

**Public Lecture**

**March 26, 2024**

**Closing Remarks**

**“The Fate of Two-flow Economics”**

Thank you for your patience. With Terry’s help, we trust you were able to observe, firsthand, that initial insights into Lonergan’s discovery are accessible to anyone.

By seeing how a bakery business contributes to a production chain, we revealed two-flow local and global economic process. Here's what we discovered.

- **The Basic economy produces what is needed to live, for example, bread and coffee.**
- **The Surplus economy produces what is needed for basic work, for example, ovens and tractors.**
- **Money is exchanged to support the Basic economy.**
- **Money is exchanged to support the Surplus economy.**
- **Money is exchanged for maintenance, replacement and more in both economies.**
- **The Redistributive function fluctuates with money to and from both economies.**

Thus, we have a verifiable foundation by which to measure the health of any economy.

Now, we must face another set of facts. It concerns the fate of Lonergan’s discovery in the short-term. That fate rests with all the professors who teach

economics in universities everywhere. We won't dwell on the assorted reasons why two-flow local and global economic process has been overlooked by the economic establishment. Those details are disclosed in our book, *Economics Actually*, and in our FAQ handout.

However, it would not be amiss to relate, briefly, the disconcerting legacy of confusion that has undermined the teaching and practice of economics up to the present day.

In 1937, while Lonergan was working toward his scientific breakthrough, Harvard Economics Professor, Simon Kuznets, developed GDP as a makeshift quantity in a report to the US Congress. To be fair to Kuznets, in the same document, he warned: "The welfare of a nation can ... scarcely be inferred from a measurement ... as defined [by gross domestic product]."<sup>1</sup>

In 1979, Rutgers University Professor of Economics, Alfred Eichner, wrote: "Late at night, after they have had two or three drinks, many economics professors will begin to admit to their own reservations about ... the core of the economics curriculum ... 'But what else is there to teach our students?'"<sup>2</sup>

In 2016, MIT graduate, and influential Professor of Economics at Harvard University, Gregory Mankiw, proclaimed, "There is no simple way to gauge an economy's health. But if you had to choose just one statistic, it would be gross domestic product."<sup>3</sup> Then he retracts his commitment to GDP, and other similar

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<sup>1</sup> Simon Kuznets, "National Income, 1929-1932," Report to US Senate, Bureau of Economic Analysis (Federal Reserve, 2008): 7, <https://fraser.stlouisfed.org/tile/971>.

<sup>2</sup> Alfred Eichner, *A Guide to Post-Keynesian Economics*, M. Sharpe, NY, 1979, vii.

<sup>3</sup> N. Gregory Mankiw, "One Economic Sickness, Five Diagnoses," *The New York Times*, The UpShot, June 17, 2016, <https://www.nytimes.com/2016/06/19/upshot/one-economic-sickness-five-diagnoses>.

metrics, by confessing: “So, there they are. One sickness, five diagnoses. Unfortunately, I have no idea which one is right. The truth may well involve a bit of each.”<sup>4</sup>

Last year, the world's most powerful central banker, and one of the world's key economic leaders, U.S. Federal Reserve Chair, Jerome Powell, lamented that the central bank “remains confused about conflicting economic data” and expressed his confusion to be like “navigating by the stars under cloudy skies.”<sup>5</sup>

Recently, it was reported that Angus Deaton, influential Professor Emeritus of Economics at Princeton University, in a moment of self-reproach, admitted: “Economists ... are both out of date and thinking too narrowly ... We need to promote a more realistic understanding of how ... markets work.”<sup>6</sup>

It is astonishing that generation after generation of university-trained economists and economic leaders, occupying powerful and influential positions, making decisions that directly impact our daily lives, devotedly cling to GDP and other similar metrics, because their economics professors did not know what else to teach. And thus, inadvertently contribute to a way of life that is all-to-familiar. As Lonergan observed:

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<sup>4</sup> N. Gregory Mankiw, “One Economic Sickness, Five Diagnoses,” *The New York Times*, The UpShot, June 17, 2016, <https://www.nytimes.com/2016/06/19/upshot/one-economic-sickness-five-diagnoses>.

<sup>5</sup> <https://www.cbc.ca/news/business/jackson-hole-column-don-pittis-1.6944946>, Aug 28, 2023.

<sup>6</sup> <https://www.theguardian.com/inequality/2023/oct/07/angus-deaton-interview-book-economics-in-america>.

“When people do not understand what is happening and why, they cannot be expected to act intelligently. When intelligence is a blank, the first law of nature takes over. Self-preservation. Frantic efforts at self-preservation.”<sup>7</sup>

Public attention must be drawn to the fact that there is an intelligent alternative to conventional teaching and practice that has been unjustifiably neglected. Now is the time to give it traction. Effective lines of communication need to be opened, to facilitate its exposure in our universities, where it can be brought to the attention of up-and-coming economists, whose decision-making will directly affect the lives of future generations. Shouldn't these young people be entitled to the opportunity, the encouragement, and the foundation, to be properly prepared to do their job effectively in service to their communities?

Is there a curious journalist, somewhere, willing to direct probing questions toward those university administrators and professors responsible for setting the economics curriculum?

For the sake of our children's future, we must do what we can to ensure that the world's economists will evolve, from a currently confused and confusing influence on governments and banks, to become practical economic stewards in our communities, “as familiar a professional figure as the doctor, the lawyer, or the engineer, [giving] new hope and vigor to local life.”<sup>8</sup>

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<sup>7</sup> Bernard Lonergan, *Microeconomic Dynamics: An Essay in Circulation Analysis, Collected Works of Bernard Lonergan*, vol. 15, eds. Lawrence, Frederick G., Patrick H. Byrne, and Charles C. Hefling, Jr. (Toronto: University of Toronto Press, 1999), 82.

<sup>8</sup> It bears noting here the full context of Lonergan's quote. “Still, one point does deserve attention, and it is this. A generalization will postulate a transformation not only of the old guard and its abuses but also of the reformers and their reforms; it will move to a higher synthesis that eliminates at a stroke both the problem of wages and the complementary problem of trade unions; it will attack at once both the neglect of economic education and the blare of

Earlier, we made the point that there is not one aspect of our living that is not affected daily, in one way or another, by how the economy is functioning, no matter where or how we live.

Our future economists will hold the key to safeguarding economic inclusiveness and sustainability. Safeguarding an economy whose sole purpose is to serve people. Safeguarding an economy that will make everyone's life, livable.

Shortly, we will invite your questions. If time runs out, you might follow up with our FAQ handout, consider purchasing a copy of *Economics Actually*, or look us up online. Also, we would especially welcome, and value your feedback, which you can share via our email address in the handout. Here, now, is a short video, to show how far, and in so little time, our conversation has come.

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advertisements leading the economically uneducated by the nose; it will give new hope and vigor to local life, and it will undermine the opportunity for speculation corrupting central governments and party politics; it will retire the brain trust but it will make the practical economist as familiar a professional figure as the doctor, the lawyer, or the engineer; it will find a new basis both for finance and foreign trade. The task will be vast, so vast that only the creative imagination of all individuals in all democracies will be able to construct at once the full conception and the full realization of the new order." Bernard Lonergan, *For a New Political Economy, Collected Works of Bernard Lonergan*, vol. 21, ed. Philip J. McShane (Toronto: University of Toronto Press, 1998, 37.