Insight into phantasm led Lonergan to construct a heuristic diagram of flows in his *Essay in Circulation Analysis*. Whence this particular phantasm? One clue is given in his reference to Schumpeter's insistence on the merits of a diagram as a tool: a diagram can explicitate economic equilibrium by manifesting the interdependence implied by a system of simultaneous equations. Insight into phantasm is a matter of common experience among scientists reaching for systematic intelligibility.

In reaching up to the mind of Aquinas about *verbum*, Lonergan saw that insight into phantasm had already been formulated centuries ago by Aquinas, and before him, by Aristotle. Aquinas went beyond the metaphysics of Aristotle and transposed it into his position on *verbum*.

2. Ibid. 46.
Inspired by the invitation of Leo XIII to *vetera novis augere et perficere*. Lonergan, in the first book under review here, set for himself the task of determining what the *vetera* really were, to understand what Aquinas meant by the intelligible procession of an inner word (p. 222). The *nova* may have occurred earlier in his 1930 interest in economics, as mentioned in the editors' preface on page vii. Interest in the *vetera* began around 1933 after he was assigned by superiors to study theology at the Gregorian University (p. x). In 1967, this work appeared in its first edition, whose history is narrated in great detail on pages vii to xix. This present edition is a masterpiece of scholarly erudition and dedicated fidelity of its editors.

Its five chapters are very difficult reading and led some reviewers of the 1967 edition to consider them merely as a vocabulary study or a mosaic. But diligent readers will perceive the emergence of a psychological analogy with which the human mind might approach trinitarian processions. Very briefly, the analogate is human experience of the "procession of an inner word" (pp. 46-59). This analogate is of central importance. But how did it emerge?

Let us first pay attention to this emergence. It is a process of "using chance to defeat mere chance" (p. 223). To understand, the human mind needs insight into phantasm. But the will cannot always summon up the appropriate phantasm. A phantasm is an event that occurs or recurs according to schemes of emergent probability that "defeat mere chance."

Obviously, Lonergan was here describing a process as he experienced it by introspection. For him, it was not mere chance that in 1933 he was assigned by superiors to study theology at the Gregorian University where he eventually became deeply immersed in the writings of Aquinas. This unsought assignment made a difference in his spiritual life: having some understanding of his courses and books on the Trinity eliminated for him

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questions that bothered him in his spiritual life.\\(^4\)

This looks like a personal methodology arising from an earlier interest. He recalled that at the time he left Loyola, "[t]he only time I had an idea of what I'd like to study, I wanted to do methodology."\(^5\) And yet he felt glad to receive a different assignment. Years later, he returned to methodology and influenced it in a profound manner.

To illustrate this profound influence, one paragraph (pp. 16-17) may be cited here that stands out for this reviewer:

The second element to be considered is the nature of the correspondence between inner and outer words. . . . Aquinas, in his commentary, denied a point-to-point correspondence between inner and outer words, arguing that inner words correspond to realities, while outer words are the products of convention and custom, and so vary with different peoples. However, since the inner word is in the intellect, and since apprehension of the singular involves the use of a sensitive potency, it should seem that the correspondence of realities to inner words is, at best, like the correspondence between function and its derivative: as the derivative, so the inner word is outside all particular cases and refers to all from some higher viewpoint.

Lonergan's classes of geometrical correspondences are point-to-point, point-to-line, point-to-surface, point-to-volume, etc.\(^6\) His reference to the "correspondence between a function and its derivative" comes from his familiarity with calculus. He had taught both calculus and analytic geometry during his regency.\(^7\) He must at that time have developed an appreciation for the power of mathematical analogies to illuminate the phantasm and to evoke understanding.

Two inferences may be drawn. The first inference is that the inner words stand to the derivatives of a function as realities stand to the function. The second follows from the first: the inner

\(^4\) Ibid. 142.
\(^5\) Ibid. 137.
words "operate on the operations" of the phantasm and thus operate from a "higher viewpoint." Underlying these two related inferences is this reviewer's hypothesis about human minds "proportionate to knowledge of reality" (p. 96): for some persons at least, the psychological analogies best adapted for intellectual creativity are mathematical analogies, for these are constructed from basic terms and theorems upon which all other terms and theorems can in principle be grounded with utmost precision.

This is verified in Lonergan's methodical discovery of what the vetera really were. It may also have led somehow to the discovery of how he had earlier become so interested in circulation analysis, and how its innovative insights, its nova, could augment and perfect the vetera that he discovered later. But his powerful condensations of extremely complex insights evoke the need for McShane to popularize the work. This brings us to the second book under review here.

To popularize Lonergan's work, McShane offers a chatty and witty introduction to Essay in Circulation Analysis addressed to beginners and theoreticians alike. Its exuberant style makes use of Lonergan's many insights into phantasm, embellishing them with his own provocative fantasies. For McShane, concrete fantasy is "liberating" (p. 128). Liberating from what? Perhaps from earlier methodologies that include production and trade but exclude the minds of producers and traders. Human adaptation to technical constraints cannot be optimized by attending only to the technical constraints. Human adaptation requires triple conversion that in turn includes "theoretic conversion" (p. 131). In particular, there is need for theoretic conversion about the distinction between the basic and the surplus stages of an economy (p. 17 and all throughout). This distinction is ignored in earlier methodologies such as those of Keynes and Schumpeter and may thus be regarded as too innovative by some present-day theoreticians.

Other theoreticians who are more familiar with the "redistributive function" in Lonergan's diagram of circulatory flows will be

fascinated by McShane’s concretizing fantasy of a “central funnel” (p. 85) linking the economies of the world together. Perhaps this fantasy funnel can be concretized further as a self-correcting spiral. This may be an ascending spiral during phases of progress in macroeconomic history, and a descending spiral during phases of decline. As a spiral, it allows for continuing interaction between the technical constraints and human adaptation to these fluctuating constraints. It is self-correcting because a process of decline invites its own reversal by correcting dysfunctions.

One dysfunction may well be the casino propensity mentioned in chapter 3. From a more recent source, there is a report that “well over 90 percent of all foreign exchange transactions are of a purely speculative nature.” 9 This empirical datum is judged in the report as symptomatic of the dissociation of financial transactions from the real transactions that are increasingly needed to supply the increasing demands of the living standard of humanity. This and many other dysfunctions call for a healing and creating response from macroeconomic participants – all of us – beginners and theoreticians alike.

McShane’s book invites readers to innovate creatively and to participate in the transformation of the potentialities of nature into a standard of living. The term “standard of living” is not defined but its meaning can be assumed to be clear in the minds of economists. What is not yet clear is how the standard of living can be promoted by a “redistributive function” (pp. 72-73).

Lönergan’s redistributive function may be clarified by comparing it with the IMF “bailouts” for ailing Asian economies since July 1997. There are similarities and differences. They are similar in that both require total transparency of global bookkeeping. Accurate records, publicly available, must be kept of parameters of production, trade and finance, including the quantities, velocities and accelerations of goods, services and payments. This transparency is still to be achieved, not only in the “crony

capitalism” in Asia, but also in the network of encrypted linkages between transoceanic dynasties elsewhere. Lack of transparency is forcing the IMF to rely more on the wishes of its wealthier shareholders (with a blind\(^{10}\) concern for self-preservation) than on sustaining global equilibrium. Lack of transparency will also prevent Lonergan’s redistributive function from functioning properly.

The similarity ends there. If and when total transparency is achieved, the only mode of redistribution that can sustain global equilibrium is the one whose target is to allow the crossovers between the basic and the surplus stages of the macroeconomy to balance sequentially. For this, the functional distinction between these stages is vital. So far, this distinction is ignored in IMF decisions. This ignorance may lead to the recurring need to rescue its own short-term rescue packages.

There is an urgent need for consensus on a long-term and totally transparent charter publicly formulating a redistributive function in today’s macroeconomy, for the great majority of earth’s inhabitants are victims of long-term maldistribution of the fruits of nature’s potentialities. Lonergan was convinced that this maldistribution is due not merely to greed but mainly to ignorance on the part of investors.\(^{11}\) In the absence of triple conversion and unable to share Lonergan’s insight into phantasm for imaging economic circulation, investors cannot even begin to understand the important distinction between the basic and the surplus stages of the productive process in an exchange economy. The result of this ignorance is cyclical disequilibrium that cumulatively depresses the standard of living of the world’s population. The further result is the irrational desire to reduce population. There is a prevailing culture of death. The macroeconomy is in a phase of decline.

Historical decline, when recognized, invites its own reversal.

\(^{10}\) “Blind” because they cannot see into “the dynamics of surplus and basic production, surplus and basic expansions, surplus and basic incomes . . .” and also because the “frantic efforts at self-preservation [will] turn the recession into a depression, and the depression in a crash.” Lonergan. *Essay.* 139.

\(^{11}\) Ibid.
This will happen when an adequate mechanism of redistribution is functioning. The eight simultaneous equations guiding Lonergan’s redistributive function may still be a mystery to many people. But there is a built-in “orientation towards an unknown,” even to “transcendent mystery,” especially where human survival is involved.¹²

In a sense, such a redistributive function resembles the procession of an “inner word” that will heal the wounds of the macro-economy.