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A Compound Existential Block in Contemporary Economic Method

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Contemporary method in the field of economics has long been undermined by a compound existential block.¹ It is a problem made manifest by an ingrained habit of thinking that is not only confused about what an economy is and how it works, but is also confused about what human understanding is, and how it works.²

¹ An “existential gap” underpins the existential block that truncates current methods in economics. “The existential gap consists in the fact that [one’s intellectual process] lies beyond [one’s] own horizon.” Currently, the existential gap is a fundamental problem, in one way or another, for intellectual labour in general. For an introduction to the origin and source of this problem, see John Benton and Terrance Quinn, *Journeyism. A Handbook for Future Academics* (Toronto: Island House Press, 2022), especially 11–16 and 110–112. “The seriously cultured reader should not miss the challenge to grapple with the existential gap, the existential distinction between [one’s personal comfort zone in academic pursuits and the] discomfoting pointing to horizons quite unfamiliar to the cultures of the new millennium. Those unfamiliar horizons are needed to meet the desperations of our modern and postmodern times.” Philip McShane (Ed.), Editor’s Introduction, Bernard Lonergan, *Phenomenology of Logic: The Boston College Lectures on Mathematical Logic and Existentialism*, vol. 18, *Collected Works of Bernard Lonergan*, ed., Philip J. McShane (Toronto: University of Toronto Press, 2001), xxiv. Henceforth, repeated references to volumes in the *Collected Works of Bernard Lonergan* will be indicated by CWL followed by the volume number.

² “At its core, the history of economic thought and practice is undermined by methodological confusion. First, there is the widely acknowledged problem of hypothetical models supporting current economic theories, whether social, political, mathematical or otherwise, that, at best, are only loosely based on concrete economic circumstances, and second, views and debates about mainstream models are at a still further remove. For not only do they regard models that are not verifiable in instances in economic process (homes, businesses, production, provision, and finance), but the debates themselves center on nominal logic, discussion in general terms, and hypothetical models regarding the hypothetical economic models. And, so far, attempts to reform economics (heterodox, ecological, and so on) follow the same methodological tradition and consequently have not escaped the same limitations.” Terrance Quinn and John Benton, *Economics Actually, Today and Tomorrow, Sustainable and Inclusive* (Toronto: Island House Press, 2023), 4.

Progress in overcoming this compound problem depends on effectively drawing attention to three related elements of intellectual growth – a habit of thinking grounded in one’s personal experience,³ an identification of horizons, and a horizon shift to theoretical understanding.⁴ Unfortunately, as standards for method in the field of economics, these three elements are not currently recognized.

The purpose of this article, then, is to point to implications that these three elements will have on the future of economic teaching and practice.

It is a method wherein one learns [what an economy is and how it works]; and then also adverts to and thinks about one’s experience in learning [what an economy is and how it works]. This is to be done neither speculatively nor in general terms but rather concretely and in instances. It is an invitation to beginnings in what can be called ‘scientific self-attention.’ It is a matter of catching oneself in the act(s) of thinking, understanding and deliberating in science and, in particular, in [the science of what an economy is, and how it works]. In [this] method, one has a double focus: what one is thinking and deliberating about (objects of thought, and deliberation) as well as acts and operations of ... one’s thinking, and deliberating. [This] method can also be described as *balanced empirical method*, in the sense that one admits all potentially relevant sources of experience, whether they be in one’s senses and psyche, or in one’s inquiry, insights, acts and operations. In that precise sense ... we think *about our thinking about*.⁵

So, one might engage in balanced empirical method first by asking, what is an economy, and how does it work?

³ With regard to method, the point about “one’s personal experience” is directed and specific. The element of theoretical understanding involves a challenging shift in one’s habit of thinking that builds on sensory data; thus, the need to invoke what is called an “empirical approach.” The term ‘empirical’ is technical, and comes from Latin *empiricus* and from Greek *empeirikos*, meaning “based on observation or experience; empirical data” ... “capable of being verified or disproved by observation or experiment.” Merriam-Webster, s.v.: “empirical,” accessed December 29, 2024, <https://www.merriam-webster.com/dictionary/empirical>. In that respect, then, “without [an empirical approach one] would never learn anything or understand anything.” Bernard Lonergan, *Verbum: Word and Idea in Aquinas*, vol. 2, eds. Frederick Crowe and Robert C. Doran, *Collected Works of Bernard Lonergan* (Toronto: University of Toronto Press, 1997), 28. See Benton and Quinn, *Journeyism*, 22-3, 27-30, 35-6. Henceforth, the expression ‘personal experience’ is consistent in meaning with the technical term ‘empirical’ as well as ‘empirical approach.’

⁴ We are inviting “the recognition of the principle that intelligence contains its own immanent norms and that these norms are equipped with sanctions which [humans do] not have to invent or impose.” Bernard Lonergan, *Insight. A Study of Human Understanding*, vol. 3, *Collected Works of Bernard Lonergan*, eds., Frederick E. Crowe and Robert M. Doran (Toronto: University of Toronto Press, 1992), 259.

⁵ Terrance Quinn, *(Growing)² in Mathematics* (Toronto: Island House Press, 2024), vi.

At this stage, neither these questions, nor reflection on intellectual operations involved in raising them, are seriously pursued, either in the halls of academe, or in the corridors of power. Instead, speculative models and random metrics dominate how economics is taught and practiced. This approach, as well as other invasive factors,⁶ inadvertently, but routinely, diverts economists from scientifically investigating concrete economic instances, and as a consequence, obstructs the spontaneous intelligence of unsuspecting economics students.⁷ No matter how sophisticated an economist's conceptual model of economic learning and pedagogy, if that model does not play out in one's personal experience, let alone begin there, then what exactly are economists teaching their students? In other words, if those economic models and metrics do not communicate scientific (theoretical) understanding of *this* and *that* concrete instance of production or provision, *this* and *that* transaction, in *this* and *that* business, in *this* and *that* town, city and economy, then what exactly are economists telling the government and business communities, as well as the general public? Consider, for example, this recent report about "what the economists think the latest GDP data means for the Bank of Canada and interest rates in 2025."⁸

Canada's economy likely contracted in November, signalling that growth could come in lower than the Bank of Canada's latest forecast for the final quarter of 2024, economists say.

Statistics Canada released an advanced estimate suggesting that gross domestic product fell by 0.1 per cent month over month in November.

It's the first contraction of the year and a slowdown from October when GDP grew by 0.3 per cent, beating both analysts' estimate of 0.2 per cent and the agency's flash estimate of 0.1 per cent.

Statistics Canada also revised its growth figure for September to 0.2 per cent from 0.1 per cent.

The Bank of Canada, in its October Monetary Policy report, said it expected annualized GDP growth of two per cent in the fourth quarter.

⁶ See John Benton and Terrance Quinn, "Financial Abuse Impacting Economic Process," <https://bentonfuturology.com/wp-content/uploads/2024/11/Financial-Abuse-Impacting-Two-flow-Economic-Process.pdf>, and perverting the law of supply and demand, John Benton and Terrance Quinn, Question 20, Two-flow Economics FAQs, <https://bentonfuturology.com/frequently-asked-questions/>.

⁷ Two examples of this in economic teaching and practice, respectively, are the "Circular Flow Model" introduced in economic textbooks worldwide, and the universal reliance on GDP and related metrics. See Quinn and Benton, *Economics Actually*, 20–1, 58–61. Also, see John Benton and Terrance Quinn, "What is the problem with GDP from a two-flow economics perspective?" Question 4, Two-flow Economics FAQs, <https://bentonfuturology.com/frequently-asked-questions/>, and "What is the difference between the circular flow diagram and the two-flow diagram?" Question 5, Two-flow Economics FAQs, <https://bentonfuturology.com/frequently-asked-questions/>.

⁸ Gigi Suhanic, "Bank of Canada to trim rates four more times: What economists say about GDP," *Financial Post*, December 25, 2024, <https://financialpost.com/news/economy/bank-of-canada-to-cut-rates-four-more-times-economist>.

Here's what the economists think the latest GDP data means for the Bank of Canada and interest rates in 2025.⁹

The two economists cited in the article then speculate on how Canada's GDP will be impacted by government tax stimulation, as well as Bank of Canada interest rate cuts, in their projections for economic expansion and growth across all sectors of the Canadian economy in 2025. But what does this report offer that is of any tangible benefit to local economic activity let alone on a broader scale? What aspect of GDP metrics conveys practical strategies to local governments, businesses, and citizens toward a more livable life? From first to last, it is completely remote from concrete circumstances affecting life in local communities. In short, it is not in the economic ballpark.¹⁰ Still, the world's economists insist on running back the same playbook, over and over again.

Conversely, an empirical approach begins by attempting to describe as accurately as possible what is going on in each economy, locally and beyond.¹¹ No insight into any economy would be possible without undertaking the prior task of becoming clear on what to look for, and what to measure in concrete circumstances. In other words, identifying and describing the relevant kinds of data that can be understood in every economy. Of course, in the future, an explanatory analysis of economic process will become nuanced and complex and will advance in its development, eventually to become as sophisticated as any modern science.¹² Future local and global economists will be effective and practical facilitators of wise economic counsel operating from explanatory contexts constitutive of the *mechanical structure* of an entire economy, namely, the science of two-flow economics. It will be a matter, then, of "coaching and coaxing."¹³

⁹ "What economists say about GDP," *Financial Post*, December 25, 2024. The economists interviewed were Daren King, an economist at National Bank of Canada, and Michael Davenport, an economist at Oxford Economics Canada.

¹⁰ How and why the field of economics has dodged an empirical approach is exposed in various contexts in, Quinn and Benton, *Economics Actually*, 14–23, 24–29, 33–36.

¹¹ See Benton and Quinn, *Journeyism*, 106–110.

¹² Two-flow economic process, in its fundamental features, is verifiable in any business and any aggregate of businesses in trade, both domestic and international. At this time, however, because the discovery of its mechanical structure is virtually unknown, the accounting needed for obtaining representative data is not yet done. While that poses something of an empirical challenge, currently there is data already available from several countries that report economic data to the World Bank. With that data, one can provide a proof of principle of mathematical methods appropriate to the mechanical structure; and the statistical results give good evidence both of the applicability and relevance of the mechanical structure. New data ultimately would need to be obtained by introducing and implementing completely feasible (minor) adjustments to current accounting protocols.

¹³ Philip McShane (Ed.), Bernard Lonergan, *For a New Political Economy*, vol. 21, ed., Philip J. McShane (Toronto: University of Toronto Press, 1998), xxvii.

An empirically-grounded counter-example that discredits and negates orthodox practices in economics will be presented below. It introduces elements that identify key aspects of what an economy is, and how it works. One can begin by homing in on an individual business and observing a few daily routines. From these routines, one can observe first, types of production and provision of goods, and secondly, track how and where money flows in support of that production. Patterns in the movement of money reveal a dynamic circulation of monetary flows inherent in any economy.¹⁴

These particular elements may be readily observed by any vendor or customer, in agriculture or industry, in any business, however large or small. One might observe, for example, how their local bakery operates in the productive process. In doing so, one's attention shifts from a focus on finished products indiscriminately compiled in a GDP statistic, to products as *functionally* necessary to the local economy and beyond. In other words, one attends to intelligible patterns in which resources and products proceed and progress. Details reflect *this* and *that* concrete instance of production or provision, *this* and *that* transaction, in *this* and *that* bakery, in *this* and *that* town, city and economy. Then one can go on to observe how the bakery business actually operates within *two types of production*.¹⁵

A first set of production chains (Figure 1.1) produces bread and other assorted baked goods, etc., at rates that are statistically commensurate with payments from the monetary functions of supply and demand, locally and beyond. These products directly contribute to the standard of living.¹⁶

¹⁴ See Figure 1.3. The structure of two-flow economic process can be represented by a heuristic diagram.

¹⁵ Traditionally one speaks of “supply chains,” a typical description of which is: any network, or system, or complex, or collaboration of facilities, people, activities and businesses that, starting with raw materials, end up with finished products that are distributed and sold to consumers. Concretely, then, the referent of “supply chain” is the same as “production chain.” However, as will become clear, the descriptive name “supply chain” is not sufficiently precise. Also, supply chains are sometimes classified according to combinations that are both descriptive and conceptual (for example, continuous flow, agile, fast, efficient, custom). The name “production chain,” by contrast, is always concrete. It explicitly draws attention to the fact that getting from natural resources to goods and services is a production process; and it is used in the context of a normative heuristics that distinguishes basic and surplus production and provision, respectively.

¹⁶ In the literature, the expression “standard of living” has many definitions that depend on economic models being used. In this article, the meaning of “standard of living” refers to *actual rates of production and provision* (for better or for worse) of goods and services that enter our day-to-day living.

Productive process	Soil, wheat seed planted →	Farmers working in a field →	Harvesting crops →	Transportation of grain by truck, train and ship →	Milling wheat and Packaging →	Transportation of flour by truck, train and ship →	Wholesale distribution of flour →	Baked goods made, transportation as needed →	Finished baked goods leave production for consumption
Monetary flows	← \$	← \$	← \$	← \$	← \$	← \$	← \$	← \$	Purchase of finished baked goods for consumption

Figure 1.1 Basic production chains producing baked goods for consumption.

Production chains that produce bread, etc. yield products called *basic goods*. **That is, goods that are produced, paid for, and go into our day-to-day living.** In Figure 1.1, the arrows pointing to the right indicate a series of stages, from the harvest of natural resources to finished baked goods that, once sold, leave production. The arrows pointing to the left indicate how fractions of the money¹⁷ (the medium of exchange) received from the purchase of the final product are eventually distributed to each respective business along the basic production chains.

Other production chains (Figure 1.2) produce tractors and other assorted implements such as buildings, ovens, baking sheets, etc., at rates that are statistically commensurate with payments from the monetary functions of supply and demand, locally and beyond. These products contribute indirectly to the standard of living.

Productive process	Iron ore mined →	Transportation of ore by truck, train and ship →	Smelting →	Transportation of metals →	Manufacturing of specialized parts →	Transportation of specialized parts to factory →	Manufacturing of tractors →	Transportation of finished tractors by truck, train and ship →	Tractors leave production for usage
Monetary flows	← \$	← \$	← \$	← \$	← \$	← \$	← \$	← \$	Purchase of finished tractors for usage

Figure 1.2 Surplus production chains producing tractors for usage.

Production chains that produce tractors, etc. yield products called *surplus goods*. **That is, goods that are produced, paid for, and used to produce other goods.**¹⁸ In Figure 1.2, the arrows pointing to the right indicate a series of stages, from the harvest of natural resources to the finished tractors that, once sold, leave production typically to be used in the production of basic goods. The arrows pointing to the left indicate how fractions of money (the medium of exchange)

¹⁷ There may be other sources, e.g., redistributive. See description of redistributive function and Fig. 1.3 below.

¹⁸ Strictly speaking, surplus goods are used to produce other goods. But the whole mass of surplus production taken together is what, eventually, is used to produce basic goods.

received from the purchase of the final product eventually is distributed to each respective business along the surplus production chains.

In general, whether finished goods are either basic or surplus is determined by their *usage* after final sale. For example, tractors can be used to produce bread, but, of course, people don't eat tractors. Also, typically, basic products and surplus products are consumed at different rates.¹⁹ And even though conventional economics would distinguish bread and tractors in terms of consumer and capital goods, and while quantities are accounted for by GDP, that only describes goods and quantities at the *end* of production. On the other hand, two-flow economics is concerned with *all stages of production*, from natural resources to the finished product.²⁰

It can also be observed that when one tracks how money flows to support the two types of production chain, as well as upholding the standard of living, it reveals a dynamic mechanism called the *redistributive function* (Figure 1.3) The redistributive function handles money that is not intrinsic to current patterns of production in the domestic economy. For example, it facilitates changes of ownership such as in real estate (e.g. buying and selling homes), and in the stock market (e.g. buying and selling of stocks); it is operative in international trade, and more.

In brief, any economy, locally and globally, is determined by five monetary functions: basic supply and demand functions, surplus supply and demand functions, and a redistributive function. So, the local bakery, for example, would not allocate all of its funds to operating costs. It may set aside funds for a rainy day, or save for replacement of outdated equipment, such as an oven. Or perhaps the oven may not need replacement, but only occasional maintenance. Again, it all depends on the concrete circumstances in which the local bakery finds itself.

¹⁹ The concrete circumstances that determine the final usage of a product as either basic or surplus are both fluid and complex. Accurate tracking of that data, along with the distribution of money needed to support the entire range of financial transactions in the local and global economy, will require new accounting protocols. See, also, note 12.

²⁰ Modern supply chain theory and management is concerned with all stages of production, but they do not distinguish the two types of production, namely, basic and surplus, and therefore also inevitably overlook the redistributive function that is operative in international trade.

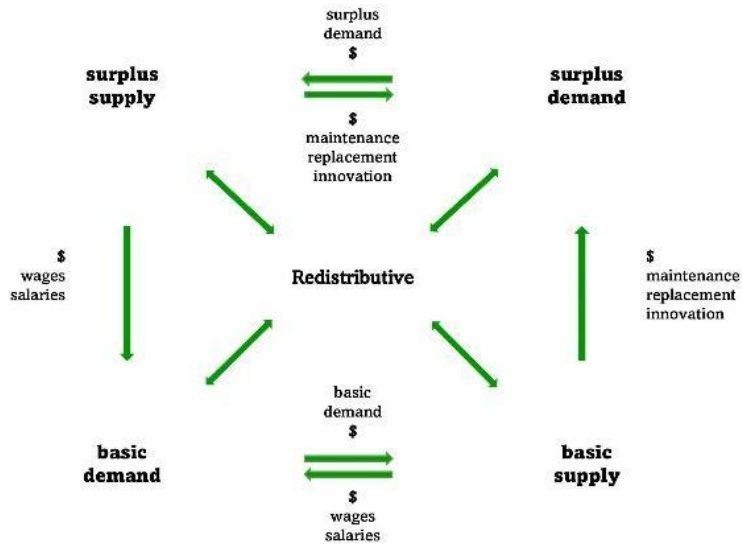


Figure 1.3. A heuristic of the five monetary functions in any exchange economy.

This very concise overview of two-flow activity identifies an intelligible pattern of economic reality that has been historically overlooked by everyone immersed in, and impacted by it: economists, politicians, businesspeople, journalists, persons on the street, educated and otherwise. Suffice it to say, heuristics of two-flow economic process eclipses the contemporary practice of speculative modeling. What has been described is verifiable, a matter of fact. Anyone who would deny the existence of any aspect of two-flow economic process, as described, would literally be caught in a contradiction.

Or even worse. Attitudes and efforts that would undermine or dismiss the significance of this scientific breakthrough²¹ would only further empower a compound existential block, reinforce its dire impact on contemporary economic method, and unwittingly contribute to an inevitable consequence.

[To] deny the possibility of a new [economic] science is ... to deny the possibility of the survival of democracy.²²

To their credit, there are diverse voices desperately crying out, in opposition to authoritarian ambition, pleading for decency, integrity, dignity, fiscal responsibility and security. Voices that speak for all people, regardless of social

²¹ The innovative science was originally developed by Canadian scholar Bernard Lonergan between 1930 and 1944. CWL 21 reproduces most of the source documents.

²² CWL21, 110–11. Is this statement overdramatic? See “Financial Abuse Impacting Economic Process,” <https://bentonfuturesology.com/wp-content/uploads/2024/11/Financial-Abuse-Impacting-Two-flow-Economic-Process.pdf>.

milieu, striving to address the need for sustainable and inclusive access to basic goods and services: affordable food, housing, healthcare and education. Unfortunately, for all their sincerity and good intentions, they too are victims of a compound existential block, unaware of the limitations imposed upon even the finest spirit of goodwill. For there is still the inadvertent failure to overcome blind alleys that masquerade as “economic ideals” in domestic and international policies such as unbridled economic growth, the drive for competitive edge, the mythic balance of foreign trade, the wayward manipulations of taxation and interest rates, the frenzy of monetary commoditization, and other makeshift schemes that inevitably exacerbate insidious abuses that disrupt the economy and destroy lives.

Are there grounds to hope that with a little effort and patience there will be a willingness within communities everywhere to observe and describe the basic elements of what an economy is and how it works?²³ For by doing so, one will discover that two-flow economic process *is* the pulse of everyday humanity, steadfastly getting on with the world’s work, sometimes struggling, sometimes succeeding, but always labouring in good faith despite the blindness of oversight, the bias of narrow self-interest, and all the other abuses forced upon it.

[T]he issue we raise here is the global possibility of shifting solidly and effectively from long-term helplessness to a massively new control [of the world’s economy] that will take control of the globe away from the tyrants and touts and tricksters and gun-toters that are too evidently in charge.²⁴

Two-flow economic process, as it will be scientifically understood, thus far hides in plain sight, ripe for harvesting. Future economists’ growth in understanding what it is and how it works will be the foundation from which to monitor, measure and maintain the health of any economy—locally and globally. Only then will they be afforded the opportunity to reinvigorate their profession and fulfill the dream of caring for their local communities. Only then will they mature into practical, economic stewards.

Still, one point does deserve attention, and it is this. [The emergence of future economists] 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

²³ The main purpose of “A Public Lecture in Two-flow Economics” is to encourage and educate the public on the effectiveness and practicality of the science of two-flow economics in a non-threatening way that would galvanize, perhaps even mobilize, public opinion to hold educational and political institutions accountable for the currently ineffective and impractical approach to teaching and practice that dominates economic education in universities everywhere. John Benton and Terrance Quinn, “A Public Lecture in Two-flow Economics,” <https://bentonfuturology.com/two-flow-economics-lecture/>.

²⁴ Philip McShane, *Futurology Express* (Vancouver: Axial Press, 2017), 4.

complementary problem of trade unions; it will attack at once both the neglect of economic education and the blare of 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 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.”²⁵

John Benton

Terrance Quinn

²⁵ CWL21, 37.