

Public Lecture

March 26, 2024

Opening Remarks:

“Economics, Economic Activity, and Economists”

Terry and I are here to start a conversation with you and with our community about the economy, economic activity, and economists.

There is an optimistic future for the world's economy on the horizon. The distant horizon, mind you. I am referring to an original idea, discovered eighty years ago, in 1944, by Canadian scholar, Bernard Lonergan.¹ Unfortunately, as that eighty-year hiatus would suggest, making good on that idea in the short term, for assorted reasons, has been, and will continue to be, a struggle. More about that later.

What do we mean by ‘economy’ and ‘economic activity’? Of course, they are a familiar part of our day-to-day experience.

First, there are the affluent, enjoying good fortune. Access to goods and services: food, housing, entertainment, recreation, and private transportation. Perhaps investments in the stock market, and/or investment accounts for retirement.

Meanwhile, we have the City of Owen Sound, like other governing bodies, operating in tune with economists. Redistributing public

¹ Lonergan, B. (1998). *For a New Political Economy* (Philip J. McShane, Ed.; 1st ed., Vol. 21). University of Toronto Press.

money to cover the cost of services, maintenance, replacement, and capital projects.

At the same time, there are news outlets circulating economists' reports of growth rates in Gross Domestic Product or GDP, whether they are increasing, or decreasing from quarter to quarter, and year to year. Concurrently, the Bank of Canada, influenced by economists' reports, are decreasing, or increasing interest rates hoping to maintain control over the country's economic activity.

Finally, various media outlets are routinely drawing attention to economic problems, here in Owen Sound and elsewhere. Lack of affordable housing, homelessness, excessive food and energy prices, the cost of borrowing, education, and health care.

It's fair to say that, along the way, ongoing economic problems force an unlivable life on the less fortunate, in Owen Sound, and beyond – recently prompting the observation that “We are essentially in a new Guilded Age.”

What is puzzling, however, is not that economic problems arise. What is puzzling is that they multiply, become entrenched, and worsen, year after year, decade after decade. And they affect every aspect of our lives, in one way or another, no matter where or how we live.

And so, the world's economy continues to muddle along. With no effective remedy in sight. Why?

That question immediately thrusts the spotlight on our economists, and their approach. Just how accurate and effective is their approach to gauging economic health, locally and abroad?

Without exception, economists are taught to fall back on conventional models, particularly GDP, and similar metrics, all of which are based on combinations of imagination, description and speculation. They persist in this approach despite the fact that economic breakdowns continue unabated, even to the point of being accepted as an inevitability. And it makes no sense. So, what is it that economists are missing?

The answer to that question points to an optimistic and realistic outlook for the long-term. It lies in an innovative science called two-flow local and global economics, developed by Lonergan between 1930 and 1944. We are pleased to introduce it to a public audience for the first time.

So, with your kind indulgence, we will communicate a few preliminary, but essential insights, by having a look at its mechanical structure. And please, rest assured, these insights are accessible to anyone. We are committed to the future possibility that economic teaching and practice will pivot on its discovery. Thus, it is both timely and crucial that it be shared with you tonight. And if you will kindly indulge us a little further, at the appropriate moment, we will project an image of the two-flow economy onto the screen.

What does that image express? It expresses what economists have been missing all along: Understanding how an economy works.

But that answer comes with a catch. There is something hidden in that image. It is a question that consumed Lonergan for fourteen years. A question that economists overlook.

What, precisely, is an economy?

For the sake of future generations, we cannot let economists off the hook for this oversight. They need to learn what to look for, and what to measure, to better understand what an economy actually is – to explain how it works.

Tonight, we can make this discovery for ourselves by observing how a bakery business contributes to a production chain. With a little patience, and with Terry's help, we are confident that you will discover that there are, in fact, two distinct types of production, not one GDP, as is conventionally taught to economists.

Eventually, economists will distinguish and track two types of production, along with concurrent flows of money, as a basis upon which to monitor and maintain economic health. And although, in time, two-flow economics will be as sophisticated as any modern science, be reassured, the initial insights are accessible.

And so, might you come to share in our long-term optimism? Imagine the future care of the world's economy – guided in collaboration with practical economists – committed to the wellbeing of local communities

everywhere. A local and global economy that is meant to serve people, not the other way around. This short video will help set the stage for the journey ahead.

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