

SGEME 14: ECONOMICS IS NOT A SCIENCE!

In a world where people, calling themselves economists, teach courses in universities called economics, advise heads of state, presidents, prime ministers, dictators, corporate heads on major global economic issues, lord over Wall Street; (which Dr. Philip McShane calls a gambling casino) and administer the IMF; how can economics not be a science? Over the years during various conversations, Dr. Philip McShane (M.Sc., Lic. Phil., STL, D. Phil.(Oxon) Professor Emeritus Mount St. Vincent University) and I have discussed the unscientific character of current economic theory. Dr. McShane, a mathematical physicist, a methodologist, a theologian, a philosopher and in his own right, an economist, first became involved in the study of economics in 1968 when a friend and colleague, Bernard Lonergan, asked him if he could find an economist to read with sympathy a manuscript that Lonergan had completed 24 years earlier.

Dr. McShane did not find an economist for Lonergan's manuscript but he spent the next decade unraveling the insights of that economic manuscript, titled *Circulation Analysis*. As the years passed McShane became more aware of the gap between what was going on in the university and in the streets in terms of economics and the analysis of the production process that Lonergan's manuscript explained. The disparity and poverty of nations and people engineered and maintained by the developed countries and the nonscientific character of economics taught to university students, began to loom as massive unintentional ignorance. McShane began his campaign in 1977 by giving workshops on *Circulation Analysis* and in 1978 he assisted Lonergan in teaching that economic theory at Boston College. He began to offer workshops whenever and wherever he could across North and South America, Europe, Asia, and Australia.

Between the years of 1975 and the present he has written and published many articles on economics as a science. In the 1990's he began to write textbooks on the topic. His first was **ECONOMICS FOR EVERYONE**, Axial Press, 1998. In 1998 he edited Lonergan's manuscript; **FOR A NEW POLITICAL ECONOMY**, University of Toronto Press, 1998. In 2002 he published two texts; **PASTKEYNES PASTMODERN ECONOMICS: A Fresh Pragmatism**, Axial Press and **BEYOND ESTABLISHMENT ECONOMICS: No Thank-you Mankiw**, Axial Press, coauthored with a colleague, Dr. Bruce Anderson. (Gregory Mankiw, a Harvard Economist, received 1.3 million US dollars to produce a first year university text titled; **Principles of Macroeconomics**, The Dryden Press, Montreal, 1997. This text, used in countries such as Ireland and Korea, perpetuates the unscientific character of contemporary economics.) In 2010 McShane wrote and published **SANE ECONOMICS AND FUSIONISM**, Axial Press, 2010.

Just what is the required component that would bring economics to the level of a science? In the early 1930's Bernard Lonergan was puzzled over the cause of the depression. In his analysis he distinguished between two circuits of economic activity that were being blended in the current economic theories. In drawing the distinctions he also functionally related those two circuits of production and monetary flows providing a foundation for further analysis of credit, banking, international trade and so forth. Because these two circuits function interdependently and their distinction is unacknowledged by contemporary economic theory, economists, politicians and businesses will drain off one circuit in order to maintain the other leading to recessions and often worse. McShane has explored this in various published articles and books. (See McShane & Anderson; **Beyond Establishment Economics**, page 85 for the standard modeling diagram of the Circular flow blending both circuits) Without this distinction and functional relatedness the rest of economic analysis goes awry. Witness the bailouts of 2009. It was an act of desperation, at best a hope, not an intelligent response to the problem. This past week at the World Knowledge Forum in Seoul, Nobel Prize winner in economics, Professor Paul Krugman of Princeton, and Professor Niall Ferguson of Harvard, an economic historian, disagreed openly and explicitly on the future and function of further bailouts. The fact that economists do not recognize such forms of disagreements having their origin in a lack of foundations in economics is a further verification that it is not yet a science.

Dr. McShane was asked by a colleague to respond to the debate in Seoul and he offered the following. "So, the rambles of these two (Krugman & Ferguson) are just gossip. The trouble is that the global economy is being run on gossip and casino-transactions, and in the past century the gossip has been further muddled by new "financial instruments" and massive nonsense about credit. No point in mentioning uninformed greed. What needs airing then – LITERALLY - is the nature of the basic flaws, and the humble task of beginning as Joan Robinson (1903-1983) tried to point out e.g. in her book with John Eatwell, (**An Introduction to Modern Economics**, McGraw Hill, London & NY, 1973, p. 52) it was squashed by the American Establishment."

At 78, Dr. McShane is a bit of a jet setter recently returning from Mumbai, India for a conference; Towards a New Economic Order, where he lectured to various groups over a 5-day period on economics as a science. In 2007, McShane was off to Australia where he taught economics to a Grade 12 class and he told me; "They got it." Was Lonergan onto something? Could McShane be onto something? With the recurring recessions and depressions experienced over the past hundred and fifty years, could what we call capitalism be an infancy stage of economics, somewhat like alchemy as the precursor to the discovery of the periodic table? If McShane is right, and economics has not yet developed to the stage of a science, it would explain the random idiocy of our global economy. But what are we to do? A question Dr. McShane and I

have too often expressed to one another. Interestingly enough, economists do not appear to be insulted by his claim. Furthermore, and perhaps this is the point, the economic theory that Lonergan produced and McShane has been teaching and writing about for more than 30 years, has received continuously the remark from economists that it is too difficult. Researchers in any field, such as cancer research, could offer the same claim: thankfully they do not; rather, they push on facing any and all difficulties never letting difficulty be a reason for ignoring the research.

So, what is the mental block of contemporary economists? McShane has shared with me that because contemporary economists are not educated in a scientific mode, they do not recognize science when they come across it. It reveals itself to them as “too difficult” as if somehow difficulty is a precursor to irrelevancy. At 78, McShane told me last evening in a phone conversation that this coming weekend (October 17, 2010) he will be addressing a local audience in Vancouver, his home city, on the science of economics. The probabilities of finding an economist who is willing to think are small, but he plunges forward. **What on earth is to be done?** (Lonergan’s question in a related context to his superior in a letter dated January 22, 1935) What do you think? We are at a stage in history where that old adage about good old common sense being needed just will not cut it anymore. A lack of scientific comprehension and competence falls within that same category. The need is for creativity. Creativity cannot function in a vacuum. It presupposes some comprehension and I take a lead here from McShane in that there is the need for interested persons to develop some comprehension of the basic variables of Lonergan’s economic theory. Emerging out of that comprehension, creativity can oscillate towards the practicality of implementation. So, comprehension leads to the creative question; **What on earth is to be done?**

If economics became a science, became intelligent, if economic activity and decisions were actually based on a scientific analysis of foundational economic variables, would it make a difference? Do you know someone who might take up the challenge? Can we continue to leave our economic and political fate in the hands of nonscientific thinking and policies?

For more information on Dr. Philip McShane’s writings and research see:

<http://www.philipmcshane.ca/>

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