and values and commonsense practicality.

The key point in all this is that Lonergan offers a way forward in articulat-
ing the sort of ethical principles that arise out of what Benedict calls “respect
for requirements intrinsic to [the] very nature” of economics but which have
been lacking, in any detailed way, in the Church’s social teaching. 79

The Relation between the Economy and Ecology

Besides contrasting treatments of distribution, another contrast with
Benedict’s teaching is the way Lonergan allows us to connect economic
activity and ecological processes. To be sure, Benedict significantly incor-
porates ecological concerns as an important element in human global
flourishing, and connects these concerns with what he calls “human ecology.”

There is need for what might be called a human ecology, correctly understood.
The deterioration of nature is in fact closely connected to the culture that shapes
human coexistence: when “human ecology” is respected within society, envi-
ronmental ecology also benefits. Just as human virtues are interrelated, such that
the weakening of one places others at risk, so the ecological system is based on
respect for a plan that affects both the health of society and its good relationship
with nature. 80

77 Lawrence, “Money, Institutions, and the Human Good” 188.
78 Ibid.
79 Caritas in veritate no. 45.
80 Ibid. no. 51.
While clearly cognizant of the impact of our global economy on the natural environment, as evidenced in his discussion of climate issues and of the just allocation of energy resources, Benedict’s most direct approach is through a linkage of environmental ethics with Catholic teaching on life ethics:

In order to protect nature, it is not enough to intervene with economic incentives or deterrents; not even an opposite education is sufficient. . . . If there is a lack of respect for the right to life and to a natural death, if human conception, gestation and birth are made artificial, if human embryos are sacrificed to research, the conscience of society ends up losing the concept of human ecology and, along with it, that of environmental ecology. It is contradictory to insist that future generations respect the natural environment when our educational systems and laws do not help them to respect themselves. The book of nature is one and indivisible: it takes in not only the environment but also life, sexuality, marriage, the family, social relations: in a word, integral human development. Our duties towards the environment are linked to our duties towards the human person, considered in himself and in relation to others. It would be wrong to uphold one set of duties while trampling on the other. Herein lies a grave contradiction in our mentality and practice today: one that demeans the person, disrupts the environment and damages society.

What is especially interesting here is the set of elements Benedict identifies as belonging to the “book of nature”: the environment, of course, but also life, sexuality, marriage, the family, and social relations. What is not mentioned is the economy. While Benedict does not positively exclude it from “integral human development”—indeed its inclusion is part of his overall argument—the economy did not find a natural home in his discussion of ecology. Herein Lonergan has something to add to the argument Benedict is seeking to develop.

At one level, Lonergan simply uses ecology, understood as a set of interlocking dynamisms, as a metaphor for human social existence; just as an ecology is “an assembly of assemblies of schemes of recurrence,” so too is human society. More significantly, though, this sense of schemes of recurrence helps us see how Lonergan relates ecology, in the particular sense of the natural environment, to the economy within his framework of emergent probability as metaphysics of world process involving, as we have noted, a complex set of interacting schemes of recurrence that have certain probabilities of emergence and probabilities of survival. Human intelligence transforms the potentialities of these natural schemes of recurrence

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81 Ibid. no. 50.  
82 Ibid. no. 51.  
83 Lonergan, Essay in Circulation Analysis 93. This connects to his analysis of emergent probability in Insight. Lonergan also discusses economy as an ecology in an interview in Lambert et al., eds., Caring about Meaning 314. The quotation from the Essay was not in Lonergan’s original 1944 text; he seems to emphasize the analogy between the economy and an ecology much more in the last years of his life.
through the creation of new schemes that incorporate (and modify) lower order schemes, to produce a standard of living for human communities.\(^{84}\) There is thus a radical connection within Lonergan’s metaphysics of emergent probability between the natural environment and the economic order. Ecological concerns become intrinsic to economic development, rather than an extrinsic addition. And, while human intelligence does transform the underlying schemes of recurrence in the process of incorporating them, they nonetheless remain a fundamental principle of limitation for the economy.\(^{85}\) If these environmental limits are exceeded, it will impact directly and negatively upon the economy.

This move to bring together economics and ecological concerns would seem to be a fruitful one for Catholic social teaching in the face of the current connected crises of economy and ecology, and their current disconnect.\(^{86}\) Lonergan’s circulation analysis, viewed within his account of emergent world process, offers ways of analyzing the connections between economic and ecological processes.\(^{87}\) Nonetheless, the concrete consequences of this connection can only be analyzed on the basis of actual data relating to particular conditions. Knowing that there are limits does not tell one where those limits are in any particular case.

The Relation between Catholic Social Teaching and Economic Theory

A more general challenge that Lonergan’s engagement with economics puts to Catholic social teaching has already been noted, namely, the importance of engaging deeply with economic theory. There is no such explicit engagement in *Caritas in veritate*, whose teaching about economic matters

\(^{84}\) “The productive process is, then, the aggregate of activities proceeding from the potentialities of nature and terminating in a standard of living” (Lonergan, *For a New Political Economy* 232). This material was written before Lonergan developed the terminology of “schemes of recurrence,” but the content is the same.

\(^{85}\) On principles of limitation, Lonergan writes: “Each higher genus is limited by the preceding lower genus. On the one hand, it must not interfere with the autonomy of the lower order, for if it were to do so, it would destroy its own foundation. On the other hand . . . a higher systematization is limited by the manifolds which it systematizes” (*Insight* 467–68).


\(^{87}\) One way of connecting ecological analysis with Lonergan’s economic analysis might be to add a circuit of ecological flows to Lonergan’s existing circuits of goods and services and money. Just as the monetary circuit responds to but does not exactly follow the circuit of goods and services, so the ecological circuit responds to changes in the flows of goods and services without corresponding exactly. Developing this suggestion or other ways of including ecological constraints into Lonergan’s model is beyond the scope of this article.
remains quite generic; cultural assumptions about economics and some particular economic conclusions are drawn upon, but economic theory is not dealt with in itself. Of course it has to be recognized that Benedict is seeking to cover a gamut of social issues. Still the lack of engagement with economic theory is striking in an encyclical that deals with globalization as one of its major themes.

This shortcoming of recent Catholic social teaching contrasts with Lonergan’s call in the 1930s and 1940s for a Catholic engagement with mainstream economic theory, backed by his own substantial attempt at this in the 1944 Essay. There may be advantages in generality, especially in such a disputed and rapidly changing field as economics, but Lonergan would not be content with a lack of specificity in such an important area. The only way to go beyond generalities is to draw on economic theory and empirical work deploying that theory. Lack of specificity makes it easier for individuals, firms, Catholic agencies, and governments to ignore the teaching, and to look for guidance from economists working in different theological and philosophical frameworks who have far more fully worked out the details of their ideas.

The church is now far better placed to engage deeply with economics in the early years of the 21st century than it was in the 1930s and 1940s. It has the benefit of a series of Vatican conferences with eminent economists beginning in the 1980s and the formation of the Pontifical Academy of Social Sciences in 1994.88 The church has been increasing the involvement of economists like Stefano Zamagni in the drafting of encyclicals, signaled by his being one of the three presenters at the press conference when Caritas in veritate was released.89 An initiative to work out the detail of what Catholic social teaching recommends on economic questions has been funded by the Institute for Advanced Catholic Studies in the United States, leading to publications and a recent conference in Rome.90 It would seem that a new interdisciplinary field of economics and theology is taking shape.91

88 The Pontifical Academy of Social Sciences website, http://www.vatican.va/roman_curia/pontifical_academies/acdsclien/own/index09111999social.htm, has details on these conferences and posts some proceedings.
89 Zamagni and Bruni, among others, have developed the idea of civil economy; see, for instance, Luigino Bruni and Stefano Zamagni, Civil Economy: Efficiency, Equity, Public Happiness (Bern: Peter Lang, 2007).
90 See Daniel K. Finn, ed., The True Wealth of Nations: Catholic Social Thought and Economic Life (New York: Oxford University, 2010) and a subsequent Vatican conference organized by the Institute for Advanced Catholic Studies at the University of Southern California in conjunction with the Pontifical Council for Justice and Peace; details at http://www.ifacs.com/.
91 For instance, the John Templeton Foundation has provided seed funding to explore economics and theology as a new interdisciplinary field. Sessions at the 2009 American Academy of Religion meeting in Montréal (see “Whither Christian Economics?” published in the Journal of the Association of Christian Economists,
THE DIFFICULT PATH OF INTERDISCIPLINARY ENGAGEMENT

Even if we recognize the importance of economic expertise in theology, and for collaboration in an environment of mutual respect between economists and theologians, we also need to recognize that it is easy to call for it but difficult to carry it out. This is evidenced by the depressing history of attempts to arrange dialogue between theologians and economists since the disciplines parted ways in the mid-19th century in Britain and in the early 20th century in America. However, whatever assessment one might make of the specifics of Lonergan’s macroeconomic modeling, therefore, the attempt has to be admired, both at a technical level and in the way theological concerns have been brought to bear on the technical analysis. It is all the more admirable, given that Lonergan worked largely on his own with access to only a limited number of books on economics, and without the benefit of discussion and criticism from economist colleagues. The question for this section of our article is whether Lonergan’s foray into economics can teach us something about contemporary interdisciplinary engagement between theology and economics.

One issue for interdisciplinary work is the framework for engagement. Lonergan’s own approach to relating theology and other disciplines is discussed in the epilogue to *Insight*. Throughout most of the book he treats other fields as independent from theology, but the epilogue moves beyond this to the universal relevance of theology. This universal relevance in no way invalidates the insights gained from other disciplines. The “theologian cannot contribute directly either to the abstract theory or to the concrete relevance or to the awareness of the material circumstances of empirical science,” yet “it does not follow that his influence is not of paramount importance,” for theology unifies and completes the other disciplines. This completion is not just in some abstract realm, but is of practical importance for implementing the insights of the other disciplines, as Lonergan vigorously argues.

http://www.christian-economists.org.uk/DP003_Oslington.pdf), and the American Economic Association (see *Faith and Economics*, Fall 2011) considered the future of economics and theology as an interdisciplinary field.


Ibid. 767–68.
Lonergan further developed this approach in a paper for the International Theological Commission in 1974 on collaboration of theologians with scholars working in other disciplines. In this paper he developed a hierarchy of the human sciences, from sciences where there can be no doubt about conclusions, through cases where the science is insufficiently determinative, to cases where the science itself is open to suspicion. What he calls the empirical principle operates at all levels of this hierarchy in the human sciences, and it is the increasing human element that distinguishes the higher levels of the hierarchy. This human element matters because of the “peculiarity of the human sciences . . . that error, evil, unauthenticity may be not merely the absence of intelligibility but an unintelligible absence.”\(^95\) Lonergan is ever sensitive to the surd of sin.

Moral theology’s relation to the human sciences will vary according to their level in the hierarchy. At the lowest level, where there can be no doubt about the scientific conclusion drawn, the moral theologian simply uses those conclusions; in the middle levels collaboration is called for; at the higher levels radical criticism of the human science may be necessary. Overall, economics as a discipline stands toward the higher end of the hierarchy. But since Lonergan’s classification is based not on the subject matter but on the types of procedures involved, and economics involves a range of different procedures, economic science is spread across the hierarchy. Certain statistical investigations would be at the lower end, while a procedure like the analysis of expectation formation through the trade cycle would be at the upper end. Engagement at each of these levels is found in Lonergan’s own work on economics; unusually for a theologian there is a scientific contribution to economics (or at least an admirable attempt at a contribution), but there is also radical criticism of economics at the higher levels of the hierarchy.

Perhaps with the benefit of 30 years of reflection since the writing of his economic manuscripts, especially reflection on the difficulties of working in isolation, Lonergan writes that “collaboration between moral theologians and those engaged in other fields, which in general are not theological” is “extremely important.” At the same time, he is well aware of the difficulties, noting that “it is not . . . the type of work in which the Theological Commission up to the present has been engaged”\(^96\) nor, it would seem, is engaged today.


\(^96\) Ibid. 312.
Lonergan subverts both contemporary mainstream economics and most Catholic writing on economic matters. We conclude with some remarks by him in an essay, “Healing and Creating in History,” which was assigned reading for his course at Boston College to accompany his 1944 Essay on Circulation Analysis. Here he compares the fate of Rome to the situation of the modern-day United States:

If we are to escape a similar fate, we must demand that two requirements are met. The first regards economic theorists; the second regards moral theorists. From economic theorists we have to demand, along with as many other types of analysis as they please, a new and specific type that reveals how moral precepts have both a basis in economic process and so an effective application to it. From moral theorists we have to demand, along with their other various forms of wisdom and prudence, specifically economic precepts that arise out of economic process itself and promote its proper functioning.97

Furthermore “when the system that is needed for our collective survival does not exist, then it is futile to excoriate what does exist while blissfully ignoring the task of constructing a technically viable economic system that can be put in its place.”98 Lonergan was willing to devote considerable time in the 1940s and 1970s to this task, and Shute would claim he did in fact discover the fundamental variables of the science of economics.99 This is a bold claim, one that is perhaps best arbitrated, following Lonergan’s own urgings about technical knowledge, in the pages of economics journals.100 There is certainly a sense in which his economic work remains a beginning, requiring a good deal of further unpacking, in ways we have suggested at various points, before its true value can be judged. As Lonergan himself wryly concludes:

Is my proposal utopian? It asks merely for creativity, for an interdisciplinary theory that is at first will be denounced as absurd, then will be admitted to be true but obvious and insignificant, and perhaps finally be regarded as so important that adversaries will claim that they themselves discovered it.101

Whatever the final evaluation of his economic studies, in its broad theoretical underpinnings and its details, Lonergan’s work highlights the importance of Catholic social teaching engaging economics more deeply
if it is to deal with the pressing questions of our age.102 As we have claimed, this remains the case as much today as it was when Lonergan was first working on his economics in the wake of the Great Depression. Our argument is that Lonergan has much to contribute in orientating the sort of development of Catholic social teaching on economic matters that Caritas in veritate suggests when it calls for “respect for requirements intrinsic to [the economy’s] very nature.”103

102 Brown also argues this in his article on Lonergan and Catholic social thought up to the 1960s, “‘Aiming Excessively High and Far.’”
103 Benedict XVI, Caritas in veritate no. 45.