An Important Philosophical Dispute in Toronto: Gilson, Lonergan, and Anticipations of Critical Realism and MMT in Economics

John Smithin

Executive Co-Director and Fellow, Aurora Philosophy Institute/Institut philosophie Aurora

Professor Emeritus of Economics and Senior Scholar York University, Toronto

Introduction: MMT and Critical Realism (I)

□ A convenient starting point is the 2020 volume by Phillip Armstrong:

Armstrong P., ed. (2020), *Can Heterodox Economics Make a Difference? Conversations with Key Thinkers*, Cheltenham: Edward Elgar, 440-51.

Armstrong interviewed the 'key thinkers' about two subjects, modern monetary theory (MMT), and critical realism (CR) as applied to economics. There are significant philosophical aspects to both.

MMT recently came into prominence in the public policy debate in the USA, after being championed by several radical politicians. It is essentially the proposition that, under flexible exchange rates (or with a fixed-but-adjustable exchange rate), a central government with its own 'sovereign' currency faces no binding financial constraints.

Kelton, S. (2020), *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*, New York: Hachette Book Group.

Mitchell, W., L. R. Wray, and M. Watts (2019), *Macroeconomics*, London: Red Globe Press.

Wray L.R. (2012), *Modern Monetary Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*, London: Palgrave Macmillan.

□ The philosopher Graham Hubbs has pointed out that the debates around MMT are essentially about social ontology, specifically the ontology of money, even if the protagonists may not be fully aware of it.

Hubbs, G. (2021), 'Philosophical explanations of the nature of money', *Journal of the Aurora Philosophy Institute*, forthcoming.

Introduction: MMT and Critical Realism (II)

□ CR, as applied to economics, has been championed by Tony Lawson of the University of Cambridge, drawing on the earlier work of the philosopher Roy Bhaskar. It argues for an 'ontological turn' in economic methodology (that is, toward a realist social ontology), and less reliance on statistical induction seeking evidence of constant event conjunctions.

Lawson, T. (2003), *Reorienting Economics*, London: Routledge.

Lawson, T. (1997), *Economics and Reality*, London: Routledge.

□ From the purely philosophical point of view the most significant aspect of CR is the qualifier 'critical'. The indicates acceptance of all, or most, of the implications of the so-called 'critique of knowledge', which was the product of the 'high modern' period in philosophy from Descartes (the introduction of Cartesian 'doubt') down to Kant. The vocabulary and presuppositions of CR tend to be Kantian in nature.

Realism *per totam viam*

D'Ansi Mendoza coined the above phrase as part of the subtitle of a 2012 Ph.D thesis;

Mendoza Espana , D'A. (2012), *Three Essays on Money, Credit, and Philosophy: a Realist Approach per totam viam to Monetary Science*, Ph.D Thesis in Economics, York University, Toronto.

This work also canvassed a realist social ontology, but a realism which goes 'all the way'. One which does not necessarily accept the (implicitly idealist) starting point of the critique of knowledge. Mendoza's work drew on sources such as Aristotle, Aquinas, Gilson himself, and Searle.

Searle, J. (2010), Making the Social World: The Structure of Human Civilization, Oxford Oxford University Press.

Gilson, E. (1990), Methodical Realism: A Handbook for Beginning Realists, San Francisco: Ignatius Press.

Gilson, E. (1986), Thomist Realism and the Critique of Knowledge, San Francisco: Ignatius Press.

Realism *per totam viam* would not be a 'naïve' or 'direct' realism. Rather, it would be a 'methodical' or 'philosophical' realism. (Some writers simply use the term 'non-critical' realism). The issues that separate it from CR are essentially those of the philosophy of mind (as that term is used today, this would have been an anachronistic usage in the days of the Ancients, Scholastics, or Moderns). The essential point is: what is it that we are conscious of, when we are indeed conscious? The Moderns supposed that what we are directly conscious of, and all we are directly conscious of, is the contents of our own minds. Also, they tended to use the term 'idea' in a blanket sense to cover all the contents of the mind (not properly distinguishing between the intellect and the senses). The opposite view is that in the case of *ideas* (properly so-called) it is always the idea's object of which we are directly conscious, not the idea itself. The ideas are not 'that which we apprehend', but the 'means by which' we apprehend the object.

Searle, J. (2015), Seeing Things as They Are: A Theory of Perception, Oxford: Oxford University Press.

Robinson, D. (2007), Consciousness and it's Implications, Chantilly, VA: The Teaching Company.

Searle, J. (2004), Mind: A Brief Introduction, Oxford: Oxford University Press.

Adler, M. (1985), Ten Philosophical Mistakes: Basic Errors in Modern Thought – How They Came About, Their Consequences and How to Avoid Them, New York: Macmillan Publishing Company.

Anticipations

□ The premise of this paper is that both of these secular debates (CR and MMT) of the late 20th and early 21st centuries were anticipated by Catholic scholars in the mid-twentieth century, including Gilson and Lonergan. All of the relevant philosophical issues around the differences between a methodical realism and CR were fully discussed (if not agreed upon!) in the debate about twentieth century neo-scholasticism. *API* Associate, Sherman Balogh, recently gave a presentation specifically on the topic of Lonergan's self-proclaimed 'critical realism'. This is now available on the API YouTube Channel.

Balogh, S. (2021), 'The critical realism of Bernard Lonergan', paper presented to the Aurora Philosophy Institute, April, <u>www.theapi.ca</u>.

Although the main focus of the present paper will be on CR rather than MMT (the opposite, or complementary, focus to that of Armstrong's book), the work of Lonergan, in particular, also reveals striking parallels with MMT. As a young man in the 1920s and 1930s Lonergan spent a significant amount of time in Europe as a graduate student, and then in Rome. This gave him first-hand knowledge of the dire political and economic situation of the time. This led to a life-long interest in macroeconomics, endogenous money, and circuit theory. He made at least two attempts to contribute to the field, at the beginning, and towards the end, of his career. The following volume appears in the *Collected Works*:

Lonergan, B. (1999) *Macroeconomic Dynamics: An Essay in Circulation Analysis* (as reprinted in the *Collected Works of Bernard Lonergan*, vol. 15, Toronto: University of Toronto Press).

Canadian Studies?

One of the significant interests of the API is in Canadian philosophy. Given our location, particularly in the intellectual scene in Toronto in the 1950s and 1960s, exemplified by such figures as the famous Marshall McLuhan ('the medium is the message'). Gilson and Lonergan were both part of that scene.

Etienne Gilson, originally from France, was one of the Founders, and later Director, of the Pontifical Institute of Mediaeval Studies (PIMS) at St. Michael's College, University of Toronto. He continued to have an affiliation with the College until 1968. (McLuhan was also on the faculty of St. Michael's.)

Bernard Lonergan was a Canadian from Buckingham, PQ, and was eventually Professor at Regius
College, another Catholic (Jesuit) constituent college of the University of Toronto, in two spells, 1947-53
and 1965-75.

□ The magna opera of the two scholars were both apparently largely composed/written in Toronto.

Lonergan, B. (1957), *Insight: A Study of Human Understanding*, (As reprinted in the *Collected Works of Bernard Lonergan*, vol. 3, Toronto: University of Toronto Press).

Gilson, E. (1952), *Being and Some Philosophers*, Second Edition Corrected and Enlarged, Toronto: Pontifical Institute of Mediaeval Studies.

'Get Your Retaliation in First'

□ This is a long-standing, if somewhat cynical, maxim of professional footballers. *Cf.* the members of my favourite team Southampton FC (the Saints!) in the late 1960s. Those were the days of the 'Alehouse Boys', as they were dubbed by a famous manager of Liverpool FC, after his skillful side came up against the more 'robust' play of SFC.

■ How relevant is this slogan to the philosophy of both Gilson and Lonergan? In the title of this presentation, I was careful to use the term 'dispute' rather than 'debate'. In fact, there was no direct debate. Gilson wrote *before* Lonergan, and had also claimed that in principle any, and all, versions of critical realism are untenable, regardless of any novel future form they might take. He 'got his retaliation in first'. According to a later commentator on Gilson, the most that could be said was that 'A mark of the continuing importance of *Realisme thomiste* is that philosophers of this school* (Coreth, Lonergan and many more), feel compelled to write, whether implicitly or explicitly, with Gilson's critique in mind', (* *i.e.*, 'Transcendental Thomism').

There is an explicit commentary, by Lonergan, on 'Kant, Gilson, Coreth', in a paper entitled 'Metaphysics as horizon', first published in 1967. This is brief and does not appear to be decisive. The best course of action is to separately evaluate the general arguments of both authors on the merits.

Wilhelmsen, F.D. (1986), 'Foreword' to *Thomist Realism and the Critique of Knowledge* by Etienne Gilson, San Francisco: Ignatius Press.

Lonergan B. (1967), 'Metaphysics as horizon' (as reprinted in *The Collected Writings of Bernard Lonergan*, vol. 4, Toronto: University of Toronto Press).

Gilson: 'Handbook for Beginning Realists'

□ This was the subtitle of Gilson's first book on the subject, *Methodical Realism*, and also the title of the final chapter.

□ In that book Gilson attacked the views of two critical realists of the Louvain school, Cardinal Mercier and Monsignor Noel, well-known in their day. (This was part of a vigorous debate among the neo-scholastics of the early 20th century). Gilson argued that realism was incompatible with the critical method, and that realism *per se* (Mendoza's realism *per totam viam*) is its own method. To the extent that Mercier and Noel accommodated the critique of knowledge in their own thought it could not be considered realism, still less 'realisme thomiste'.

□ The problem is that the critique of knowledge is idealist in method, and therefore *starts* with thought. This *tendenz* goes all the way back to Descartes who, according to Gilson, 'was in intention a realist', but 'an idealist in method'. But this does not work. We cannot 'proceed from thought to things'. There is no 'bridge' between them. (This is precisely the 'problem of the bridge', as it is actually so-called).

□ Fundamentally, idealism postulates the primacy of consciousness rather the primacy of existence (or 'being') To a realist, putting the matter in Cartesian terms, it is not so much a question of 'I think therefore I am', but 'I am therefore I think'. Hence the incompatibility.

□ Among the criticisms made of *Methodical Realism* was that the views of only a few critical realists were discussed. So, in his second book on the topic, *Thomist Realism and the Critique of Knowledge*, Gilson returned to charge and discussed the work of some more contemporaries. He also argued, however, that because what is at stake are fundamental philosophical principles, not the formulations of particular authors, there was no need to repeat the exercise each time a new version of critical realism is proposed. This would obviously apply both to Lonergan and to the secular CRs discussed above.

<u>Lonergan: Cognitional Theory, Epistemology,</u> <u>Metaphysics</u>

Lonergan's *Insight* is a massive volume of 875 pages and is not easy to read. All Lonergan scholars are therefore grateful to Peter Beer, who published a very readable introduction to Lonergan's work in 2009, with a second edition in 2020.

Beer, P. (2020), An Introduction to Bernard Lonergan: Exploring Lonergan's Approach to the Great Philosophical *Questions,* Glenn Waverley, Victoria, Australia: Sid Harta Publishers.

□ What is particularly interesting is how Beer characterizes Lonergan's achievements. In order Lonergan is said to have made contributions in (1) cognitional theory, (2) epistemology, (3) metaphysics. This seems to me to provide the key to the Gilson/Lonergan impasse. Whatever the value of Lonergan's contribution to the 'special science' of cognitional theory (the consensus here is highly positive), from the philosophical point of view this sequence is the wrong way round. It violates what Gilson would call the 'philosophical order'. I have earlier commented on this issue myself, when discussing the 'requirements for a philosophy of money and finance' (the special science, in that case, being monetary theory). There seems to be to be an analogy here with both Hicks's last book on money and Searle's first book on social ontology. Hicks called his book *A Market Theory of Money*. It should have been *A Monetary Theory of the Market*. Searle got it right, his volume was called the *The Construction of Social Reality* not *The Social Construction of Reality*.

Smithin J. (2013), 'Requirements for a philosophy of money and finance', in G.C. Harcourt and J. Pixely, eds., *Financial Crises and the Nature of Capitalist Money: Mutual Developments from the Work of Geoffrey Ingham*, London: Palgrave Macmillan.

Searle, J. (1995), The Construction of Social Reality, New York: The Free Press.

Hicks, J. (1989), A Market Theory of Money, Oxford: Oxford University Press.

The metaphysics must come first, specifically the fundamental choice between realism and idealism. The appropriate epistemology follows from that. Then, the epistemology may be applied to a particular special science, whatever it is. I have called this a 'rigid hierarchy'.

'Watching the Detectives'? (I)

□ An interesting device used by Beer in his explanation of Lonergan's cognitional theory was to refer to the murder mystery, 'Dial M for Murder', in a film directed by Alfred Hitchcock. Chief Inspector Hubbard of Scotland Yard is called in to investigate the case of a woman who has killed an intruder to her apartment, apparently in self-defence. Then it seems that the intruder was actually a blackmailer, with information about the woman's activities, and that she murdered him to cover this up. Finally, it is revealed that the whole thing was planned by the woman's husband, who has planted the evidence in the expectation that she would be convicted of murder and executed. (A charming tale!). DCI Hubbard has to sort all this out, and ultimately himself be convinced that he has finally discovered the truth. Even though this is very far from being an accurate depiction of real-world police procedures, constraints, and motivations, it is a good illustration of Lonergan's theory.

□ Lonergan himself did actually mention detective stories, in the very first sentence of the preface to his long book. He says that 'in the ideal detective story the reader is given all the clues but fails to spot the criminal'. The fictional detective, however, *does* solve the mystery by a 'supervening act of understanding'. This is what Lonergan means by insight, and this is what his book sets out to explain. The question is, however, exactly how does this insight come about? Is there any role for what Gilson calls the 'transcendentals'? If the philosophical order is maintained, presumably there would not need to be. The metaphysics would already be established. It would not be necessary to derive the metaphysics from the praxis.

'Watching the Detectives'? (II)

□ These 'detective procedures' seem closely to parallel what Lawson, in the works cited earlier, has called the 'abductive' or 'retroductive' method, as opposed to pure deduction or (statistical) induction. (It appears, after all, that Conan Doyle, the author of the *Sherlock Holmes* mysteries, did not use the correct terminology in describing the activities of his own fictional hero). Under realism *per totam viam* much of this orientation or praxis will remain. The latter also canvasses abduction/retroduction as the correct empirical method.

□ To return now to my own field of monetary theory, or monetary macroeconomics (including MMT). In this 'special science' (and, I would imagine, in many of the other social sciences also) realism implies that the ultimate goal of research is *explanation* rather than *prediction* or forecasting (as these terms are usually understood in economics, that is, as an extrapolation of past statistical correlations). Reed Collis's recent PhD thesis, in my view, provides a good exemplar of the correct method. However, this is by no means meant to suggest that there cannot be sensible policy advice in economics. Advice, that is, which is based on genuine knowledge, precisely the knowledge acquired by the abductive method. It seems to be time for the notorious 'two-handed economist' to be retired. Yet another quote from Gilson is apposite at this point. According to Gilson, 'the greatest difference between the idealist and the realist is that the idealist *thinks*, whereas a realist *knows*' (emphasis added).

Collis R, (2018), *Three Essays on Monetary Macroeconomics: An Empirical Examination of the Soundness of the Alternative Monetary Model and Monetary Policy in Canada*, Ph.D thesis in Economics, York University, Toronto.