Dualisms in the Finance // Economy // Climate Nexus

An exploratory essay drawing on Derridean thinking

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The financial crisis and its aftermath

Economists, by and large, either failed to anticipate the 2007-2009 global financial crisis or greatly underestimated its severity (Institute for New Economic Thinking)

“... a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole”

Source: “British Academy reveals dangerous recipe to the Queen”, British Academy; Photograph: Kirsty Wigglesworth/PA Archive/Press Association, https://www.britac.ac.uk/news/newsrelease-economy.cfm
Anthropogenic Climate Change

An even greater failure of the collective imagination is looming on the horizon.

- Increasing calls and initiatives to change the prevailing [neoclassical-driven] economic theory and methodology.

- A thorough process of questioning is necessary to change the configuration of mainstream economics.

Photo: S. Scrieciu photography http://www.serbanphoto.com
Jacques Derrida and his Deconstruction

[Critique of] semiotic analysis & philosophical thinking

“Objective” or “true” foundations of knowledge are impossible to attain (Rossetti 1992)

Language and the meaning it conveys are unavoidably context-dependent (Rossetti 1992)

Applying a form of analytical and critical inquiry to standard economics

“[The critique] is an analysis that focuses on the grounds of that system’s possibility ... [It is] a shift in perspective ... a deconstruction of the validity of the commonsense perception of the obvious ... every critique exposes what the starting point conceals, and thereby displaces all the ideas that follow from it” (Johnson 1981: xv)
Jacques Derrida
(1930 -2004)

- Challenges the entire edifice of Western philosophical tradition
- Style of writing: literary and evocative
- Attacks the culture of “logocentrism” and the “philosophy of presence”
- Focuses on deconstructing hierarchical binary oppositions: speech vs. writing, presence vs. absence, being vs. non-being, man vs. woman

Deconstruction
Eluding definition

- A process of rethinking of the fundamental premises of humanist knowledge (Matthews 2012)

- “Deconstruction of a neoclassical text reveals the fragility of the neoclassical construction of economic reality” and “lifts the veil of universal validity to expose its very particular conception of economic life” (Milberg 1988)

- Targets dualistic oppositions and installed hierarchies in dominant texts and ways of thinking, with the scope of critical analysis, exposure, and subversion (Reynolds 2010)

- “[...] deconstruction, that strategy without which the possibility of a critique could exist only in fragmentary, empiricist surges that amount in effect to a non-equivocal confirmation of metaphysics.” (Derrida 1981)
Parallels between logocentrism & standard economics:

- Both encapsulate entrenched hierarchical dualisms.
- Both advocate idealism and are indicative of a utopian view [e.g. self-balancing free market mechanisms leading to natural long-run equilibrium outcomes].
- Both make universal claims [e.g. obsession of neoclassical economics to find universal objective “laws” and theorems governing economic behavior].
- Both favour homogeneity and ahistoricity.

Limited application of deconstruction in economics
DERRIDA, THE ECONOMY, AND THE ENVIRONMENT

Human vs. Animal

Attacking the thesis of homogeneous biologistic continuism and the concept of “animal”
Main steps in applying deconstruction to dualisms in the finance – economy – climate literature

Step 1: Identify oppositions and hierarchical dualisms dominating orthodox economic thinking applied to finance-economy and economy-environment

Step 2: Provide explanations as to why these hierarchical oppositions are justified in dominant economic thought

Step 3 (first phase - reversal): Criticise the prevalent order of subordination, reverse existing oppositions, and illustrate why the opposite might be the case. The subordinated terms rather than being secondary are instead ubiquitous

Step 4 (second phase - neutralisation): Corrupt the opposition itself, reveal contradictions, disrupt the given structure, and eventually reconceptualise and rethink the finance - economy - environment nexus
Money Neutrality Hypothesis  General Equilibrium & Global Optimum

- The irrelevance of monetary policy in steering real GDP growth
- Sidelining of short-run imbalances

Long-run MNH: P1 to P2 and then to P3
Short run and Long run MNH: from P1 straight to P3

Two goods, X and Y & two agents A & B; E = global optimum
Out of thirty climate-economy models spanning seven model-comparison studies, only one model steps outside the entrenched optimisation equilibrium economics approach.

Overwhelming majority of models are CGE or optimal growth models.
Inherent contradictions in

**Equilibrium vs. Disequilibrium**

**MACRO** level: Standard economics view markets as self-equilibrating with little role for monetary dynamic and policy [vs. Keynes “shifting equilibrium” & Derrida’s deconstruction]

**MICRO** level: in GE theory, actual prices are seen as a deviation from idealised long-run equilibrium prices

- Walrasian-inspired equilibrium “natural” and “authentic”
- Disequilibrium as a disgraced fall from equilibrium
- Neoclassical price theory as “philosophy of presence”
- Market imperfections are unnatural, **BUT**
- Equilibrium thrives on disequilibrium
- Perfect markets originate in imperfect markets [Carlson 1983]
“Inheritance is never a given, it is always a task. It remains before us” [Derrida 1994]

“If Walras meant to say something very different than we had thought [i.e. “pure science” could be normative], perhaps we need to rethink the uses to which we put general equilibrium theory” [Koppl: 43]

“[...] the heir must engage in a process of critical reinterpretation and rewriting through which he works towards the advent of his own ‘signature’, to use Derrida’s term – a state of being that is influenced but not completely determined by the past.” [Lang 2008: 406]

“[...] existing [neoclassical growth] models embody considerable empirical knowledge about past patterns of economic growth and provide a common language currently used by most analysts and policy makers. Therefore, we take the neoclassical growth model as our starting point. The starting point, however, is what we will leave behind step by step.” [Jaeger et al 2011: 42]
Reversing oppositions

Money – Real Economy

Environment (Climate) - Economy

Disequilibrium – Equilibrium

Non-standard economics, such as:
- Post Keynesianism
- Ecological Economics

- Money and Environment are rendered ubiquitous rather than secondary
- Historical time-dependent dynamics and out-of-equilibrium analysis

Deconstruction does not escape deconstruction
Neutralisation & Intervention: Différance & the economy

“We could thus take up all the coupled oppositions on which philosophy is constructed, and from which our language lives, not in order to see opposition vanish but to see the emergence of a necessity such that one of the terms appears as the différance of the other, the other as “differed” within the systematic ordering [l’économie] of the same” [Derrida 1973]

- Derrida’s Economy: a system continuously transformed by the interplay between its own components
- Différance = difference [static difference] + deferral [the subordinated term is at the heart of the opposition] or:

“[…] a “productive”, conflictual movement which cannot be preceded by any identity, any unity, or any original simplicity; which cannot be “relieved” [relevé], resolved, or appeased by any philosophical dialectic; and which disorganizes “historically”, “practically”, textually, the opposition or the difference (the static distinction) between opposing terms” [Derrida 1981]

- Derrida: Money is Time
- Environmental and climate change as a manifestation of deferment (Nature is Time)
Economics research communities and macroeconomic modelling still heavily focused on dual relationships:

- Not succumbing to an order of subordination but also not vanishing the opposition.
- Two elements that contradict each other but simultaneously depending on each other.
Metaphor & knowledge: **Objective vs. Subjective**

- Metaphor in language versus metaphor in knowledge
- Deconstructive thought indicates towards economic arguments that are context-dependent and socially constructed and not universally “objective”
- Neoclassical economics adopts the veil of universal validity to mask its liberal humanism ideology
- Standard economics ignores the role of persuasion, language, rhetoric and ethics in the shaping economic systems
- “The ‘objective’ economic techniques themselves are not separable from the bias, the slant, or the interpretation we live within and perpetuate” [Rossetti 1990 on Deconstructing Lucas]
Any clear-cut conclusions?

- Deconstruction and Derrida’s thinking could be used a screening tool for understanding and selecting our inheritance across the economics discipline in order to move forward.

- Deconstruction can complement some other lines of critical inquiry.

- Deconstruction favours heterogeneity, temporal and spatial dynamics, contextualised differences, the social construction of theories, non-binary logic, “abyssal ruptures”

- It matters how we perceive, understand and defend market activity.

- Deconstruction can reveal structural contradictions within the unified whole.

- Economics research progresses non-linearly and is intertwined with social and political discourses and developments.
Encouraging reflexivity in economics

- Embracing context-dependent and value-driven models, historicism, and method pluralism in economics.
- Viewing the macro-economy as a dynamic social construct, subjected to contextual conditions, wherein money and nature play defining temporal and differential roles.
- Acknowledging the role of language, ideology, rhetoric and ethics in both economic thinking and the functioning of economic systems.
Feedback or ideas on how to take this forward is encouraged!

You are welcome to read the full paper on which this presentation is based and for which the reference is:


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